GRI Sustainability Reporting 2011 Sustainability Performance

This is the fourth consecutive year that we have provided a Global Reporting Initiative (GRI) Report using the G3 sustainability reporting guidelines.

In 2011, a review of the Strategy and Profile Disclosures and Performance Indicators was conducted. All previously reported Disclosures and Indicators were found to still be relevant and additional material areas were identified. This has resulted in us increasing our self-declared level of reporting against GRI to Level B. We have reported against all Profile Disclosures and Management Approaches for each Indicator Category and have increased the number of Performance Indicators that we report against to 41.

Application of GRI guidelines at Level B requires information against all of the G3 Strategy and Profile Disclosures, Management Approach Disclosures against each Indicator Category (Economic, Environment, Labour Practices and Decent Work, Human Rights, Society and Product Responsibility) and at least 20 Performance Indicators, including at least one from each Indicator Category.

Our published Sustainability Report 2011 contains a significant amount of information relating to GRI content, particularly regarding our Management Approach, as well as some performance related data. Some information relating to GRI can also be found in the company’s Annual Report 2011, particularly relating to Governance and Economic Management and Performance. Further information on key topics can also be found on the Company website www.croda.com and www.croda.com/CSR. Any supporting information is indicated where relevant throughout the report.

A GRI Index table can be found on pages 40 and 41 of the Sustainability Report 2011 summarising the location of GRI information. This GRI Report provides further details on Strategy and Profile Disclosures and Performance Indicators not found in either of these reports.

The following abbreviations are used in this report:
GRI G3 Content Index

The table below gives the Standard Disclosures that Croda disclose for their GRI G3 report at Level C.

## Strategy and Profile Disclosures

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<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>1.1 Statement from the most senior decision-maker of the organisation and overall vision</td>
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<td>1.2 Description of key impacts, risks and opportunities</td>
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<tr>
<td>2.1 Name of the organisation</td>
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<td>2.9 Significant changes during the reporting period regarding size, structure or ownership</td>
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<td>3.4 Contact point for questions regarding the report or its contents</td>
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</tr>
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<td>EC2 Financial implications and other risks and opportunities due to climate change</td>
<td>Partially Reported</td>
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<td>EC3 Coverage of the organisation’s defined benefit plan obligations</td>
<td>Partially Reported</td>
</tr>
<tr>
<td>EC4 Significant financial assistance from government</td>
<td>Reported</td>
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<td>EC5 Range of wage ratios</td>
<td>Not Reported</td>
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<td>EC6 Policy practice and proportion of spending on locally-based suppliers</td>
<td>Not Reported</td>
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<td>EC7 Procedures for local hiring</td>
<td>Not Reported</td>
</tr>
<tr>
<td>EC8 Development and impact of infrastructure investments and services</td>
<td>Not Reported</td>
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<table>
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<th>Environment Performance Indicators</th>
<th>Reporting Level</th>
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<td>EN1 Materials used</td>
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<td>EN23</td>
<td>Significant spills</td>
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<td>EN27</td>
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<td>EN28</td>
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<td>EN29</td>
<td>Transportation impacts</td>
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<tr>
<td>EN30</td>
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### Labour Practices & Decent Work Performance Indicators

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<th>LA1</th>
<th>Workforce by employment type, contract and region</th>
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<td>LA2</td>
<td>Employee turnover</td>
<td>Partially Reported</td>
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<tr>
<td>LA3</td>
<td>Benefits provided only to full-time employees</td>
<td>Not Reported</td>
</tr>
<tr>
<td>LA4</td>
<td>Employees covered by collective bargaining</td>
<td>Not Reported</td>
</tr>
<tr>
<td>LA5</td>
<td>Minimum notice periods</td>
<td>Not Reported</td>
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<td>LA6</td>
<td>Workforce represented in health and safety committees</td>
<td>Reported</td>
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<tr>
<td>LA7</td>
<td>Rates of injury and illness and number of work-related fatalities</td>
<td>Reported</td>
</tr>
<tr>
<td>LA8</td>
<td>Education, training, counselling, prevention and risk-control programmes for workforce and others</td>
<td>Not Reported</td>
</tr>
<tr>
<td>LA9</td>
<td>Health and safety topics covered in union agreements</td>
<td>Not Reported</td>
</tr>
<tr>
<td>LA10</td>
<td>Training per year per employee</td>
<td>Partially Reported</td>
</tr>
<tr>
<td>LA11</td>
<td>Programmes for skills management and lifelong learning</td>
<td>Partially Reported</td>
</tr>
<tr>
<td>LA12</td>
<td>Employees receiving regular performance and development reviews</td>
<td>Not Reported</td>
</tr>
<tr>
<td>LA13</td>
<td>Composition of governance bodies and workforce per category</td>
<td>Not Reported</td>
</tr>
<tr>
<td>LA14</td>
<td>Ratio of salary of men to women</td>
<td>Not Reported</td>
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</tbody>
</table>

### Human Rights Performance Indicators

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<tr>
<th>HR1</th>
<th>Investment agreements with human rights clauses</th>
<th>Not Reported</th>
</tr>
</thead>
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<td>HR2</td>
<td>Suppliers and contractors screened on human rights</td>
<td>Not Reported</td>
</tr>
<tr>
<td>HR3</td>
<td>Employee training on aspects of human rights</td>
<td>Not Reported</td>
</tr>
<tr>
<td>HR4</td>
<td>Incidents of discrimination and actions taken</td>
<td>Not Reported</td>
</tr>
<tr>
<td>HR5</td>
<td>Right to exercise freedom of association</td>
<td>Reported</td>
</tr>
<tr>
<td>HR6</td>
<td>Risk for incidents of child labour</td>
<td>Reported</td>
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<tr>
<td>-----</td>
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</tr>
<tr>
<td>HR7</td>
<td>Risk for incidents of forced labour</td>
<td>Reported</td>
</tr>
<tr>
<td>HR8</td>
<td>Security training – human rights policies</td>
<td>Not Reported</td>
</tr>
<tr>
<td>HR9</td>
<td>Violations involving rights of indigenous people</td>
<td>Not Reported</td>
</tr>
</tbody>
</table>

**Society Performance Indicators**

| SO1 | Programmes to assess impacts on communities | Reported |
| SO2 | Business units analysed for risks related to corruption | Partially Reported |
| SO3 | Training about anti-corruption policies | Reported |
| SO4 | Actions in response to incidents of corruption | Not Reported |
| SO5 | Public policy positions and lobbying | Not Reported |
| SO6 | Value of contributions to political parties and groups | Reported |
| SO7 | Legal actions for anti-competitive behaviour | Reported |
| SO8 | Fines and sanctions for non-compliance | Not Reported |

**Product Responsibility Performance Indicators**

| PR1 | Assessment of health and safety impacts | Partially Reported |
| PR2 | Non-compliance with regulations and codes during life cycle | Reported |
| PR3 | Information required by procedures | Reported |
| PR4 | Incidents of labelling non-compliance | Reported |
| PR5 | Practices related to customer satisfaction | Not Reported |
| PR6 | Adherence to laws and standards related to marketing communications | Reported |
| PR7 | Incidents of non-compliance with marketing related regulations | Reported |
| PR8 | Customer privacy and data loss | Reported |
| PR9 | Non-compliance with regulations for use of products | Reported |
Strategy and Analysis

1.1 Statement from the most senior decision-maker of the organisation and overall vision

Group Chief Executive Statement

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

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

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

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

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

In the pages that follow, we want to provide more detail on these issues and how we are working hard to address them; by acting now and by setting meaningful targets for future action. I am particularly pleased that we are able to report a reduction in the Group’s lost time injury rate in 2011, as well as further reductions in energy use and waste to landfill. Equally pleasing is the continued success of our employee volunteering programme, the 1% Club. In 2011, more than twice as many employees were involved in some form of local voluntary project compared to 2010, investing a total of over 4,600 hours of work time.

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

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

The Croda Vision

Underpinning life at Croda is the Croda Vision: a statement of our culture, which both informs and describes our behaviour:

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

Corporate Social Responsibility

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

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

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

Further details on our management structure can be found on page 22 of the 2011 Annual Report. Our 2012 and future targets can be found on pages 16-17 of the 2011 Sustainability Report, along with details on our performance, pages 18-39.

1.2 Description of key impacts, risks and opportunities

Material Issues

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

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

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

<table>
<thead>
<tr>
<th>Material Issue</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Quality &amp; Climate Change</td>
<td>To reduce the emissions of greenhouse gases to the environment from our manufacturing sites to ensure that we progress towards fully sustainable operations.</td>
</tr>
<tr>
<td>Water Quality &amp; Supply</td>
<td>To minimise the environmental burden arising from water consumption and waste water discharges from our manufacturing sites.</td>
</tr>
<tr>
<td>Landfill Waste</td>
<td>To phase out the disposal of waste arising from our activities into landfill sites.</td>
</tr>
<tr>
<td>Process Safety Management</td>
<td>To reduce the risks associated with all of our chemical processes to a point deemed to be as low as reasonably practicable (ALARP).</td>
</tr>
<tr>
<td>Occupational Health &amp; Safety</td>
<td>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.</td>
</tr>
</tbody>
</table>
Renewable Raw Materials | To ensure our product portfolio is sustainable and to dedicate new product development to meeting our customer needs in this area.

Responsible Palm Oil Sourcing | To fully support sustainable Palm Oil and Palm Kernel Oil and to keep working with the industry to secure a sustainable source of derivatives.

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.

Recruitment & Retention | To attract, recruit and retain high calibre employees to support our objectives and changing business requirements.

Performance Management | To instil a high performance culture through an integrated and consistent approach to performance management.

Compensation & Benefits | To ensure our compensation and benefits packages enable us to attract, recruit and retain key talent.

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.

HR Policies & Systems | To operate streamlined, fair and coherent employment policies and systems.

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.

Ethical Supply Chain | To increase monitoring of our supply chain to ensure that it is ethical and sustainable so as to meet the future needs of our business.

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 our public affairs activities are sufficient to support the growth expectations of our business.

Community Involvement | To put community communication into action and, in doing so, enhance the performance of our employees and support the recruitment needs of our business in the future.

Community Education | To enhance our brand and reputation, and raise the profile of science, technology and engineering by providing community education and training opportunities on a local and national basis as relevant to the regions in which we operate.

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

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

Further details on these material issues and how they are managed can be found on pages 9-14 of the 2011 Sustainability Report.

**Stakeholder Engagement**

Underpinning our sustainability strategy is stakeholder engagement. We recognise that to succeed economically, environmentally and socially we must continue to broaden our two way dialogue with all of our stakeholders. This dialogue takes many forms and encompasses a very diverse audience.
In addition to our ongoing activities in relation to our key stakeholder engagement areas, we have undertaken a number of specific projects that have focused on particular aspects of stakeholder engagement during 2011. Namely, our top 50 customer survey, regional employee surveys and face to face meetings within our communities. There are also many activities within our peer group where we make significant contributions to the sustainability of our industry in general.

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

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

Further details about our stakeholder engagement activities can be found in the 2011 Sustainability Report, on pages 8, 9, 15, 28-29, 34 and 36.

**Risk Management**

Effective management of risks and opportunities is essential to the delivery of the Group’s financial and non-financial objectives, thereby ensuring the Group delivers value to the shareholders, protects its reputation and meets the requirements of good corporate governance. Croda is committed to the effective management of all key risks identified.

The Group coordinates its global approach through the Risk Management Committee which meets quarterly and reports directly to the Board. This Committee is chaired by the Group Finance Director and comprises the regional Presidents, the Group Financial Controller and the Company Secretary with the Group Risk and Control Manager in attendance.

A structured risk management system is implemented across the Group which is defined in the Group’s risk management framework.

The framework comprises a standard set of risk categories and definitions, together with the process and risk register format to be used in analysing and managing risk. Risks are ranked by combining the economic, operational or environmental impact (rated by value) and the likelihood of occurrence, both before and after identification of mitigating controls, and any actions required to address weaknesses. The responsibility for risk identification, analysis, evaluation and mitigation rests with management at regional and site level. All regions and key functional groups are required to undertake a full review of risks and their mitigating strategies at least half yearly, with sites required to undertake the same review at least annually. Each risk is allocated an owner who has the responsibility for monitoring and managing it.

The output from the risk reviews are consolidated and reported to the Risk Management Committee to identify Group wide impacts and trends including external and emerging risks. In addition, a top down review is performed to identify Group level risks that will not have been identified at regional or site level. The most significant risks are collated into the Group risk register using the same risk management framework, which is reviewed at each meeting. The Committee evaluates the controls and procedures which are in place to mitigate these risks, and a nominated member of the Committee is responsible for ensuring that best practice is followed in tackling each area and that continuous progress is made in managing the risks.

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

The review of our risk framework will be ongoing as our business changes. As a minimum, all regions and core functions update their registers twice per year. During 2012, the CSR Steering Committee will be addressing two particular areas of risk associated with two of our material issues; responsible supply chain management and consistent community engagement. The aim of this review is to enhance the processes and procedures we have in place to manage these areas across our business.

Organisation Profile

2.1 Name of the organisation

Croda International Plc.

More information can be found on the company website at www.croda.com.

2.2 Major brands, products and/or services

Croda uses a variety of technologies to manufacture a uniquely broad portfolio of oleochemical and speciality products. These products provide enhanced functionality when used as ingredients, additives, or processing aids within a wide cross section of industries, including many of the following:

<table>
<thead>
<tr>
<th>Personal Care</th>
<th>Health Care</th>
<th>Crop Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets: Croda create products for the skin care, sun care, hair care, baby care, colour cosmetics, male grooming, bath and shower and antiperspirant markets. Products: These include inorganic UV absorbers, lanolins, emollients, polymers, proteins, surfactants and skin care actives. Read more at <a href="http://www.croda.com">www.croda.com</a></td>
<td>Markets: Croda's high purity ingredients are used in the pharmaceutical, dermatological, nutraceutical, functional food and animal health markets. Products: These include concentrated omega fatty acids, ultra pure medical grade lanolins, Super Refined™ excipients and a wide range of surfactants, solubilisers, emulsifiers and fatty acid esters.. Read more at <a href="http://www.croda.com">www.croda.com</a></td>
<td>Markets: Croda provide inert ingredients and adjuvants for the full spectrum of agrochemical applications. Products: These include polymeric surfactants, dispersants, wetting agents, emulsifiers, stabilisers, adjuvants and seed coating binders. Read more at <a href="http://www.croda.com">www.croda.com</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industrial Specialities</th>
<th>Process Additives</th>
<th>Polymer Additives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets: Croda supply ingredients for laundry, household, industrial and institutional cleaning applications, as well as for wipes, tissues, nappies and hygiene articles. Products: These include proteins and their derivatives, softeners, surfactants, solvents, emulsifiers, solubilisers, hydrotropes, tissue lotions, botanical extracts, fatty acids and glycerine. Read more at <a href="http://www.croda.com">www.croda.com</a></td>
<td>Markets: Croda supply ingredients and additives for use in a range of market applications including rubber, candles, textiles, leather and surfactants. Products: These include the full range of our products; from base oleochemical fatty acids and glycerine to esters, polymeric surfactants and amides. Read more at <a href="http://www.croda.com">www.croda.com</a></td>
<td>Markets: Croda provide speciality effects for a wide range of industrial and consumer plastics, packaging and rubber applications. Products: These include slip, anti-block, antistatic, anti-fog, mould and torque release agents as well as UV absorbers, dispersants and concentrates. Read more at <a href="http://www.croda.com">www.croda.com</a></td>
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</table>

<table>
<thead>
<tr>
<th>Coatings and Polymers</th>
<th>Lubricant Additives</th>
<th>Geo Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets: Croda provide environmentally friendly, high performance solutions to paint formulators, resin manufacturers and additive producers. This includes a wide range of naturally derived oleochemicals and speciality surfactants. Read more at <a href="http://www.croda.com">www.croda.com</a></td>
<td>Markets: Croda supply ingredients based on renewable raw materials to automotive and industrial lubricant markets. Products: These include multi-functional esters, polyalkylene glycols and speciality lubricant additive products deliver high performance, energy efficient solutions to meet the challenging demands of the lubricant industry. Read more at <a href="http://www.croda.com">www.croda.com</a></td>
<td>Markets: Croda provide innovative, efficient solutions for the oil field, mining and water treatment markets. Products: These include demulsifiers for the oil field industry, emulsifiers for explosives and water soluble polymer components for the formulation of water treatments. Read more at <a href="http://www.croda.com">www.croda.com</a></td>
</tr>
</tbody>
</table>
In 2012 the structure of reporting on our business will change, splitting into three reporting business sectors: Consumer Care, Performance Technologies and Industrial Chemicals. More information on Croda’s products, markets, applications and changes to our reporting structure can be found at www.croda.com under Products and Markets.

2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures

We have technical centres and manufacturing plants throughout the world and are a world leader in natural based speciality chemicals, sold to virtually every type of industry.

Croda’s activities can be broadly classified into two sectors:

**Consumer Care** is focused on health and wellbeing, our Consumer Care segment consists of Personal Care, Health Care and Crop Care. We supply innovative ingredients that help consumers look and feel great, promote vitality and a healthy lifestyle and ensure the food we eat is safe and plentiful. Consumers want to look and feel good, but also want products that combine great performance with excellent sustainability credentials.

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

In addition, the Group has an **Enterprise Technology** function that identifies and integrates new technology into the global business structure.

A list of our principal subsidiary companies can be found on page 98 of our 2011 Annual Report.

In 2012 the structure of reporting on our business will change, splitting into three reporting business sectors: Consumer Care, Performance Technologies and Industrial Chemicals. More information on these changes can be found at www.croda.com under Products and Markets.

More information on the organisation structure can be found at www.croda.com under: Worldwide Facilities and Locations and Company Overview.

2.4 Location of organisation’s headquarters and major divisions, operating companies, joint ventures and subsidiaries

Croda’s corporate headquarters are at Cowick Hall in East Yorkshire, England.

More information can be found at www.croda.com under: Worldwide Facilities and Locations

2.5 Number of countries where the organisation operates and names of countries with major operations, or that are specifically relevant to the sustainability issues covered in the report

Croda is a truly international company with over 3,213 (at 31 December 2011) employees working in 33 countries. The strength of the research, development and manufacturing capabilities is underpinned by a global network of sales offices and technical/customer support teams.

**Countries of Operation**

As at 31st December 2011

<table>
<thead>
<tr>
<th>Asia</th>
<th>Europe and the Middle East</th>
<th>The Americas</th>
<th>Rest of the World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Belgium</td>
<td>Argentina</td>
<td>Australia</td>
</tr>
<tr>
<td>China</td>
<td>Czech Republic</td>
<td>Brazil*</td>
<td>South Africa</td>
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<tr>
<td>India*</td>
<td>France***</td>
<td>Chile</td>
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<tr>
<td>Indonesia*</td>
<td>Germany</td>
<td>Columbia</td>
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<td>Japan*</td>
<td>Hungary</td>
<td>Chile</td>
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<td>Singapore*</td>
<td>Italy*</td>
<td>Mexico</td>
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<tr>
<td>South Korea</td>
<td>The Netherlands*</td>
<td>Peru</td>
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<tr>
<td>Taiwan</td>
<td>Poland</td>
<td>USA**</td>
<td></td>
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<tr>
<td>Thailand</td>
<td>Russia</td>
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</tbody>
</table>
2.6 Nature of ownership and legal form

Croda International is a Public Limited Company; we have been listed on the London Stock Exchange since 1964. The Articles of Association can be found at www.croda.com under: Corporate Governance. The ownership structure and major shareholders can be found in the 2011 Annual report.

2.7 Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)

Markets served can be found under disclosure 2.2. The revenue generated by region during 2011 was as follows:

- Europe – £471.1m
- Americas – £367.8m
- Asia – £174.3m
- Rest of the World – £55.2m

The breakdown of revenue and operating profit by sector during 2011 was as follows:

- Consumer Care – Revenue = £574.3m, Operating Profit = £173.4m
- Industrial Specialities – Revenue = £494.1m, Operating Profit = £69.0m

A geographical breakdown of revenue by region can be found on pages 4-5 of the 2011 Sustainability Report. The markets served and their geographic breakdown can be found at www.croda.com website under: Products and Markets and Worldwide Facilities and Locations.

2.8 Scale of the reporting organisation

The Group employed, on 31 December 2011, 3,213 employees worldwide. Croda operated 17 manufacturing sites and more than 40 commercial offices in 33 countries across six continents around the world on 31 December 2011.

In 2011, 53.8% of sales revenue was to the Consumer Care market and 46.2% to Industrial Specialties.

In 2011, the net sales by revenue and destination were: Europe 44.1%, Americas 34.4%, Asia 16.3% and Rest of the World 5.2%.

In 2011, revenue from continuing operations was £1,068.4 million.

At 31 December 2011 total capitalisation was £2,524.6 million, £231.1 million debt and £2,293.5 million equity.

These figures apply to Croda International Plc in total. Further information can be found in the 2011 Annual Report at www.croda.com.

2.9 Significant changes during the reporting period regarding size, structure or ownership
In January 2011, the Group completed the sale of its 60% holding in its Korean joint venture, Croda Woobang, to the Korean joint venture partners.

In November 2011, we opened a new sales office in Istanbul, Turkey.

Further details of the Group’s discontinued operations can be found on page 63 of the 2011 Annual Report.

2.10 Awards received in the reporting period

- **Solaveil™ SpeXtra** won the Cosmetics and Toiletries R&D Awards ‘Best New Technology’ award at in-cosmetics 2011
- **Croda’s Solaveil SpeXtra advert** won 1st place in the HAPPI Ad-Q Study in March 2011
- Kakue Tsuchihashi received an award from the Shiga Cosmetic Industries Association, Kakue is a Research Team Leader Croda Japan
- **PureMax™**, Croda’s Omega 3 nutritional brand, was awarded “Most Effective Marketing Campaign” at the Nutritional Business Technology Awards at Vitafoods 2011
- **Croda International Plc** won the Best Chemicals PLC Award at the UK StockMarket Awards
- **Croda Brazil** received the 2011 Award from Natura as its principal supplier, complying with all aspects of the QLICAR project
- **Croda Brazil** has received the Silver Award 2011 from O Boticário
- **Croda Brazil** received the award of Qualified Supplier at the ABIHPEC Association Awards
- **Croda Leek** won the Partnership Award 2011 at The Staffordshire Partnership Education and Business awards for the work experience activities at the site
- **Croda Singapore** was awarded the Achievement Award in the Pollution Prevent Code of the Singapore Chemical Industry Council (SCIC) Responsible Care Awards for 2011
- **Croda Sederma** has been awarded three ‘peonies’ for its compliance with the Cosmetic Valley’s Eco-Responsible Charter
- **Croda China** won the 2011 Best Supplier Service Award from P&G China
Report Parameters

3.1 Reporting period for information provided

The Reporting Period is the 2011 calendar year. Reporting on objectives and target covers the period of application and not just performance from 1st January to 31st December 2011.

3.2 Date of most recent previous report

The 2011 Sustainability Report can be found at www.croda.com/CSR.

With the implementation of GRI Reporting in 2008, this report is Croda's fourth GRI Report and reflects our application at level B. Previous reports can be downloaded from www.croda.com/GRI in the GRI report archive.

3.3 Reporting cycle

Croda has an annual reporting cycle; our printed Sustainability Report (formerly CSR Report up to 2010) is published each year and released in conjunction with the Annual Report. Our GRI report is released exclusively online at www.croda.com/GRI.

3.4 Contact point for questions regarding the report or its content

The contact point is Sarah Millns, CSR Manager.

Contact details: our.responsibility@croda.com

3.5 Process for defining report content

During 2011, we have reviewed the issues that are material to our Company. To identify our most material issues, members of our CSR Steering Committee met with the Group Executive Committee in July 2011 for an in depth Sustainability Strategy Day to discuss the major issues to our business and key stakeholders. Outcomes of this meeting and descriptions of the issues identified as most material to Croda and our stakeholders can be found on pages 9-14 of the 2011 Sustainability Report.

In 2011 we reassessed the GRI Standard Disclosures that are most relevant to our business. As a result of this, in 2011 we are reporting all Strategy and Profile Disclosures and Management Approach Disclosures, as well as increasing the number of Performance Indicators against which we report to 41.

3.6 Boundary of the report

The scope of this report is all fully managed operations, which are those that are controlled by our Board and Group Executive Committee who are responsible for policies, standards and performance. For more information about our operations read GRI Strategy and Profile Disclosure 2.3 and pages 2-9 in the 2011 Annual Report.

3.7 State any specific limitations on the scope or boundary of the report

There are no specific limitations with concern to the scope or boundary of the report, with the exception that our new office in Turkey has not provided any data for this report due to only being established in November 2011.

3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations

The basis for reporting on joint ventures, subsidiaries, leased facilities and other entities does not significantly affect comparability from period to period.
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report

The data provided in this report is measured using the most appropriate techniques, methodologies or guidelines. Unless otherwise stated the data presented has been measured by us or a third party on our behalf. Data that has been calculated rather than measured are stated in the report, with the basis of calculation and any assumptions made are clearly stated alongside the information.

3.10 Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement

There were no significant re-statements with relevance for GRI reporting.

3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report

Since our last report in 2010 there have been some changes to the Group targets in areas across GRI. As such the way in which we track and measure certain targets has changed, particularly in the environmental area. Our 2012 and future targets can be found on pages 16-17 of the 2011 Sustainability Report, along with details on our performance, pages 18-39.

3.12 Table identifying the location of the standard disclosures in the report

Navigation to the standard disclosures that we report can be found at www.croda.com/GRI and our content index can be found under GRI Report > Application Level > Content Index.

3.13 Assurance

The financial information contained in the 2011 Annual Report has been externally audited by PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors, a statement can be found on page 47 of the 2011 Annual Report. Along with this process the financial and non-financial information in the directors’ report, including the Sustainability section, has been reviewed for inconsistencies with the audited financial statements.

At this time Croda is not seeking to externally assure information contained in the Sustainability Report or the accompanying online GRI Report. The decision whether to assure these reports is reviewed on an annual basis.
Governance, Commitments and Engagement

4.1 Governance structure of the organisation

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

Our Board of Directors is committed to high standards of corporate governance and to complying with the provisions of the UK Corporate Governance Code (the "Code") where practicable. This statement, together with the directors’ remuneration report, set out on pages 30-42 of the 2011 Annual Report.

The Board has ultimate responsibility for the overall leadership of the Company and in this role it assists in the development of a clear strategy for the Group, monitors operational and financial performance against agreed goals and objectives and ensures that appropriate controls and systems are in place to manage risk. It has a formal schedule of matters specifically reserved to it and this is posted on the Company’s website, www.croda.com.

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

The Board has three main committees which are established by Board resolution and each has written terms of reference which can be found on the Company’s website.

- Audit Committee – four non-executive directors
- Nomination Committee – Chairman, Group Finance Director and four non-executive directors
- Remuneration Committee – Chairman and four non-executive directors

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

In line with the Association of British Insurers’ Guidelines on Responsible Investment Disclosure, the Remuneration Committee ensures that the incentive structure for executive directors and senior executive management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. The Committee also has the discretion to take health, safety and environmental performance into consideration when determining the actual overall level of individual bonus payments and it may reduce the bonus awards if it considers it appropriate to do so.

Further information together with the Articles of association can be downloaded from www.croda.com/corporategovernance. Further information on the responsibilities of the Board and main committees can be found on pages 22-29 of the 2011 Annual Report.

4.2 Indicate whether the Chair of the highest governance body is also an executive officer

Our Chairman is an independent (non-executive) director.

Further information on our Board of Directors can be found on pages 22-29 of the 2011 Annual Report.

4.3 For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members

At the date of this report our Board comprises the Chairman, the Group Chief Executive, the Group Finance Director, the Chief Technology Officer and four independent non-executive directors who have a range of business, financial and international skills and experience.

Further information on the Board of Directors can be found on pages 22-29 of the 2011 Annual Report.

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body
We hold an annual general meeting each year to which all shareholders are invited to attend and ask questions relating to the agenda of the meeting, which customarily deals with the annual report and accounts including the report on directors' remuneration. In addition, UK company law provides statutory mechanisms for shareholders to require directors of companies to hold shareholder meetings and propose resolutions submitted by shareholders.

We believe that effective internal communication is vital to achieving business objectives, and communication and consultation strengthen the relationship between management and employees. During 2010 and 2011 employee surveys were completed in each of our regions of operation, allowing employees to communicate their concerns to the business. This included the first Europe wide survey covering over 60% of our workforce. For more information see pages 28-29 of the 2011 Sustainability Report.

The company promotes a transparent and open way of working, and is committed to developing and improving the effectiveness of the communication and consultation process. The appropriate method of communication and/or consultation will be decided by the Company dependant upon the nature of the topic involved. Communication and consultations may take various forms that include, but are not limited to:

- Employee surveys
- Face to face meetings that may be formal or informal
- Telephone calls
- Letter
- E-mail
- Notice
- Memo
- E-list
- Announcements on intranet
- Article in company magazine
- Team briefing and cascades
- Group meetings
- Meeting with Union representatives and/or consultative bodies
- Focus groups
- Questionnaire
- Team consultations

Further details about shareholder communications can be found on www.croda.com or on pages 30-42 in the 2011 Annual Report.

4.5 Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organisation’s performance (including social and environmental performance)

Remuneration of the executive members of the Board includes performance related aspects rewarding contribution to sustained increases in Company performance and value. In line with the Association of British Insurers’ Guidelines on Responsible Investment Disclosure, the Remuneration Committee ensures that the incentive structure for executive directors and senior executive management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. The Committee also has the discretion to take health, safety and environmental performance into consideration when determining the actual overall level of individual bonus payments and it may reduce the bonus awards if it considers it appropriate to do so.

Further details can be found in the directors’ remuneration report on pages 30-42 of the 2011 Annual report.

4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided

The Board has an established process for declaring and monitoring actual and potential conflicts. The Articles of Association of the Company allow the non-conflicted members of the Board to authorise a conflict or potential conflict situation. No conflicts were identified or authorised during the year.
4.7 Processes for determining the qualifications and expertise of the members of the highest governing body for guiding the organisation’s strategy on economic, environmental, and social topics

At Croda, we comply with the provisions of the UK Corporate Governance Code (the "Code") and our Board has ultimate responsibility for overall leadership of the company. Our Board has three Executive members and very experienced non-executive directors who represent a source of strong independent advice and judgement. At present there are five such directors, including the Chairman and the Senior Independent director, Nigel Turner, each of whom has significant commercial experience. Their understanding of the Group’s operations is enhanced by regular business presentations and by site visits.

The Board supports the principles set out in the Code regarding Board appointments and agrees that having a diverse mix of skills, experience and backgrounds on the Board is very important. All members of the Board have full access to the advice and services of the Company Secretary. Where necessary the directors may take independent professional advice at the Company’s expense. Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their positions to the extent permitted by law. In addition the Company maintained directors’ and officers’ liability insurance cover throughout the year.

Training and briefings are available to all directors on appointment and subsequently, as appropriate, taking into account their existing experience, qualifications and skills. In order to build and increase the non-executive directors’ familiarity with, and understanding of, the Group’s people and businesses and the markets in which it operates. Presentations from senior managers are made at Board meetings on a regular basis. The Board also usually holds at least one Board meeting a year at a Croda operating site. In September the Board held its meeting in Brazil during a visit to our manufacturing site at Campinas. Earlier in the year the Board also visited the Rawcliffe Bridge manufacturing site in the UK. These visits allow the non-executives to tour the sites and observe the operations at first hand as well as providing the opportunity to meet the local management and employees and gain their insight into the business. Non-executive directors also undertake site visits on an individual basis.

4.8 Internally developed mission and values statements, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation

In 2005, the Croda Vision was set out as a statement of six values inherent to the Croda business. Since its conception the Vision has remained unchanged, but has become the underlying statement against which all social, economical and ecological policies and procedures are carried out. Our CSR policy, established in 2007, has been reviewed and is now underpinning our sustainability mission. Every new employee is given a copy of the Croda Vision and Group policies are available on Croda’s company intranet, Connect.

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

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

This will be achieved through:

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

Our mission is to achieve this sustainably by:

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

Social Performance
At Croda, we firmly believe that social performance depends not only on the actions of the Group as a whole, but is also reflected by the actions of individual employees. As such a ‘Code of Conduct’ has been developed that sets the high standards to which all individual employees are expected to conduct themselves with respect to colleagues, stakeholders and company.

Economic Performance
Within the Croda Vision is our key economic mission; “To remain an independent Company and operate as one global team”. As an established multi-national company, economic performance policies and indicators have been developed in areas such as finance, risk management, acquisitions and disposals with significant issues in these areas being communicated to all employees. Furthermore, the authority to act in any area of economic importance in the Group is detailed in a freely available document, which explains at what level of the business specific decisions should be made.

Environmental Performance
Our performance is monitored and externally audited against the ISO14001 environmental management standard and in 2010 all of our global manufacturing sites were certified to this standard. We have also implemented the ‘12 principles of green chemistry’ in our R&D centres around the Group. These principles guide the development of new products in such a way that reduces waste, improves efficiency and ensures that new products are as sustainable as reasonably practicable.

4.9 Procedures of the highest governance body for overseeing the organisation’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles

Effective management of risks and opportunities is essential to the delivery of the Group’s financial and non-financial objectives, thereby ensuring the Group delivers value to shareholders, protects its reputation and meets the requirements of good corporate governance.

At Croda we are committed to the effective management of all key risks identified. The Group coordinates its global approach through the Risk Management Committee, which meets quarterly and reports directly to the Board. This Committee is chaired by the Group Finance Director and comprises the regional Presidents, the Group Financial Controller and the Company Secretary with the Group Risk and Control Manager in attendance.


4.10 Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance

The Remuneration Committee, which consists of the non-executive directors, is responsible for advising on the remuneration policy for senior executives and for determining the remuneration packages of the executive directors and the Chairman.

Croda has a policy on executive remuneration, the key objectives of the policy are:
• to ensure that individual rewards and incentives are comparable with those provided by similar companies having regard to the Group’s turnover, business sector and market worth and the need for skills to manage international businesses;

• to enable the Group to attract and retain high calibre people;

• to give full consideration to the relevant principles on directors’ remuneration set out in the 2010 UK Corporate Governance Code; and

• to ensure a balance between fixed and performance related remuneration, the latter being related to objective measurement of the financial performance of the Company.

The Committee believes that the interests of shareholders and directors are more closely aligned by the operation of short-term incentives, which encourage the achievement of stretching profit targets and under which rewards may be delivered in the form of cash and shares, combined with share-based long term incentives that reward performance against three year earnings per share and relative total shareholder return targets.

In designing an appropriate incentive structure for the executive directors and senior executive management team, the Committee endeavours to set challenging performance criteria that are aligned with the Group's strategy for the business and the enhancement of shareholder value. In line with the Association of British Insurers’ Guidelines on Responsible Investment Disclosure, the Committee ensures that the incentive structure for executive directors and senior executive management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee that prevents it from taking into account corporate governance on ESG matters and it takes due account of issues of general operational risk when structuring incentives.

The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the executive directors for example, consideration is given to the overall salary increase budget and the incentive structures that operate across the Group. The Company operates bonus schemes for its directors and senior executives. Bonus payments are not pensionable. The 2011 bonuses for executive directors were calculated by reference to the amount by which the income for the year, which is defined as the Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS 2 “Share based payments” less a notional interest charge on working capital employed during the year (the “2011 income”), exceeded the income for 2010 calculated on the same basis (the “base income”). Bonuses for 2011 are payable against a graduated scale once the 2011 income exceeds the base income by inflation (defined as the consumer prices index (CPI)), with maximum bonuses due at CPI plus 10%. Income is measured after providing for the cost of any bonuses. Once the level of bonus has been determined against the targets set at the start of the year, the Committee has the discretion to take health, safety and environmental performance into consideration when determining the actual overall level of individual bonus payments and it may reduce the bonus awards if it considers it appropriate to do so (e.g. if health, safety and environmental performance is not considered satisfactory during the period over which the bonus was earned).

Further details on evaluation of the Board’s performance can be found on pages 30-42 of the 2011 Annual Report.
Commitments to External Initiatives

4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organisation

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

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

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

The review of our risk framework will be ongoing as our business changes. As a minimum, all regions and core functions update their registers twice per year. During 2012, the CSR Steering Committee will be addressing two particular areas of risk associated with two of our material issues; responsible supply chain management and consistent community engagement. The aim of this review is to enhance the processes and procedures we have in place to manage these areas across our business.


4.12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses

At Croda, we actively participate in a number of organisations and bodies.

Many relate to the speciality chemical sector and the responsible management of Croda’s products and to social responsibility and sustainability.

Charters

Responsible Care®

We are signatories to Responsible Care®, which is the chemical industry’s global voluntary initiative that companies, through their national associations, work together to continuously improve their health, safety and environmental performance and to communicate with stakeholders about their products and processes. The Responsible Care® ethic helps industries to operate safely, profitably and with due care for future generations. It was commended by UNEP as making a significant contribution to sustainable development at the World Summit on Sustainable Development in 2002.

Round Table on Sustainable Palm Oil (RSPO)

We have been active members of RSPO since it was established in 2004, and sit on the Derivatives Working Group. The mission of RSPO is to advance the production, procurement and use of sustainable oil palm products through: the development, implementation and verification of credible global standards and the engagement of stakeholders along the supply chain. We are members of the RSPO, which collectively brings oil palm growers, oil processors, food companies, retailers, NGOs and investors to work together towards a global supply of palm oil that is produced in a...
socially and environmentally responsible way. The Roundtable promotes palm oil production practices that help reduce deforestation, preserve biodiversity, and respect the livelihoods of rural communities in oil-producing countries. It ensures that no new primary forest or other high conservation value areas are sacrificed for palm oil plantations, that plantations apply accepted best practices and that the basic rights and living conditions of millions of plantation workers, smallholders and indigenous people are fully respected.

12 Principles of Green Chemistry

The 12 Principles of Green Chemistry were developed in 1991 by Paul Anastas, at the time working as an organic chemist at the Environmental Protection Agency, and John C. Warner. The aim of the principles is to minimise the environmental impact of chemical products and reduce the environmental and social risks of these products. We have been using these principles since 2010 to drive our New Product Development down a more sustainable and environmentally friendly path. In 2012 we aim to assess all of our newly developed products against these principles.

4.13 Memberships of associations

We are a signatory to the Responsible Care® Initiative of the chemical industry trade associations in the UK, USA and Singapore, and more recently has endorsed the Global Charter agreed amongst the members of the International Council of Chemical Associations. We have also demonstrated our commitment to Sustainable Development by endorsing the principles developed in cooperation with stakeholders and member companies of the Chemical Industries Association.

We are also members of:

- American Chemical Society
- American Chemistry Council in the USA (ACC) and part of the voluntary industry initiative High Production Volume Challenge Program
- American National Standards Institute - National Sanitation Foundation (ANSI-NSF)
- American Oil Chemists Society (AOCS)
- American Society for Testing and Methods (ASTM)
- Argentinean Association of Cosmetics Chemists (AAQC)
- Association of Indonesian Employers (APINDO)
- Association of the Spanish Plastics Industry (CEP)
- Association of Trading Chemical Companies (ASSIC)
- Bombay Chambers of Commerce
- Brazilian Chemical Industry Association (ABIQUIM)
- British Adhesives & Sealants Association (BASA)
- Business in the Community (BITC) in the UK
- Canadian Association Of Chemical Distributors (CACD)
- Canadian Cosmetic, Toiletry & Fragrance Association (CCTFA) and sit on the technical committee
- Canadian Sanitation Supply Association
- Carbon Disclosure Project (CDP)
- Catalanian Chemical Industry Federation (FEDEQUIM)
- Center for Chemical Process Safety (CCPS)
- Centre of Excellence for Biocatalysis, Biotransformation and Biocatalytic Manufacture (CofEBio3)
• Chemicals Industry Association: EO Sector network group and Speciality Chemicals Risk Interest Forum
• Chemistry Council of New Jersey (CCNJ)
• Chemistry Innovation
• Chilean Society of Cosmetic Chemists (SChQC)
• China Association of Fragrance Flavour & Cosmetic Industries (CAFFCI)
• China Cosmetics Quality Assurance Committee (CCQAC)
• China State Food and Drug Administration (SFDA)
• Colombian Association of Cosmetic and Tec (ACCyTec)
• Consumer Specialty Products Association (CSPA)
• Cosmetic Executive Women
• Cosmetic Mediterranean Association (COSMED) and OcWell (Languedoc-Roussillon regional group of COSMED)
• Cosmetic, Toiletry & Fragrance Association of South Africa (CTFA)
• Cosmetics, Toiletries and Perfumery Association in the UK (CTPA)
• Delaware Safety Council (DSC)
• Dutch association for Energy, Environment and Water (VEMW)
• Dutch Paint Association (NVVT)
• East and West Cowick liaison panel
• Environment Agency
• Environmental Assessment Working Group (EAWG), acting as the CACD representative and Co-Chair
• Ethylene Oxide Panel
• European Oleochemical Industry Association (APAG)
• European Union Chamber of Commerce on Korea (EUCCK)
• Federation of Enterprises in Beauty – France (FEBEA)
• Federation of Indian Chambers of Commerce and Industry (FICCI)
• Federation of Oils, Seeds and Fats Associations (FOSFA)
• Federsalus (Association of or producers of nutritional supplements, fortified foods, etc.)
• French Coating Association (AFTPVA)
• French National Association of Surfactants Manufacturers (ASPA-INGRECOS)
• French Society of Cosmetology (SFC)
• German Association of Wholesale Traders in Oils, Fats and Oil Raw Materials (GROFOR)
• German Paint Association (VILF)
• Health and Safety Executive (HSE)
• Hull & Humber Chamber of Commerce
• Humber Chemicals Focus: Major hazards & human factors groups
• Independent Lubricant Manufactures Association
• Indian Chemical Council
• Indian Specialty Chemicals Manufacturers Association
• Industrial Biotechnology Leadership Forum (IBLF)
• Industry Coordinating Group for Canadian Environmental Protection Act (CEPA - ICG)
• International Fishmeal and Fish Oil Organisation (IFFO)
• International Pharmaceutical Excipient Council (IPEC) of Americas
• International Society for Agrochemical Adjuvants (ISAA)
• Johannesburg chamber of commerce and Industry (JCCI)
• Korea Chemical Management Association (KCMA)
• Korea Cosmetic Association (KCA)
• Korea Pharmaceutical Traders Association (KPTA)
• National Safety Council
• National Skills Academy for Process Industries
• Netherlands Oils, Fats and Oilseeds Trade Association (NOFOTA)
• New Jersey Chemistry Council
• North Central Weed Science Society (NCWSS)
• Pennsylvania Chemical Industry Council (PCIC)
• Personal Care Products Council (PCPC) and represented on the Chemicals Management Task Force
• Peruvian Association of Cosmetics Chemists (APQC)
• Peruvian Association of Textiles Technician
• Responsible Care Initiative
• Round Table for Sustainable Palm Oil (RSPO) including the Derivatives Working Group
• Silver member of World Wide Fund for Nature (WWF) in China
• Singaporean Chemical Trade Associations
• Society of Cosmetic Chemists
• Society of Cosmetic Chemists in Mexico (SQC)
• Society of Cosmetic Chemists South Africa (Coschem), a member of the council and chair the seminar committee
• Society of Petroleum Engineers (SPE)
• Society of Plastics Engineers
• Society of Tribologists and Lubrication Engineers
• Spanish Association of Surfactants Producers and Distributors (AEPSAT)
• Thane Belapur Industries Association – India (TBIA)
• The American Cleaning Institute (ACI) and represented on the Cleaning Product Ingredient Safety Initiative (CPISI) Steering Team
• The Australian Society of Cosmetic Chemists
• The British Association for Chemical Specialties in the UK (BACS): member of the Regulatory Affairs Forum
• The Chemical Industries Association (CIA) in the UK: sit on the Council of the CIA, chair of the REACH Issue Team, sit on the Chemical Management Strategy Group and GHS issue team
• The Chemical Industry Association in Germany (VCI) via TEGEWA
• The Chemical Industry Association in Italy (Federchimica)
• The Chemical Industry Association in The Netherlands (VNCI)
• The Chemical Producers and Distributors Association in the USA (CPDA)
• The Confederation of Indian Industry (CII)
• The Council for Responsible Nutrition in the UK (CRN)
• The European Chemical Industries Federation (CEFIC): member of the Global Emerging Regulations Task Force and Active Pharmaceutical Ingredient Council (APIC)
• The European Federation for Cosmetic Ingredients (EFIC): chair of the Good Manufacturing Practice (GMP) committee, member of the Regulatory Affairs and Product safety Group and sit on the global regulations group
• The Global Organisation for EPA and DHA Omega 3 (GOED)
• The International Pharmaceuticals Excipients Council (IPEC)
• The Korea International Trade Association (KITA)
• The Sung Nam Chamber of Commerce & Industry (SNCCI)
• The Swedish Plastics and Chemicals Federation
• Toronto North CAER Group
• UK Lubricants Association
• Union des Industrie Chimiques (UIC)
• Worldwide Cleaning Industry Association (ISSA)
• Yorkshire Chemical Focus

**Stakeholder engagement**

*4.14 List of stakeholder groups engaged by the organisation*

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

In addition to our ongoing activities in relation to our key stakeholder engagement areas, we have undertaken a number of specific projects that have focused on particular aspects of stakeholder engagement during 2011. Namely, our top 50 customer survey, regional employee surveys and face to face meetings within our communities. There are also many activities within our peer group where we make significant contributions to the sustainability of our industry in general.
We interact with academic institutes that provide world class capabilities in our areas of interest. This includes joint research programmes, work experience opportunities across various age groups and involvement with a number of university advisory boards to ensure we are able to influence the teaching and learning of numerous chemistry related subjects for the scientific innovators of tomorrow.

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

We conducted our first formal online survey on sustainability with our top 50 customers during 2011, to obtain feedback on the material sustainability issues. The survey was future focused and aimed to question beyond any current requirements within our customers’ supplier code. Preliminary analysis of the survey is providing confirmation of the areas that are material to our customers and giving a deeper insight into what may be more material in the future. We also started to engage face to face with investors on sustainability issues as we saw an increasing level of enquiries from this stakeholder group.

Over the past two years we have surveyed the majority of our global workforce through regional employee engagement surveys. During July 2011, all 1,900 employees in Europe (more than 60% of our global workforce) were invited to take part in the region’s first ever engagement survey. After the survey, feedback groups were set up at locations with more than 50 employees. These groups were made up of volunteers who provided an understanding of the underlying reasons for the responses at their site.

During 2011, all 17 of our manufacturing sites and commercial offices with more than 30 employees around the world held at least four face-to-face meetings with stakeholders in their local community, and almost all operations held at least one face to face meeting, including 10 offices with less than 30 employees.

In recognising that our employees work and live in communities that are very different from one another, an important element of our volunteering programme, the 1% Club, is that whilst all employees have the same provision for spending time in the community, it can be tailored to meet local cultural, legal and business needs. By the end of 2010, the implementation of the 1% Club at all of our global manufacturing sites was complete, enabling every employee around the world to spend time actively involved in their communities. In 2011, engagement in the 1% Club increased to 21% of the workforce with our employees spending a total of 4,679 hours in their local community, almost double our target figure.

We have set a number of targets in this area for 2012 and beyond:

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

Further information on our approach to stakeholder engagement can be found on pages 8, 9 and 15 of the 2011 Sustainability Report.

4.15 Basis for identification and selection of stakeholders with whom to engage

Key stakeholder engagement areas are:

- working closely with our customers to meet their current and future needs;
- close interaction with suppliers to deliver high performance sustainable products;
- regular engagement with our employees on performance, policies and issues relating to meeting personal and business needs;
• engagement with neighbours close to all of our operations and open discussion regarding safety with those who live around our manufacturing sites;

• ensuring that our investors are satisfied not only with our short term performance, but also our long term sustainability strategy; and

• a proactive approach to working with many external organisations, both within and outside our industry, to contribute and aid our understanding of the issues affecting the sustainability of our business.

Further information on who we have engaged with during 2011 can be found on pages 9, 15, 28-29, 34 and 36 of the 2011 Sustainability Report.

4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group

We take different approaches to stakeholder engagement depending on the stakeholder group and other factors such as location.

We regularly engage with our customers and in 2011 we conducted a formal online survey of our top 50 customers on key sustainability topics. In 2012, we will conduct formal one to one engagement with some of these customers. We will also extend our engagement to the top 50 customers across all market sectors and regions during 2012.

We have always engaged with our investor community through one to one meetings, presentations and our annual AGM, for example in 2012 we aim to formalise this process in relation to our own sustainability performance to gain feedback on our material issues.

During 2010 and 2011 we engaged with the majority of our workforce with regional employee engagement surveys, these took the form of online questionnaires followed up with feedback group sessions. We have a target of conducting our first global engagement survey in 2014 and repeating this every three years.

As a company that employs many people from the local communities in which we operate, we realise the importance of good community communication and relations. During 2011, we set a target for all of our manufacturing sites as well as commercial offices with greater than 30 employees to engage with stakeholders in three key groups, local businesses, authorities and educational institutions. These key stakeholder groups were identified as a result of a survey conducted by our manufacturing sites in 2010. As a result, we saw an increase across the Group in the level of community communication during 2011, with almost all operations holding at least one face to face meeting, including 10 offices with less than 30 employees.

Aside from engaging with our local community, we feel it is vital that our employees are able to put something back into the communities in which they live or work. Our company volunteering scheme, the 1% Club, attracted a record number of participants in 2011 and our employees used 4,679 working hours volunteering in the community. There are areas in which we can improve and we have set targets for 2012 to help us increase engagement.

There are a large number of non-governmental organisations (NGO’s) with which we engage on a regular basis. These engagements are managed locally or within relevant departments, and the frequency of engagement depends on the NGO in question.

Key engagement activities in 2011 have included:

• Chemistry Innovation – a UK government working group
• Industrial Biotechnology Leadership Forum (IBLF) – a UK government taskforce
• Chemical Industries Association – chairing the regulatory group on REACH
• Canadian Association of Chemical Distributors (CACD) – Co-Chair of its Environmental Assessment Working Group (EAWG)
• Industry Coordinating Group for CEPA (CEPA - ICG)
• Cleaning Product Ingredient Safety Initiative (CPISI) – programme in North America
• Personal Care Products Council (PCPC) – Chemicals Management Taskforce
• European Federation for Cosmetic Ingredients (EFFCI) – Chair of the Good Management Practices committee

A list of associations which Croda is a member of can be found in GRI Profile Disclosure 4.13. Further information on our engagement activities with during 2011 can be found on pages 9, 15, 28-29, 34 and 36 of the 2011 Sustainability Report.
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.

Key topics of concern to us and our stakeholder are identified in our Materiality Matrix. This Matrix can be found on page 9 of the 2011 Sustainability Report.

Other key topics of concern for specific stakeholder groups have been identified throughout the 2011 Sustainability Report, on pages 8, 9, 15, 28-29, 34 and 36.

Stakeholder issues identified at a local or departmental level are being addressed by relevant management teams as part of their ongoing commitment to address stakeholder needs. Our risk management process also considers and facilitates mitigation against potential stakeholder issues having an impact on our business or them as a result of our actions, details can be found on pages 10 and 11 of the 2011 Annual Report or page 15 of the 2011 Sustainability Report.
Management Approach Disclosures

Economic

2011 Financial Highlights
Revenue - continuing operations
Up 6.6%
2011: £1,068.3m
2010: £1,001.9m
Profit before tax
Up 25.9%
2011: £242.2m
2010: £192.3m
Earnings per share - continuing operations
Up 28.4%
2011: 122.5p
2010: 95.4p
Earnings per share - basic
Up 28.7p
2011: 123.7p
2010: 96.1p
Dividends per share
Up 35.0p
2011: 55.0p
2010: 35.0p

We focus on niche markets driven by strong, positive megatrends in beauty and ageing, health and wellbeing, and the increasing importance of sustainability and environmental protection. These factors, coupled with the strong structural drivers of population growth, increasing disposable incomes and, ultimately, growing consumer spending, give us confidence that the core markets in which we operate will continue to grow.

We are continuing to drive top line growth through successful new product development, moving even closer to our customers and increasing our focus on faster growing emerging economies, particularly in Asia and Latin America. We will accelerate the capture of new technologies across the Group, with a strong focus on sustainability.

We will only invest in businesses, current and future, that can be truly global, in which we can create profitable innovation, that operate in end markets which have long term growth prospects well above global GDP and in which we can realistically sustain high operating margins.

From 1 January 2012 the way we report our sales and profits changed, but the market segments in which we operate did not. The following date reflects our 2011 performance across the new reporting lines:

Consumer Care – Personal Care, Health Care and Crop Care.

This segment accounts for 31% of Group volumes, 54% of turnover and 72% of operating profit. Sales are driven by global population dynamics. The majority of product launches are patented and competition is fairly fragmented. Volumes are relatively low but margins are high, driven by innovation, quality and the highly technical nature of the products. The segment is targeting sales growth of 5-10% per annum and ROS above 25%.

Performance Technologies – Lubricants, Coatings & Polymers, Geo Technologies, Polymer Additives and Home Care
This segment generates 42% of Group volumes, 36% of turnover and 25% of operating profit. Sales are driven by product performance and the strength of our "green" credentials. Many, but not all, new product launches are patented. Margins are good, though not as high as in Consumer Care. The segment is targeting sales growth of 4-8% per annum and ROS of 20%.

Industrial Chemicals – Fatty acids, glycerine and other by products together with our textile business and other industrial products, which includes some speciality products

This segment accounts for 27% of Group volumes, 10% of turnover and 3% of operating profit. Much of the volume in this business is driven by our activity levels elsewhere, but we have little pricing power and margins are lower than the other two sectors and can be erratic. Volumes are high but their value is relatively low. The segment will seek to maximise profitability.

These segments have different dynamics in terms of drivers, growth and margins and we believe that managing and reporting them separately will permit us to maximise our focus and drive profitability improvements in all parts of the Group.

For further details on our economic performance see the 2011 Annual Report.

Environmental

Our material issues relating to the environment and how we manage these are:

**Air Quality & Climate Change** – To reduce the emissions of greenhouse gases to the environment from our manufacturing sites to ensure that we progress towards fully sustainable operations.

The link between emissions of combustion products such as CO2 and climate change is now well established. It is therefore essential that as a socially responsible company we reduce the impact of our emissions to a sustainable level. The expectation of all of our stakeholders is that we continue to make progress in reducing discharges of climate change gases.

The SHE Manager at every manufacturing site is responsible for measuring energy consumption and emissions of volatile organic compounds, from which the site's equivalent CO2 burden is calculated. With reduction targets set by our Group Executive Committee, each site reports on a quarterly basis to Group SHE who collate the results for the quarterly SHE Steering Committee.

At these meetings issues are discussed and actions agreed between the Group SHE Vice President, the Group Executive Committee representative and subsequently the relevant Site Director. Improvement plans for non-manufacturing locations are also managed in this way, though the primary focus remains on the largest contributors.

**Water Quality & Supply** – To minimise the environmental burden arising from water consumption and waste water discharges from our manufacturing sites.

Fresh water is becoming increasingly scarce as population and industrial activity increases. Furthermore, the onset of climate change may influence rainfall patterns such that water resources in some parts of the world become increasingly stressed. Left unmanaged, supplies would eventually run out. Whilst our operations are not in regions where water resources are under immediate threat, many of our manufacturing sites and offices operate in communities that are dependent on a shared natural fresh water resource. We therefore have a public responsibility and a business need to have a strategy for water management to ensure the sustainability of our operations.

The SHE Manager at every manufacturing site is responsible for measuring the consumption of water from all sources, including piped supplies, and aquifer and river abstraction. The manager also monitors the quality and quantity of water discharged to the environment. Looking across all operations, but especially focusing on those in higher risk areas, our Group Executive Committee have set stringent internal reduction targets, which are monitored by Group SHE and reported quarterly through our SHE Steering Committee.

**Landfill Waste** – To phase out the disposal of waste arising from our activities into landfill sites.

Like other resources, land is becoming increasingly stressed. Productive land has been consumed by development and subsequently contaminated, so less space is available to grow food. One of the most environmentally unfriendly activities is landfill, which modifies the land permanently and incidentally introduces contamination to air as well as to water. Whilst our activities do not have a direct impact on the land we occupy, we have a responsibility to minimise our landfill waste and ultimately look to eliminate this activity from our business.
Our Group Executive Committee has set the long term aspiration of eliminating landfill waste entirely. Each Site Director is tasked with working with their onsite SHE experts and Group SHE to investigate the feasibility and cost of this and report progress back to the SHE Steering Committee.

**Renewable Raw Materials** – To ensure our product portfolio is sustainable and to dedicate new product development to meeting our customer needs in this area.

The developing world is increasing its reliance on oil and other non-renewable material sources; it is clear that these resources are being depleted and the environment cannot support current production levels in the future. To ensure that we can continue to make the products that our customers require, we are committed to developing and manufacturing high performance products from renewable raw materials wherever reasonably practicable.

It is the responsibility of our Research and Development teams across the markets and regions in which we operate to ensure new product design and raw material selection adheres to as many of the 12 Principles of Green Chemistry as possible. This effort is shared with production teams and purchasing managers, as well as sales and marketing directors to ensure that we meet the needs of our customers. Our Group Executive Committee review our use of raw materials and our new product launches against the 12 Principal of Green Chemistry.

**Responsible Palm Oil Sourcing** – To fully support sustainable Palm Oil and Palm Kernel Oil and to keep working with the industry to secure a sustainable source of derivatives.

As the demand for Palm Oil (PO) and Palm Kernel Oil (PKO) continues to grow, primarily for inclusion in food, it becomes ever more important that it is sourced sustainably. Whilst we use extremely small volumes of the actual PO a number of our products do include derivatives that are a result of processing the oil for food markets. The supply chain of derivatives is very complex due to the number of different producers involved. However, through our involvement with the Roundtable on Sustainable Palm Oil (RSPO), we are determined to do what we can to bring about change to secure a sustainable supply of derivatives.

Through our Group master product database, our Purchasing Managers will be responsible for ensuring that the small amounts of PO and PKO that we use are sustainable through RSPO’s Book and Claim certification method. One of our senior managers in Asia, where RSPO is based and most palm oil plantations are located, sits on the Derivatives Working Group of RSPO to support our purchasing teams, and the CSR Steering Committee, on the issues and progress that is being made in the derivatives supply chain. To support our customers in this area, our Product Assurance Department responds to requests for calculating the amount of PO or PKO needed to make the derivatives we use, so that our customers can buy certificates through the Book and Claim method.

For further details on our strategy, 2011 performance and future targets for the environment see the [2011 Sustainability Report](#), pages 16-17; 18-21 and 24-27.

**Labour Practices and Decent Work**

Our material issues relating to Labour Practices and Decent Work and how we manage these are:

**Recruitment & Retention** – To attract, recruit and retain high calibre employees to support our objectives and changing business requirements.

Like all successful businesses, we recognise that our future depends on our ability to attract and retain individuals who are passionate about personal and business growth and want to make a significant contribution to the future of our business. Recruiting individuals that fit this description and the culture of the business is always hard, but within the chemical industry it is increasingly a problem with a high level of competition for a decreasing number of graduates. As our business is focused on innovation and growth in emerging markets and developing countries, this challenge increases further.

Through our global competency framework, developed by Group HR and managed by HR Managers in each of the regions in which we operate, we can ensure recruitment practices across the Group identify the people with the right skills, knowledge and attitude. Our proven track record of successfully developing future leaders from within has called for our Graduate Recruitment Programme to be rolled out in all regions. Implementation and management of these programmes will be the responsibility of each Regional HR Manager. Employee turnover is reported to the Group Executive Committee on a quarterly basis to monitor any potential problem areas before they have a negative impact on the business.
Compensation & Benefits – To ensure our compensation and benefits packages enable us to attract, recruit and retain key talent.

In a competitive recruitment marketplace we are conscious that we should not lose critical staff because of issues relating to pay or additional benefits. We realise that the remuneration package we offer plays a key part in attracting and retaining employees.

Our Regional Boards retain control over their remuneration and benefits packages. Through a series of previous employee surveys, which will be repeated regularly in the future both at regional and global level, Group HR are able to share learnings on the expectations of our employees with these management teams, and at Group Executive Committee level to ensure that our approach is effective and consistent. Exit interviews also allow regional HR teams and Group HR to see if compensation and benefits are a problem in any part of the business, so that they can act accordingly.

HR Policies & Systems – To operate streamlined, fair and coherent employment policies and systems.

Information and knowledge sharing are at the heart of making better business decisions. Streamlined systems and policies not only provide the data and trends on which to base decisions, but will in turn drive employee engagement. We believe that well defined policies and procedures allow our employees to operate without constant management intervention. It is this autonomy and freedom to act that has made our business what it is today.

We operate a global HR database and our global appraisal and development planning system will be fully rolled out during 2012, thus ensuring that Group HR can provide timely updates across all areas to our Group Executive Committee. It is the responsibility of our Regional HR Managers to ensure that our systems are used and updated efficiently. A trial of an internal professional social networking site, the hive, is already reaping rewards. This is designed to open up communication channels amongst our global workforce without constant management intervention.

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.

The key to the future success of any business lies in the skills and abilities of its workforce. It is only through the continual development of our workforce that we will be able to meet the future demands of our customers in relation to enhanced creativity, innovation and customer service. Being a business dependent upon a large number of specialists including engineers and scientists as well as finance, IT, HR, marketing, purchasing, sales, regulatory and legal professionals we have to place great focus on continuous development.

Our global competency framework provides the basis for employee development plans, which are monitored through our global appraisal system, Croda Aspire. Our Regional Boards are responsible for succession planning, which is carefully monitored by our Group Executive Committee through Group HR and regional reporting.

Performance Management – To instil a high performance culture through an integrated and consistent approach to performance management.

A strong, efficient performance management culture is not only important to employees’ professional development, but also to meet the Company’s objectives and so ultimately contributing to its bottom line. In addition, a clear, robust process will lead to enhanced communications and the opportunity to address performance problems effectively, thus delivering improvements in employee morale.

Our highly trained regional HR teams provide ongoing support, coaching and development to our line managers across all business operations. This ensures that they are fully equipped and capable of having effective and constructive performance and development conversations. Our global appraisal system facilitates this process and allows Group HR to oversee performance management, so that it can offer support and guidance where and when needed. Our global HR database also allows performance in relation to absence to be monitored and reviewed at regional and global level.

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.

No one should expect to be injured when they work at any of our manufacturing sites or offices. In addition to this moral obligation, the cost to the business of an unsafe workplace can be enormous in terms of fines, compensation for injury, loss of production and loss of reputation. High workplace injury rates are often symptomatic of poor general management practices and they do not signal a sustainable business.
The reporting of incidents is actively encouraged across all areas of the business and is the responsibility of the SHE Manager in each of our operations. All significant incidents and near misses are investigated by trained SHE personnel across the Group, with the ultimate management of such reviews resting with our Group Executive Committee, which receive a quarterly report through the SHE Steering Committee. In addition to this, our Risk Management procedure ensures that all of our Regional Boards review potential health and safety risks at least twice per year.

**Process Safety Management** – To reduce the risks associated with all of our chemical processes to a point deemed to be as low as reasonably practicable (ALARP).

Process safety encompasses the most significant hazards associated with our operations. The consequences of poor process safety are well documented in a multitude of historical industrial disasters, for example Union Carbide in Bhopal and BP in Texas City, which not only led to many fatalities, but also significant harm to the environment and lasting material damage to the companies involved and their reputations. The moral obligation alone that every company has in this area is indisputable, and one that we have always committed significant time and resource to managing.

Every chemical process in the Group has been subject to a Process Risk Assessment through a rigorous Hazard Study Process. The Process Safety Manager at each of our manufacturing sites is responsible for reviewing and updating this assessment at least every five years, using the same rigorous process. This forms part of the Risk Management procedure that is overseen at Regional Board and Senior Board level. The completion, results and actions arising from these studies are reported to the Group Executive Committee through the SHE Steering Committee on a quarterly basis. Targets regarding the frequency, quality and timeframe for any actions are set by our Group Executive Committee.

For further details on our strategy, 2011 performance and future targets for Labour Practices and Decent Work see the 2011 Sustainability Report, pages 16-17, 22-23 and 28-33.

### Human Rights

Our material issues relating to Human Rights and how we manage these are:

**HR Policies** – To operate fair and coherent employment policies.

We believe that well defined policies and procedures allow our employees to operate without constant management intervention. It is this autonomy and freedom to act that has made our business what it is today. If correctly implemented and managed, well designed policies and procedures should help everyone to understand the Company rules and standards and the way in which we operate.

Group policies are set centrally and must be applied in all countries in which we operate. Group policies will, as a minimum, comply with the highest legislative requirement in any country in which we operate. It is the responsibility of our Regional Boards to ensure that Group Policies are communicated and that there are procedures in place to ensure compliance. Any employee whose actions constitute a breach of any policy, procedure or guideline may be liable to disciplinary action. All policies are freely available on our Company intranet and include our:

- Code of Conduct
- Code of Ethics
- Fraud Policy
- Whistle Blowing Policy and Procedure
- Anti-Bribery and Corruption Policy

In addition to Group policies, we have regional and country specific policies and procedures to reflect the employment legislation and practices in that location.

We are also ensuring that all of 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.
**Ethical Supply Chain** – To increase monitoring of our supply chain to ensure that it is ethical and sustainable so as to meet the future needs of our business.

It is the responsibility of all companies to act ethically, but standards can differ from one business to the next. At Croda, we apply the same high ethical and sustainability standards across all of our operations. Our suppliers are a critical part of our business and we believe that they should operate to the same standards as we do. With increasing consumer awareness and customer demands in this area, we have to work even more closely with all of our suppliers.

Within Croda we have very clearly defined policies and procedures that ensure we act ethically and sustainably across the Group. These are managed by the relevant Group functions. Our Regional Boards are ultimately responsible for our relationships with suppliers, but on a day to day basis it is our regional Purchasing Managers who own the relationships with their suppliers. They must therefore ensure that our Supplier Code of Conduct is communicated to all suppliers and then seek the most appropriate way to monitor and check their compliance. Where there are any concerns about a supplier an audit will be conducted. In addition to this, our supply chain is an area that is considered in our rigorous Risk Management Framework, ensuring that analysis of risks and mitigating measures are implemented by all business Boards across the Group.

For further details on our strategy, 2011 performance and future targets for Human Rights see the 2011 Sustainability Report, pages 17 and 23.

**Society**

Our material issues relating to the Society and how we manage these are:

**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 our public affairs activities are sufficient to support the growth expectations of our business.

Operating ethically means being aware of the impact a business has and acting responsibly within the communities in which it is located and where its employees live. This can only be achieved through open dialogue with the community.

The relationship we have with our local communities is extremely important to us. We take pride in ensuring that we keep our neighbours informed of activities that are planned to take place at our manufacturing sites and other key locations where health and safety is of paramount importance. As our business grows, it is vital that we develop and maintain a supportive external environment, as well as a strong brand and reputation. This will continue to reinforce our Company culture, which has community awareness and activity at its heart.

Our Regional Boards each have the responsibility for developing a community communication plan, and for ensuring that this plan is effectively delivered at all of the manufacturing sites and main offices within their region. The guidance in ISO14001 on the communication of hazards to local communities is reinforced by our Group SHE Manual, with which all of our manufacturing sites must comply. This is in addition to the legal requirements imposed on sites by local and national legislation. All local community interactions, at our manufacturing sites and offices, are ultimately managed by the most senior manager in each location. They are used as vehicles for two way communication, which can lead to interesting cooperative activities that benefit both parties. Formal records of all meetings are kept and shared with the CSR Steering Committee to review quarterly and share best practice.

**Community Involvement** – To put community communication into action and, in doing so, enhance the performance of our employees and support the recruitment needs of our business in the future.

Putting talk into action is the true way of demonstrating a company’s commitment to its communities. Our Company culture is such that we have the capability to be both proactive and reactive to community needs and we have the motivation to make a positive impact in the communities in which we operate. The morale of our employees is enhanced by the goodwill that is created through community involvement. It is also very important to our business that we use this activity as an opportunity for personal and team development.

At Croda, our community involvement is facilitated through a programme called the 1% Club, which provides a great opportunity for all employees to support the local community in which they work and live. The programme allows all employees across the Group to utilise 1% of their working time to support appropriate community projects. The 1% Club is adapted to suit the local needs and legislative environment of the regions in which we operate, but in every form the guiding principle is action that supports the community through direct involvement. It is the responsibility of our Regional Boards to ensure that the 1% Club is available and managed correctly in their operations. They also manage the targets and metrics, defined annually and agreed with the Group Executive Committee, to ensure ever increasing
levels of engagement and participation. Additionally, a network of 1% Club Champions, one at each of our operations, assists with the coordination of activities on a day to day basis.

**Community Education** – To enhance our brand and reputation, and raise the profile of science, technology and engineering by providing community education and training opportunities on a local and national basis as relevant to the regions in which we operate.

For any business operating in very specialist markets it is essential to raise awareness of the opportunities it offers and the skills it needs by educating future generations. Our rich scientific heritage and strategic reliance on delivering market led innovation means we must ensure that we play our part in developing scientists, technologists and engineers. By developing a strong external educational platform to engage with potential employees in these areas, we will also enhance our image and reputation, thus helping us to recruit appropriately educated people who will support our future technical activities.

It is the responsibility of each of our Regional Boards to define and implement a local programme of activities that is appropriate to support the teaching of science, technology and engineering across any chosen age group between the ages of 5 and 21. Our aim is to align the learning needs of individuals with the scientific knowledge and history of our organisation. Our 1% Club Champions support community education by building relationships with local schools, colleges and universities. Annual regional plans will help target the specific needs of the educational institutions we support and will also identify the employees who can enhance their personal skills through this type of activity.

**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.

For any company to be successful it cannot work in isolation; it must consider and take necessary action to meet the needs and expectations of its stakeholders. Our key corporate stakeholders are our customers, investors, suppliers and Non-Governmental Organisations (NGOs). We have always been committed to working with these stakeholder groups and have long standing relationships with them as we understand their importance to our success. We now want to deepen our understanding of these groups, particularly in relation to their key sustainability issues, as what will affect them will also have an impact on us.

The CSR Steering Committee member responsible for our corporate partners is leading a number of formal communication projects. Implementing those relating to our customers will then be the responsibility of the Sales Managers in the markets and regions in which we operate. NGOs are managed by the appropriate department manager, whilst our Purchasing Managers will lead projects with our supply chain. Our investor relationships will continue to be managed by Group Finance, with the Group Finance Director taking ultimate responsibility.

**Ethical Supply Chain** – To increase monitoring of our supply chain to ensure that it is ethical and sustainable so as to meet the future needs of our business.

It is the responsibility of all companies to act ethically, but standards can differ from one business to the next. At Croda, we apply the same high ethical and sustainability standards across all of our operations. Our suppliers are a critical part of our business and we believe that they should operate to the same standards as we do. With increasing consumer awareness and customer demands in this area, we have to work even more closely with all of our suppliers.

Within Croda we have very clearly defined policies and procedures, such as our Conduct of Conduct, Code of Ethics, SHE Policy (Safety, Health and Environment) and Anti-Bribery and Corruption policy that ensure we act ethically and sustainably across the Group. These are managed by the relevant Group functions.

Our Regional Boards are ultimately responsible for our relationships with suppliers, but on a day to day basis it is our regional Purchasing Managers who own the relationships with their suppliers. They must therefore ensure that our Supplier Code of Conduct is communicated to all suppliers and then seek the most appropriate way to monitor and check their compliance. Where there are any concerns about a supplier an audit will be conducted. In addition to this, our supply chain is an area that is considered in our rigorous Risk Management Framework, ensuring that analysis of risks and mitigating measures are implemented by all business Boards across the Group.

For further details on our strategy, 2011 performance and future targets for the Society see the 2011 Sustainability Report, pages 16-17; 31 and 34-39.
Product Responsibility

Our material issues relating to Product Responsibility and how we manage this is:

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.

In order to ensure that we can continue to manufacture our products and to look for opportunities to enhance their environmental profile, it is very important to the Company and its stakeholders that we have an extensive amount of data to hand on the products we make. This data goes beyond what is required for regulatory purposes. Our aim is to build a detailed picture of the sourcing of each raw material used to make our products and the impact those products have on the environment from origin to final use.

The programme that we have in place to build this database and gather the information is called Ingredient Sustainability. It relies on a number of departments within the Group working together to gather the data. The programme is sponsored by our Group Executive Committee and is being coordinated by our Product Assurance Manager who is running the collaboration between their department, the Product Safety and Regulatory Affairs department and each of our manufacturing Site Directors, who will provide detailed and accurate data relating to the resources used to make each product.

Our Product Safety and Regulatory Affairs department and Product Assurance Data team, which include customer complaints, are responsible for product and quality management. We have a number of Group (global) and regional policies that are implemented as part of our controls to ensure that we do all we can to avoid product recalls. These include:

- Substantiation of marketing claims – managed regionally
- Recall procedure – managed globally
- Analytical testing – managed globally
- Product extensions – managed globally
- Application controls – managed regionally
- Product change management – managed globally

Every product that we sell has a Material Safety Data Sheet (MSDS), which accompanies every product dispatch and are publicly available online. An MSDS is a detailed informational document that describes the physical and chemical properties of the product. Information aids the selection of safe products, helps those coming in contact with the product to understand the potential health and physical hazards of a chemical and describes how to respond effectively to exposure situations.

Renewable Raw Materials – To ensure our product portfolio is sustainable and to dedicate new product development to meeting our customer needs in this area.

The developing world is increasing its reliance on oil and other non-renewable material sources; it is clear that these resources are being depleted and the environment cannot support current production levels in the future. To ensure that we can continue to make the products that our customers require, we are committed to developing and manufacturing high performance products from renewable raw materials wherever reasonably practicable.

It is the responsibility of our Research and Development teams across the markets and regions in which we operate to ensure new product design and raw material selection adheres to as many of the 12 Principles of Green Chemistry as possible. This effort is shared with production teams and purchasing managers, as well as sales and marketing directors to ensure that we meet the needs of our customers. Our Group Executive Committee review our use of raw materials and our new product launches against the 12 Principals of Green Chemistry.

For further details on our strategy, 2011 performance and future targets for Product Responsibility see the 2011 Sustainability Report, pages 16 and 27.
Economic Performance

EC1 Direct economic value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments

In 2011, we increased our revenue from continuing operations by 6.6% to £1,068.4m and increased our pre-tax profit by 25.9% to £242.2m compared to 2010. Earnings per share for continuing operations grew by 28.4% to 122.5p, reflecting the rise in pre-tax profit, a reduced tax rate and the £50m share buyback undertaken during the year. The Board announced its new dividend policy when it reported interim results on 28 July 2011 and proposed to increase the final dividend by 19.8% to 30.25p, making a total dividend for the year of 55.0p.

In January 2011, the Group completed the sale of its 60% holding in its Korean joint venture, Croda Woobang, for a consideration of £2.2m. The profit on sale of £0.6m has been disclosed as exceptional within discontinued activities.

Charitable donations made by the Group in the year amounted to £11,000. No donations were made for political purposes. It is also worth noting that for the first time this year we have calculated an approximate cost of 1% Club time, our employee volunteering programme, using average employee salaries and the total was just over £83,800.

Further details on our economic value can be found throughout the 2011 Annual Report, an overview can be found in the inside front cover and on pages 1-9. The group's financial statements can be found on pages 47-97 of the 2011 Annual Report, with our five year record on page 102.

EC2 Financial implications and other risks and opportunities for the organization’s activities due to climate change

Partial Reporting

As an organisation we are aware that climate change is affecting the way that we think about business and the decisions that we make. Within our risk management framework, Group wide impacts and trends including external and emerging risks are identified, including those relating to climate change. Although no specific risks relating to climate change emerged as one our key organisational risks, the effects of climate change on our business have been identified.

In 2011, the CSR Steering Committee conducted a gap analysis of the Generic Risk Framework with the Group Risk and Control Manager to ensure that all material sustainability issues and associated activities were covered. As a result of this work, additional definition was added to some of our risk classifications and we are now confident that sustainability is truly embedded in our Risk Management processes. Having sustainably embedded in our Risk Management processes allows us to identify emerging issues, including those related to climate change, and ensures that we are in a strong position to tackle them.

As the link between emissions of combustion products such as CO2 and climate change is now well established, it is essential that as a socially responsible company we reduce the impact of our emissions to a sustainable level. The expectation of all of our stakeholders is that we continue to make progress in reducing discharges of climate change gases.

Fresh water is becoming increasingly scarce as population and industrial activity increases. Furthermore, the onset of climate change may influence rainfall patterns such that water resources in some parts of the world become increasingly stressed. Left unmanaged, supplies would eventually run out. Whilst our operations are not in regions where water resources are under immediate threat, many of our manufacturing sites and offices operate in communities that are...
dependent on a shared natural fresh water resource. We therefore have a public responsibility and a business need to have a strategy for water management to ensure the sustainability of our operations.

We are in a strong position to exploit emerging trends related to climate change, with a significant proportion of our raw materials coming from renewable sources and our new product development having a strong focus on products that can help reduce the energy that people and industry consume during manufacture and end use.

**Case study**

**Friction Modifiers that Increase Fuel Efficiency and Reduce CO₂ Emissions**

Perfad™ 3000 and Perfad 3050 are unique organic friction modifiers, both in terms of their chemistry and their performance. Based on polymer chemistry, they deliver outstandingly low friction properties, which is the key to increasing fuel efficiency, reducing CO₂ emissions and engine wear, as well as extending the durability of engine equipment. A small improvement in individual vehicle fuel efficiency has a dramatic impact on total fuel consumption and exhaust emissions.

We feel that through our emphasis on emerging markets and technologies, we are making our own small contribution, going beyond "not compromising" and actually "enhancing" the capabilities of future generations.


Further details on how we are tackling the issue of air quality and climate change can be found in GRI Performance Indicators EN3 and EN4 and in our 2011 Sustainability Report on pages 18-19. Further details on how we are tackling the issue of water quality and supply can be found in GRI Performance Indicators EN8 and EN9 and in our 2011 Sustainability Report on page 20. Details on how we manage these issues can be found on page 10 of the 2011 Sustainability Report.

**EC3 Coverage of the organization’s defined benefit plan obligations**

**Partial Reporting**

Pension provision forms part of our total employment package, which is aligned to the needs of our employees and the markets in which we operate. We actively encourage employees to join our company pension schemes where available, but we realise that this is a personal choice.

In 2011, the gross IAS 19 deficit on our pension scheme increased by £51.1m to £198.9m and the post-tax deficit rose by £36.7m to £141.6m. This reflected an increase in the net present value of our pension payment liabilities as a result of the continuing decline in corporate bond interest rates.

The market value of our pension fund assets increased to £647.5m. We feel comfortable with the current level of the deficit as it will require only a small movement in the discount rate to achieve a significant reduction in our liability.

**Defined benefits plan coverage**

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<tr>
<td>Number of employees covered by defined benefit Schemes</td>
<td>1,906</td>
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<td>Expressed as a percentage of Group</td>
<td>59.3%</td>
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Further details regarding our retirement benefit liabilities, including our defined benefit schemes can be found on pages 66-69 of the 2011 Annual Report.

**EC4 Significant financial assistance received from government**

During 2011, no financial assistance was received from governments and we have no governmental shareholders.
Environmental Performance

EN1 Materials used by weight or volume

At Croda, we have a history of using renewable raw materials in our products wherever possible, with sustainability being embedded in our product innovations since we launched our very first product, lanolin. Our research scientists work with our marketing teams to determine the market opportunities early in the new product screening and development phase; this includes giving consideration to the origin of the raw material used in terms of safety and environmental impact.

Underpinning this process is our adoption of the 12 Principles of Green Chemistry, where our scientists ensure our products meet as many of these principles as practically possible, therefore ensuring that our products have the most minimal impact on health and the environment. The challenge is meeting the demands for green and safe products, whilst maintaining competitive product performance and functionality.

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

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

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

Further details on our performance against the key material issues of renewable raw materials and palm oil sourcing can be found on pages 24-25 and 26 respectively of the 2011 Sustainability Report. Details on how these issues are managed within our business can be found on pages 11 and 13 of the 2011 Sustainability Report.

EN3 Direct energy consumption by primary energy source

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

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

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

These projects had a significant effect on our direct energy consumption which showed a reduction of 5.7% compared to our 2010 baseline, to 2,878 TJ (terajoules) for continuing operations. We also increased the amount of renewable energy we produced by 16.0%, largely helped by the wind turbine at our Hull manufacturing site in the UK performing 11% better than in 2010. It is worth noting that we sold 19.7% of the energy produced from our wind turbine back to the national grid.

Our progress with energy reduction projects is demonstrated by our continued compliance with energy reduction targets of the UK Climate Change Agreement and the EU Emissions Trading Scheme.

Further details on how we are tackling the issue of air quality and climate change can be found in GRI Performance Indicator EN4 and in our 2011 Sustainability Report on pages 18-19. Details on how we manage this issue can be found on page 10 of the 2011 Sustainability Report.

**EN4 Indirect energy consumption by primary source**

In 2011, we estimate that indirect energy to produce products totalled 1,230 TJ (terajoules) for continuing operations. This is a 2.8% decrease in indirect energy usage compared to our 2010 baseline, and in 2011 our use of energy from non-fossil sources increased from 39.2% to 42.3%.

Note - These figures are calculated from data published by the IEA (International Energy Agency) for 2009 (most recent data available) and not from individual supplier data. Details of these statistics can be found on the IEA website http://www.iea.org/co2highlights/co2highlights.pdf.
Further details on how we are tackling the issue of air quality and climate change can be found in GRI Performance Indicator EN3 and in our 2011 Sustainability Report on pages 18-19. Details on how we manage this issue can be found on page 10 of the 2011 Sustainability Report.

**EN8 Total water withdrawal by source**

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

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

In 2011 we reduced the amount of water used by our manufacturing sites by 9.2% compared to 2010. However, during the same period our production output saw a reduction, but the savings made due to a number of projects that we implemented should become clear during 2012. These include:

- water conservation at Mevisa site
- water reduction projects at Gouda site

Further details on how we are tackling the issue of water quality and supply can be found on page 20 of the 2011 Sustainability Report. Details on how we manage this issue can be found on page 10 of the 2011 Sustainability Report.

**EN9 Water sources significantly affected by withdrawal of water**
We are currently in the process of reviewing this Performance Indicator, a response will be reported shortly.

**EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas**

We are currently in the process of reviewing this Performance Indicator, a response will be reported shortly.

**EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas**

We are currently in the process of reviewing this Performance Indicator, a response will be reported shortly.

**EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk**

We are currently in the process of reviewing this Performance Indicator, a response will be reported shortly.

**EN16 Total direct and indirect greenhouse gas emissions by weight**

As reported in Environmental Performance Indicators EN3 and EN4, we have measured emissions of gases implicated in climate change and have consistently set targets for reduction.

In 2011 our total CO\(_2\) emissions for continuing operations were reduced by 8.6% to 200,503 tonnes compared to 2010, from a combination of a total reduction in energy usage and an increase in the consumption of energy from non-fossil sources.

It is the responsibility of all manufacturing Site Directors to implement improvements in both plant and operational practices, which contribute to a reduction in the amount of CO\(_2\) and other greenhouse gases produced. Our Group Executive Committee will continue to support this through the approval of relevant capital expenditure, which will also include activities at our offices where appropriate.

Further details on how we are tackling the issue of air quality and climate change can be found in GRI Performance Indicators EN3 and EN4 and in our 2011 Sustainability Report on pages 18-19. Details on how we manage this issue can be found on page 10 of the 2011 Sustainability Report.

**EN20 NO\(_x\), SO\(_x\), and other significant air emissions by type and weight**

Although the contribution to the greenhouse effect of our VOC emissions is insignificant compared to the CO\(_2\) generated by our energy sourcing, we remain committed to reducing these emissions. The Group continues to set targets against VOC emissions, the 2015 target is:

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

During 2011 our VOC emissions fell by 8.8% from the 2010 baseline to 280 tonnes. Improved process control and a slight reduction in production volumes both contributed to this improvement. The sustainability of the improvement will be checked in 2012.
The global figures for NO\textsubscript{x} and SO\textsubscript{x} emissions in 2011 were 567 and 1,201 tonnes respectively.

We do not directly measure emissions of NO\textsubscript{x} and SO\textsubscript{x} due to the complexity of accurate measurement, therefore CIA Responsible Care Indicators of Performance conversion factors were used to derive these figures for electricity generation and combustion fuels.

Further details on how we are tackling the issue of air quality and climate change can be found in GRI Performance Indicators EN3 and EN4 and in our 2011 Sustainability Report on pages 18-19. Details on how we manage this issue can be found on page 10 of the 2011 Sustainability Report.

EN21 Total water discharge by quality and destination

Following progress made during 2010 to increase the percentage of compliance with discharge consents above 97.5%, we have continued to improve the quality of discharges to the environment, which is now 99.2% compliant with consents. We have a continuing target in this area:

- To achieve 100% compliance with effluent discharge consents by 2015

However, it is intended to shift the focus of our efforts to measuring the quantity and quality of the liquid effluent generated by our processes. It is anticipated that this will enable targets for reduction at source to be set, which will encourage process efficiency improvements.

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

- 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.

Further details on how we are tackling the issue of water quality and supply can be found on page 20 of the 2011 Sustainability Report. Details on how we manage this issue can be found on page 10 of the 2011 Sustainability Report.

EN22 Total weight of waste by type and disposal method

We are committed to reducing the waste produced from their processes, by increasing atomic efficiency, reusing material where possible and finding methods of recycling waste. In particular we are focusing on reducing waste to landfill as it is one of the most environmentally unfriendly activities, which modifies the land permanently and incidentally introduces contamination to air as well as to water.

We have set demanding targets to reduce and gradually phase out the deposition of waste arising from our manufacturing sites into landfill. Each site has been tasked with reducing their waste sent to landfill, with the three sites that contribute the largest amounts being targeted first.
A longer term aspiration is to eliminate waste to landfill altogether. Understanding the feasibility and cost of alternative disposal routes have yet to be identified or evaluated in many cases, so work to itemise the waste streams involved must firstly start in 2012.

By focusing on our manufacturing sites with the largest quantities of landfill waste, rapid progress has been made with a reduction of almost 43% was recorded during 2011 compared to the baseline year of 2010. It must also be noted that the five of our manufacturing sites who achieved zero waste to landfill by the end of 2010 maintained this record in 2011.

In 2011 the total breakdown of weight of hazardous and non-hazardous waste was 6,096 tonnes (14.9%) and 34,649 tonnes (85.1%) respectively. The total waste produced during 2011 was 3.4% less than in 2010 at 40,803 tonnes.

Our objective relating to waste for 2015 based on 2010 levels is:

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

Details on how we are tackling the issue of landfill waste can be found on page 21 of the 2011 Sustainability Report. Details on how we manage this issue can be found on page 10 of the 2011 Sustainability Report.

**EN23 Total number and volume of significant spills**

There were no significant and reportable spills across all of our operations in 2011.

**EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation**

Our approach to reducing our environmental impact focusses on the material issues that we have identified as most important to Croda and our stakeholders. Examples of the action that we are taking to mitigate our environmental impact are given below.

**Air Quality & Climate Change**

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

**Case study**

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

**Water Quality & Supply**

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

**Case study**

**Water Consumption Decrease at Gouda**

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

1. Eliminating the use of mains water in the cooling tower system. This enabled the site to reduce its overall mains water requirement by 25% compared to 2010 and brought total reduction levels to more than 50% compared to 2008.

2. A pilot study that uses filtered and desalinated water from the site’s waste water effluent to feed boilers, replacing ground water supply. It is hoped that this successful trial will lead to a project that will completely stop the use of ground water as a source of steam.

**Landfill Waste**

To phase out the disposal of waste arising from our activities into landfill sites.

**Case study**

**Mill Hall Waste Reduction**

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

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

**Process Safety Management**

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

**Case study**

**Ethylene Oxide Transportation in India**

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

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

**Renewable Raw Materials**

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

Solubilisers and Emulsifiers Based on 100% Renewable Raw Materials

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

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

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

Case study

Friction Modifiers that Increase Fuel Efficiency

Perfad™ 3000 and Perfad 3050 are unique organic friction modifiers, both in terms of their chemistry and their performance. Based on polymer chemistry, they deliver outstandingly low friction properties, which is the key to increasing fuel efficiency, reducing CO₂ emissions and engine wear, as well as extending the durability of engine equipment. A small improvement in individual vehicle fuel efficiency has a dramatic impact on total fuel consumption and exhaust emissions.

Responsible Palm Oil Sourcing

To fully support sustainable Palm Oil and Palm Kernel Oil and to keep working with the industry to secure a sustainable source of derivatives.

Case study

Palm Oil and Palm Kernel Oil Derivatives

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

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

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.

Case study

Carbon Footprinting Training

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

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

We have set a number of targets in these areas to help to reduce the environmental impact from our operations and products. Details of these targets can be found on pages 16 and 17 of the 2011 Sustainability Report.

Further details on how we are reducing our environmental impact can be found throughout the 2011 Sustainability Report.

EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations

In 2011 there were no prosecutions against the Group and no non-monetary sanctions to report.
Labour Practices & Decent Work Performance

LA1 Total workforce by employment type, employment contract, and region

Like all successful businesses, we recognise that our future depends on our ability to attract and retain individuals who are passionate about personal and business growth and want to make a significant contribution to the future of our business.

In 2011 61.4% of our workforce was based at manufacturing sites, sales offices and administration centres in Europe. With the remaining 38% split between the Americas, Asia and the rest of the world. Within this period only 1.9% of our global workforce was employed on temporary contracts. Many within this group are undergraduate interns or apprentices to whom permanent employment is normally offered upon successful completion of a training period.

<table>
<thead>
<tr>
<th>Total workforce by region</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>1,068</td>
</tr>
<tr>
<td>Americas</td>
<td>627</td>
</tr>
<tr>
<td>Asia</td>
<td>567</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>47</td>
</tr>
<tr>
<td>Total</td>
<td>3,213</td>
</tr>
</tbody>
</table>

LA2 Total number and rate of employee turnover by age group, gender, and region

Partial Reporting

Employee turnover across the Group continues to remain low with our voluntary turnover averaging 6% (with 3% from resignations), which is comparable to the industry average. We set a target for 2011 to maintain our voluntary average turnover at less than 10%, we achieved this target and will continue to monitor this KPI, but a new target to improve performance in this area is not needed.

LA6 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs
The reporting of incidents is actively encouraged across all areas of the business and is the responsibility of the SHE Manager in each of our operations. All significant incidents and near misses are investigated by trained SHE personnel across the Group, with the ultimate management of such reviews resting with our Group Executive Committee, which receive a quarterly report through the SHE Steering Committee. In addition to this, our Risk Management procedure ensures that all of our Regional Boards review potential health and safety risks at least twice per year.

Health and safety committees operate at each of our manufacturing sites and offices with representation from all employee levels on each site. Formal consultation is a requirement laid down in our Group Safety Health & Environment Manual, and there is a requirement for regular meetings to take place at each of our manufacturing sites and offices. Each of our operations is required to refresh its safety awareness and behaviour programmes regularly.

As such, all of our 3,213 employees worldwide should be represented on a joint management and labour health and safety committee, as a percentage this is greater than 75%.

Further details on how we are tackling the issue of health and safety can be found on page 23 of the 2011 Sustainability Report. Details on how we manage this issue can be found on page 11 of the 2011 Sustainability Report.

**LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region**

No one should expect to be injured when they work at any of our manufacturing sites or offices. We have set a target in the area of personal injury as follows:

- 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.

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

An improvement was achieved in 2011, with a lost time injury rate of 0.25 compared to the previous year’s performance of 0.39. This measurement includes lost time injuries of one day or more, which had been three days or more in previous years. This is a more stringent measure; against which Croda continue to set a lost time injury rate of 0.2 per 100,000 hours worked.

As in previous years, it is worth noting that very few of the accidents sustained in 2011 were of a serious nature or related to chemical handling, therefore our strategy is to focus on training and changing the behaviours of our people.

The accident rate does not include minor injuries and refers to recordable injuries which are defined under RIDDOR.

There were no work related fatalities during the reporting period.

During 2011 the cost of absence increased from £1.3m in 2010 to £1.6m. However our data monitoring in this area has improved significantly during the year, so our latest figure is a more accurate calculation. A like for like comparison shows an increase of approximately £100,000, but this does not take into account an average 3% pay increase during 2011. An estimate for our global absentee rate during 2011 was calculated at 2.03%, the accuracy of this estimate should improve in the following years as our HR Pro system is further integrated into the business.

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

We have set a target for 2012 in the area of health improvement for our employees:

- 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.
Further details on how we are tackling the issue of health and safety, compensation and benefits and performance management can be found on pages 23, 30 and 33 respectively in the 2011 Sustainability Report. Details on how we manage these issues can be found on pages 11 and 12 of the 2011 Sustainability Report.

**LA10 Average hours of training per year per employee by employee category**

Partial Reporting

Using our global competency framework and appraisal system, Croda Aspire, we annually monitor the average hours of training per employee. Our small internal training function continually develop and deliver courses, coaching and programmes that meet the ever changing needs of all of our employees.

All talent management and employee development activities are now linked to the Croda competency framework, thereby having a direct relationship with an employee’s role and business objectives. With this in mind, the quality and relevance of training and development activities became more focused in 2011, through improvement in the identification of personal development needs. The emphasis for talent management and employee development in 2012 and beyond will continue to be about quality not quantity, through proper identification and addressing of those needs.

Employee development will continue to be core to Croda’s people management strategy but we want to take our performance development, learning delivery and accessibility to the next level, so we have set ourselves a stretching target to bring forward the launch of our online learning zone from 2015 to the end of 2013.

We also recognise the importance of our organisational leadership and future leaders on the company’s success. Following an in-depth review of our leadership development, which took place in 2010, two new leadership programmes were launched during the year. Both are operating on a global scale and focus on developing the top 1% of our business. With the support of external training providers, these two 18 month long programmes will develop the leadership skills and behaviours that we deem critical to our future business success.

**Average hours of training per employee**

| Total hours of training for all employees | 78,602 |
| Employees receiving training (as percentage of group) | 2,779 (86%) |
| Average hours of training per employee | 24.5 hours |
| Average hours of training for those who received training | 28.4 hours |

We have set three targets in the areas of talent management and 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.

Further details on how we are tackling the issue of talent management and employee development can be found on page 32 of the 2011 Sustainability Report. Details on how we manage this issue can be found on page 12 of the 2011 Sustainability Report.

**LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings**

Partial Reporting
At Croda we promote learning and training at all levels of our organisations, with 86% of our employees receiving training during 2011. We offer a variety of training options including internal training courses delivered by our human resources department, funding for external training courses where relevant training cannot be provided internally, as well as funding and support for educational development. A number of our employees have completed part-time or distance learning degree programmes relevant to their position or career development, both funded and supported by Croda.

In particular we offer a New Manager Development Programme, which has been externally accredited through the University of Derby, with managers now receiving a Higher Education Diploma in Managing People upon completion of the programme.

Where applicable we also bring in the expertise of external training providers to enhance the skills and behaviours of our employees. An example of this is our work with Insights who helped us to design and deliver aspects of our leadership development programmes during 2011.

The quality and relevance of training and development activities became more focused in 2011, through improvements in the identification of personal development needs. We have brought forward the launch of our online learning zone to the end of 2013, which will take our performance development, learning delivery and accessibility to the next level, allowing all employees to have access to the training that is most relevant to them.

Further details on how we are tackling the issue of talent management and employee development can be found on page 32 of the 2011 Sustainability Report. Details on how we manage this issue can be found on page 12 of the 2011 Sustainability Report.
Human Rights Performance

HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

We ensure our policies are consistent with the spirit and intent of ILO’s Declaration on Fundamental Principles and Rights at work, where applicable to business. Our Group Policy on Trade Union Membership states that Croda International Plc recognises that all its employees have the right to freedom of association. The Company will not interfere in the legitimate activities of Trades Unions at Croda sites.

The Company recognises that every employee has the right to join or remain a member of a Trade Union if they wish to do so. Equally the Company recognises that every employee has the right not to join or to leave a Trade Union if they wish to do so. The Company will not seek to persuade any employee, potential or otherwise, to join or leave any Trade Union or other workers’ association.

Unless local legislation or legitimate collective agreement requires an alternative approach, the Company will operate as follows:

- During the recruitment process, the Company will not refuse employment on the grounds of Trade Union membership or non-membership nor will it stipulate that membership or non-membership is a condition of employment. The Company will not specify union membership requirements in recruitment adverts, and will not require or expect employment agencies acting on our behalf to do so;
- During employment, the Company will not dismiss, select for redundancy, or allow the detrimental treatment of any employee based solely on the grounds of whether they are a member of a Trade Union or not. Members of Trade Unions will also not be dismissed, selected for redundancy, or suffer any other form of detriment for taking part in union activities or making use of union services; and
- Where local accounting and social security procedures and legislation allow, the Company will enable union members to pay their union subscriptions by deduction from their wages. Employees who wish to take advantage of this should make their request in writing to their local pay department, requesting the deduction be made. Similarly adequate notice must be given to change this arrangement. The individual will then be responsible for ensuring their membership subscriptions are continued.

Whilst all employees have the right to choose whether to be a member of a Trade Union or not, only where there is a specific current local agreement are unions recognised to communicate, negotiate, or consult on behalf of their members.

The above policy is not applicable to our operations in the United States of America, as local legislation requires us to take a different approach.

Although we have policies and procedure in place against internal human rights abuses, we believe that there is more that we should do. This is an area of future focus and during 2012 we will ensure that our policies are consistent with the spirit and intent of the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, where applicable to business.

Further information on how we are tackling human rights issues internally and in our supply chain can be found on pages 31 and 35 of the 2011 Sustainability Report. Details on how we manage these issues can be found on pages 12 and 13 of the 2011 Sustainability Report.

HR6 Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour

We ensure our policies are consistent with the spirit and intent of ILO’s Declaration on Fundamental Principles and Rights at work, where applicable to business.

Utilising the Child Labour Index and Map, produced by global risks advisory firm Maplecroft, we have been able to evaluate risks relating to child labour within our operations. This coupled with an audit of the global HR database (HR Pro) identified that in 2011 our youngest employee was 16 years old and is employed as a Process Operator in Indonesia.

Although we have policies and procedure in place against internal human rights abuses, we believe that there is more that we should do. This is an area of future focus and during 2012 we will ensure that our policies are consistent with the spirit and intent of the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, where applicable to business.
Further information on how we are tackling human rights issues internally and in our supply chain can be found on pages 31 and 35 of the 2011 Sustainability Report. Details on how we manage these issues can be found on pages 12 and 13 of the 2011 Sustainability Report.

HR7 Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour

We ensure our policies are consistent with the spirit and intent of ILO’s Declaration on Fundamental Principles and Rights at work, where applicable to business. At Croda we comply with the labour laws of the countries in which we operate and do not practice forced or compulsory labour.

Although we have policies and procedure in place against internal human rights abuses, we believe that there is more that we should do. This is an area of future focus and during 2012 we will ensure that our policies are consistent with the spirit and intent of the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, where applicable to business.

Further information on how we are tackling human rights issues internally and in our supply chain can be found on pages 31 and 35 of the 2011 Sustainability Report. Details on how we manage these issues can be found on pages 12 and 13 of the 2011 Sustainability Report.
Society Performance

SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting

At Croda, we have always viewed active community communication and involvement as an essential element of ensuring that we are an ethical and responsible company, not only for business benefits, but also for the people who live and work near our sites. It is important for us to understand any issues that could affect our business, and also for communities to understand how we operate and to feel assured that our high standards of safety are being upheld.

The 'Croda in the Community' policy statement describes our intent to be a good neighbour, not only by managing our own affairs in a proper manner, but by also reaching out to support and relate to the local community. Specifically, we are committed to four elements of engagement with their neighbours:

- protecting the community;
- employment for the community;
- standards within the community; and
- engaging with the community.

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

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

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

Since the global launch of the 1% Club in 2010, we have seen a significant increase in activity and participation, largely through our network of 1% Club Champions. These Champions work at every site that we operate which allows our community activity to be meeting local needs and ensures that all of our operations take ownership of their engagement activities.

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

Further details on how we are tackling the issue of community engagement, involvement and education can be found on pages 36-39 of the 2011 Sustainability Report. Details on how we manage these issues can be found on page 17 of the 2011 Sustainability Report.

SO2 Percentage and total number of business units analysed for risks related to corruption

Identification of organisational risks relating to corruption was undertaken by overlaying the territorial analysis of turnover with the risk corruption index map from a recognised provider (Transparency International). Territories identified as being at higher risk of corruption and which generated material turnover were discussed in more detail with locally knowledgeable management to identify any specific areas of concern.

Further details on Croda’s risk management can be found on pages 10-11 of the 2011 Annual Report and page 15 of the 2011 Sustainability Report.

SO3 Percentage of employees trained in organization’s anti-corruption policies and procedures
Following implementation of the Bribery Act 2010 in 2011, and as part of a wide ranging compliance review, we instituted a Group wide training programme incorporating issues raised by this legislation.

Employees who are most likely to be exposed to bribery related issues due to their function or location (approximately 44% of our global workforce) are required to complete online training. The course involves employees being taken through numerous scenarios relevant to our business and it cannot be completed successfully without passing a test. Training has been completed by all managers and non-managers who were identified and all relevant new employees will be required to take and pass the test in the future. In addition to the online training, senior management received further guidance in respect of the Act, detailing how the Company’s policies and procedures work to ensure compliance.

In 2011 we trained a total of 1,405 of our 3,213 employees in the organisation’s anti-corruption policies. This included all of our 420 managers.

Further information on Croda’s approach to countering bribery and corruption can be found on the company website www.croda.com under company policies.

**SO6** Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

Our Code of Ethics states that “We will not make political donations anywhere in the world.” The full Code of Ethics can be found on www.croda.com under company policies. No donations were made for political purposes in 2011 in accordance with our Code of Ethics.

**SO7** Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes

In 2011 there were no legal actions initiated under national or international laws against Croda for the purposes of regulating anti-competitive behaviour, anti-trust, or monopoly practices.
Product Responsibility Performance

PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

The chemical industry is, in general, a heavily legislated industry; we ensure that we adhere to existing and new regulations as well as adhering to relevant voluntary codes. We are also members of a number of associations and committees that advise on chemical legislation and voluntary codes, and have a number of key roles in these associations and committees.

We aim to address potential health and safety impacts across our product ranges throughout their lifecycle, from our new product development through to the ultimate disposal/consumption of our products. As a business to business company our products are not available directly to consumers, but are incorporated into many thousands of products that are used everyday worldwide. As such, we have a responsibility to not only our customers, but also end consumers regarding the health and safety of the products that we develop and manufacture.

Our involvement in the health and safety decisions of our products starts at the product development stage, product concepts come from a variety of sources, including customer interaction, market awareness and emerging product trends. In all these areas our research teams liaise with our product safety and regulatory affairs department from the beginning of new product development to ensure that products are assessed for their health, safety and environmental effects. Additional screening tests and modelling may be carried out depending on the expected end use of the product to enable safety assessments to be completed by our customers.

Our scientists ensure that our products meet as many of the 12 Principles of Green Chemistry as practically possible, a number of these relate to reducing harm to human health during development, manufacture and end use. Wherever practically possible we stick to the principles relating to health and safety from the 12 Principles of Green Chemistry:

- Wherever practicable, synthetic methodologies should be designed to use and generate substances that possess little or no toxicity to human health and the environment.
- Chemical products should be designed to preserve efficacy of function while reducing toxicity.
- Chemical products should be designed so that at the end of their function they do not persist in the environment and break down into innocuous degradation products.
- Analytical methodologies need to be further developed to allow for real-time, in-process monitoring and control prior to the formation of hazardous substances.
- Substances and the form of a substance used in a chemical process should be chosen to minimize potential for chemical accidents, including releases, explosions, and fires.

These principles are embedded in our new product development processes, and in 2012 we aim to implement an official check procedure to monitor this process and seek areas for improvement.

Our product safety and regulatory affairs department ensure that all of our products meet the regulatory requirements of the region or country in which our products are sold. Recently two pieces of legislation namely, Registration, Evaluation, Authorisation and Restriction of Chemical substances (REACH) and United Nations Globally Harmonized System of Classification and Labelling of Chemicals (GHS) have been a particular focus for us and we continue to be fully compliant with both of these pieces of legislation. Under the REACH programme a risk assessment is completed to ensure that any hazard associated with a product is adequately controlled from the manufacture of the product through to its end use and associated service life. This is an on-going process with our higher volume products being assessed first.

Our Product Assurance department will supply certification of our product where required legally or directly requested by our customers. Examples of some of the certificates we provide include product safety information, BSE statements, GMO statements, allergen free statements, residual free statements and product origin.

We have controls in place within our master database system to ensure that a safety data sheet is produced for all products prior to manufacture to ensure that the health and safety aspects can be considered for manufacturing, production, storage, distribution, supply and end product use.

During the manufacture and production of our products the risks to health and safety are managed by the Safety Health and Environment (SHE) department at each of our manufacturing sites. There are policies and procedures in place to ensure the highest level of manufacturing process safety and quality control. All of our 17 manufacturing sites around the world are certified to the ISO 14001 standard and accredited to the OHSAS 18001 standard for Safety Management. We are committed to Responsible Care®, which helps us continuously improve our performance in the area of health
and safety. There are procedures and systems in place to ensure the safe storage of dangerous chemicals; this information is always passed on to our customers where applicable. We have systems and procedures in place to deal with any transportation issue or emergency situation that may affect surrounding communities.

Our sales and marketing teams work closely with our research teams and regulatory department to ensure that any details that are provided to customers relating to health and safety are accurate and reflect the information that is sent out with the products that we supply.

We ensure that all of the products that we supply are accompanied by a material safety data sheet (MSDS), which details any health and safety issues with the product as well as environmental effects such as persistence and bioaccumulation. This goes beyond our legal requirements, where MSDSs are only required in specific circumstances and all of our products are labelled according to regulatory requirement in the regions in which they are sold.

In general our products are only used as a small percentage of the final product, so it is a challenge for us to manage the health and safety implications in finished products. By providing good quality information and data to our customers we allow them to make informed decisions and accurately determine if there could be any potential issues for end consumers.

Our control over the ultimate disposal of the goods that contain our products is also limited, however we control what we can by ensuring that our products are as environmentally friendly as possible by examining biodegradability and persistence, and minimal potential impact to human health in terms of toxicity and bioaccumulation.

Further information on our key material issues can be found on pages 22, 23, 27 of the 2011 Sustainability Report, details on how these issues are managed can be found on page 11 of the 2011 Sustainability Report.

Further information on associations and committees of which Croda is a member can be found in Profile Disclosure 4.13.

**PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes**

We have formal procedures in place to capture any non-compliance with regulations or codes relating to the health and safety of our products. We have a formal complaints procedure and all of our customers have at least one sales contact within the business. It is our intention to enhance this procedure to further embed it within our business to capture any issues or areas of potential risk.

During 2011 we were not aware of any incidents relating to non-compliance in this area.

**PR3 Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements**

Due to strict legislation within the chemical industry in the area of product labelling, we ensure that we conform to all regulations in the regions in which we operate and we aim to exceed these standards where possible.

We require information related to health and safety and the labelling of products from all of our suppliers, this information is collected at each manufacturing site and is passed on to our product safety and regulatory affairs department. In general, this information is received in the form of a material safety data sheet (MSDS), but where we require more information for regulatory purposes we work with our suppliers to gain the data that we require.

All products are assessed against the relevant national and international chemical labelling legislation to ensure that the health, safety and environmental hazards of the product are assessed and the appropriate hazard and precautionary statements are used. Information about safe handling and use of our products is passed on to our customers in MSDSs and product safety information statements.

We work closely with our customers to ensure that our chemicals are sufficiently assessed for safe use in end consumer products and ensure that any environmental or health impacts of our products are identified. As our products are generally used as a small percentage of end consumer goods, the information that we provide to our customers is vital for them to accurately determine any potentially harmful effects of their formulations for consumers or the environment.

Any potentially hazardous effects of our products to human health or the environment are identified and clearly shown on our product labels and in the MSDSs that we provide to our customers. These include, amongst others, biodegradation, persistence, bioaccumulation and toxicity.

Further information about the health and safety of our products can be found in the Performance Indicator PR1.
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes

We continue to monitor and adapt to any changes in national and international chemical labelling legislation across the world.

During 2011 we were not aware of any incidents relating to non-compliance in this area.

PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

As a business to business organisation we are not required to comply with certain marketing standards that would apply to consumer facing companies. However, we comply with national and local laws and voluntary codes where necessary, such as the Food and Drug Administration (FDA) and Personal Care Products Council (formerly CTFA).

Any restriction on the usage of our products in certain regions is clearly communicated on relevant marketing materials. All of the claims made in our marketing communications and promotional material are based on scientific facts that have come from extensive testing of our products by our research teams. As such, these claims are only made when there is evidence based on accepted scientific principles and statistically significant data, which would stand up to scrutiny by advertising standards authorities such as the Financial Services Authority (FSA).

Our marketing teams receive product validation documentation from our research and development teams, outlining the product benefits and the evidence to support the promotion of them. Once any marketing materials have been produced there is a sign off procedure in place to ensure that the relevant research and development team reviews the claims being made and approve them for release.

The marketing teams have processes and procedures to track any errors in marketing literature, or changes to any evidence through a version control procedure, which ensures that the latest version of any marketing material is sent to our customers, who in turn may wish to use the claims that we make about our products on their final formulations.

We have our own positioning guidelines on imagery to ensure that those contained in our marketing material do not cause offense in any country where our products are marketed. As such, we aim to select imagery that has global appeal and would not offend any culture or nation, so that we are able to market our products consistently in every country across the world. The procedure includes globally approved style briefs, which not only considers imagery, but also the marketing position of the product to ensure that it is understood correctly throughout the world.

Our intellectual property department is responsible for ensuring that we do not infringe on any patents in any country in which we sell our products. They also work with the marketing teams to ensure that we use acceptable trade names for our products.

Observing the privacy of our customers and prospects and in accordance with the legislations in some of the countries in which we operate, we only send marketing material to those who have registered to receive it or those who have specifically requested it from us.

PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes

We will continue to comply with regulations and voluntary codes relating to marketing communication and promotion and will continue to monitor and improve our processes and procedures in this area.

During 2011 we were not aware of any incidents relating to non-compliance in this area.

PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

We respect the privacy of our customers and our aim is to ensure the highest levels of accuracy, security and confidentiality. Our company website contains details of our Privacy Policy and at any time we can be contacted with questions or concerns with respect to this policy. Contact details can be found in the Privacy Policy itself.

During 2011 we were not aware of any breaches of customer privacy and we continue to apply good practice as defined in our Privacy Policy.
During 2011 there were no prosecutions against the Group.
GRI Report 2011
Application Level

This is the fourth consecutive year that Croda International Plc has provided a Global Reporting Initiative (GRI) Report using the G3 sustainability reporting guidelines.

In 2011, we have increased our self-declared level of reporting against GRI to Level B. We have reported against all Profile Disclosures and Management Approaches for each Indicator Category and we have increased the number of Performance Indicators that we report against to 41.

For further details, please contact Sarah Millns, CSR Manager, at our.responsibility@croda.com