GRI Sustainability Reporting 2013 Sustainability Performance

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

During 2013, a review of the GRI 3.0 Strategy and Profile Disclosures and Performance Indicators was conducted. As a result, we continue to report at a self-declared Level B for the reporting period 1 January 2013 to 31 December 2013.

Our separately published Sustainability Report 2013 contains a significant amount of information relating to GRI content whilst some information can also be found in our Annual Report 2013. This GRI Report provides further details on Strategy, Profile Disclosures and Performance Indicators not found in either of these two reports, whilst further information on key topics can be found on the Company website www.croda.com. Any supporting information is indicated throughout this report, where relevant.

A GRI Index table can be found on the following pages and online at www.croda.com/gri, summarising the location of all relevant GRI information.

Glossary of Terms

The following abbreviations are used in this report:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Meaning</th>
<th>Abbreviation</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALARP</td>
<td>As Low As Reasonably Practicable</td>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>CAC</td>
<td>Community Advisory Council</td>
<td>NSAPI</td>
<td>National Skills Academy for the Process Industries</td>
</tr>
<tr>
<td>CDP</td>
<td>Carbon Disclosure Project</td>
<td>OSHA VPP</td>
<td>Occupational Safety &amp; Health Administration Voluntary Protection Programme</td>
</tr>
<tr>
<td>CHIP</td>
<td>Combined Heat and Power</td>
<td>PKO</td>
<td>Palm Kernel Oil</td>
</tr>
<tr>
<td>CIA</td>
<td>Chemical Industries Association</td>
<td>PO</td>
<td>Palm Oil</td>
</tr>
<tr>
<td>CO2</td>
<td>Carbon Dioxide</td>
<td>PSRA</td>
<td>Product Safety and Regulatory Assurance</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
<td>QA</td>
<td>Quality Assurance</td>
</tr>
<tr>
<td>EFFCI</td>
<td>European Federation for Cosmetic Ingredients</td>
<td>RSPO</td>
<td>Roundtable on Sustainable Palm Oil</td>
</tr>
<tr>
<td>FPQ</td>
<td>First Pass Quality</td>
<td>SAYE</td>
<td>Save As You Earn</td>
</tr>
<tr>
<td>GDP</td>
<td>Graduate Development Programme</td>
<td>SHE</td>
<td>Safety, Health and Environment</td>
</tr>
<tr>
<td>GHG</td>
<td>Greenhouse Gas</td>
<td>STEM</td>
<td>Science, Technology, Engineering and Mathematics</td>
</tr>
<tr>
<td>GMP</td>
<td>Good Manufacturing Processes</td>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
<td>VOC</td>
<td>Volatile Organic Compound</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
<td>HR</td>
<td></td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
<td>ILO</td>
<td></td>
</tr>
<tr>
<td>IRB</td>
<td>Istituto Di Ricerche Biotecnologiche</td>
<td>IRB</td>
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</tr>
<tr>
<td>IUCN</td>
<td>International Union for Conservation of Nature</td>
<td>IUCN</td>
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</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
<td>IT</td>
<td></td>
</tr>
<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
<td>KPI</td>
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</tr>
<tr>
<td>LMS</td>
<td>Learning Management System</td>
<td>LMS</td>
<td></td>
</tr>
</tbody>
</table>
**GRI G3 Content Index**

The table below gives the Standard Disclosures that we disclose for our GRI G3 report at Level B.

**Strategy and Profile Disclosures**

<table>
<thead>
<tr>
<th>GRI Disclosure</th>
<th>Description</th>
<th>Content Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Statement from the most senior decision-maker of the organisation and overall vision</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>1.2</td>
<td>Description of key impacts, risks and opportunities</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.1</td>
<td>Name of the organisation</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.2</td>
<td>Major brands, products and/or services including volume or quantity</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.3</td>
<td>Operational structure of the organisation</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.4</td>
<td>Location of the organisation's headquarters and major divisions</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.5</td>
<td>Countries of operation</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.6</td>
<td>Nature of ownership and legal form</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.7</td>
<td>Markets served</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.8</td>
<td>Scale of the reporting organisation</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.9</td>
<td>Significant changes during the reporting period regarding size, structure or ownership</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>2.10</td>
<td>Awards received in the reporting period</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.1</td>
<td>Reporting period</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.2</td>
<td>Date of most recent previous report</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.3</td>
<td>Reporting cycle</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.4</td>
<td>Contact point for questions regarding the report or its contents</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.5</td>
<td>Process for defining report content</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.6</td>
<td>Boundary of the report</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.7</td>
<td>Limitations on the scope or boundary of the report</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.8</td>
<td>Basis for reporting that can significantly affect comparability</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Reporting Status</td>
</tr>
<tr>
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</tr>
<tr>
<td>3.9</td>
<td>Data measurement techniques and the bases of calculations</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.10</td>
<td>Explanation of any re-statements of information</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.11</td>
<td>Significant changes from previous reporting</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.12</td>
<td>Table identifying the location of the standard disclosures in the report</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>3.13</td>
<td>Policy regarding external assurance for the report</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.1</td>
<td>Governance structure of the organisation</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.2</td>
<td>Is the Chair of the Board of Directors also an executive officer?</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.3</td>
<td>Members of the Board of Directors that are independent and/or non-executive members</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.4</td>
<td>Mechanisms to provide recommendations or direction to the highest governance body</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.5</td>
<td>Linkage between compensation and the organisation's performance</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.6</td>
<td>Processes to ensure conflicts of interest are avoided</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.7</td>
<td>Process for determining the qualifications and expertise of the members of the Board of Directors</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.8</td>
<td>Statements of mission or values, codes of conduct and principles</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.9</td>
<td>Procedures for overseeing economic, environmental and social performance</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.10</td>
<td>Process for evaluating the highest governance body's performance</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.11</td>
<td>Explanation of how the precautionary approach or principles are addressed</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.12</td>
<td>Externally developed economic, environmental and social charters to which the organisation subscribes</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.13</td>
<td>Memberships in associations</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.14</td>
<td>List of stakeholder groups engaged by the organisation</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.15</td>
<td>Basis for identification and selection of stakeholders</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.16</td>
<td>Approaches to stakeholder engagement</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>4.17</td>
<td>Key topics and concerns raised through stakeholder engagement</td>
<td>Fully Reported</td>
</tr>
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</table>
### Management Approach Disclosures

<table>
<thead>
<tr>
<th>Description</th>
<th>Reporting Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>Environmental</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>Labour Practices and Decent Work</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>Society</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>Product Responsibility</td>
<td>Fully Reported</td>
</tr>
</tbody>
</table>

### Performance Indicators

<table>
<thead>
<tr>
<th>Economic Performance Indicators</th>
<th>Reporting Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC1 Direct economic value generated and distributed</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>EC2 Financial implications and other risks and opportunities due to climate change</td>
<td>Partially Reported</td>
</tr>
<tr>
<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>Fully Reported</td>
</tr>
<tr>
<td>EC5 Range of wage ratios</td>
<td>Not Reported</td>
</tr>
<tr>
<td>EC6 Policy practice and proportion of spending on locally-based suppliers</td>
<td>Not Reported</td>
</tr>
<tr>
<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>
</tr>
<tr>
<td>EC9 Significant indirect economic impacts</td>
<td>Not Reported</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environment Performance Indicators</th>
<th>Reporting Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN1 Materials used</td>
<td>Partially Reported</td>
</tr>
<tr>
<td>EN2 Recycled input materials</td>
<td>Not Reported</td>
</tr>
<tr>
<td>EN</td>
<td>Description</td>
</tr>
<tr>
<td>------</td>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>EN3</td>
<td>Direct energy consumption by primary source</td>
</tr>
<tr>
<td>EN4</td>
<td>Indirect energy consumption by primary source</td>
</tr>
<tr>
<td>EN5</td>
<td>Energy saved due to conservation and efficiency improvement</td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives to provide energy-efficient or renewable energy based products and services</td>
</tr>
<tr>
<td>EN7</td>
<td>Initiatives to reduce indirect energy consumption</td>
</tr>
<tr>
<td>EN8</td>
<td>Total water withdrawal by source</td>
</tr>
<tr>
<td>EN9</td>
<td>Water sources significantly affected by withdrawal of water</td>
</tr>
<tr>
<td>EN10</td>
<td>Water recycled and reused</td>
</tr>
<tr>
<td>EN11</td>
<td>Land in or adjacent to protected areas and areas of high biodiversity value</td>
</tr>
<tr>
<td>EN12</td>
<td>Significant biodiversity impacts</td>
</tr>
<tr>
<td>EN13</td>
<td>Habitats protected or restored (Additional)</td>
</tr>
<tr>
<td>EN14</td>
<td>Strategies, current actions and future plans for managing impacts on biodiversity</td>
</tr>
<tr>
<td>EN15</td>
<td>IUNC Red List species in areas affected by operations</td>
</tr>
<tr>
<td>EN16</td>
<td>Direct and indirect greenhouse gas emissions</td>
</tr>
<tr>
<td>EN17</td>
<td>Other relevant indirect greenhouse gas emissions</td>
</tr>
<tr>
<td>EN18</td>
<td>Initiatives to reduce GHG emissions</td>
</tr>
<tr>
<td>EN19</td>
<td>Emissions of ozone-depleting substances</td>
</tr>
<tr>
<td>EN20</td>
<td>NOx, SOx and other air emissions</td>
</tr>
<tr>
<td>EN21</td>
<td>Total water discharge</td>
</tr>
<tr>
<td>EN22</td>
<td>Total weight of waste</td>
</tr>
<tr>
<td>EN23</td>
<td>Significant spills</td>
</tr>
<tr>
<td>EN24</td>
<td>Waste deemed hazardous under the terms of the Basel Convention</td>
</tr>
<tr>
<td>EN25</td>
<td>Identity, size, status and biodiversity value of water bodies and related habitats</td>
</tr>
<tr>
<td>EN26</td>
<td>Initiatives to mitigate environmental impacts of products and services</td>
</tr>
<tr>
<td>EN27</td>
<td>Products and packaging materials reclaimed</td>
</tr>
<tr>
<td>EN28</td>
<td>Significant fines and sanctions</td>
</tr>
<tr>
<td>EN29</td>
<td>Transportation impacts</td>
</tr>
<tr>
<td>EN30</td>
<td>Environmental protection expenditures</td>
</tr>
</tbody>
</table>

### Labour Practices & Decent Work Performance Indicators

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

### Human Rights Performance Indicators

<p>| HR1  | Investment agreements with human rights clauses | Not Reported |
| HR2  | Suppliers and contractors screened on human rights | Not Reported |
| HR3  | Employee training on aspects of human rights | Not Reported |
| HR4  | Incidents of discrimination and actions taken | Not Reported |</p>
<table>
<thead>
<tr>
<th>HR5</th>
<th>Right to exercise freedom of association</th>
<th>Fully Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR6</td>
<td>Risk for incidents of child labour</td>
<td>Fully Reported</td>
</tr>
<tr>
<td>HR7</td>
<td>Risk for incidents of forced labour</td>
<td>Fully 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

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

### Product Responsibility Performance Indicators

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

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

Chief Executive’s Statement

I am pleased to report that we have yet again made excellent progress against our sustainability targets. More and more, as customer and consumer demand for sustainable ingredients continues to increase, our strategic emphasis on sustainability is becoming an important differentiator for our Business and a means of generating growth.

From day one, sustainability has been integral to our business. Our very first product was Lanolin, which is created as a result of washing sheep fleece for the wool industry, making it a very natural and sustainable ingredient. Almost 90 years later, we are still working closely with wool producers to improve the efficiency of Lanolin extraction.

Our approach to sustainability has evolved, especially since our first Corporate Social Responsibility Report in 2007, but it has remained a central element of everything we do. Sourcing renewable raw materials, developing the integrity of our manufacturing processes, producing innovative ingredients with sustainable benefits, and looking after our people and the communities in which we operate are our key areas of focus.

We understand that business success requires a balanced approach that looks simultaneously at environmental, social and economic impacts and we are pleased that this focus has been recognised externally. As well as maintaining our high ranking in the Global 100 Most Sustainable Corporations in the World and FTSE4Good status, we received a number of new accreditations:

- CDP Climate Disclosure Leader 2013, one of 41 businesses demonstrating leadership in transparent climate change reporting.
- Gold EcoVadis CSR Rating, which recognises our environmental and social practices and our influence within our supply chain.
- Britain’s Most Admired Companies, 5th overall and 1st in the chemical sector, as voted by our peers.

We also made excellent progress against our 2013 targets, including:

- increasing the amount of energy used from non-fossil fuel sources to 24.4%;
- maintaining the proportion of raw materials we use that come from renewable sources at just under 70%; and
- increasing employee training hours from 92,668 to 122,212 in 2013

During 2013, we reviewed our sustainability strategy and established 10 new Material Areas and longer-term objectives. This was in response to an in depth analysis of the Business in the Community ‘Forces for Change’ report, which we used as a framework to identify the global drivers that will influence the way we do business and the positive contributions we can make.

As a knowledge business, we depend on the expertise of our people and we work hard to attract, recruit and retain the best. I am once again pleased to report that our retention rates remain very high, and our people continue to show their commitment to long-term careers with Croda through, for example, increasing participation in our company-sponsored employee share ownership schemes.

As we continue to expand our Business across the world, particularly with new manufacturing sites and Research & Development Centres in emerging markets, the impact of our operations on local communities is, as it always has been, a major factor in our sustainability strategy. Croda people continue to give their time and efforts to social and education projects, with a particular focus on increasing scientific skills through our Group-wide volunteering scheme, 1% Club.

I would like to take this opportunity to thank my colleagues for their continued hard work and dedication to making Croda a sustainable business. As we all continue on our sustainability journey, one thing remains the same: for everyone at Croda it is our responsibility, both individually and as a team, to ensure that we continue to do business the right way.

Steve Foots, Group Chief Executive
The Croda Vision

Life at Croda is underpinned by the Croda Vision, a statement of our culture that 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

Sustainability at Croda

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

We ensure that the Material Areas of our business and key stakeholders are addressed as part of our sustainability strategy.

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

Responsible for developing and supporting the implementation of our sustainability strategy and targets, our Sustainability Steering Committee consists of Material Area Owners who are senior managers with specific expertise complimenting their Material Area. Reflecting our overall business management approach, we also have four Regional Representatives who are supported by Regional Steering Committees and site-level Sustainability Champions to ensure that our sustainability strategy, targets and progress are communicated and supported around the world.

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

1.2 Description of key impacts, risks and opportunities

Material Areas

To continue to deliver improvement we must establish clear commitments and performance targets aligned to our Material Areas. By Material Areas we mean topics or issues with the potential to affect the long term success of our business, which includes the economies, environments and societies in which we operate.

Targets have been set with our Group Executive Committee that support our sustainability strategy and ensure that progress is made in addressing our Material Areas. Our materiality and targets are reviewed on an annual basis at a Strategic Review meeting between the Sustainability Steering Committee and our Group Executive Committee. As a result of this meeting in 2013 our materiality has been redefined into 10 Material Areas with longer-term objectives following a detailed review of the opportunities and threats that global mega trends may have on our business in the long term.

The objectives within these 10 Material Areas now define our sustainability strategy.

<table>
<thead>
<tr>
<th>Material Area</th>
<th>Long-term Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Impact</td>
<td>Minimise the impact of our operations</td>
</tr>
<tr>
<td>Policy &amp; Regulation</td>
<td>Proactively engage in the enhancement of policy and regulation</td>
</tr>
<tr>
<td>Area</td>
<td>Description</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Product Design</td>
<td>Deliver the most innovative and sustainable ingredients to our customers</td>
</tr>
<tr>
<td>Product Stewardship</td>
<td>Ensure that the ingredients we produce contribute positively to the environment and society throughout their lifecycle</td>
</tr>
<tr>
<td>Process Safety &amp; Stewardship</td>
<td>Foster the development of safety and quality systems associated with all of our processes</td>
</tr>
<tr>
<td>Health, Safety &amp; Wellbeing</td>
<td>Empower employees to have health, safety and wellbeing at the forefront of their thinking</td>
</tr>
<tr>
<td>Talent Acquisition &amp; Management</td>
<td>Be an employer of choice</td>
</tr>
<tr>
<td>Corporate Knowledge</td>
<td>Safeguard our knowledge and expertise</td>
</tr>
<tr>
<td>Diversity &amp; Inclusion</td>
<td>Embrace and empower all individuals</td>
</tr>
<tr>
<td>Communication Education &amp; Involvement</td>
<td>Support the communities in which we operate, with a primary focus on encouraging young people to work within science and technology</td>
</tr>
</tbody>
</table>
## Organisation Profile

### 2.1 Name of the organisation

Croda International Plc.

### 2.2 Major brands, products and/or services

We are a global leader in manufacturing and marketing speciality chemicals. Consumers may not know our name, but products that millions of people use every day rely on our high-performance ingredients to perform. We create and deliver the innovations that help our customers build million and billion-pound brands.

<table>
<thead>
<tr>
<th>Consumer Care</th>
<th>Health Care</th>
<th>Crop Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Markets:</strong></td>
<td><strong>Markets:</strong></td>
<td><strong>Markets:</strong></td>
</tr>
<tr>
<td>We create products for the skin care, sun care, hair care, baby care, colour cosmetics, male grooming, bath and shower and antiperspirant markets.</td>
<td>Our high purity ingredients are used in the pharmaceutical, dermatological, neutraceutical, functional food and animal health markets.</td>
<td>We provide inert ingredients and adjuvants for the full spectrum of agrochemical applications.</td>
</tr>
<tr>
<td><strong>Products:</strong></td>
<td><strong>Products:</strong></td>
<td><strong>Products:</strong></td>
</tr>
<tr>
<td>These include inorganic UV absorbers, lanolins, emollients, polymers, proteins, surfactants and skin care actives. <a href="http://www.croda.com">Read more at www.croda.com</a></td>
<td>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. <a href="http://www.croda.com">Read more at www.croda.com</a></td>
<td>These include polymeric surfactants, dispersants, wetting agents, emulsifiers, stabilisers, adjuvants and seed coating binders. <a href="http://www.croda.com">Read more at www.croda.com</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance Technologies</th>
<th>Geo Technologies</th>
<th>Polymer Additives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Markets:</strong></td>
<td><strong>Markets:</strong></td>
<td><strong>Markets:</strong></td>
</tr>
<tr>
<td>We supply ingredients for laundry, household, industrial and institutional cleaning applications, as well as for wipes, tissues, nappies and hygiene articles.</td>
<td>We provide innovative, efficient solutions for the oil field, mining and water treatment markets.</td>
<td>We provide speciality effects for a wide range of industrial and consumer plastics, packaging and rubber applications.</td>
</tr>
<tr>
<td><strong>Products:</strong></td>
<td><strong>Products:</strong></td>
<td><strong>Products:</strong></td>
</tr>
<tr>
<td>These include proteins and their derivatives, softeners, surfactants, solvents, emulsifiers, solubilisers, hydrotropes, tissue lotions, botanical extracts, fatty acids and glycerine. <a href="http://www.croda.com">Read more at www.croda.com</a></td>
<td>These include demulsifiers for the oil field industry, emulsifiers for explosives and water soluble polymer components for the formulation of water treatments. <a href="http://www.croda.com">Read more at www.croda.com</a></td>
<td>These include slip, anti-block, antistatic, anti-fog, mould and torque release agents as well as UV absorbers, dispersants and concentrates. <a href="http://www.croda.com">Read more at www.croda.com</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coatings and Polymers</th>
<th>Lubricant Additives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Markets:</strong></td>
<td><strong>Markets:</strong></td>
</tr>
<tr>
<td>Croda provide environmentally friendly, high performance solutions to paint formulators, resin manufacturers and additive producers.</td>
<td>Croda supply ingredients based on renewable raw materials to automotive and industrial lubricant markets.</td>
</tr>
<tr>
<td><strong>Products:</strong></td>
<td><strong>Products:</strong></td>
</tr>
<tr>
<td>This includes a wide range of naturally derived oleochemicals and specialty surfactants. <a href="http://www.croda.com">Read more at www.croda.com</a></td>
<td>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</td>
</tr>
</tbody>
</table>
## Industrial Chemicals

| Markets: | We 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. |

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

We are a global organisation with 3,545 employees across 34 countries*. By being close to our customers around the world, we have a collaborative approach to business, which allows us to respond quickly and efficiently to unmet needs.

Our Business is split into three reporting business segments:

**Consumer Care** consists of the global business in the following markets: Personal Care, Health Care and Crop Care. Consumer Care addresses fast growing niche markets which demand high quality, differentiated and patented technologies and exceptional customer relationships. This is a low volume, high value business. In all markets we are a leading speciality ingredient supplier offering unique performance claims to our customers, often with very small inclusion levels.

**Performance Technologies** consists of Lubricants, Polymer Additives, Coatings & Polymers, Geo Technologies and Home Care. The markets for our Performance Technologies businesses possess similar characteristics to those addressed by Consumer Care. In both cases, our customers want differentiated and patented technologies and we focus on numerous, profitable niche market applications.

**Industrial Chemicals** serves a variety of important industrial markets with ingredients, additives and processing aids. Our Industrial Chemicals business, reporting separately for the first time this year, addresses a wide range of markets and applications in mostly industrial sectors that are not covered by our more focussed Consumer Care and Performance Technologies operations. Margins are lower and volumes higher than in our other reporting sectors and tend to be more volatile as a result of our limited pricing power.

In addition to the above, the Group has a **Technology Investment Group** that identifies and integrates new technology into the global Business structure.

A list of our principal subsidiary companies can be found in our 2013 Annual Report.

More information on our organisational structure can be found at [www.croda.com](http://www.croda.com).

*As at January 2014

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

Our corporate headquarters are located at Cowick Hall in East Yorkshire, England.

More information about the locations in which we operate can be found at [www.croda.com](http://www.croda.com).

### 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

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*As at January 2014*
We are a global organisation with 3,545 employees across 34 countries.* The strength of our research, development and manufacturing capabilities is underpinned by our global network of sales offices and technical/customer support teams.

**Countries of Operation***

<table>
<thead>
<tr>
<th>Asia Pacific</th>
<th>Europe and the Middle East</th>
<th>The Americas</th>
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</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Belgium</td>
<td>Argentina</td>
</tr>
<tr>
<td>China</td>
<td>Czech Republic</td>
<td>Brazil^</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>France^^^</td>
<td>Canada</td>
</tr>
<tr>
<td>India^</td>
<td>Germany</td>
<td>Chile</td>
</tr>
<tr>
<td>Indonesia^</td>
<td>Hungary</td>
<td>Colombia</td>
</tr>
<tr>
<td>Japan^</td>
<td>Italy^</td>
<td>Mexico</td>
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<td>Singapore^</td>
<td>The Netherlands^</td>
<td>Peru</td>
</tr>
<tr>
<td>South Korea</td>
<td>Poland</td>
<td>USA^^</td>
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<tr>
<td>Taiwan</td>
<td>Russia</td>
<td></td>
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<tr>
<td>Thailand</td>
<td>South Africa</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>Spain^</td>
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</table>

**Key**

† Head Office

^ Manufacturing site

*As at 31 December 2013

2.6 Nature of ownership and legal form

Croda International Plc. is a Public Limited Company; we have been listed on the London Stock Exchange since 1964.

Our Articles of Association can be found at www.croda.com.

Our ownership structure and major shareholders can be found in our 2013 Annual Report.

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

The markets served by our business can be found under disclosure 2.2. The revenue generated during 2013, separated by region is detailed below:

- Europe - £489.2m
- Americas - £393.2m
- Asia Pacific - £194.6m

Meanwhile, the breakdown of revenue and operating profit during 2012, separated by business sector, was as follows:

- Consumer Care
  - Revenue = £593.2m,
  - Operating Profit = £191.3m
- Performance Technologies
  - Revenue = £387.1m,
  - Operating Profit = £63.0m
• Industrial Chemicals
  - Revenue = £96.7m,
  - Operating Profit = £10.3m

2.8 Scale of the reporting organisation

As recorded at 31 December 2013, the Group employs 3,545 employees worldwide, operating 18 manufacturing sites and 35 commercial offices in 34 countries across six continents.

During 2013, 55.1% of sales revenue was related to our Consumer Care markets, 35.9% was due to our Performance Technologies sector and 9.0% a result of our activities in Industrial Chemicals.

In 2013, the net sales by revenue and destination were: Europe 45.4%, Americas 36.5% and Asia Pacific 18.1%, whilst revenue from continuing operations was £1,077.0 million.

At 31 December 2013, total debt was £202.2 million and £419.4 million equity.

These figures apply to Croda International Plc. in its entirety.

Further information can be found on in our 2013 Annual Report.

2.9 Significant changes during the reporting period regarding size, structure or ownership

During 2013 we acquired a 65% share in Chinese speciality chemicals manufacturer Sipo for £30.3m. Sipo has brought with it new technology within an excellent facility, and moved us closer to our customers in this key territory, strengthening our existing operations and overall position in Asia.

We also acquired, for £7.8m, the global Specialty Chemicals business of Florida-based Arizona Chemical and with it world-leading technology that enhances our leadership in specialty ingredients from renewable resources. We look forward to generating value from the combination of these exciting new businesses and Croda’s established global sales and marketing network.

These assets have been integrated into our existing business structure and are, therefore, not separately reportable operations within this report.

2.10 Awards received in the reporting period

• **Croda International Plc. maintained the “FSTE4Good” listing** for the sixth consecutive year
• **Croda International Plc. received the “Gold rating” from EcoVadis** for sustainable supply chain management
• **Croda International Plc. was highly ranked on the “Global 100 Most Sustainable Corporations in the World” list** for the second consecutive year
• **Croda International Plc. was awarded 5th in “Britain’s Most Admired Company Awards 2013”** from Management Today, and 1st place in the Chemical sector
• **Croda International Plc. received the “Henkel Sustainability Award”** for delivering lifecycle assessment data for several products they purchase from us
• **Croda International Plc. received the “Estee Lauder CSR Award”** for responsible operations
• **Croda International Plc. was listed on the “CDP Leadership Index”** for transparent climate change reporting
• **Croda Europe received “EFFI Certification”** for 11 manufacturing sites across Europe
• **Croda Europe received “EXCIPACT certification”** for 2 operations in the UK
• **Croda Spain received the “European Good Practice Award”** from the European Agency for Safety and Health at Work (EU-OSHA)
• **Croda Italy received the “Innovative Active Ingredient Award”** from Yves Rocher
• **Croda France received the “Cosmetics & Toiletries R&D Award”** for Beautifeye product
• **Croda Poland received the “Forbes Diamond Award 2013”** due to development and financial performance
• **Croda Poland received the “Business Gasel Award”** from Business Plus Magazine Awards 2013 for financial performance and development
• **Croda South Africa was awarded “Best Large Stand”** at the Coatings for Africa exhibition
• **Croda South Africa received “Vice Presidents Award”** from Coschem for Juanita Kilian
• Croda South Africa received the “Supplier Award” from Le Sel
• Croda Inc. was awarded “VPP Star Status” for two manufacturing sites in North America for occupational health and safety
• Croda Canada received “Speaker of the Year” from Ontario Society of Cosmetic Sciences for Teena Warrin
• Croda Japan received the “Association of Labor Standards Awards” for its record of no occupational accidents
• Croda Singapore was awarded the “Achievement Award” at the SCIC Responsible Care Awards 2013 for Community Awareness and Emergency Response Code
3.1 Reporting period for information provided

This report covers the performance of the Croda Group for the period 1 January 2013 to 31 December 2013. The reporting of some objectives and targets may cover a wider period, this will be made clear where relevant.

3.2 Date of most recent previous report

With the implementation of GRI Reporting in 2008, this report is Croda’s sixth GRI Report and reflects our application at a self-declared level B. Our previous GRI reports can be downloaded from our online GRI report archive whilst our 2013 Sustainability Report is also available at www.croda.com/sustainability2013.

3.3 Reporting cycle

We follow an annual reporting cycle; our printed Sustainability Report (formerly CSR Report up to 2010) is published in April each year and released in conjunction with our 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

Should you have any questions regarding our Sustainability Report or its contents then please do not hesitate to contact our Group Sustainability & Corporate Communications Manager, Sarah Millns, via our.responsibility@croda.com.

3.5 Process for defining report content

Our materiality and targets are reviewed on an annual basis at a Strategy Review meeting between the Sustainability Steering Committee and our Group Executive Committee.

As a result of this meeting, in 2013 our materiality has been redefined into 10 Material Areas with longer-term objectives following a detailed review of the opportunities and threats that global drivers or ‘mega trends’ may have on our business in the long term. The objectives within these 10 Material Areas now define our sustainability strategy.

To continue to deliver improvement, we have established clear commitments and performance targets aligned to our Material Areas. These targets have been set with our Group Executive Committee, support our sustainability strategy and ensure that progress is made in addressing our Material Areas.

3.6 Boundary of the report

The scope of this report covers all fully managed operations for the duration of the reporting period (1 January 2013 to 31 December 2013). This includes all of those functions controlled by our Board and Group Executive Committee, who are responsible for policies, standards and performance.

During 2013 we acquired a 65% share in Chinese speciality chemicals manufacturer Sipo and the global Specialty Chemicals business of Florida-based Arizona Chemical. These assets have been integrated into our existing business structure and are, therefore, not separately reportable operations within this report.

More information about our operations can be found in disclosure 2.3 and in our 2013 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 of the report within our stated boundary.
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 is stated in the report, with the basis of calculation and any assumptions made clearly stated alongside the relevant 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 2012, 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.

Our targets for 2014 and beyond can be found on pages 8-9 of the 2013 Sustainability Report, with details on our performance detailed on pages 10-36.

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

The table allowing navigation to the standard disclosures that we provide responses to can be found at www.croda.com/GRI.

3.13 Assurance

The financial information contained in the 2013 Annual Report has been externally audited by PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors, detailed in a statement which can be found in our 2013 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.

Whilst the decision to assure our Sustainability Report or accompanying online GRI report is reviewed on an annual basis, at this time we are not seeking to externally assure information contained in these reports.
Governance, Commitments and Engagement

4.1 Governance structure of the organisation

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

Our two senior decision making bodies are the Board of Directors, comprising four executive directors and five independent non-executive directors, and the Group Executive Committee, consisting of our most senior Executives including those who sit on the Board. These possess a broad range of business, financial and international skills and experience, providing appropriate balance and diversity.

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. A formal schedule of matters specifically reserved for the Board can be found on our website at www.croda.com.

The Board has three main committees:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Each of our Executive Committee members has responsibility for a region or core function within the business and has established their own Regional and Business Boards. These are responsible for localising and implementing strategy and delivering results.

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 KPIs. Sustainability plays a holistic role across all of these committees and our different business functions to ensure that the material areas of our business and key stakeholders are addressed as part of our sustainable business development.

More information about the responsibilities of the Board and main committees can be found in our 2013 Annual Report, whilst the Articles of Association are available on our website at www.croda.com/corporategovernance.

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

Our Chairman is an independent, and therefore non-executive, director.

Further information about our Board of Directors can be found in our 2013 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, the Secretary to the Board and four independent non-executive directors who have a range of business, financial and international skills and experience.

More information about our Board of Directors can be found in our 2013 Annual Report.

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body

Each year we invite all of our shareholders to an Annual General Meeting (AGM) to ask questions relating to the agenda of the meeting, which customarily deals with our annual report and accounts, including the report on directors’ remuneration. In addition to this, UK company law provides statutory mechanisms for shareholders, requiring directors of companies to hold shareholder meetings and propose resolutions submitted by shareholders.

We believe that effective internal communication is vital to achieving our business objectives and that communication and consultation strengthen the relationship between management and employees. We promote a transparent and open way of working, and are committed to developing and improving the effectiveness of any communication and consultation processes.
The appropriate method of communication and/or consultation will be decided by the Company dependent 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

More information about our communication with shareholders can be found at www.croda.com and on page 43 of our 2013 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.

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.

During 2013, four potential conflicts were highlighted to the Board. Steve Williams has consultancy roles with Eversheds LLP, which provides some legal services to the Group, and Spencer Stuart, a search consultancy firm that has previously been used by the Group. Nigel Turner declared a potential conflict in relation to the possible sale of farm produce (oilseed rape) through agents to Croda. In addition, Sean Christie is a non-executive director of Eminate, a subsidiary of Nottingham University whose Intellectual Property could possibly be of interest to Croda and Helen Ganczakowski also has a Non-Executive Director role on the board of People Against Dirty, a customer of Croda.

After careful review, the Board does not consider that any of the above roles would affect the judgement of the Board member in relation to Croda and its business and therefore authorised these potential conflicts.

The independence of the Non-Executive Directors is kept under constant review, and it is the Board’s opinion that all the non-executive directors who served during the year are independent in character and judgement, with no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

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. At the date of this report, the Board comprises the Chairman, the Group Chief Executive, the Group Finance Director, the Chief Technology Officer, Secretary to the Board and four very experienced non-executive directors who represent a source of strong independent advice and judgement. The
Chairman, Martin Flower, and the Senior Independent director, Nigel Turner, each have significant commercial experience and the Board’s understanding of the Group’s operations is enhanced by regular business presentations and 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 Company Secretary for his advice and services. Where necessary, the directors may also 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. Directors receive a tailored induction programme based on their experience as a Director of a listed company and knowledge of the industry sector. This includes: time with the Company Secretary, members of the Executive Committee and other senior management across the business, meetings with advisers; visits to operations around the Group; and provision of current and historical information about the Company and the Group and specific details on duties of Directors. 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 hold at least one Board meeting a year at a Croda operating site. Previously, the Board have held its meeting in Singapore, which gave the Non-Executive Directors the opportunity to visit our Jurong Island manufacturing site. This also allowed the Non-Executive Directors to observe our operations at first hand and to meet with the senior management and local employees of our Asian region, gaining their insight into our Asian 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 inception, the Vision has remained unchanged but has become the underlying statement against which all social, economic and ecological policies and procedures are aligned with. Our CSR policy, established in 2007, underpins 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.

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

Our sustainability strategy is underpinned by our mission to:

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

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

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

We believe that social performance depends not only on the actions of the Group as a whole, but is also reflected by the actions of our individual employees. As such a ‘Code of Conduct’ has been developed that outlines the high standards to which all of our employees are expected to conduct themselves with respect to colleagues, stakeholders and our Company.

Economic Performance

The Croda Vision states our key economic mission “to remain an independent Company and operate as one global team”. As an established multi-national company, we have developed economic performance policies and indicators in areas such as finance, risk management, acquisitions and disposals with significant issues in these areas are 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 each of our R&D centres across the Group. These principles guide the development of new products in such a way that reduces waste, improves efficiency and ensures that our 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 that we deliver value to our shareholders, protect our reputation and continue to meet the requirements of good corporate governance.

We are committed to the effective management of all key risks identified and coordinate our global approach through our Risk Management Committee. Chaired by the Group Finance Director and comprising the regional Presidents, Group Financial Controller and Company Secretary, with the Group Risk and Control Manager in attendance, this committee meets quarterly and reports directly to the board.

Further details of our risk management processes can be found on pages 24-27 of the 2013 Annual Report.

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 all non-executive directors, including the Chairman, reviews and approves the annual salaries, incentive arrangements (including setting the performance targets and payments/vesting events), service agreements and other employment conditions of the Executive Directors and certain members of the senior executive management team, designated by the Board.

The key objectives of our policy on executive remuneration 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;
- to ensure a balance between fixed and performance related remuneration, with the latter being related to objective measurement of the financial performance of the Company;
- to place a substantial weighting in the overall package on variable pay, with the greatest proportion of pay being delivered through long-term variable pay at maximum performance levels; and
- to set stretching performance targets that are linked to the key performance objectives of the Group which are structured so that they do not encourage undue financial or operational risk-taking or give rise to environmental, social or governance risks by inadvertently motivating irresponsible behaviour.
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.

More information about the Remuneration Committee and our Remuneration Report can be found on pages 52-73 of the 2013 Annual Report.
Commitments to External Initiatives

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

Effective management of risks and opportunities is essential to the delivery of the Group’s strategic, sustainability and financial objectives, ensuring that 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 key business risks throughout the organisation.

The Group coordinates its global approach through the Risk Management Committee which meets quarterly and reports directly to the Board via the Audit Committee. The Risk Management Committee is chaired by the Group Finance Director and comprises the Regional Presidents, the President of Global Operations, the Chief Technology Officer, the Group Financial Controller and the Group General Counsel and Company Secretary, with the Group Risk and Control Manager in attendance.

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

The responsibility for risk identification, analysis and mitigation rests with management at:

- Manufacturing sites and sales offices (review at least annually)
- Regional and functional level (review at least half yearly)
- Executive level (review quarterly)

These registers are reviewed and consolidated to ensure that there is a comprehensive view of the material risks facing the Group, along with the controls in place to mitigate these risks.

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. At the end of 2013, our risk framework was reviewed following the evolution of our Material Areas and as a result, additional risks are being developed to further align it with our sustainability strategy.

More information about the Group’s Risk Management processes can be found on pages 24-27 of the 2013 Annual Report.

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

Our proactive approach to working with many external organisations, both inside and outside of our industry, saw us contributing to around 150 different bodies during 2013. Many of these relate to product, personal and process safety and regulatory affairs.

Charters

Responsible Care®

We are signatories to Responsible Care®, which is the chemical industry’s global voluntary initiative through which 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 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 ensure that our New Product Development follows a more sustainable and environmentally friendly path.

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 have 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.

In addition to this, we are also members of:

- American Association of Pharmaceutical Scientists
- American Chemistry Council
- American Cleaning Institute (ACI)
- Argentinian Association of Cosmetic Chemists (AAQC)
- Assobiotec (Federchimica)
- Association of Accounting Technician (AAT)
- Association of Chartered Certified Accountants (ACCA)
- Association of Chartered Management Accountants
- Association of Company Emergency Response Teams
- Association of Corporate Treasurers
- Association of General Counsel and Company Secretaries working in FTSE 100 Companies (GC100)
- Association of Project Managers
- Association of Trading Chemical Companies (ASSIC)
• Australian Society of Cosmetic Chemists (ASCC)
• Bio based Performance Material Project (BPM)
• Bioscience KTN IB-SIG
• Bombay Chambers of Commerce
• Brazilian Association for Industrial Ingredients and Additives For Food (ABIAM)
• Brazilian Chemical Industry Association (ABIQUIM)
• Brazilian Cosmetology Association (ABC)
• Brazilian Generic Pesticides Association (AENDA)
• Brazilian Toiletry, Perfumery and Cosmetics Association (ABIHPEC)
• British Adhesives and Sealants Association (BASA)
• British Association of Chemical Specialities
• British Standards Institute
• Canadian Association of Chemical Distributors (CACD)
• Canadian Cosmetic, Toiletry & Fragrance Association
• Catalan Chemical Industry Federation (FEDEQUIM)
• Center for Chemical Process Safety
• Ceramic Society of Japan
• Chartered Institute of Builders
• Chartered Institute of Management Accountants
• Chemical Industries Association
• Chemical Industry Council (DE Chapter)
• Chemicals Northwest
• Chemistry Council of Nj
• Chemistry Innovation KTN Board
• Chilean Society of Cosmetic Chemists
• Colombian Association of Cosmetic and Technology (ACCyTec)
• Confederation of Indian Industry (CII)
• Cosmetic Executive Women
• Cosmetic Mediterranean Association (COSMED) and OcWell (Languedoc-Roussillon regional group of COSMED)
• Cosmetic Valley
• Cosmetic, Toiletry & Fragrance Association of South Africa (CTFA)
• Cosmetics Europe
• Council for responsible nutrition (CRN)
• Delaware Economic Development Office
• Dubai Chamber of Commerce
• Edison Emergency Planning Committee
• Environmental Conservation Association of Shiga Prefecture
• Environmental Assessment Working Group
• ETHIC, business ass.
• European Automobile Manufacturers Association /ACEA Biosciences, Inc.
• European Oleochemicals and Allied Products Group (APAG)
• European Standards (EN)
• European Union Chamber of Commerce in Korea (EUCCK)
• EXCIPACT - International Excipients Certification
• Federation of Enterprises in Beauty – France (FEBEA)
• Federation of Indian Chambers of Commerce and Industry (FICCI)
• Federation of Oils, Seeds and Fats Associations (FOSFA)
• Formulated Products Industry Coalition
• French Society of Cosmetology (SFC)
• Future Forum
• Global Association for EPA and DHA Omega-3 (GOED)
• Gokasho Chamber of Commerce and Industry
• Hair Science CHEMISTS OF JAPAN
• Higashiomi Chamber of Commerce and Industry
• Higashiomi Fire Disaster Prevention Association
• Humberside Chemical Focus
• International society for the study of fatty acids and lipids (ISSFAL)
• IMS, CSR organisation
• Independent European manufacturers of industrial lubricants - Belgium (UEIL)
• Indian Chemical Council
• Indian Specialty Chemicals Manufacturers Association
• Industrial Estate Investor Forum (FKIJ)
• Industrial Union - Italy
• Innovation and Chemical Industries - Sweden (IKEM)
• Institute of Chartered Accountants in England and Wales (ICAEW)
• Institute of Trade Mark Attorneys (ITMA)
• Institution of Chemical Engineers (IChemE)
• International Federation of Societies of Cosmetic Chemists (IFSCC)
• International Pharmaceutical Excipients Council (IPEC)
• Japan Cosmetic Industry Association
• Japan Cosmetic Suppliers Association
• Japan Hygienic Olefin And Styrene Plastics Association
• Japan Hygienic PVC Association
• Japan Oil Chemists' Society
• Japanese Cosmetic Science Society
• Japanese Dermatological Association
• Japanese Society of Tribologist
• Kashi-kai
• Kinki Cosmetic Material Association
• Korea Chemicals Management Association (KCMA)
• Korea Cosmetic Association (KCA)
• Korea International Trade Association (KITA)
• Korea Pharmaceutical Traders Association (KPTA)
• Margarine, Fats and Oils Association in The Netherlands (MVO)
• MASE
• MEBB (Mov. Empresarial pela Biodiversidade Brasileira)
• National Association of Business Products Health foods - Italy (Federsalus)
• National Association of Manufacturers of Paints and Inks - Mexico (ANAFAPYT)
• National Business Association of Colombia (ANDI)
• National Plastic Industries Association - Mexico (ANIPAC)
• National Skills Academy for the Process Industries (NSAPI)
• National Union of Industrial Products for Agricultural currency - Spain (SINDAG)
• National Association of the Chemical Industry - Brazil (ANIQ)
• Netherlands Oils, Fats and Oilseeds Trade Association (NOFOTA)
• New Castle County Local Emergency Planning Committee (LEPC)
• New Jersey Institute of Technology (NJIT)
• Nordic Forum for Lipid research and Technology (LIPIDFORUM)
• Nottingham University
• Personal Care Products Council
• Peruvian Association of Cosmetic Chemistry (APQC)
• Peruvian Association of Textiles technicians (APTT)
• RAL for Phase Change Materials
• Royal Society of Chemistry
• Rutgers Chemistry and Biology Council
• Scandinavian Society of Cosmetic Chemists (SCANCOS)
• Seong Nam Chamber of Commerce & Industry (SNCCI)
• Sepawa (Soaps, perfumes and detergents association)
• Singapore Chemical Industry Council
• Society of Cosmetic Chemists
• Society of Cosmetic Chemists South Africa (Coschem)
• Society of Cosmetic Sciences (SCC) - Quebec and Ontario Chapters
• Society Of Cosmetic Scientists (SCS)
• Society of Petroleum Engineers
• Society of Plastics Engineers
• Society of Tribologists and Lubrication Engineers (STLE)
• South African Paint Manufacturers Association (SAPMA)
• Spanish Association of Manufacturers of surface active substances for Applications (AEPSAT)
• SQC
• Thane Belapur Industries Association – India (TBIA)
• 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 European Federation for Cosmetic Ingredients (EFFCI)
• The Pharmaceutical Society of Japan
• The Society Of Cosmetic Chemists Of Japan
• Tokyo Chamber of Commerce and Industry
• Tokyo Cosmetic Material Association
• Toronto North CAER group
• Turkish Paint Industry Association
• Union Chemical Industry - France (UIC)
• Union for Ethical Biotrade (UEBT)
• Union of Industrial Pharmaceutical Products - Spain (SINDUSFARMA)
• United Kingdom Listing Authority (UKLA)
• WEED Science Society of America
• West-Japan Cosmetic Industry Association
• York University
Stakeholder engagement

4.14 List of stakeholder groups engaged by the organisation

We must consider and take necessary action to meet the needs and expectations of our stakeholders. By understanding the sustainability issues that are of greatest concern to them, we can make sure that we focus on the issues that will be most important to the future of our Business, and our long-term sustainable growth, through the management of our Material Areas.

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

Our key stakeholders are:

- Customers & Consumers
- Investors
- Suppliers
- Employees
- Community
- Non-Government Organisations
- Governance & Regulatory

Further information on our approach to stakeholder engagement can be found on pages 7, 15 and 34-36 of the 2013 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 2013 can be found on pages 7, 15 and 34-36 of the 2013 Sustainability Report.

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

During 2013, key stakeholder engagement activities included:

Customers & Consumers
- We held over 32,000 face-to-face meetings with customers.
- 1,884 customers attended our educational webinars in North America alone.
- 742 customers from across the world attended our Personal Care Roadshow training.
- We contributed to global debates on concerns around the cosmetic use of titanium dioxide (TiO2) in nano form and hydrolysed wheat proteins.

Investors
- We sought one-to-one feedback from our investor community on our sustainability performance to learn what matters most to them.
• We attended a number of events hosted by, or on behalf of, investors with an emphasis on Sustainable Responsible Investment (SRI).
• We took steps to identify SRI contacts at each of our key mainstream investors and will be looking to engage directly with them in 2014 and beyond.

Suppliers
• We held in excess of 2,000 face-to-face meetings with raw material suppliers.
• We continued to communicate our revised Supplier Code of Conduct in one-to-one meetings.
• All new suppliers are now subject to compliance with our Supplier Code of Conduct, with our purchasing teams integrating it into their supplier approval process.

Employees
• We held face-to-face employee cascades across our operations throughout the year, with many locations meeting at least twice-yearly.
• We continued to make preparations for our first employee engagement survey in 2014, which will help us to address any employee concerns and needs.
• We continued to work towards our target of all employees having a formal appraisal by the end of 2015.

Community
• We held 111 meetings with local businesses or business representatives.
• 15 out of 19 of our Research & Development Centres implemented education programmes with local schools, colleges or universities.
• We developed and delivered our first Education Ambassador training.
• Over 20% of our workforce donated their time to a huge variety of community projects via our 1% Club.

Non-Government Organisations
• We continued our work with the Roundtable on Sustainable Palm Oil (RSPO) to promote ‘the production and use of sustainable palm oil for People, Planet and Prosperity’.
• We are working closely with our suppliers to ensure that by 2015, all of our manufacturing sites handling PO, PKO and their derivatives will have RSPO supply chain certification.

Governance & Regulatory
• We held 172 meetings with local authorities, councils, government and emergency services.
• We are active members of around 200 national and international industry associations.
• Our Vice President of Global Quality has been involved in establishing international best practice, and producing guidelines and standards to enhance consumer safety, including:
  - chairing the Good Manufacturing Practices (GMP) committee for EFfCI;
  - chairing the Certification Committee for the International Pharmaceutical Excipient Council (IPEC); and
  - working with the British Standards Institute (BSI) and European Committee for Standardisation (CEN) to develop a standard for bio-based products.

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 2013 can be found on pages 7, 15 and 34-36 of the 2013 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

Our Materiality was established in 2011 and then revised in 2012. In 2012 we undertook a sustainability survey which sought feedback on our Materiality and also allowed us to gain a greater understanding of our customers’ sustainability strategies. In doing this, we have been able to confirm that our approach and focus areas are aligned. Environmental issues and supply chain management are two areas that were highlighted as being of high importance to many of our customers and 79% of respondents agreed that product stewardship plays a vital role in supplier selection hence they remain a key focus in our sustainability strategy.

In 2013, our Materiality evolved again to include three additional areas of importance raised by internal stakeholders during a strategy review. Employees from all levels and regions of the business were consulted during the strategy review including our Group Executive Committee, senior managers in our Leadership Development Group, middle managers in our 2020 Network, and our graduates in the Graduate Development Programme.

This demonstrates that by asking and listening to our stakeholders, we can ensure that we are talking to them about the topics that they are most interested in.

Other key topics of concern for specific stakeholder groups have been identified throughout the 2013 Sustainability Report, on pages 7 and 10-36.
Management Approach Disclosures

**Economic**

**2013 Financial Highlights**

Revenue - continuing operations
Up 2.4%
2013: £1,077.0m
2012: £1,051.9m

Adjusted Operating profit – continuing operations
Up 3.7%
2013: £264.6m
2012: £255.1m

Adjusted Earnings per share - continuing operations
Up 8.3%
2013: 132.2p
2012: 122.1p

Dividends per share
Up 8.4%
2013: 64.5p
2012: 59.5p

Like our customers, we are driven by the desires of the consumer and our aim is to identify, anticipate and satisfy their unmet needs. We do this by working intimately with our customers and by focusing on constant, sustainable innovation.

We have identified three megatrends which will provide the catalyst for our future growth. Sustainability, Beauty & Ageing and Health & Wellbeing will impact right across our key business areas, and continued innovation coupled with our ongoing focus on naturally sourced raw materials will leave us well placed to take advantage of them.

We have identified five key strategic growth themes that will enable the delivery of our ambitious goals. In each of these, our emphasis will be on relentless innovation and constant investment in our business to drive our continued growth.

The following data reflects our 2013 performance across our three reporting market segments:

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

During 2013, sales grew 1.2% to £593.2m (2012: £586.4m) and adjusted operating profit increasing by 3.2% to £191.3m (2012: £185.4m). Our return on sales (ROS) rose by 0.6 percentage points to 32.2%.

**Performance Technologies – Coatings & Polymers, Geo Technologies, Home Care, Lubricants and Polymer Additives.**

2013 was the Performance Technologies sector second reporting year and sales increased by 1.1% to £387.1m (2012: £382.8m) and adjusted operating profit grew by 5.9% to £63.0m (2012: £59.5m). Our return on sales (ROS) rose by 0.8 percentage points to 16.3% (2012: 15.6%).

**Industrial Chemicals – serving a variety of important industrial markets with ingredients, additives and processing aids.**

During 2013, sales from continuing operations increased 16.9% to £96.7m (2012: £82.7m) while adjusted operating profit remained unchanged at £10.3m. Our return on sales (ROS) showed a slight decline of 1.8% to 10.7% (2012: 12.5%).

These segments have different dynamics in terms of drivers, growth and margins and we believe that managing and reporting them separately allows us to maximise our focus and drive profitability improvements in all parts of the Group.
For further details on our economic performance see the 2013 Annual Report.

**Environmental**

Our Material Issues relating to the environment and how we manage these are:

**Environmental Impact** - Minimise the impact of our operations

The world is increasingly fragile. Climate change, as evidenced by extreme weather and growing scarcity of natural resources, such as water and fertile land availability, are affecting the way we live and the way global businesses operate. As an ethical and responsible business, we continue to minimise our impact on the environment by constantly looking at what we can do across our operations, particularly our manufacturing sites. As a natural continuation of our responsible sourcing commitments, we must also show our understanding of the impact we have on biodiversity and take action to reduce any negative effects of our operations.

The SHE Manager at every manufacturing site is responsible for measuring our environmental impact, covering land, air and water. With progressive targets set by our Group Executive Committee, each site reports on a quarterly basis to Group SHE who collates 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.

**Product Design** - Deliver the most innovative and sustainable ingredients to our customers

There is an increasing focus on, and understanding of, the ingredients that go into the goods used across the world, and more and more consumers want to know that the products they use are sustainable. At Croda, natural ingredients are at the heart of our products, with the majority of our raw materials coming from renewable natural sources.

When we design new ingredients, we aim to use raw materials that will eliminate or minimise impacts on environmental issues, and we use scientific innovation to maximise the environmental and social benefits delivered during use. We are aware of the role we must play in protecting biodiversity and addressing the effects of climate change; it is a crucial part of being a responsible manufacturer.

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 reviews our use of raw materials and our new product launches against the 12 Principles of Green Chemistry.

Additionally, as a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2004, we are committed to providing sustainably sourced PO products. We use an extremely low amount of pure PO and PKO and relatively small volumes of derivatives that are the result of processing the oil for food markets. The supply chain of derivatives is very complex but by 2015 we have committed to have 100% RSPO certification of all our supply chains by 2015. To date, six of our 18 manufacturing sites are certified to supply sustainable palm oil to the RSPO Mass Balance process.

For further details on our strategy, 2013 performance and future targets for the environment see the 2013 Sustainability Report, pages 10-14 and 16-18.

**Labour Practices and Decent Work**

Our Material Issues relating to Labour Practices and Decent Work and how we manage these are:

**Policy & Regulation** - Proactively engage in the enhancement of policy and regulation

On a daily basis, we safeguard our employees, our customers, our supply chain and our communities by ensuring that we are compliant with policy and regulation requirements across the markets and countries in which we operate. To embrace the challenges of a constantly changing environment, where population is increasing as resources are decreasing, policy and regulation are becoming more demanding at national, international and industry level.

Responsibility for the proactive and reactive response to policy and regulation sits across all levels of the business. Group HR operate a global database of policies that are updated on a regular basis relevant to our employees, and our Group Legal, PRSA and SHE teams work to ensure that we are abreast of all policies and regulations relevant to our products, processes and operations.
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.

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

**Health, Safety & Wellbeing** - Empower employees to have health, safety and wellbeing at the forefront of their thinking

As a global manufacturer, we have a responsibility to take care of all our employees across our global operations and we set ourselves extremely high standards, particularly in personal safety management where our aspirational goal is zero harm. Whilst no one should expect to be injured when working at one of our operations, health and safety at Croda goes further than legal requirements to encompass the total wellbeing of our people. We are continuing to invest in initiatives with this in mind. First and foremost this is the right thing to do, but it also makes good business sense; when employees and contractors are safe and healthy, absence is reduced and potential loss of reputation due to serious breaches in policy and regulation is eliminated.

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.

**Talent Acquisition & Development** - Be an employer of choice

Our Business is only as good as our people. First, we need to find 'the talent': the people with the right mix of skills in the places where we need them. We then need to attract these talented people to work for us, stay with us and develop rewarding careers with us. How do we do this? By being an employer of choice, which means offering the right balance of remuneration, rewards and opportunities. If we get all this right, we can capture and keep hold of the critical knowledge that we rely on to drive innovation and growth, to continue building a committed global workforce that will help us to achieve even greater success.

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. Management of these Graduate Recruitment Programmes is the responsibility of each Regional HR Manager, with the Group HR team retaining a global overview. Employee turnover is reported to the Executive Committee on a quarterly basis to monitor any potential problem areas before they have a negative impact on the business.

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 learning's 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.

Our global competency framework, developed by Group HR and implemented by the regional HR teams, provides the basis for employee development plans, which are monitored through our global appraisal system, Croda Aspire. In addition, our highly trained regional HR teams provide ongoing support, coaching and development to our line managers.
across all business operations to ensure that they are fully equipped and capable of having effective and constructive performance and development conversations. Our global appraisal system also facilitates this process and allows Group HR to oversee performance management, so that it can offer support and guidance where and when needed.

Employee underperformance is identified during the annual talent review process and carefully managed through the regional businesses to ensure that we see improved performance quickly. Our global HR database also allows performance in relation to absence to be monitored and reviewed at regional and global level.

All talent management and development related activities are carefully scheduled throughout the year with a programme of activities planned to 2015. The talent review process commences at site level, with regional, executive committee and board level involvement.

Corporate Knowledge - Safeguard our knowledge and expertise

In a world where employees are increasingly mobile and the rate of innovation is on the increase, keeping hold of the critical knowledge that helps to generate profit is more difficult, and more important, than ever. Put simply, corporate knowledge is ‘what we know’; about everything from our technologies and products, to our customers and markets. It can be in people’s heads, on computers or filed away in a cupboard. The challenge for any business is how to identify, hold onto, share and develop that critical knowledge to create competitive advantage.

We already have internal systems in place to store information and share ideas, including our client relationship management system ‘C2G’ and our internal social network ‘The Hive’. We have also identified the three areas of corporate knowledge that will be critical to our future growth success: Knowledge Capture, Knowledge Retention, and Knowledge Transfer.

Our 2020 Network, a group of employees with the potential to be future leaders in the decade of 2020, are currently designing a global knowledge transfer process. They report into Group HR, who then report into the Central Sustainability Team on this individual topic and consequently the Group Executive Committee.

For further details on our strategy, 2013 performance and future targets for Labour Practices and Decent Work see the 2013 Sustainability Report, pages 15 and 25 - 32.

Human Rights

Our Material Issues relating to Human Rights and how we manage these are:

Policy & Regulation - Proactively engage in the enhancement of policy and regulation

On a daily basis, we safeguard our employees, our customers, our supply chain and our communities by ensuring that we are compliant with policy and regulation requirements across the markets and countries in which we operate. To embrace the challenges of a constantly changing environment, where population is increasing as resources are decreasing, policy and regulation are becoming more demanding at national, international and industry level.

Responsibility for the proactive and reactive response to policy and regulation sits across all levels of the business. Group HR operate a global database of policies that are updated on a regular basis relevant to our employees, and our Group Legal, PRSA and SHE teams work to ensure that we are abreast of all policies and regulations relevant to our products, processes and operations.

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.

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

**Diversity & Inclusion** - Embrace and empower all individuals

We live in a changing world. Significant population growth in emerging markets is shifting economic growth, workforce demographics in developed economies are changing, and the gap in health, wealth and living standards is getting bigger. We are embracing these changes by highlighting Diversity & Inclusion as a new Material Area in our sustainability strategy, focusing on supporting, valuing and respecting diversity in our workforce, and ensuring that all employees feel empowered and included.

Group policies relevant to Diversity & Inclusion are set centrally by Group HR and must be applied in all countries in which we operate. All policies are freely available on our Company intranet and will, as a minimum, comply with the highest legislative requirement in any country in which we operate. In addition to Group policies, we have regional and country specific policies and procedures to reflect the employment legislation and practices in that location to embrace diversity. 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.

For further details on our strategy, 2013 performance and future targets for Human Rights see the 2013 Sustainability Report, pages 15 and 33.

**Society**

Our Material Issues relating to the Society and how we manage these are:

**Community Education & Involvement** - Support the communities in which we operate, with a primary focus on encouraging young people to work within science and technology

In a changing world where transparency and access to information are expected, and trust in business is more uncertain, good relationships with our neighbours are more important than ever before. Our ‘social licence to operate’ is based on the relationships we have with communities local to our operations. These relationships also have an impact on the people who work for and with us, and on their families and wider communities.

As well as the impact we have on these communities, we recognise that we can bring value to them; not just by providing employment and buying goods and services, but also by actively improving skills, knowledge and lives through our community education and involvement projects. Indeed, as our focus continues to shift towards emerging markets, community education will be particularly vital in ensuring that we have access to the skill sets our Business needs for growth.

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.

In addition, 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.

For further details on our strategy, 2013 performance and future targets for the Society see the 2013 Sustainability Report, pages 33-36.
Our Material Issues relating to Product Responsibility and how we manage these are:

**Product Stewardship** - Ensure that the ingredients we produce contribute positively to the environment and society throughout their lifecycle.

Product Stewardship refers to the environmental, health and safety impact of the ingredients we sell to our customers throughout their lifecycles and, therefore, throughout the supply chain. It is an integral part of the responsibility that comes with producing chemicals and as such it affects every part of our operations, from sourcing our raw materials in an increasingly fragile environment, to environmentally sensitive manufacturing processes, and clear and comprehensive customer information for safe and efficient use and disposal.

Product quality is at the heart of responsible stewardship. We must be able to achieve consistently high standards wherever we manufacture our ingredients in order to deliver the performance our customers expect and claim, and to ensure the safety and satisfaction of consumers.

Product Stewardship does not sit with the responsibility of one team, but instead is an integral element of every part of our product value chain, from cradle (R&D) to grave (disposal). All business functions within Croda are engaged with Product Stewardship and in 2012 a RACI Chart was developed to map the responsibilities of product stewardship. This details which function has a ‘Responsible’, ‘Accountable’, ‘Consulted’ or ‘Informed’ role within the product stewardship chain. It is an integral part of each Business function, all of which report to the Group Executive Committee, and consequently the Board, on a regular basis.

**Process Safety & Stewardship** - Foster the development of safety and quality systems associated with all of our processes.

We have a clear responsibility to protect our people, the communities in which we operate and our infrastructure. The consequences of not doing so represent the most significant risk to our Business, stakeholders and people. However, the benefits that arise from carefully managed process safety and process stewardship are extensive, having a direct impact on our business growth, reputation and sustainability.

As a manufacturer of speciality chemicals, with seven of our global facilities classed as major hazard sites, we are committed to an ongoing, robust programme of process safety management and stewardship across our operations. It is how we protect our Business and how we ensure the excellent quality that our stakeholders demand of us.

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, 2013 performance and future targets for Product Responsibility see the 2013 Sustainability Report, pages 19-24.
**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**

Croda continued to make further progress with sales, margins and profits reaching record levels. In 2013, turnover from continuing operations increased by 2.4% to £1,077.0m (2012: £1,051.9m) and operating profit grew by 3.7% to £264.6m (2012: £255.1m), a return on sales of 24.6% (2012: 24.3%).

Adjusted pre-tax profit from continuing operations rose by 5.4% to £251.4m (2012: £238.5m), and earnings per share on the same basis increased by 8.3% to 132.2.0p (2012: 122.1p).

Further details on our economic value can be found throughout the 2013 Annual Report, an overview can be found in the inside front cover and on pages 1-5. The group's financial statements can be found on pages 79-128, with our five year record on page 132.

**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.

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.

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**

**Solar Power at Atlas Point**

In 2013, our Atlas Point site invested $2.3 million in solar panels, the latest development in the site's ongoing $100 million upgrade. The solar panels sit on 2.5 acres of land and generate 5% of the site's electricity, which is equivalent to the average power consumed by 130 homes. They will also reduce the site's CO₂ emissions by more than 626Te per year.

This project follows the site’s investment into obtaining methane gas down a pipeline from a landfill site 3.5 miles away. The landfill gas now provides approximately 60% of the energy needs of Atlas Point's manufacturing operations and is recognised as one of the country’s cleanest and most efficient energy projects.
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 of the Group’s risk management processes can be found on pages 24-27 of the 2013 Annual Report.

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 2013 Sustainability Report on pages 10-12. 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 2013 Sustainability Report on page 13.

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.

We made deficit funding contributions in 2013 totalling £41.2m (2012: £24.7m). This, along with strong equity markets and slightly increased discount rates, has resulted in the IAS19 pension deficit falling to £135.8m at 31 December 2013 (2012: £165.8m). The major element behind the £41.2m deficit funding contribution was a payment into the UK fund of £38.4m. The amount of funding for the UK scheme will be lower in the next two years at around £20m per annum.

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<th>Defined benefits plan coverage</th>
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<tr>
<td>Number of employees covered by defined benefit Schemes</td>
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<td>Expressed as a percentage of Group</td>
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Further details regarding our retirement benefit liabilities, including our defined benefit schemes can be found in the 2013 Annual Report.

EC4 Significant financial assistance received from government

During 2013, no significant financial assistance was received from governments and we have no governmental shareholders.

In particular circumstances we do pursue grants from local governments in order to assist our sustainable development plans. For example, our Atlas Point manufacturing site in North America identified an opportunity to use methane gas from a nearby landfill site to generate electricity and steam. A 3.5 mile pipeline was laid in 2012 to connect the two sites, feeding gas to two 1.1 megawatt CHP units and a new multi-fuel steam boiler.

The project, which attracted a £318,000 state grant, has cost over £5.4 million, and fulfils 60% of the site’s energy needs. It has also contributed to increasing the Group’s total energy consumption derived from non-fossil fuel sources to more than 24.4% in 2013.
Environmental Performance

EN1 Materials used by weight or volume

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

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

Our use of renewable raw materials continues to be industry leading, with 65.2% of the materials used to manufacture our products across the Group in 2013 originating from such sources.

Throughout 2013, we continued our strategy of assessing the sustainability profile of our new products against the 12 Principles of Green Chemistry and saw some notable improvements against 2012:

- 10 is the average score of new products against the 12 Principles of Green Chemistry (2012: 9)
- 32% of new products scored 12 out of 12 (2012: 16%)

The nature and requirements of the industries in which our customers operate play a critical role in enabling us to focus on developing ingredients with high renewable content. We continue to make good progress across all of our industry sectors, with 28% of the 103 products launched in 2013 being derived from 99% or more renewable content.

An important part of our Product Design strategy, and a key priority for Croda, involves responsibly addressing the social and environmental issues associated with palm oil (PO) and palm kernel oil (PKO). For us, this means forming close partnerships with the complex PO and PKO derivatives supply chains.

In 2013, our manufacturing sites at Rawcliffe Bridge in the UK, and Mill Hall and Atlas Point in North America gained approval to manufacture certified sustainable PO products to the RSPO Mass Balance process. Jurong Island in Singapore was certified in 2012. Out of our 14 manufacturing sites handling PO/PKO derivatives globally, these three and Singapore consume 70% of our total volume, demonstrating our commitment to drive sustainable PO forward.

Further details on our performance against the key material issues of renewable raw materials and palm oil sourcing can be found on pages 16-18 of the 2013 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 2013, compared to our 2010 baseline year, total energy consumption was reduced by 4.7% to 2,773 Tj (terajoules) for continuing operations. This was due to the implementation of a large number of energy saving projects, including:

- Commissioning of combined heat and power (CHP) plant at Atlas Point;
- “Gouda Goes Green” campaign; and
- process optimisation at Leek.

We have increased the amount of renewable energy that we produce considerably, with 24.4% of the Group’s energy now coming from non-fossil fuel sources. Direct energy sold from our wind turbine back to the national grid was 18.0% of the energy it produced in 2013.

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 2013 Sustainability Report on pages 10-14.
In 2013, we calculated that indirect energy to produce products totalled 1,491 TJ (terajoules) for continuing operations. This is a 15.5% increase in indirect energy usage compared to our 2010 baseline, because of the decommissioning of our gas turbine generator midway through 2013 at our Gouda site. We also saw significant increases in energy consumption at our Mill Hall site in North America and Choques sites in France, which were largely due to changes in the mix of the ingredients they make.

Note - These figures are calculated from data published by the IEA (International Energy Agency) for 2009 and not from individual supplier data. Details of these statistics can be found in the IEA 2011 Report, which has since been made available on their 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 2013 Sustainability Report on pages 10-14.
We have set targets for reducing total water usage, whether supplied or abstracted directly and have established a longer term vision for further reductions. Our current target is to reduce total Group water consumption by 10% by 2015, using 2010 the baseline.

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

In 2013 the amount of water used by our manufacturing sites was 7.7% lower than 2010, due to a number of projects that we implemented. These include:

- equipment and process improvements at Mevisa
- equipment and process improvements at Jurong Island
- 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 13 of the 2013 Sustainability Report.
EN9 Water sources significantly affected by withdrawal of water

A review of our 18 manufacturing sites identified that none of our sites withdraw water from Ramsar-listed wetland areas, or any areas recognised as particularly sensitive. Nor do our withdrawals account for more than five percent of the annual average volume of a given water body.

However, whilst our operations are not in regions where resources are under immediate threat, we remain committed to reducing our impact on this depleting resource.

We measure the total volume of water used by our processes from all sources. Focusing on our sites that use the highest volumes, we strive to reduce our requirement as far as reasonably practicable. We have a target to reduce our total Group water consumption by 10% by 2015 compared to 2010, by the end of 2013 we had achieved a 7.7% reduction.

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

A project at our Gouda manufacturing site in Holland, which currently consumes the Group's largest volume of water using 3.11 million cubic metres in 2013, has identified an opportunity to replace the plant that treats groundwater for use as boiler feed water with new technology that purifies effluent. By using this method, and by moving cooling duty to a closed cooling tower system, the use of groundwater can be stopped completely, which will be more than one third water saving on this site alone.

Our total water withdrawn by source is identified in Performance Indicator EN8. Further details on how we are tackling the issue of water quality and supply can be found on page 13 of the 2013 Sustainability Report.

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

A review of the locations of our 18 manufacturing sites did not identify any sites that are located in, or adjacent to protected areas, or in areas of high biodiversity according to the Ramsar Convention on Wetlands and UNESCO World Heritage Sites.

We have identified that six of our manufacturing sites are close to some areas of high biodiversity, which are Hull (UK), Rawcliffe Bridge (UK), Campinas (Brazil), Mevisa (Spain), Cikarang (Indonesia) and Shiga (Japan). We are managing the environmental impact of these sites at a local level and setting targets to ensure that we minimise our impact on the environment by effectively managing the material business risk of Environmental Impact.

Our operation at Hull is near the Humber estuary, which is designated as a Special Area of Conservation (SAC) and a Special Protection Area (SPA), as well as being designated as a UNESCO Ramsar Wetland. The river next to the site leads to the Humber estuary and we have a local team in place to continually monitor our effluent discharge. We have also instigated a number of projects on the site to encourage biodiversity including: planting indigenous trees on the boundary of the site to support local wildlife and re-establishing a marsh and pond area on site to support local biodiversity. A biodiversity study has also been conducted at the site by an independent expert and we are in the process of implementing the recommendations.

Our operation at Shiga is near to Biwa-ko, the largest freshwater lake in Japan, which is designated as a UNESCO Ramsar Wetland. The river Uryu is next to the site and leads to Biwa-ko, but as at our Hull site, we have a local team in place that continually monitors our water usage and effluent discharge. Our management teams and SHE experts are working hard at Shiga to reduce our water usage, which will reduce our local environmental impact. A team from the site also volunteers every year to help manage the river weeds along the Urya to support local biodiversity.

Over recent years, our Mevisa manufacturing site in Spain has gone through major expansion, requiring the site's utilities to undergo a number of upgrades. These upgrades have included an expanded effluent treatment plant to increase the volume of water that can be treated on a daily basis, whilst maintaining a COD discharge level well below the legal limit. They have invested in improved cooling and refrigeration systems to increase the recirculation of cooling water from approximately 55% to approximately 75%. This has reduced water extraction by the site from the stressed local aquifer.

Further details on how we are tackling key environmental issues can be found on pages 10-14 of the 2013 Sustainability Report.

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

For more than 15 years we have carefully monitored our environmental impact and set targets to reduce this at all of our manufacturing sites. Reductions in energy and water usage, emissions to air and water and waste production, which has a continuing positive effect in reducing our impact on biodiversity in the areas in which we operate.

In particular, our emissions and waste production have been carefully monitored by our Safety Health and Environment (SHE) group to ensure that we reduce our impact wherever possible and are responsible in the disposal of liquid effluent or solid waste. In 2013, our sites were 99.3% compliant with liquid effluent discharge consents and we have set a target of increasing our compliance to 100% by 2015. We also reduced our waste to landfill by 41.4% in 2013 compared to our 2010 baseline and we completed pilot biodiversity surveys at two of our operations.

As a specialty chemical company based on natural raw materials, we are very proactive in investing and developing new sustainable technologies and product innovations. An example of this is our use of plant cell culture at Sederma and our acquisition of IRB in 2012, where plant cells are used to produce a range of natural molecules with unique performance characteristics. The most significant benefit of this technology is the preservation of the environment as the process can start from a very small fragment of plant leaf or root. The culturing of plant cells does not require fertilisers, pesticides or land use and can take place at any time of the year.

Our new product development teams are committed to making our products as environmentally friendly as reasonably practicable and each year we measure and report new launches against the 12 Principles of Green Chemistry. A number of these principles relate to potential environmental effects that could harm biodiversity including, toxicity, hazardous by-products, persistence and chemical accidents. We aim to reduce the use of environmentally harmful chemicals by finding greener, safer alternatives and always take precautions with any chemicals that could pose a risk to the environment, often going beyond the standards required by legislation. In 2012, the average score for our new product launches was ten, with 32% meeting all 12 principles.

There are a number of key areas where we have influenced our suppliers and customers to provide sustainably sourced raw materials to ensure the preservation of biodiversity.

**Case study**

**Eradicating the use of Shark Squalane**

Squalane is a widely used and important ingredient in many prestige cosmetics. It is supplied from two sources, shark and vegetable oil. Squalane derived from sharks is unsustainable. Deep sea sharks are some of the most vulnerable species and many are classified as endangered by the International Union for Conservation of Nature (IUCN). Croda manufactures Squalane only from 100% vegetable sources.

Since it is not obvious which source of Squalane is being supplied from its profile, we have devised an analytical method, both quantitative and qualitative, which can distinguish between vegetable and shark derived Squalane. This analysis can also be used to detect traces of shark derived Squalane within that of vegetable origin and can be applied to both raw materials and finished cosmetic formulations. This method clearly identifies the source of Squalane and will prevent shark material being incorrectly traded as vegetable origin and will also prevent the blending of both types. As a result, this will serve to help remove shark Squalane from cosmetics to protect this endangered species.

**Case study**

**Sustainable Palm Oil Sourcing**

An important part of our Product Design strategy, and a key priority for Croda, involves responsibly addressing the social and environmental issues associated with palm oil (PO) and palm kernel oil (PKO). For us, this means forming close partnerships with the complex PO and PKO derivatives supply chains.

We joined the leading global body working towards a sustainable supply chain, the Roundtable on Sustainable Palm Oil (RSPO), when it was created in 2004 to do what we can to support and promote sustainable palm oil in our supply chain. We remain active members, in particular in the RSPO Derivatives Working Group, which is where our main interests lie and where we can have the greatest impact.

We use an extremely low amount of pure PO and PKO and relatively small volumes of derivatives that are the result of processing the oil for food markets. We have supported the supply of sustainable PO through the Book and Claim route, purchasing GreenPalm Certificates for the pure PO and PKO that we use during the year. Additionally, we proactively
engaged with all of our suppliers around the world, and as a result, we were able to work with our suppliers who are able to offer sustainable palm derivatives using the Mass Balance process.

By the end of 2013, four of our 14 manufacturing sites that handle PO/PKO derivatives were certified to supply sustainable palm oil to the RSPO Mass Balance process: Jurong Island in Singapore, Rawcliffe Bridge in the UK, and Mill Hall and Atlas Point in North America. These four sites consume 70% of our total volume, demonstrating our commitment to drive sustainable PO forward.

The supply chain of derivatives is very complex but by 2015 we have committed to have 100% RSPO certification of all our supply chains by 2015.

For our full statement on sustainable palm oil visit www.croda.com/palmoilstatement

Further details on how we are tackling specific issues of biodiversity can be found in Performance Indicators EN11 and EN15. More information about how we minimise the environmental impact of our products can be found in Performance Indicators PR1 and PR3.

Further details on how we are tackling the issues of responsible sourcing and Product Design can be found on pages 16-18 of the 2013 Sustainability Report.

**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 have 18 manufacturing sites located across the globe and we aim to minimise the impact of our operations on the environment and biodiversity as part of our vision to be an ethical and responsible business.

We take any local action required to combat any negative environmental impact at each of our sites. Although some of our manufacturing sites operate near areas of importance for biodiversity, we have not identified any areas of concern as a direct result of our operations; we will continue to monitor this situation.

Our Research and Development teams use the 12 Principles of Green Chemistry and measure the percentage of renewable raw materials in our new product developments. We continue to develop new more sustainable production methods and products that reduce our environmental impact and that of our customers and we work within our supply chain, with particular attention given to areas where we have significant influence such as those outlined in Performance Indicator EN12.

Further details on how we are tackling the issues of responsible sourcing and Product Design can be found on pages 16-18 of the 2013 Sustainability Report.

**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 2013, due to ongoing energy reduction projects that are yet to be completed and changes in production patterns at key manufacturing sites, we saw an increase in total energy use in 2013 compared to 2012. Whilst this has had a negative effect on our total gross GHG emissions, 734.4Te eq CO2 per £1m EBITDA in 2013, compared to 701.7Te eq CO2 in 2012, our increased use of non-fossil fuel during the year means our net Scope 1 GHG emissions have reduced from 142,450Te in 2012 to 123,768Te, a reduction of 13% in the past year.

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 CO2 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. We are committed to our energy reduction programme and are proud of our achievements so far in increasing our usage of non-fossil fuel and reductions in VOCs.
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 2013 Sustainability Report on pages 10-14.

**EN20 NO\textsubscript{x}, SO\textsubscript{x}, and other significant air emissions by type and weight**

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

During 2013, we made a substantial reduction in our VOC emissions, which was primarily the result of reducing the usage of solvents at the small number of our manufacturing sites that handle such substances. The biggest contribution came from moving a solvent handling process from our UK Rawcliffe Bridge manufacturing site to a more efficient, modernised site 80 miles away in Leek. We made additional, more modest improvements at other sites, notably Shiga in Japan. The global figures for NO\textsubscript{x} and SO\textsubscript{x} emissions in 2013 were 679 and 1,408 tonnes respectively.

We do not directly measure emissions of NO\textsubscript{x} and SO\textsubscript{x} due to the complexity of accurate measurement, therefore C&I 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 2013 Sustainability Report on pages 10-14.

**EN21 Total water discharge by quality and destination**

Our compliance with effluent discharge consents was 99.3% in 2013. The reasons for the 0.7% of effluent that did not comply with discharge consents during 2013 are now well understood and work will continue to address each of these issues to ensure that we are able to work towards our 2015 target in this area:

- To achieve 100% compliance with effluent discharge consents by 2015
Our target to create the capability of measuring the volume of effluent arising from our processes prior to its pre-treatment and its associated content of organic material has been met ahead of schedule and is now being used to inform our further improvement plans.

Further details on how we are tackling the issue of water quality and supply can be found on page 13 of the 2013 Sustainability Report.

**EN22 Total weight of waste by type and disposal method**

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

We are proud to announce that our five year target to reduce waste to landfill by 20% has already been surpassed, with an impressive reduction in our disposal standing at 41.4% by the end of 2013. Additionally, seven of our manufacturing sites achieved zero waste to landfill during 2013.

We aspire to a goal of zero waste to landfill, although we know cost and feasibility will be increasingly challenging.

In 2013 the total breakdown of weight of hazardous and non-hazardous waste was 5,990 tonnes (15.3%) and 33,266 tonnes (84.7%) respectively. The total waste produced during 2013 was 6.5% less than in 2010 at 39,256 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 11 of the 2013 Sustainability Report.

EN23 Total number and volume of significant spills

There were no significant or reportable spills across all of our operations in 2013.

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.

Environmental Impact

Minimise the impact of our operations

Case study

Atlas Point Drives Landfill Waste Reduction

In 2013, our North American manufacturing site Atlas Point achieved a 37% reduction in waste to landfill through: increasing the use of solid waste as fuel to 75%; site-wide communications to increase awareness of recycling opportunities; and providing more recycling bins clearly labelled with approved content. The site has also held regular performance audits.
Solar Power at Atlas Point

In 2013, our Atlas Point site invested $2.3 million in solar panels, the latest development in the site's ongoing $100 million upgrade. The solar panels sit on 2.5 acres of land and generate 5% of the site's electricity, which is equivalent to the average power consumed by 130 homes. They will also reduce the site's CO2 emissions by more than 626T per year.

This project follows the site's investment into obtaining methane gas down a pipeline from a landfill site 3.5 miles away. The landfill gas now provides approximately 60% of the energy needs of Atlas Point's manufacturing operations and is recognised as one of the country's cleanest and most efficient energy projects.

Case study

Saving Water at Shiga

To fulfil our groundwater saving plan, in 2013 we identified the potential for a water reuse facility at our Shiga manufacturing site in Japan. This will involve:

- installing a recycled water storage tank and pump;
- modifying the existing piping system; and
- installing the relevant instruments and electrical equipment.

The initiative should result in a significant 30% reduction in groundwater use.

Case study

World-Leading Waste Water Monitoring in China

Stringent Government standards and regulations in China have led to our Sipo manufacturing site, in the Sichuan Province of the country, developing the most advanced waste water monitoring of any of our manufacturing sites. Instrumentation continually monitors the quality of effluent leaving the site and relays, in real time, the concentration of contaminants to the Government. It is likely that other countries will move toward this standard in the future, so the experience gained with the instrumentation at Sipo will be valuable for our other manufacturing sites.

Product Design

Deliver the most innovative and sustainable ingredients to our customers

Case study

Two of the products we launched in 2013 that illustrate our commitment to sustainable manufacture and performance are:

**CrodaTherm™** Offers better performance, safety and sustainability than current non-renewable technologies. It is our new range of phase change materials, used to store and/or release large quantities of energy as materials change from solid to liquid and vice versa. They can be used at low temperatures, such as in refrigeration and shipping medical equipment; ambient temperatures, such as in air conditioning, building materials and textiles; and high temperatures, for energy storage and electronics.

**Sustainability Benefits**

- Sourced from renewable materials.
- Less flammable with a wider temperature range than non-renewable paraffinic alternatives.
- Less hazardous, more stable and easier to handle than inorganic metal salt hydrate alternatives.
- Biodegradable.

**NatraSense™** Provides all the cleaning performance of high-foaming surfactants, in a low foaming, 100% plant-based format. The major benefit of NatraSense is that it matches, or exceeds the performance of traditional petrochemical foam control agents, used in everything from fabric care and bathroom cleaners to dishwasher detergents.

**Sustainability Benefits**

- 100% renewable.
Bio-based.
When used as a rinse aid in dishwashers, for example, it offers faster drying for optimal performance and reduced energy usage.

Product Stewardship
Ensure that the ingredients we produce contribute positively to the environment and society throughout their lifecycle.

Case study
Establishing a Distribution Quality Standard
The Authorised Economic Operator (AEO) standard provides customers with the highest level of assurance that their goods will be delivered reliably, safely, consistently and on time. A globally recognised European standard, it gives our shipments a seal of approval that can potentially avoid long delays at ports. During 2013, our four UK manufacturing sites, two warehouses, Cowick Hall Head Office and Hesslewood Finance Centre, along with our Netherlands manufacturing site, achieved the AEO standard. By the end of 2014 all of our remaining European sites and warehouses will also have AEO.

Process Safety & Stewardship
Foster the development of safety and quality systems associated with all of our products.

Case study
Improving Incident Investigation
During 2013, and one year ahead of schedule, we completed our target to develop and implement a training programme to improve incident investigation. A common methodology was developed by an independent expert and a training course delivered to a cross section of SHE managers, operation leaders and Quality Assurance professionals from across the Business. The training will be cascaded down to all manufacturing sites globally, and the methodology will be reviewed and developed on a regular basis.

Case study
Improving the Way We Monitor Process Safety
Operators, maintenance technicians and first-line managers based at our manufacturing sites globally are at the heart of process safety and stewardship. They are the people who can recognise when a process may cause harm, so in 2013 our Mill Hall site in North America developed its Basis of Safety training programme to ensure that they are competent to do just that.

A Basis of Safety summary document was prepared for each process, listing the potential incidents and safeguards to operate the process safely. Following this, all key site personnel were trained on the Basis of Safety document and required to pass a competency assurance test for each of the processes they are responsible for. 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 8-9 of the 2013 Sustainability Report.

Further details on how we are reducing our environmental impact can be found throughout the 2013 Sustainability Report.

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

In 2013 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 2013, 56.5% of our workforce was based at manufacturing sites, sales offices and administration centres in Europe. With the remaining 43.5% split between the Americas and Asia Pacific. Within this period only 1.7% 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>Western Europe</td>
<td>1,933</td>
</tr>
<tr>
<td>EEMEA</td>
<td>71</td>
</tr>
<tr>
<td>North America</td>
<td>474</td>
</tr>
<tr>
<td>Latin America</td>
<td>206</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>861</td>
</tr>
<tr>
<td>Total</td>
<td>3,545</td>
</tr>
</tbody>
</table>

LA1 Total Workforce by Employment Type

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 5% from resignations), which is comparable to the industry average.
Further details on how we are tackling the issue of recruitment and retention can be found on pages 29-30 of the 2013 Sustainability Report.

**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 SHE officers 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 behavioural safety programmes regularly.

As such, all of our 3,545 employees worldwide should be represented on a joint management and labour health and safety committee, more than 75% of the total.

Further details on how we are tackling health and safety issues can be found on page 22-27 of the 2013 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; this includes our contractors as well as our employees. The health and safety of our employees remains a top priority for us and we continually strive to improve upon our injury rate for the optimum protection of our workforce. To help us achieve this, our existing three-point strategy remains in place:

1. To focus on those sites with relatively poor performance.
2. To implement a new incident investigation and root cause analysis procedure.
3. To have a behavioural based safety programme in place at each site.

Our key indicator of occupational safety is the LTI rate. We define this as the number of injuries that result in an absence from work of one day or more (for many other companies it is three days or more). We then divide this figure by the total number of hours worked in the year and multiply by 100,000, which is approximately the number of hours worked in a lifetime.
We track the following three LTI rates:

1. The rate for Croda employees only.
2. The rate for contractors only.
3. The combined rate for all those who work at Croda, employees and contractors.

Our corporate target is to have a sustainable, combined rate of less than 0.20. After achieving an LTI rate of well below the industry average during 2012, our performance with regard to both employee performance and contractor performance was disappointing in 2013. Whilst the Group rate remains below average, results were particularly poor in Asia where we are now taking active measures to improve contractor selection and management. We remain convinced that a focused effort on our three-point strategy will result in a sustainable improvement over the coming months and years.

As in previous years, it is worth noting that very few of the injuries sustained in 2013 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 injury rate does not include minor injuries and refers to recordable injuries that are defined under RIDDOR.

<table>
<thead>
<tr>
<th></th>
<th>Lost Time and Restricted Work Injuries of One Day or More</th>
<th>Lost Time and Restricted Work Injuries of Three or More Days</th>
<th>Lost Time Injury Rate per 100,000 hours worked</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Employee Injuries</td>
<td>Number of Contractor Injuries</td>
<td>Number of Employee Injuries</td>
</tr>
<tr>
<td>2010</td>
<td>21</td>
<td>3</td>
<td>18</td>
</tr>
<tr>
<td>2011</td>
<td>14</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>2012</td>
<td>16</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>2013</td>
<td>20</td>
<td>8</td>
<td>15</td>
</tr>
</tbody>
</table>

There were no work related fatalities during the reporting period.

Further details on how we are tackling the issue of health and safety can be found on pages 25-27 in the 2013 Sustainability Report.

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

Partial Reporting

It is only through the continual development of our workforce that we will be able to meet the future demands of our customers in relation to enhanced creativity, innovation and service.

Our global competency framework and appraisal system, Croda Aspire, allows us to monitor the development, performance and potential of each of our employees. To help grow and retain our talented people, we must continue to invest both internally and externally in training programmes, graduate and apprenticeship schemes, coaching, leadership development and supporting those studying for formal qualifications.

<table>
<thead>
<tr>
<th>Average hours of training per employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total hours of training for all employees</td>
</tr>
<tr>
<td>Employees receiving training (as percentage of group)</td>
</tr>
<tr>
<td>Average hours of training per employee</td>
</tr>
<tr>
<td>Average hours of training for those who received training</td>
</tr>
</tbody>
</table>
We have three targets in the areas of talent management and employee development:

- All employees to have a formal appraisal by the end of 2015
- To implement a redefined Graduate Development Programme for our 2016 recruits
- To launch a suite of career management tools, by the end of 2016, to support employees in realising their potential

Further details on how we are tackling the issue of talent management and employee development can be found on pages 28-31 of the 2013 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 83.8% of our employees receiving training during 2013. 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.

The quality and relevance of training and development activities became more focused in 2012, 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 pages 28-31 of the 2013 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.

Further information on how we are tackling human rights issues internally and in our supply chain can be found on pages 21 and 33 of the 2013 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 2013 our youngest employee was 17 years old and is employed as an Administrator at our global Headquarters in East Yorkshire, UK.

Further information on how we are tackling human rights issues internally and in our supply chain can be found on pages 21 and 33 of the 2013 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 would never endure forced or compulsory labour anywhere in the world.
Further information on how we are tackling human rights issues internally and in our supply chain can be found on pages 21 and 33 of the 2013 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

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

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 our 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 34-36 of the 2013 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 24-27 of the 2013 Annual 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 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.

In 2011, training was completed by all managers and non-managers who were identified, which was a total of 1,405 employees including 420 managers. A further 597 employees completed the course in 2012 and another 208 during 2013. 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.

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 2013 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 2013 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 regulated 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 every day 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.

Assessment of product risk 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 is reasonably practical. 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 reasonably 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, but do 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.

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 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 process safety and quality control. 16 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 underlines our commitment to HSE improvement. There are procedures and systems in place to ensure the safe storage of hazardous chemicals; this information is 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 comprise 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 have minimal potential impact to human health in terms of toxicity and bioaccumulation.

Further information on our key material issues can be found throughout the 2013 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 2013 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**

61
We continue to monitor and adapt to any changes in national and international chemical labelling legislation across the world.

During 2013 we were aware of fourteen isolated incidents where labelling did not meet local requirements as legislative boundaries changed between regions. We rectified these issues as soon as they were identified and at no time was health and safety compromised. It is Croda policy that all products are supplied with a Material Safety Data Sheet (MSDS), which is a detailed informational document that describes the physical and chemical properties of the product.

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 the marketing standards that would apply to consumer facing companies. However, we strive to maintain an awareness and conformance, where appropriate, to national and local laws and voluntary codes or guidelines, from entities such as the Food and Drug Administration (FDA), the European Food Safety Authority (EFSA), the European Commission, Cosmetics Europe, United States Environmental Protection Agency and Personal Care Products Council (formerly CTFA).

Claims made in our marketing communications and promotional material are based on data obtained from the testing of our products by our research teams, external institutions or are based on commonly accepted scientific principles or knowledge within the industry. Croda marketing materials do not willfully contain false information, and Croda does not present statistics in such a way to exaggerate the validity of the product claims. To remind customers that evaluation of their finished goods is still required, product literature, such as technical datasheets or marketing sheets, contains statements to clearly communicate that “users are responsible for determining the suitability of these products for their own particular purpose.”

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. Marketing materials are reviewed by relevant technical and research teams to ensure claims are represented clearly and appropriately.

The marketing teams have processes and procedures to update any errors in marketing literature, or changes to any data, and changes are recorded through a version control procedure, which ensures that the latest version of any marketing material is sent to our customers.

Croda has its own positioning guidelines and selection processes on imagery, designed to verify that the images contained in our marketing material will not cause offense in the regions where our products are marketed. We aim to select, when possible, imagery that has global appeal, 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 covers imagery, but also the marketing position and other aspects of the product to ensure that it is understood correctly throughout the world.

Our Intellectual Property Department obtains, manages, and defends Croda patents to ensure Croda products are protected where appropriate around the world. Croda also works closely with our IP Department to ensure that our products do not infringe other patents. The IP Department works with the marketing teams to obtain legal protection for our product trade names.

We observe and respect the privacy of our customers and prospects, in accordance with the legislations of the countries in which we operate. We therefore distribute marketing material in accordance with local laws or to those who have registered to receive it or to 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 2013 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 2013 we were not aware of any breaches of customer privacy and we continue to apply good practice as defined in our Privacy Policy.

**PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services**

During 2013 there were no significant fines for noncompliance against the Group.
This is the sixth consecutive year that we have provided a Global Reporting Initiative (GRI) Report using the G3 sustainability reporting guidelines. We have continued to report at a self-declared Level B for the reporting period 1 January 2013 to 31 December 2013.

For further details, please contact our.responsibility@croda.com