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

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www.croda.com/csr

GRI Profiles: 2.1-2.10, 3.1, 3.6, 3.8
GRI Indicators: EC1, EN1, LA1

Introduction

This report covers the sustainability performance of the Group for the period from 1 January 2012 to 31 December 2012. The scope of this report covers all fully managed operations. This includes all of those functions controlled by our Board and Group Executive Committee, who are responsible for policies, standards and performance.

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

Reporting Parameters

Return on Sales 2008-2012 (%)

GRI Profiles:
2.1-2.10, 3.1, 3.6, 3.8
GRI Indicators:
EC1, EN1, LA1

www.croda.com/csr

£1,051.9m
2011: £1,028.0m ↑2.3%

£255.4m
2011: £237.7m ↑7.4%

130.0p
2011: 120.1p ↑8.2%

59.5p
2011: 55.0p ↑8.2%

15.2%
Energy from non-fossil fuel sources*

50%
Reduction in waste to landfill since 2010*

66.3%
Materials used from renewable sources

75%
Employee Save As You Earn Scheme membership in the UK and 48% of non-UK employees

92,668
Training hours covering 89% of employees

4,541
Employee volunteering hours through our 1% Club

Ranked 25th in the Global Top 100 Most Sustainable Corporations and number one in the UK

From March 2012

*Continuing operations
Our Operations

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

Locations

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

Revenue & Value Added

Bought in Materials and Services £608.5m

To Employees £375.0m
To Governments £78.1m
To Providers of Capital £79.0m
Retained in the Business £111.3m

Value Added £443.4m

£1,051.9m

Revenue

Products & Markets

To Employees
To Governments
To Providers of Capital
Retained in the Business

Gender Split

Male 32%
Female 68%

Age Profile

25-29 years 11.8%
30-34 years 25.8%
35-39 years 26.7%
40-44 years 26.7%
45-49 years 7.9%
50-54 years 6.7%
55-59 years 0.3%
60 years+ 0.3%

Employee Overview

Consumer Care
Revenue £586.4m 55.7% of Group Total
Operating Profit £185.4m 72.6% of Group Total

Performance Technologies
Revenue £382.8m 36.4% of Group Total
Operating Profit £59.7m 23.4% of Group Total

Industrial Chemicals
Revenue £82.7m 7.9% of Group Total
Operating Profit £10.3m 4.0% of Group Total

Raw Materials by Source

17-25 years
26-35 years
36-45 years
46-55 years
56-65 years
66 years+

Renewable 33.7%
Non-renewable 66.3%
Chief Executive’s Statement

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

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

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

During 2012, we made excellent progress in reducing energy usage and increasing our use of non-fossil fuels across the business, with all of our manufacturing sites working proactively on energy projects that have delivered exceptional results. One particular highlight was the development of a £5.4 million renewable energy project at our Atlas Point manufacturing site in North America.

The development of a £5.4 million renewable energy project at our Atlas Point manufacturing site in North America.

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

Our purpose is to be a leading specialty chemical company, providing innovative technologies that will meet and surpass customer needs. To achieve this, we focus on fast growing niche markets and high margin businesses where we can utilise our global reach. We are driven by strong megatrends in beauty and ageing, health and wellbeing and the increasing importance of sustainability and environmental protection. Our continued focus on innovation and our heritage in naturally derived products ensures that we are well placed to deliver sustainable solutions.
### Our Sustainability Approach

**Management & Governance**

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

Implemented through our CSR activities, we ensure that the Material Issues of our business and key stakeholders are addressed as part of our sustainability strategy. Our CSR Department is a corporate function and part of our dedicated CSR Steering Committee, which reports directly into our Group Executive Committee, and subsequently the Board. This is via an Executive Committee member who sits alongside the CSR Steering Committee Chairman.

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

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

**Sustainability Strategy**

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

Our sustainability strategy is underpinned by our mission to:

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

To ensure that our sustainability strategy is well informed, we use our risk management framework, stakeholder engagement and strategic discussions with our Group Executive Committee to define our Material Issues. Each Material issue has a clear management approach within the business to establish clear strategy development, performance management and implementation responsibilities.

**Materiality**

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

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

**Our Material Issues**

<table>
<thead>
<tr>
<th>Material Area</th>
<th>Material Issue</th>
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<tbody>
<tr>
<td>Environment</td>
<td>1. Air Quality &amp; Climate Change</td>
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<tr>
<td></td>
<td>2. Water Quality &amp; Supply</td>
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<tr>
<td></td>
<td>3. Land Impact</td>
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<td></td>
<td>5. Occupational Health &amp; Safety</td>
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<tr>
<td>Employees</td>
<td>6. Recruitment &amp; Retention</td>
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<td>7. Compensation &amp; Benefits</td>
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<td>8. HR Policies &amp; Systems</td>
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<td></td>
<td>9. Talent Management &amp; Employee Development</td>
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<td></td>
<td>10. Performance Management</td>
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<tr>
<td>Community</td>
<td>11. Community Communication</td>
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<td></td>
<td>12. Community Involvement</td>
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<td></td>
<td>13. Community Education</td>
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<tr>
<td>Responsible Sourcing</td>
<td>14. Responsible Raw Materials</td>
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<td></td>
<td>15. Responsible Palm Oil Sourcing</td>
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<td></td>
<td>16. Product Data Gathering</td>
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<td></td>
<td>17. Corporate Stakeholder Engagement</td>
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<tr>
<td></td>
<td>18. Ethical Supply Chain</td>
</tr>
</tbody>
</table>

**GRI Profiles:** 1.2, 3.5

**GRI Indicators:** EC2, LA6

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

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

Environment

- **Air Quality & Climate Change**
  - Based on 2010, to reduce total Group energy consumption by 5% by 2015
  - To have 25% of the Group's total energy requirements generated from non-fossil fuel sources by 2015
  - 10% reduction

- **Water Quality & Supply**
  - Based on 2010, to reduce total Group water consumption by 10% by 2015
  - To achieve 100% compliance with allluent discharge consents by 2015
  - 100%

- **Land Impact**
  - Based on 2010, to reduce total Group waste to landfill by 20% by 2015
  - To complete pilot biodiversity surveys at all of our operations by the end of 2013
  - 20%

Health & Safety

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

- **Occupational Health & Safety**
  - Sustain the improvement since 2010 (2.39 per 100,000 hours) on the frequency of injuries to all personnel; to ultimately reduce the rate to 0.2 per 100,000 hours worked on a sustainable basis
  - 100,000

Responsible Sourcing

- **Renewable Raw Materials**
  - Monitor the sustainability of new products by measuring the renewable raw material content and by assessing them against the 12 Principles of Green Chemistry for 2013
  - 12% improvement

- **Responsible Palm Oil Sourcing**
  - Continue to work closely with suppliers and RSPO to seek ways to extend the range of sustainable palm oil and palm kernel oil derivatives we manufacture during 2013
  - Where relevant, gain RSPO certification to manufacture sustainable palm oil and palm kernel oil derivatives at additional manufacturing sites

- **Product Data Gathering**
  - Gather product data at manufacturing site level to populate our Ingredient Sustainability database in accordance with the gap analysis completed in 2012
  - 1% increase

Corporate Stakeholders

- **Corporate Stakeholder Engagement**
  - Develop and implement a global action plan to further our engagement with key stakeholder groups across the Group
  - To ensure that at least 5% of employees in these locations to participate in the programme during 2013
  - To complete one global employee education programme during 2013

Community

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

- **Community Education**
  - To ensure that all Research and Development Centres and locations with significant engineering teams have implemented an education programme to support community involvement initiatives, with local schools, colleges or universities by the end of 2013
  - To develop an internal education ambassador training programme to support community education activity in all relevant local languages by the end of 2013
  - To ensure that at least two of our operations with a Research and Development Centre or significant engineering team receive Education Ambassador training by the end of 2014
  - Following a review of the £1.5m education programme, facilitate the implementation of at least two programmes at new locations tailored to meet local needs by the end of 2014
Environment

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

2012 Targets

Air Quality & Climate Change
• Based on 2010, reduce total Group energy consumption by 5% by 2015
• To have 25% of the Group’s total energy requirements generated from non-fossil fuel sources by 2015
• Based on 2010, reduce total Group VOC emissions by 10% by 2015

Water Quality & Supply
• To create the capability of measuring the volume of aqueous effluent arising from our processes, in line with the EU’s anticipated requirements for reporting of the content of organic material by the end of 2013.
• Based on 2010, reduce total Group water consumption by 15% by 2015.
• To achieve 100% compliance with efficient discharge consents by 2015

Land Impact†
• Based on 2010, reduce total Group waste to landfill by 20% by 2015

Key Highlights

Air Quality & Climate Change

Strategy
With the link between the emission of CO₂ and climate change well established, we want to continue reducing the impact of our emissions. By focusing on two critical areas, reducing our overall energy consumption and increasing the proportion of energy we consume from non-fossil fuel sources, we hope to progress towards more sustainable operations.

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

Our primary focus is on reducing our direct CO₂ 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.

15.2%
Group energy from non-fossil fuel sources

572,000m³
Water reduction, equivalent to 240 Olympic swimming pools*

5.4%
Reduction in energy consumption*

50%
Reduction in waste sent to landfill, equivalent to over 120 truck loads

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

5.4% consumption compared to 2010
10% reduced landfill compared to 2010
15% reduction in water consumption compared to 2010
10% reduction in VOC emissions compared to 2010

Water Quality & Supply

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

<table>
<thead>
<tr>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.6</td>
<td>14.1</td>
<td>13.8</td>
<td>15.1</td>
<td>15.2</td>
</tr>
</tbody>
</table>

Energy Usage for Continuing Operations by Year (GJ)

<table>
<thead>
<tr>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,865</td>
<td>3,650</td>
<td>3,980</td>
<td>3,772</td>
<td>3,767</td>
</tr>
</tbody>
</table>

Optimising Our Processes

During 2012, our Leek manufacturing site in the UK installed a combined heat and power plant (CHP), the first of its type at any of our operations. Whilst conventional electricity generation is inefficient, with more than half of the fuel’s energy wasted as heat, CHP plants capture this heat to improve the efficiency of the input fuel by more than 80%. Our CHP plant at Leek is made even more sustainable by its fuel source, which is based on renewable materials from our manufacturing processes, reducing the fossil fuel carbon emissions at the site by more than 50%.
Looking Ahead
We will continue to seek ways to optimise the operation of our three CHP plants during 2013 and beyond. The largest of these is located at our Gouda manufacturing site in Holland, where a project design is under development following a feasibility study, which demonstrated how electricity and steam can be generated from the methane gas produced by the anaerobic fermentation of by-products. This would enable us to significantly increase the proportion of non-fossil fuel used by the Group.

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

No Such Thing as Waste
Our Atlas Point manufacturing site in North America identified an opportunity to use methane gas from a nearby landfill site to generate electricity and steam. A 3.5 mile pipeline was laid in 2012 to connect the two sites. Treating gas to feed 1.1 megawatt CHP units and a new multi-fuel steam boiler.

The project, which attracted a £138,000 state grant, has cost over £3.4 million and is expected to fulfill 15% of the site’s energy needs, delivering more than 33% of its required electricity and more than 33% of its steam load. It should also lift the proportion of the Group’s total energy consumption derived from non-fossil fuel sources to more than 23%.

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

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

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

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

2012 Performance
Our overall water usage has reduced by 7.5% since 2010, indicating that we are on track to meet our 2015 target.

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

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

Looking Ahead
By continuing to focus on our manufacturing sites that consume the most water, two of our major users, Gouda in Holland and Shiga in Japan, have developed projects that will enable us to increase our use of alternative water sources. As a result, the existing calcium pre-treatment stage required when using groundwater is eliminated, reducing the amount of additional chemicals in the process and the quantity of salt discharged to the environment.

Once operational at full site scale, more than one third of the current water volume used should be saved.

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

The new process purifies the effluent by separating solids through the use of membranes and removes salts by reverse osmosis. As a result, the existing calcium pre-treatment stage required when using groundwater is eliminated, reducing the amount of additional chemicals in the process and the quantity of salt discharged to the environment.

Once operational at full site scale, more than one third of the current water volume used should be saved.

GRI Indicators: EC2, EC4, EN3, EN4, EN16, EN20, EN26
Environment

Land Impact

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

Waste to Landfill for Continuing Operations by Year (Tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Waste to Landfill for Atlas Point (Tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,164</td>
</tr>
<tr>
<td>2009</td>
<td>1,083</td>
</tr>
<tr>
<td>2010</td>
<td>962</td>
</tr>
<tr>
<td>2011</td>
<td>715</td>
</tr>
<tr>
<td>2012</td>
<td>659</td>
</tr>
</tbody>
</table>

Strategy

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

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

2012 Performance

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

By focusing on our sites with the largest amounts of waste to landfill there have been a number of successful initiatives, such as improved quality controls at our Atlas Point manufacturing site in North America. The innovative use of waste streams at our Hall manufacturing site in North America continues to make the most significant contribution to our total reduction. Even without this, a 19% decrease has been achieved from the efforts of our other manufacturing sites, which is just short of our 20% Group target.

Looking Ahead

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

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

Health & Safety

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

2012 Targets

Process Safety Management

• At the end of every quarter in 2012, have 100% of all process safety studies* reviewed at least once every five years across the Group.

• At the end of every quarter in 2012, have no outstanding critical actions from process safety studies* overdue across the Group.

• Establish point for the management of Process Risk Trends* and internal quality assurance by the end of 2012.

Occupational Health & Safety

• Sustained year on year improvement in the reporting of injuries and occupational safety at manufacturing sites and offices, ultimately reducing the rate to 0.5 per 100,000 hours worked on a sustainable basis.

Point Quality Criteria for PRAs implemented

Key Highlights

13

1/2

Last time injury rate well below the industry average*

GRI Indicators: EN12, EN22, EN26

* Now referred to as Process Risk Assessments (PRA) Most recent Cefic Responsible Care™ data
Health & Safety

Process Safety Management

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

100% of all Process Risk Reviews* completed on time

* Now referred to as Process Risk Assessments

Strategy

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

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

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

2012 Performance

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

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

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

Looking Ahead

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

NSAPI will be commissioned to run another Pre-Permit Leader course, subjecting them to a seven stage hazard study and ensuring that each site has an active Process Safety Leader. Change system on each site;

Quality KPI Monitoring

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

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

Looking at the manufacturing sites who consistently show a below Group average performance, we improve incident investigation methodology, and we ensure that each site has an active behavioural safety programme.

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

2012 Performance

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

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

2012 Performance

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

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

Top STAR Rating For Atlas Point

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

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

Continued

Occupational Health & Safety

To reduce the frequency of injuries to all of those who work at our operations to a level compatible with the top quartile of peer companies, with an aspirational goal of zero harm
Occupational Health & Safety

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

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

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

- **Theory** - A classroom event enabled managers to learn about leadership styles, personal reflection and understanding human factor failings.
- **Practical** - Role play based on typical violation scenarios was employed to practise and reinforce the theory. This took place within the working environment, in the presence of the manager’s team, to make the situation as real as possible and share learning between colleagues.
- **Reflection** - A classroom session was held to consolidate and reflect on the learning from the first two stages, ensuring that attendees are committed and feel confident in reacting to all issues in the future.
- **Coaching** - An opportunity to ensure that the techniques attendees had learned were being applied and to offer additional support in any areas they were finding challenging.

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

Renewable Raw Materials
- Monitor the sustainability of raw materials by measuring the renewable raw material content and by assessing them against the 12 Principles of Green Chemistry during 2013.

 Responsible Palm Oil Sourcing
- Work more closely with suppliers and RSPO to seek ways to source sustainable palm oil and palm kernel oil derivatives wherever possible during 2012.
- Ensure that the small quantity of palm oil purchased directly is sourced sustainably by seeking certification by the end of 2012 under RSPO guidelines.

Product Data Gathering
- Complete a gap analysis for the products within our Ingredient Sustainability programme by the end of 2012 to allow data gathering to start at manufacturing site level in 2013.

2012 Targets
- 66.3% of our raw materials originate from renewable sources, making us industry leaders
- 100% of PO and PKO used in 2012 supported sustainable palm oil
- 30% of new products originate from renewable raw materials

**Key Highlights**
### Responsible Sourcing

#### Renewable Raw Materials

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

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

![Graph showing average renewable content in new products by industry sector.]

**Strategy**

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

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

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

**2012 Performance**

Our use of renewable raw materials continues to be industry leading, with 65.3% of the materials used to manufacture our products across the Group in 2012 originating from such sources. The purchase of IRB during the year, a company specialising in plant cell biotechnology, further strengthens our position in this area.

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

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

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

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

**Looking Ahead**

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

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

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

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

**Sustainable and Efficacious Innovation**

We were delighted to announce the acquisition of Italian based biotech start-up Sederma in July 2012, the world leader in developing actives for Personal Care and Health Care applications from plant stem cells. This innovative, sustainable and renewable raw material source complements the product developments of our research team at Sederma, who launched our first product in the area, Resistem™ in 2011. IRB has an exclusive, versatile method to use biotechnology for sourcing plant stem cell ingredients from small amounts of leaf, root and even seed tissue. This process allows a truly sustainable path to a plant-based active ingredient, and ensures a total absence of environmental contaminants. Comparative data against conventional agriculture shows a 99.9% decrease in water consumption, guaranteed purity with negligible soil occupation and the total absence of pesticides or other contaminants.

**Bio-Based Building Blocks**

Our Coatings & Polymers team launched another 100% bio-based polyester polyol to our Priplast™ range in 2012. Like other products in the range, Priplast 3293 can be used in adhesives, coatings, foams, elastomers and engineering plastics. It can also be included in polyurethane, offering protection against high temperatures and UV rays. Priplast 3293’s excellent hydrolytic stability for resistance against degradation caused by acid, alkali and alcohol, allowing for countless application possibilities.

**Sustainable Construction**

During 2012, a unique carbon neutral masonry brick was developed by Encos Ltd using a product from our BioStack range. Offering the ability to produce a high performing binder based on renewable biopolymer chemistry, this range provides an innovative route to sustainable new products for the construction industry. Combined with Encos patented method of manufacture, the production of these new bricks consumes no water, eliminates waste and uses 80% less energy compared to the construction of traditional clay bricks and brick slips.
Responsible Sourcing

Responsible Palm Oil Sourcing

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

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

Strategy

As a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2004, we are committed to providing sustainably sourced PO products. We use an extremely low amount of pure PO and PKO and relatively small volumes of derivatives that are the result of processing the oil for food markets. The supply chain of derivatives is very complex due to the number of different producers involved, however, we are determined to catalyse change within the industry to secure a sustainable supply.

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

2012 Performance

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

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

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

Looking Ahead

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

2012 Performance

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Looking Ahead

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

Product Data Gathering

To ensure that we are leaders in the quality and quantity of product data to support all future customer needs and to allow further in depth sustainability analysis of our products internally.

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

Strategy

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

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

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

2012 Performance

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

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

Looking Ahead

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

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

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

2012 Targets

Recruitment & Retention
- All regions to have a programme of local graduate and trainee recruitment by the end of 2013
- To have a process in place that ensures all new employees complete an induction programme during their first six months of employment by the end of 2012
- To complete one global employee engagement survey in 2014, which will then be conducted at least every third year

Compensation & Benefits
- All regions to align all digital and social media to review and set goals to ensure that competitive health protection, health monitoring and health related benefits packages are delivered by the end of 2012
- Develop Company share scheme membership by improving advertisement, promotion and availability during 2012 to ensure that all employees can make an informed decision for the 2013 programme

HR Policies & Systems
- To ensure our policies are consistent with the spirit and intent of the ILO Declaration on Fundamental Principles and Rights at Work. Where applicable to business. The ILO Declaration states that all of its Members have an obligation to respect and promote the elimination of discrimination in employment, prohibition of child and forced labour, and freedom of association and the right to collective bargaining

Talent Management & Employee Development
- To make personal skills development accessible to all through the development of a comprehensive online learning zone and enhanced regional training delivery by the end of 2013
- To maintain regional leadership development programmes across the Group by the end of 2012 with the first review of their progress in 2013
- Each region to identify future leaders and specialists through effective talent management and succession planning by the end of 2012

Performance Management
- All employees to have an annual appraisal via the Croda Apprise system by the end of 2013

Key Highlights

25th Anniversary of the Croda Graduate Programme

60% of our employees have access to company funded health checks

100% of new employees completed an induction during their first six months

Voluntary Turnover by Year (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Voluntary Turnover</th>
<th>Resignation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>2009</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>2010</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>2011</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>2012</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

Voluntary turnover from resignations remains low

Recruitment & Retention

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

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

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

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

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

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

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

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

Looking Ahead
Established in 2011, our global HR strategy continues to provide our business with a clear employee management framework. Our key focus in recruitment and retention for 2013 will be the implementation of the GDP across Latin America.

Learning gained from the rebranding of the European programmes will be shared with our global HR team, as we strive to replicate the increase in quality and quantity of applicants.

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

Asia Targets New Graduates

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

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

GRI Profiles: 4.16, 4.17

GRI Indicator: LA2
Employees

Compensation & Benefits

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

<table>
<thead>
<tr>
<th>Non-UK Employees in a Save As You Earn scheme by Year (%)</th>
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</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
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<tr>
<td>Non-UK employees in a Save As You Earn scheme and 75% in the UK</td>
</tr>
</tbody>
</table>

Strategy

In a competitive recruitment marketplace, we are conscious that we should not lose critical staff due to issues relating to pay or benefits. By understanding our employees’ values and motivations through satisfaction and engagement surveys, we are able to set goals that promote and continually improve our reward packages.

With salary playing a significant role in retention, we have introduced an annual process of salary benchmarking for critical roles, which will further inform our positioning in the future. We will continue to review our activities that promote the health of our employees and our Save As You Earn (SAVE) schemes.

2012 Performance

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

The other was an IFS ProShare Award for “Best employee volunteering programme, the 1% Club, which allows employees to take time off work to contribute to their choice of local community activities.

Looking Ahead

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

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

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

Healthy Living in Singapore

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

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

HR Policies & Systems

To operate streamlined, fair and coherent employment policies and systems.

We ensure global compliance with the ILO Declaration on Fundamental Principles and Rights at Work.
**Employees**

**Talent Management & Employee Development**

To offer a wide range of development opportunities to enable our employees at all levels to gain the skills, competencies and experience necessary to attain individual, team and organisational goals and expectations.

*Average Training Hours Per Employee and Employee Coverage by Year*

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Hours</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>2010</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>2011</td>
<td>60%</td>
<td>80%</td>
</tr>
<tr>
<td>2012</td>
<td>80%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Strategy**

It is only through the continual development of our workforce that we will be able to meet the future demands of our customers in relation to enhanced creativity, innovation and service. Our global competency framework and appraisal system, Croda Aspire, allows us to monitor the development, performance and potential of each of our employees, thus ultimately deliver our next generation of leaders and specialists. Our Chief Executive and several members of our Executive Committee were members of our Graduate Development Programme (GDP) and our GDP recruits of today represent 15 countries, covering 10 functions and four grade levels.

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

**2012 Performance**

HR resources in our businesses in Latin America and Asia have been increased to ensure that our managers are fully supported in these regions, with a particular focus on offering expert assistance in both recruitment and training.

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

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

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

**Looking Ahead**

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

Personal skills development will be made accessible to everyone in the Group by the end of 2013 with the introduction of a comprehensive online learning zone. We will also be embedding the responsibility for the accurate identification and effective management of talent at a local level. This will be supported by local HR teams who will coach senior managers to ensure that they, and their teams, are actively involved in the talent review process.

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

Looking for a wide range of development opportunities to enable our employees at all levels to gain the skills, competencies and experience necessary to attain individual, team and organisational goals and expectations.

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

Samantha Brook, Group HR Vice President

**GRI Indicators: LA10, LA11**

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**Individual Quote:**

*Eduardo Bocatto, Training Advisor, Latin America*

“Joining Croda has given me a great opportunity to apply my 15 years’ experience in delivering training to companies of all sizes from across Brazil in a new environment. I have responsibility for ensuring that our global programmes are adequately fitted to the region’s culture, language and maturity stage, and also tasked with developing new and innovative courses to address the specific needs of employees in the region, which makes my role truly exciting. Being able to undertake this thorough review of the needs across the region during 2012 was the first step in this process. I have a passion for training and embrace the opportunity to enhance people’s lives through the development of their competencies and skills, not only as employees, but most importantly as individuals.”

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**GRI Indicators: LA10, LA11**

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**Management Training Supports Charity**

In February 2012, our current Leadership Development Group applied their learning in relation to identifying and managing strategic issues to the challenges facing a UK-based skin cancer awareness charity. The themes that emerged from their interactions were key to enhancing the future success of the charity and were also found to be highly relevant to our own organisation. These were the importance of setting reasonable targets based on available resources, monitoring and measuring progress, and the need to clearly identify target audiences and channels for success.

Sergi Ruscalleda, Site Director, Mevisa, Spain

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

Samantha Brook, Group HR Vice President

**GRI Indicators: LA10, LA11**

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**Employee Engagement**

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

Samantha Brook, Group HR Vice President
Employees

Performance Management

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

78% of our employees across Europe, Asia and Latin America are registered on our Croda Aspire appraisal system.

Strategy

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

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

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

2012 Performance

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

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

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

Looking Ahead

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

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

Corporate Stakeholders

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

2012 Targets

Corporate Stakeholder Engagement

• To conduct formal one to one engagement with respondents to our 2011 top 50 customer survey during 2012
• Extend our formal survey to the top 50 customers across all market sectors in each region during 2012
• Engage with our investor community by implementing a process to obtain formal feedback on our sustainability performance by the end of 2012

Ethical Supply Chain

• Communicate the Supplier Code of Conduct to all suppliers during 2012

Key Highlights

Global Customer Sustainability Survey

• To conduct formal one to one engagement with respondents to our 2011 top 50 customer survey during 2012

Revised Supplier Code of Conduct sent to over 10,000 companies

Checking our Materiality with key stakeholders
Corporate Stakeholders

Corporate Stakeholder Engagement

To have open, ongoing engagement with all key stakeholders to identify and review the Material Issues for our business and all our partners, thus ensuring that we take appropriate action.

Top emerging issues following our 2012 Global Customer Sustainability Survey

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

Strategy

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

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

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

2012 Performance

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

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

During 2012, we also increased our level of direct engagement with current and prospective ethical investors, presenting them with the information they require to determine our suitability for their funds. By working with our brokers, we have identified additional investor groups with whom we could discuss our sustainability credentials.

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

Looking Ahead

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

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

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

Ethical Supply Chain

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

Our operational certifications include:

- ISO 9001
- ISO 10012
- ISO 14001
- OHSAS 18001
- IPEC
- CGMP

Sustainability Survey Goes Global

The extension of our Global Customer Sustainability Survey to a wide range of customers from across the markets and countries in which we operate, has enabled us to test our Materiality Matrix during 2012.

By seeking feedback on our Material Issues and by gaining a greater understanding of our customers’ sustainability strategies, 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, which helps us to identify the scale and position at the top of our Materiality Matrix. With 79% of respondents agreeing that product stewardship plays a vital role in supplying quality products, we will seek ways to improve our communication of our activities in this area.

We will also promote our membership of the 100% Responsible Care™ programme to which 50% of respondents also subscribe. This demonstrates our ongoing commitment to our customers, and we can ensure that we are talking to them about the topics they are most interested in.

Strategy

Whilst all businesses must act ethically, it is widely known that standards can differ from one country to the next. At Croda, we apply the same high ethical and sustainability standards across all of our operations.

Our suppliers are a critical part of our business and we believe that they should operate to the same standards that we do. With increasing consumer awareness and customer demands in this area, we have to work even more closely with all of our partners to ensure that expectations are met.

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

2012 Performance

Following a review of our Supplier Code of Conduct, our updated document was circulated to all of our suppliers from around the world, which was over 10,000 companies in total.

Detailing our expectations of ethical business, we want to ensure that the Code is explicit where legislation and standards may be lacking in some countries.

Product stewardship, the practice of making health, safety and environmental protection an integral part of the lifecycle of chemical products, has recently undergone a detailed assessment across the Group. A key outcome was a succinct definition of the responsibilities of the departments that manage different elements of product stewardship, which we then audited against to ensure that our management systems meet our customers’ demands across these areas.

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

Looking Ahead

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

As we continue to anticipate the expectations of our customers, we aim to gain EFfCI GMP and EXCiPACT™ certification for a number of our manufacturing sites by the end of 2014. Following the distribution of our Supplier Code of Conduct, we will engage further with our major suppliers to ensure that our expectations are understood.

*As defined by Responsible Care™

GRI Profiles: 4.11-4.13, 4.14-4.17

CORPORATE STAKEHOLDERS

Heath & Safety

Energy

Environment

Quality

Innovation

Sustainability

Health & Safety

Responsible Sourcing

Employees

Corporate Stakeholders

GRI Indicator: PR2
Community

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

2012 Targets

Community Communication

○ To ensure every manufacturing site and office of more than 30 employees holds a minimum of two face to face dialogue sessions within each of the key stakeholder groups:
  - Local authorities, councils, government, emergency services
  - Local businesses or business representative groups, and
  - Local educational institutions (school, colleges, universities)

○ To ensure that all operations with a Research and Development Centre receive Education Ambassador training by the end of 2014

○ Develop a new, consumer facing marketing and educational programme to underpin community education activity in Latin America.

○ Based on 2011, increase the total time spent in community related activity through the 1% Club by a further 20% during 2012

○ Increase the number of individuals in the Group using the 1% Club to 25% of the global workforce in 2012

○ All manufacturing sites and offices with more than 30 employees to have at least three different participants who use a minimum of 4 hours of 1% Club time during 2012

Community Involvement

○ All manufacturing sites and offices with at least one new project through the 1% Club that supports local stakeholder needs during 2012

○ Based on 2011, increase the total time spent in community related activity through the 1% Club by a further 20% during 2012

○ Increase the number of individuals in the Group using the 1% Club to 25% of the global workforce in 2012

○ All manufacturing sites and offices with more than 30 employees to have at least three different participants who use a minimum of 4 hours of 1% Club time during 2012

Community Education

○ To ensure that all operations with a Research and Development Centre create a formal ongoing science, technology and engineering programme with implementation by the end of 2012

○ Develop an internal Education Ambassador training programme to underpin community education activity in English, French, Dutch and Portuguese by the end of 2013

○ Ensure that 5% of employees on all operations with a Research and Development Centre receive Education Ambassador training by the end of 2014

○ Develop a new consumer facing marketing and educational programme, which is relevant to our business and complements those already developed, for implementation during 2013

Key Highlights

Community Communication

4,541

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

More than one in five employees used 1% Club time

314

Reported meetings with local community groups

Community Collaboration

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

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

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

Looking Ahead

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

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

Rewarding Commitment

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

CAC, which was established to better educate the community on our business activities, meets bimonthly and membership includes people from all walks of life. Charlie Williams, CAC leader and Mill Hall’s SHE Manager said: “We appreciate the time people take to learn about what we do and to give us input. Eric’s participation, through his comments and questioning, is helpful to us as we strive to be good neighbours in our community.”
Community

Community Involvement

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

Award Winning 1% Club

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

Strategy

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

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

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

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

2012 Performance

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

Whilst we were unable to improve upon the exceptional number of hours donated in 2011, we are proud that more than 27% of our workforce undertook some form of 1% Club activity during 2012. These figures are particularly pleasing given the challenging economic environment, which saw our number of internal global conferences decrease. In 2011 community projects linked to those contributed heavily to our 1% Club hours and their absence explains the challenge we faced in meeting our targets.

Our 2012 performance illustrates that since the 1% Club programme was launched globally in 2010, both the hours dedicated and number of our employees involved has more than doubled.

A wide variety of activities have taken place, covering education and general school support, donations to charities, fundraising and environmental projects.

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

Looking Ahead

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

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

We will report the overall 1% Club hours used and the number of employees participating in community activities each year, although the focus of our new target is identifying community projects linked to these contributed heavily to our 1% Club hours and their absence explains the challenge we faced in meeting our targets.

Season’s Greetings

Several 1% Club activities in 2012 involved supporting local charities to collect, sort and distribute Christmas gifts to less fortunate children. In South Africa, employees supported the Art of Living Foundation toy collection, which gave a gift and warm meal to over 6,000 children from orphanages and informal settlements.

In the UK, our Cowick Hill, Towcester and HU operators collected gifts and donated time to Mission Christmas, supporting over 8,000 local children. Meanwhile in Spain, our Miesa manufacturing site and office in Barcelona donated toys to a local shelter.

Wanping Up for Winter

During 2012, our Campinas manufacturing site in Brazil organised a winter clothing campaign on behalf of Camisola Sapi, a shelter that offers help and support to 380 local families. In the short space of seven days, the team collected an amazing 742 winter garments for donation to those in need.

Supporting Children’s Day

Our team in Colombia celebrated Children’s Day on 28 April by spending half a day playing games and organising learning activities at Hogar Santa Rita, a foundation that helps those between the ages of one and 12 who have chronic diseases.

Annual River Revival

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

GRI Indicator: SO1
Community

Community Education

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

97

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

Strategy

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

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

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

2012 Performance

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

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

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

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

Potential Recruits of the Future

Employees from our German office used 1% Club time to teach 194 children between the ages of six and 10 at a local primary school. Over two days, the team gave the pupils their first opportunity to gain hands-on experience of chemistry through five practical experiments. The children were very enthusiastic, and both the teachers and our employees found it a great experience, which they hope to repeat next year.

Looking Ahead

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

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

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

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

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

www.matrixylinside.com

Our Sederma operation officially launched a new website in December 2012 devoted to their most famous anti-ageing active ingredient, Matrixyl®. It is one of our few product names recognised by the public due to its presence on consumer product labels and extensive media coverage. The website has a dedicated area to answer frequently raised consumer questions about Matrixyl® and provide testimonials regarding its performance.

This aim is to ensure that consumers are educated on the science behind the name to make informed purchasing decisions.

The Importance of Sun Protection

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

Periodic Tables

Following a visit by local school children to one of our manufacturing sites in India, employees decided to design and print large scientific periodic tables for mounting within the classrooms of schools in the area. It is hoped that tours of the site and this teaching aid will encourage greater interest in chemistry.
During 2012, a review of the GRI 3.0 Strategy and Profile Disclosures and Performance Indicators was conducted. As a result, we continue to report at a self-declared Level B for the reporting period 1 January 2012 to 31 December 2012.

For our full GRI Report visit www.croda.com/gri
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Glossary

The following abbreviations are used in this report:

- ALARP: As low as reasonably practicable
- CAC: Community Advisory Council
- CDP: Carbon Disclosure Project
- CHP: Combined Heat and Power
- CIA: Chemical Industries Association
- CO2: Carbon Dioxide
- CSR: Corporate Social Responsibility
- EFfCI: European Federation for Cosmetic Ingredients
- FPQ: First Pass Quality
- GDP: Graduate Development Programme
- GHG: Greenhouse Gas
- GMP: Good Manufacturing Processes
- GRI: Global Reporting Initiative
- HR: Human Resources
- ILO: International Labour Organisation
- IRB: Istituto Di Ricerche Biotecnologiche
- IUCN: International Union for Conservation of Nature
- IT: Information Technology
- KPI: Key Performance Indicator
- LMS: Learning Management System
- NGO: Non-Governmental Organisation
- NSAPI: National Skills Academy for the Process Industries
- OSHA VPP: Occupational Safety & Health Administration Voluntary Protection Programme
- PKO: Palm Kernel Oil
- PO: Palm Oil
- PRA: Process Risk Assessment
- PSRA: Product Safety and Regulatory Assurance
- QA: Quality Assurance
- RSPO: Roundtable on Sustainable Palm Oil
- SAVE: Save As You Earn
- SHE: Safety, Health and Environment
- STEM: Science, Technology, Engineering and Mathematics
- UK: United Kingdom
- VOC: Volatile Organic Compound

Cautionary Statement

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