



CRODA

Sustainability
Report 2013

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"Our approach to sustainability is becoming an important differentiator for our Business and therefore a significant means of generating growth. Yet again, we have made excellent progress against our targets."



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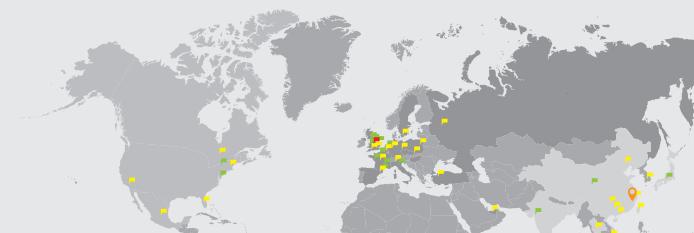
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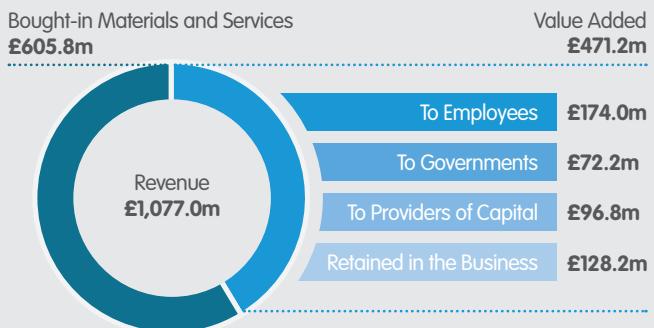
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Sustainability for Croda Means Doing Business the Right Way

Our strategy must consider the 'global drivers' that have an input into, and impact upon, our whole value chain. In response to these global drivers, during 2013 we redefined our Material Areas to focus our sustainability strategy on the 10 areas that matter most to us now and in the future:



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GRI Profiles:
2.1, 2.5, 2.7, 2.8, 2.10, 3.1, 3.3, 3.6-3.8

GRI Indicator:
ECI

Reporting Parameters

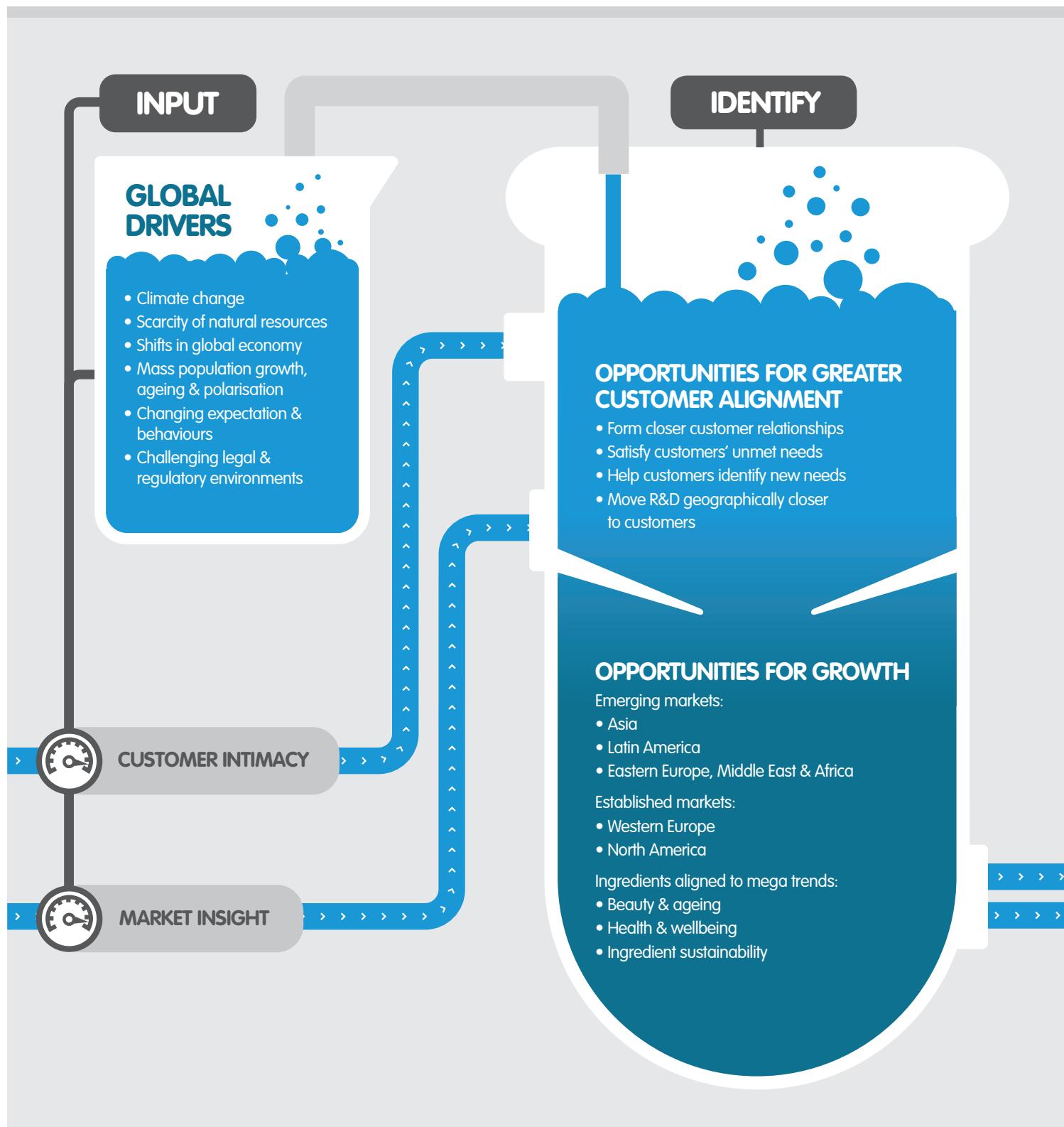
This report covers the sustainability performance of the Croda Group for the period 1 January 2013 to 31 December 2013.

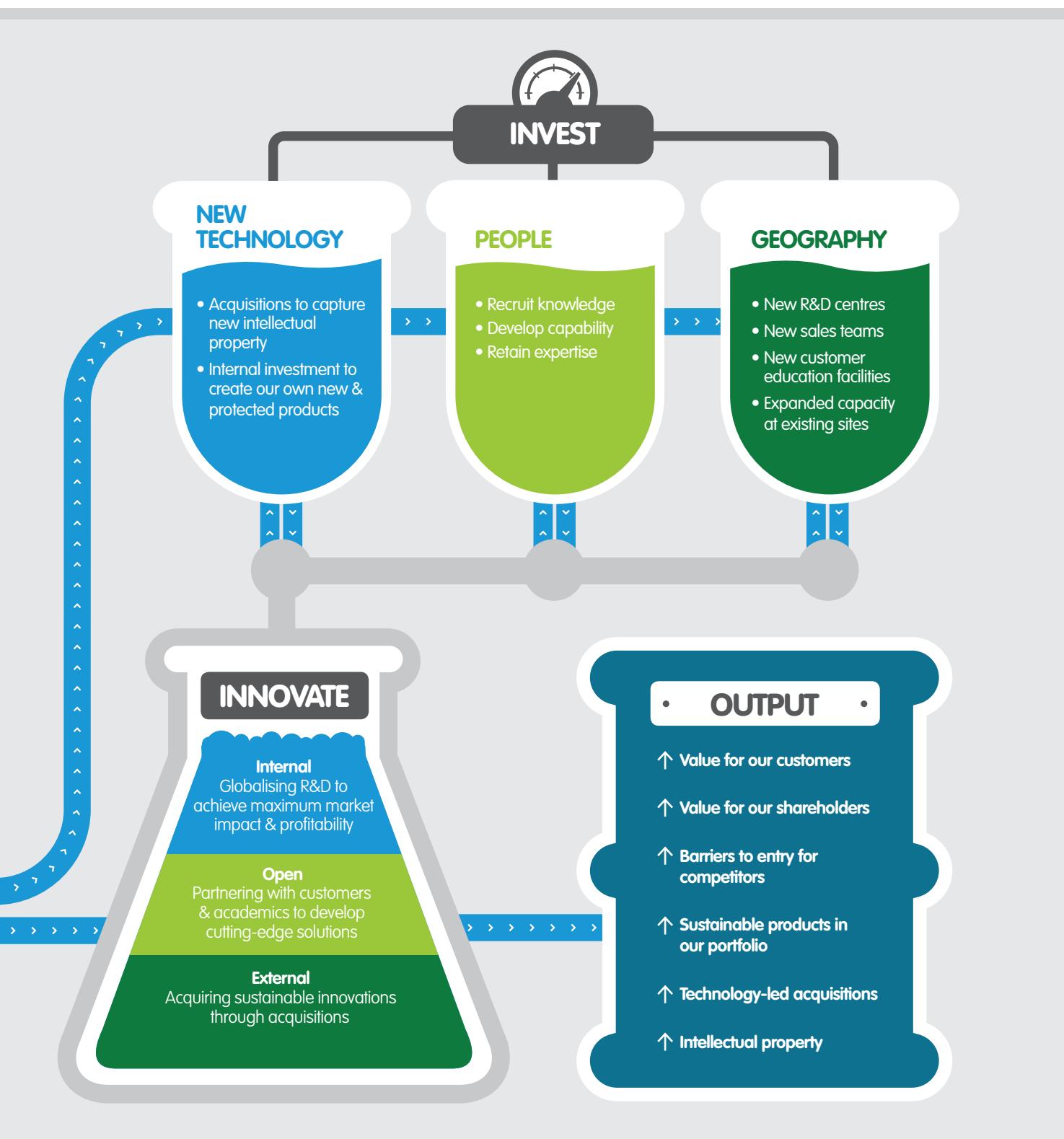
The scope of this report is all wholly owned operations, plus those operations where we have significant management influence due to a majority shareholding. Unless otherwise stated, data provided throughout this report is for continuing operations.

We acquired the entire share capital of Istituto Di Ricerche Biotechnologiche (IRB) in July 2012 and a majority 65% stake in Sipo in July 2013. Both of these operations have now been brought into the scope of this report.

We also acquired the assets of Specialty Products business of Arizona Chemical in May 2013, and those of Innovachem LLC in December 2012. These assets have been integrated into our existing business structure and are, therefore, not separately reportable operations within this report.

We are a global leader in manufacturing and marketing speciality chemicals, which makes us the name behind the high-performance ingredients that go into some of the biggest, most successful brands in the world; we deliver innovation our customers can build on.





Look out for...

 P10 Page reference for related information

 For further information see our Annual Report & Accounts (AR&A)

Our Highlights

Revenue*

£1,077.0m **+2.4%**

2012: £1,051.9m

See AR&A



Adjusted Operating Profit**

£264.6m **+3.7%**

2012: £255.1m

See AR&A



Dividend Per Share

64.5p **+8.4%**

2012: 59.5p

See AR&A



Adjusted Earnings Per Share**

132.2p **+8.3%**

2012: 122.1p

See AR&A



Accreditations



* Continuing operations

**Continuing operations before exceptional items, acquisition costs and amortisation/write off of intangible assets arising on acquisition

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Chief Executive's Statement



Steve Foots, Group Chief Executive

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

From Day One, Sustainability has been Integral to Our Business

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

Our approach to sustainability has evolved, especially since our first Corporate Social Responsibility Report in 2007, but it has remained a central element of everything we do.

Sourcing renewable raw materials, developing the integrity of our manufacturing processes, producing innovative ingredients with sustainable benefits, and looking after our people and the communities in which we operate are our key areas of focus.

4,387

employee volunteering
hours supporting local
communities

Another Successful Year in Our Sustainability Journey

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

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

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

- increasing the amount of energy used from non-fossil fuel sources to 24.4%; P10
- maintaining the proportion of raw materials we use that come from renewable sources at just under 70%; and P16
- increasing employee training hours from 92,668 to 122,212. P28

Guiding Our Future, Long-Term Sustainability Performance

During 2013, we reviewed our sustainability strategy and established 10 new Material Areas and longer-term objectives. This was in response to an in-depth analysis of the Business in the Community 'Forces for Change' report, which we used as a framework to identify the global drivers that will influence the way we do business and the positive contributions we can make. P05

Putting People at the Heart of Our Business

As a knowledge business, we depend on the expertise of our people and we work hard to attract, recruit and retain the best. I am once again pleased to report that our retention rates remain very high, and our people continue to show their commitment to long-term careers with Croda through, for example, increasing participation in our company-sponsored employee share ownership schemes. P28

As we continue to expand our Business across the world, particularly with new manufacturing sites and Research & Development Centres in emerging markets, the impact of our operations on local communities is, as it always has been, a major factor in our sustainability strategy. Croda people continue to give their time and efforts to social and educational projects, with a particular focus on increasing scientific skills through our Group-wide volunteering scheme, 1% Club. P34

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

A handwritten signature in black ink, appearing to read "Steve Foots".

Steve Foots
Group Chief Executive

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Who We Are & What We Do

Our name may not be known on the high street, but the products that millions of people use everyday rely on our ingredients to perform.

Croda is not a consumer brand, but we are a consumer driven brand. We work hard to anticipate and understand consumer needs and desires, so that we can create the ingredients that our customers rely on to perform: from hair and beauty, to crop protection, pharmaceuticals, lubricants, engine oils and more.

The Croda Business

Our Business is split into three segments aligned to our target markets: Consumer Care, Performance Technologies and Industrial Chemicals. In all three, our focus is on developing and delivering innovative ingredients. These can be the active ingredients with unique performance claims, or they can be the element that gives our customers' finished products the right feel or function. Often, the Croda element of a finished product is a small percentage, but it will be that percentage that makes the difference. Growth is supported across the three business segments by our Research & Development teams and our Technology Investment Group (TIG) that exists to identify and integrate new technology.

See AR&A 

Sustainability, it's Who We Are

Whether driven by our own business ethics, consumer demand or government policy, sustainability spans every area of our Business and is embedded into our management structure.

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We are fully committed to:

- using renewable raw materials and environmentally sensitive processes;
- producing innovative ingredients that help improve the sustainable credentials of end products; and
- supporting our people and the communities in which we operate.

Sustainable Innovation in Action

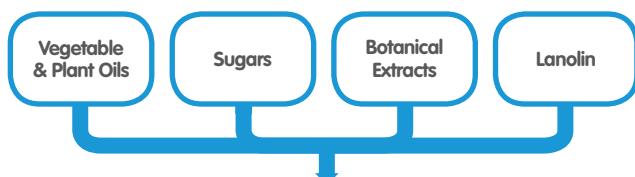
Our chemistry and raw material sources support consumer demands, and wider stakeholder calls, for products with better ecological and environmental profiles. This expertise, alongside our close customer relationships, is delivering sustainable products with outstanding product performance to the markets in which we operate. Just two examples of this are:

- Our unique, patented skin, hair and sun technologies blend renewable raw material sourcing with creative chemistry to meet a huge range of consumer demands, from our 100% naturally derived emulsifiers to a range of sun protection ingredients in our Green Gem range.
- Our lubricant esters help automotive customers to improve fuel economy and energy efficiency, and reduce emissions, satisfying increased consumer demand for more sustainable cars with lower running costs.

Sustainability, it's Embedded Through Our Product Value Chain

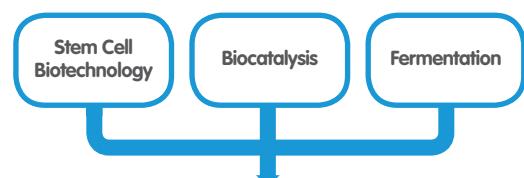
Product Origin

Naturally derived ingredients, including:



R&D & Manufacture

Innovative green processes, including:



Business Operations

Exceptional management systems, including:



Usage & Disposal

Minimising environmental impact, including:



Our leading position in the use of renewable raw materials puts us in an excellent position to benefit from the growing trend for natural consumer products.

Where & How We Operate

With locations around the world, we are constantly investing in our existing markets and expanding into new ones to give all of our customers the best, most responsive service.

Our Business success is driven by 'customer intimacy', by which we mean understanding the needs of our customers and their consumers, to enable us to deliver the innovations they rely on to build strong brands.

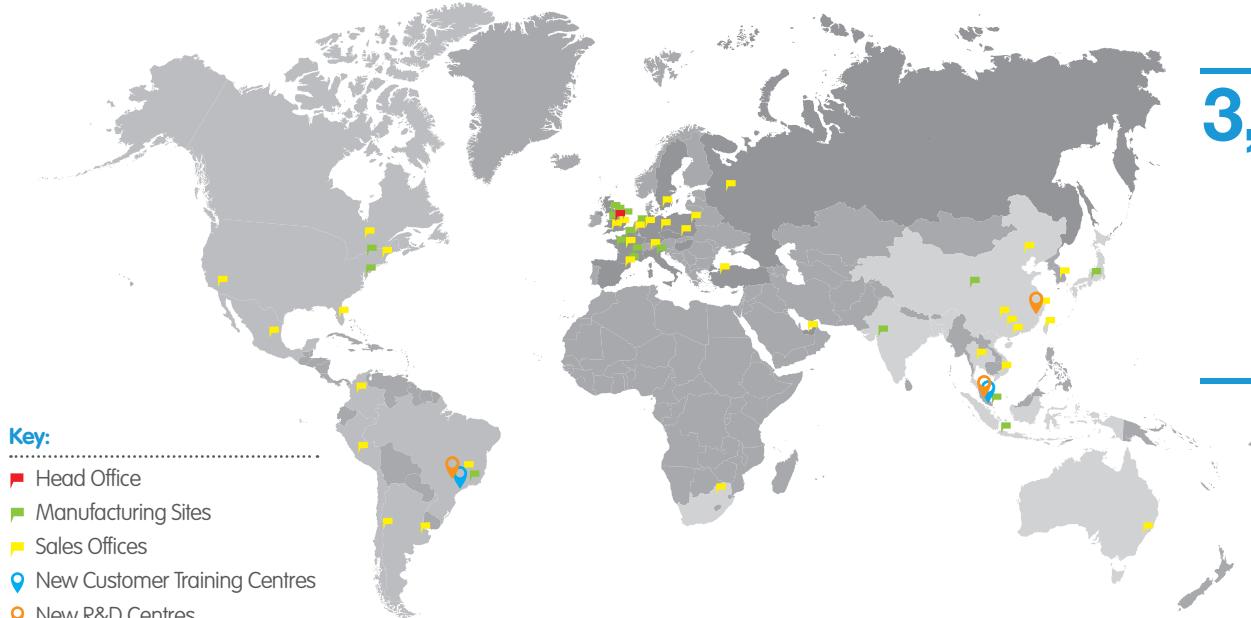
Customer intimacy comes from close collaborations and we facilitate this by positioning our operations close to where our customers are. We also drive our Business growth by harnessing market opportunities stemming from the three 'mega trends' we have identified: ingredient sustainability, beauty and ageing, and health and wellbeing.

To take advantage of these opportunities and the global drivers addressed within our 10 Material Areas, during 2013 we invested heavily in bespoke facilities, expertise and our global teams. This includes the creation and expansion of three Research & Development Centres and two new Customer Training Centres.

See AR&A

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3,545
People
34
Countries
1
Team



As we move closer to our customers across the world, expanding within existing and emerging markets, we must continue to 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 work to align our operations with this strategy in the following ways:

- Invest in truly global and profitable innovation to drive long-term growth and business sustainability.
- Continue innovating our products and technology platforms, and responsibly manage our raw materials and supply chains, so that we continue to minimise our environmental impact.
- Set consistent safety and environmental impact standards across our global operations, in order to provide a safe and healthy working environment.

- Value a diverse and inclusive workforce and provide tailored development opportunities to enable all employees to reach their full potential.
- Ensure fair and equitable employment conditions, providing a stimulating working environment based on respect and partnership.
- Be sensitive toward the communities in which we operate and proactively involve ourselves in local initiatives, with a focus on community education projects relating to the nature of our Business.
- Go beyond compliance to work, where relevant, with legislative and industry bodies, as we strive for demanding standards that reduce environmental and social impacts and improve quality.
- Use all available, relevant media to develop open and transparent communication pathways with key stakeholders to help address our Material Areas.

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Our Responsibility

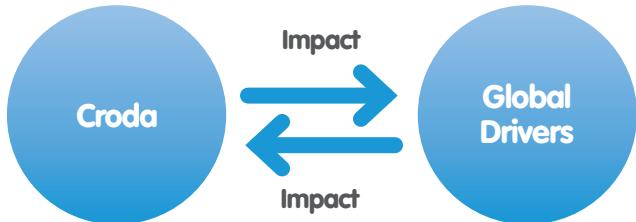
To continue to improve our environmental, social and economic performance by innovating for a sustainable future.

In 2011, we established our Materiality Matrix, mapping the most significant sustainability issues to our Business success against their importance to our stakeholders. This evolved in 2012, and in 2013 we held a Strategy Review to progress a longer-term sustainability programme aligned with our Business strategy.

The Review used the Business in the Community (BITC) 'Forces for Change' (FFC) framework to identify global drivers that will challenge our Business and sustainability strategy. Preparation took place across our Business, with input on the potential opportunities and risks that the global drivers present to our future business success provided by: our Group Executive Committee, senior Leadership Development Group, regional middle management 2020 networks, and current and past Graduate Trainees from across the globe.

Our Global Drivers of Change & Opportunity

Croda is both impacted by and has an impact on global drivers:



Our Strategy Review identified the six global drivers that are the most important to our Business and that have an input into and impact upon our whole value chain. They are a challenge to our Business, but also an opportunity for future growth:



Climate change



Scarcity of natural resources



Shifts in global economy



Mass population growth, ageing & polarisation



Changing expectation & behaviours



Challenging legal & regulatory environments

Our 10 Material Areas

These areas of materiality address the most significant global drivers to our Business. They are an evolution of our 2012 Material Issues that were the focus of our targets during 2013, which enables us to integrate and consistently report progress in the pages that follow. Reaching across every area of our Business, these **new** or **developed** 10 Material Areas are now at the core of our longer-term sustainability activity.

Environmental Impact

Minimise the impact of our operations

Developed

P10



Policy & Regulation

Proactively engage in the enhancement of policy and regulation

New

P15



Product Design

Deliver the most innovative and sustainable ingredients to our customers

Developed

P16



Product Stewardship

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

Developed

P19



Process Safety & Stewardship

Foster the development of safety and quality systems associated with all of our processes

Developed

P22



Health, Safety & Wellbeing

Empower employees to have health, safety and wellbeing at the forefront of their thinking

Developed

P25



Talent Acquisition & Management

Be an employer of choice

Developed

P28



Corporate Knowledge

Safeguard our knowledge and expertise

New

P32



Diversity & Inclusion

Embrace and empower all individuals

New

P33



Community Education & Involvement

Support the communities in which we operate, with a primary focus on encouraging young people to work within science and technology

Developed

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Business Model & Risk

We adopt a truly holistic approach to sustainability and risk across our Business.

Sustainability & Risk

Sustainability can be seen as a lens through which we view our whole business model. Another such lens is risk. The fundamental risks to our Business are those that, if we did not successfully manage them, would mean that we don't have a business at all. They refer to our ability to operate a sustainable, safe and legal business.

We have clearly identified the links between risk management and sustainability for our key risk areas.

 See AR&A

Effective risk management helps us to:

- achieve our strategic objectives;
- protect our people, local communities and reputation;
- demonstrate good corporate governance; and
- create and protect value for our shareholders and customers in line with our business model.

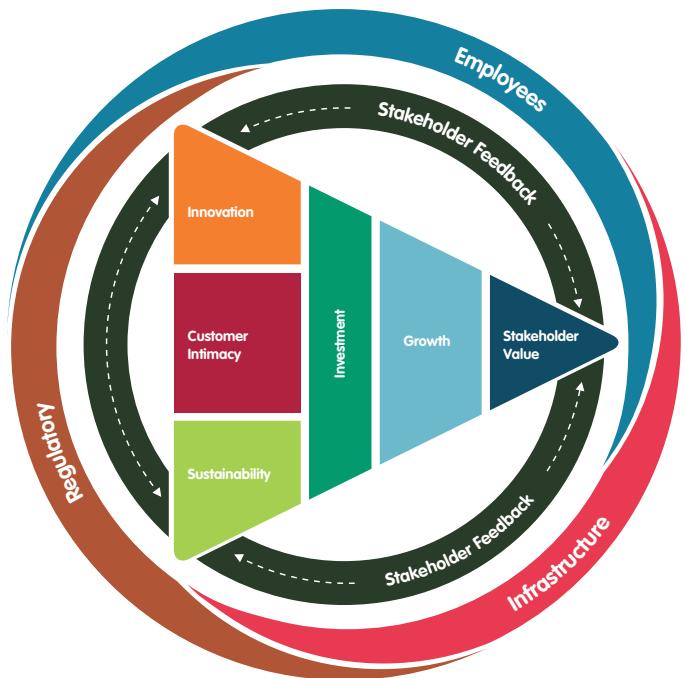
We already have well-established mitigation measures to address our fundamental business risks and we will continue to evolve these as required. Our 10 Material Areas address the risks and opportunities presented by the global drivers and the three market mega trends that we have identified. Together, managing our Business risks and our Material Areas will help us to mitigate potential threats and maximise opportunities for future growth.

Our Business Model

You can see just how firmly we embed sustainability from our business model. Sustainability reaches across:

- the way we structure our Business and develop our strategy;
- how we interact with all our stakeholders, including employees, local communities, customers and investors; and
- how we deal with the challenges of policy and regulation.

This holistic approach is supported at all levels of our Company, from the top down. Ultimate responsibility rests with our Board of Directors and Group Executive Committee, and implementation plans are discussed P05 at all regional and business board meetings.



Business Model

Regulatory

The external influences that are crucial to our Business operations

Employees

Talented individuals working as one team across the globe

Infrastructure

The right processes and premises in the right places

Stakeholder Feedback

The ongoing process of understanding shareholder, customer and consumer needs

Innovation

Capturing leading-edge technologies, knowledge and expertise, and building rich protected ingredient portfolios

Customer Intimacy

Moving ever closer to our customers, in terms of location, knowledge and understanding, to better respond to their needs

Sustainability

Sourcing renewable raw materials, developing responsible manufacturing processes, and looking after our people and the communities in which we operate

Investment

Centred on niche markets, new technology capture, expansion in emerging markets and developing our people

Growth

Constant investment and innovation, supported by the right people, using the right processes and materials in the right places

Stakeholder Value

Delivering greater value: to our shareholders with a commitment to financial growth and high returns; to our customers through high-quality innovative ingredients; across sustainability in the way we operate and in the ingredients we produce

Corporate Stakeholder Engagement

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

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Our Key Stakeholders

It is critical that we continue to broaden our communication with all of our internal and external stakeholders. This dialogue takes many forms and encompasses a very diverse audience.

During 2013, key stakeholder engagement activities included:

Customers & Consumers

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

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Investors

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

Suppliers

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

Employees

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

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Community

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

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Non-Government Organisations

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

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Governance & Regulatory

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

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We acknowledge the complexity of the palm oil supply chain... Thus, Croda's initiatives are indeed an affirmative step in the right direction.

Darrel Webber, Secretary General of RSPO

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Our Future Targets

Our underlying approach to sustainability focuses on establishing clear objectives and performance targets aligned to our Material Areas.



Environmental Impact



Based on 2010, to reduce total Group energy consumption by 5% by 2015

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

To implement a programme to track further Scope 3 greenhouse gas emissions data by the end of 2015

To achieve 100% compliance with effluent discharge consents by 2015

To complete a feasibility study to explore ways to reduce the quantity of aqueous organic material going to effluent treatment plants by the end of 2015

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

To have 25% of the Group's total energy requirements generated from non-fossil fuel sources by 2015

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



To commence a pilot stewardship plan on two of our estates that will have a measurable impact on biodiversity by the end of 2016



Policy & Regulation

To proactively engage with technical committees and industry associations that feed into the development of new policies and regulations important to our Business during 2014



To ensure that our recent acquisitions in China and Italy meet ISO 9001, ISO 14000 and OHSAS 18001 by the end of 2016 and that any subsequent manufacturing acquisitions meet these global standards within three years of final completion



Product Design

To monitor our new products against the 12 Principles of Green Chemistry and measure their renewable content in order to report the sustainability of these ingredients at the end of 2014



To have 100% RSPO certification of all our supply chains by the end of 2015

To only supply RSPO certified palm oil ingredients by the end of 2017, subject to the feasibility of the supply chain



Product Stewardship

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



To develop a streamlined business process for populating the Ingredient Sustainability Database during 2014

To gain EFfCI GMP certification for our remaining two manufacturing sites that produce cosmetic ingredients and EXCIPACT certification for five manufacturing sites producing pharmaceutical excipients by the end of 2015

To engage with suppliers representing 80% of the volume of materials we buy, by the end of 2016, to ensure that they understand our Supplier Code of Conduct



Process Safety & Stewardship

To ensure that all Basis of Safety documents comply with new internal standards by the end of 2016

To ensure that all Process Risk Reviews are compliant with our internal quality targets by the end of 2018

To ensure that our Process Safety Management System is in place at all manufacturing sites by the end of 2016 and that it is embedded at any subsequent acquisitions within three years of final completion through relevant management training programmes

To develop an internal Group Quality Policy and Manual by the end of 2014



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Health, Safety & Wellbeing

To have a Behavioural Safety Improvement Programme at every manufacturing site by the end of 2014

To develop and implement, during 2014, a programme that raises awareness of potential health and wellbeing issues that could affect our employees



Talent Acquisition & Management

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

To implement a redefined Graduate Development Programme for our 2016 recruits



To ensure that a risk assessment is conducted at every manufacturing site, during 2014, to understand and mitigate against any potential issues that the ageing of our workforce presents



Corporate Knowledge

To complete a feasibility study on the implementation of a global knowledge transfer process by the end of 2015



Diversity & Inclusion



To further enhance our whistleblowing procedures through the launch of an independent reporting hotline and website by the end of 2014

To ensure that we have completed a pilot programme of unconscious bias training with a cross-section of our middle and senior managers by the end of 2015

To ensure that all locations have appropriate policies and activities to support, value and respect diversity in their workforce by the end of 2016



Community Education & Involvement



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

To support our 1% Club Champions from across the world through the launch of a communications network during 2014

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

To increase internal and external awareness of our community education activities to enable all countries in which we operate to participate by the end of 2015

To have the capability to engage with young people at all stages of their education by 2020





Environmental Impact

Minimise the impact of our operations

The world is increasingly fragile. Climate change, as evidenced by extreme weather and growing scarcity of natural resources, such as water and fertile land availability, are affecting the way we live and the way global businesses operate.

2013 Targets

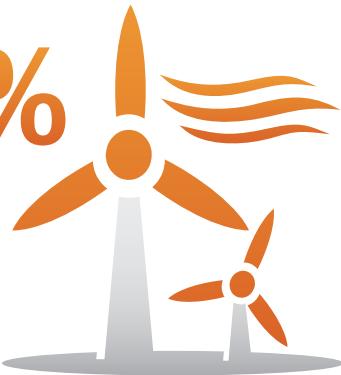
- Based on 2010, to reduce total Group energy consumption by 5% by 2015
- To have 25% of the Group's total energy requirements generated from non-fossil fuel sources by 2015
- Based on 2010, to reduce total Group VOC emissions by 10% by 2015
- Based on 2010, to reduce total Group water consumption by 10% by 2015
- To achieve 100% compliance with effluent discharge consents by 2015
- Based on 2010, to reduce total Group waste to landfill by 20% by 2015
- To complete pilot biodiversity surveys at two of our operations by the end of 2013

We are an ethical and responsible business. This means continuing to minimise our impact on the environment by constantly looking at what we can do across our operations, particularly our manufacturing sites. As a natural continuation of our responsible sourcing commitments, we must also show our understanding of the impact we have on biodiversity and take action to reduce any negative effects of our operations.

2013 Highlights

24.4%

Group energy from
non-fossil fuel sources



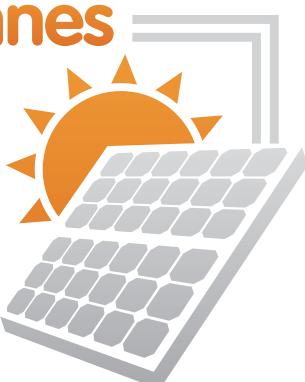
30.9%

reduction in
VOC emissions*



626 tonnes

reduction per year in CO₂
emissions at our Atlas
Point manufacturing site
following the installation
of solar panels



Environmental Impact

Policy & Regulation
Product Design
Product Stewardship
Process Safety & Stewardship
Health, Safety & Wellbeing
Talent Acquisition & Management
Corporate Knowledge
Diversity & Inclusion
Community Education & Involvement

Our Approach

To be aware of the impact we have on the environment and to use that knowledge to operate sensitively and responsibly

Last year, our environmental strategy and targets were focused on three broad areas:

- Air quality and climate change.
- Water quality and supply.
- Land impact, including waste to landfill and biodiversity.

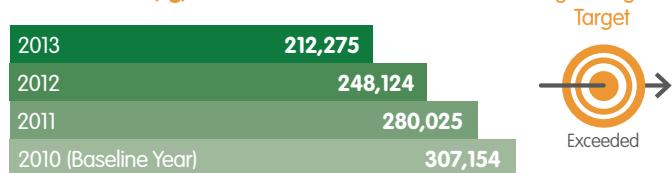
All of these areas continue to be of huge importance to our sustainability strategy and they are now grouped together under our Environmental Impact Material Area.

It is our aim to continue to:

- reduce our greenhouse gas (GHG) emissions, focusing on lowering overall energy consumption and increasing energy usage from non-fossil fuel sources;
- reduce our impact on the world's depleting water resources;
- aspire to our challenging goal of zero waste to landfill; and
- foster natural flora and fauna on our significant estates.

2013 Performance**Volatile Organic Compounds (VOC)**

During 2013, we made a substantial reduction in our VOC emissions, which was primarily the result of reducing the usage of solvents at the small number of our manufacturing sites that handle such substances. The biggest contribution came from moving a solvent handling process from our UK Rawcliffe Bridge manufacturing site to a more efficient, modernised site 80 miles away in Leek. We made additional, more modest improvements at other sites, notably Shiga in Japan.

VOC Emissions (kg) Relative to 2010 Baseline Year**Waste to Landfill**

Our North American manufacturing sites continue to lead the way in this area, with sustained, substantial reductions at Mill Hall and Atlas Point. At Mill Hall, innovative use of waste streams continues to make a positive impact, whilst at Atlas Point a new outlet has allowed considerable calorific value to be extracted for power generation from the site's solid waste. Our Spanish manufacturing site, Mevisa, also made an important contribution to us exceeding our 20% reduction target.

Waste to Landfill (tE) Relative to 2010 Baseline Year**Atlas Point Drives Landfill Waste Reduction**

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

**Energy**

Progress against our target to reduce total Group energy consumption by 5% by 2015 was affected by the decommissioning of our gas turbine generator, mid-way through 2013, at our Gouda manufacturing site in the Netherlands. This is in preparation for a new biofuel-driven Combined Heat and Power (CHP) project currently in progress, which will have a large positive impact once operating, but means that in the meantime we need to purchase more electricity from the Dutch grid, increasing total energy consumption.

In addition, we saw significant increases in energy consumption at our Mill Hall site in North America and Chocques site in France, which were largely due to changes in the mix of the ingredients they make. Energy reduction programmes remain in place at all sites, with the overall aim of meeting our 2015 target.

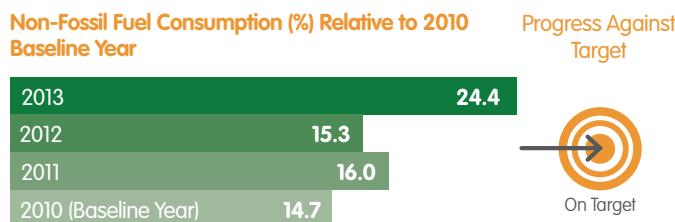
Energy Consumption (GJ) Relative to 2010 Baseline Year



Environmental Impact

Non-Fossil Fuel

With the commissioning of a CHP project at Atlas Point in 2012, we have made dramatic progress towards our target to have 25% of the Group's total energy requirements generated from non-fossil fuel sources by 2015. This will be achieved from the promise of even more power as the Atlas Point operation, and other investments, are optimised during 2014.



Other key contributors to the success of our increased use of non-fossil fuel energy have been:

Leek, UK	Has fully commissioned its CHP unit, which runs on co-product waste.
Hull, UK	Makes a dependable annual contribution from its wind turbine.
Chocques, France	Purchases steam raised from a municipal waste incinerator.

The electricity drawn by all of our manufacturing sites from national grids is supplied by a variety of sources, some of which are non-fossil. This contributes to our indirect supply of non-fossil fuel, but we are committed to investing in our own direct supply of non-fossil fuel.

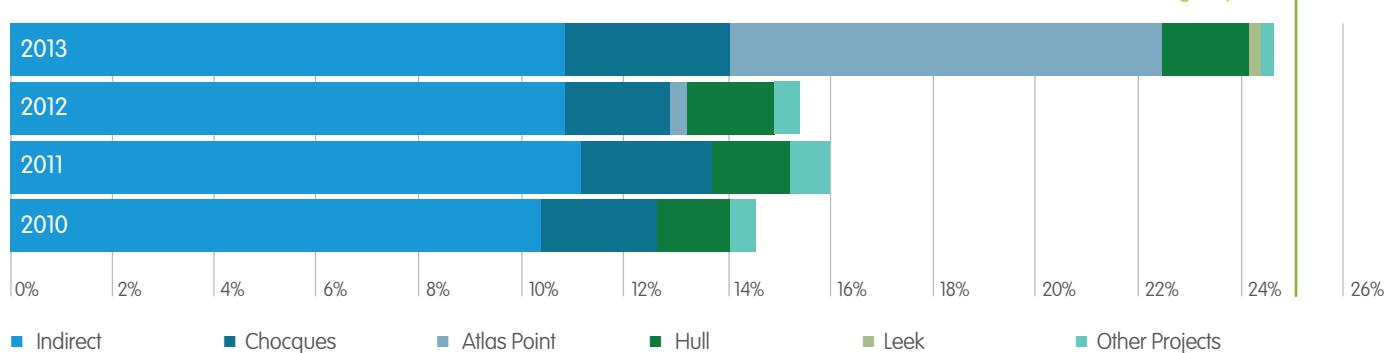


Solar Power at Atlas Point

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

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

Energy from Non-Fossil Fuel Sources (%)



GRI Indicators:
EC2, EN3, EN4, EN26

OUR SUSTAINABLE APPROACH

OUR MATERIALITY

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Process Safety & Stewardship
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OUR MANAGEMENT & GOVERNANCE

Water Consumption

The main contribution to our significant water savings during 2013 came from our Mevisa manufacturing site, which has reduced its abstraction of water from the local aquifer by more efficient recycling and installing improved cooling equipment. In 2012, we also highlighted a new purification and recycling project, which is now being commissioned at our Gouda site, with the potential to save 1 million tonnes of water a year and totally eliminate their use of ground water.

Water Consumption (m³) Relative to 2010 Baseline Year

	Progress Against Target
2013	7,300,742
2012	7,237,961
2011	7,129,897
2010 (Baseline Year)	7,907,590



On Target

World-Leading Waste Water Monitoring in China

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

Saving Water at Shiga

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

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

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

Greenhouse Gas (GHG) Emissions

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

We are committed to our energy reduction programme and are proud of our achievements so far in increasing our usage of non-fossil fuel and reductions in VOCs.

Changes in Total GHG Emission (Te eq CO₂) Relative to 2010 Baseline Year

	Scope 1	Scope 2
2013	145,420	64,694
2012	144,431	47,235
2011	136,739	48,155
2010	151,959	54,230

Compliance with Effluent Discharge Consents

In 2013, we continued our journey to meet our challenging 2015 target of achieving 100% compliance with effluent discharge consents, with a reduction in the number of occasions when our waste water discharges did not fully comply across our 18 manufacturing sites, compared to our 2010 baseline year. Each of these instances has separately been investigated and is now being rectified.

Effluent Discharge Compliance (%) Relative to 2010 Baseline Year

	Progress Against Target
2013	99.3
2012	99.6
2011	99.1
2010 (Baseline Year)	98.9



On Target

Changes in Net Scope 1 GHG Emissions (Te eq CO₂) Relative to a 2010 Baseline Year

	Net Scope 1 Emissions
2013	123,768
2012	142,450
2011	134,457
2010	149,893



Environmental Impact

Biodiversity

We take the stewardship of our own land very seriously and foster the development of flora and fauna at relevant sites with significant green space.

In 2013, we carried out biodiversity surveys at three of our estates, which identified the presence of different types of habitats and plants, bird and animal species. They also made recommendations for biodiversity opportunities, such as: preventing scrub areas from extending into grassland and so adding to the diverse mosaic of habitats; and establishing informal bird-feeding sites.

For 2014, we have identified a new target to begin pilot stewardship plans at two of these estates, Cowick Hall and Hull in the UK. It is hoped that this will have a measurable impact on biodiversity by the end of 2016 and it will also demonstrate our commitment to looking after our own estates.

We also recognise that we must consider the impact of our products on biodiversity. For instance, the extraction of key ingredient echinacoside from the plant requires a three-year soil cultivation of echinacea angustifolia before harvesting. IRB, a member of the Croda Group since 2012, has developed a 'biotechnology' method of obtaining echinacoside using stem cell technology with the following sustainable benefits:

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- **Higher safety:** non-genetically modified cells are grown in a sterile environment, which eliminates contaminants such as pesticides, heavy metals and aflatoxins.



- **Superior standardisation:** the process results in batch-to-batch reproducibility and a higher concentration of active substances.



- **Eco-sustainability:** there is no need to collect wild plants or set up field cultivations; a totally eco-friendly approach, saving water and land use.



Tree Planting at Our Headquarters

In 2006, local school children helped to plant the first trees of what has become a 55 acre woodland at our Cowick Hall Headquarters in Yorkshire, UK. The project was part of the Woodland Trust's 'Tree For All' initiative and, today, the woodland is a thriving area rich in wildlife and biodiversity.

The Future

Benefiting from 2013 solar panel, CHP and water recycling projects, and focusing on Scope 3 GHG emissions

Looking to the future, we are set to benefit from the installation of our 800kW solar panel array at Atlas Point, the commissioning of the new biofuel-driven CHP unit at our Gouda manufacturing site, and from our water purification and recycling projects at Gouda and Shiga. We are also carrying out feasibility studies to explore the use of biomass as a heat source at two of our manufacturing sites and ways of reducing the amount of aqueous organic material we send to effluent treatment plants.

To answer the increasing customer and investor call for reporting on Scope 3 GHG emissions, it is also our intention to implement a programme to track such data by the end of 2015. This will include relevant Scope 3 data such as fuel transportation, air miles and inferred emissions from the transportation of products, raw materials and intermediates.

Environmental Impact
Policy & Regulation
 Product Design
 Product Stewardship
 Process Safety & Stewardship
 Health, Safety & Wellbeing
 Talent Acquisition & Management
 Corporate Knowledge
 Diversity & Inclusion
 Community Education & Involvement



Policy & Regulation

New Material Area

Proactively engage in the enhancement of policy and regulation

On a daily basis, we safeguard our employees, our customers, our supply chain and our communities by ensuring that we are compliant with policy and regulation requirements across the markets and countries in which we operate.

2013 Highlights



Wheat Allergy Debate

In light of concerns over the use of hydrolysed wheat proteins in cosmetics, we have provided extensive data to the Cosmetics Ingredients Review (CIR) Expert Panel in North America, effectively demonstrating that these wheat proteins are safe. Following this, we will now be talking directly to the CIR in 2014.

To embrace the challenges of a constantly changing environment, where population is increasing as resources are decreasing, policy and regulation are becoming more demanding at national, international and industry level.



Nano Particles in Cosmetic Products

In June, the Scientific Committee on Consumer Safety (SCCS) published their long-awaited opinion that it is safe to use up to 25% titanium dioxide (TiO_2) in nano form in cosmetic products. Our Sun Care and Biotechnology team was heavily involved in providing data to support this debate and all of our sun care products meet the criteria set by the SCCS.

Our Approach

Through collaboration with relevant technical committees and industry associations, we can ensure that we contribute to, and keep ahead of, future changes affecting our Business

At Croda, we have a track record of actively working to increase quality standards in our industry:

Going above and beyond compliance

This is demonstrated by our current work to ensure that our recent acquisitions in China and Italy meet ISO 9001, ISO 14000 and OHSAS 18001 by the end of 2016, and that all subsequent acquisitions meet these standards within three years, where relevant.

Proactively guiding and influencing the development of policy and regulation

This is demonstrated by our close partnerships with the bodies that establish standards, regulations and legislation. By sharing our knowledge and expertise, we are helping to develop and raise global quality standards, whilst proactively preparing ourselves to comply with new policies. This also increases barriers to entry for competitors seeking to move into our markets.



Our work in this area aligns to our extensive key stakeholder engagement activities.

P07

2013 Performance

We continue to have many active and leading roles in discussions relating to our Business, including the following:

- Working with the European Chemical Industry Council (Cefic) to support the implementation of new standards for the chemical industry.
- Acting as non-government Co-Chair for a group working with the Canadian government on the environmental assessments of regulated products.
- Chairing the Cleaning Products Scientific Committee at the Consumer Specialty Products Association (CSPA) in North America and chairing the Hard Surface Cleaning Committee for the Soaps and Detergents at the American Society for Testing and Materials (ASTM).
- Participating in working groups in South Africa to help maintain the high quality and safety of cosmetic products.
- Working with the European Standards Agency on carbon content measurement.
- Participating in invitation only roundtable discussions with UK political parties in relation to proposed employment legislation and policy, such as the living wage.

The Future

Proactively engaging with technical committees and industry associations

In 2014, our target will be to continue entering into constructive collaborations in order to ensure that we have an impact on, as well as being prepared for the impacts of, the policies and regulations that are relevant to our Business. We must make sure that we are at the forefront of developments in our industry and use our knowledge to give us a competitive lead.



Product Design

Deliver the most innovative and sustainable ingredients to our customers

There is an increasing focus on, and understanding of, the ingredients that go into the goods used across the world, and more and more consumers want to know that the products they use are sustainable.

2013 Targets

- Monitor the sustainability of new products by measuring the renewable raw material content and by assessing them against the 12 Principles of Green Chemistry during 2013
- Continue to work closely with suppliers and the Roundtable on Sustainable Palm Oil (RSPO) to seek ways to extend the range of sustainable palm oil (PO) and palm kernel oil (PKO) derivatives we manufacture during 2013
- Ensure that the small quantity of PO purchased directly supports sustainable sourcing by the end of 2013 under RSPO guidelines
- Where relevant, gain RSPO certification to manufacture sustainable PO and PKO derivatives at additional manufacturing sites

At Croda, natural ingredients are at the heart of our products, with the majority of our raw materials coming from renewable natural sources.

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

2013 Highlights



4

manufacturing sites now certified to supply Sustainable Palm Oil Derivatives against the RSPO Mass Balance model

103

new products launched



10
out of 12

is the average score of our new products against the 12 Principles of Green Chemistry

Environmental Impact
Policy & Regulation
Product Design
Product Stewardship
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Our Approach

To design products with the best environmental and performance profile

The focus on sustainable raw materials and manufacturing methods is continuing to grow, with increasing demands from customers and consumers. With our long heritage in naturally derived products stretching back to the launch of our first product, Lanolin, sustainability is firmly embedded in our innovations and we are determined to lead our sector in this area.

We are committed to:

- **optimising** our raw material sourcing, choosing sustainable renewables wherever possible;
- **minimising** the environmental impact of our ingredients, the products we sell;
- **ensuring** that our ingredients provide environmental benefits in application, wherever possible, such as saving energy or replacing a non-sustainable alternative; and
- **achieving** all of this safely, without compromising our customers' high-performance, quality and value requirements.

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2013 Performance

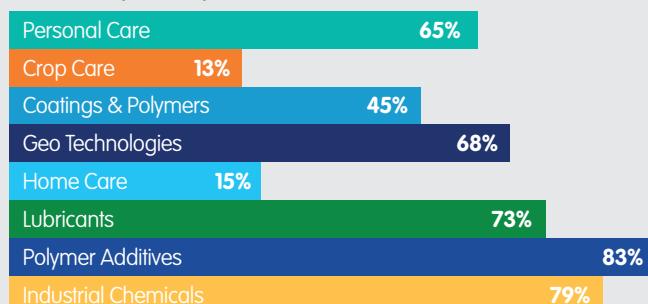
We continued our strategy of assessing the sustainability profile of our new products against the 12 Principles of Green Chemistry and saw some notable improvements against 2012:

Average score of new products against the 12 Principles of Green Chemistry **10**
(2012 average: 9)

New products scoring 12 out of 12 **32%**
(2012: 16%)

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

Average % Renewable Content in New Products Launched by Industry Sector*



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

CrodaTherm™ Offers better performance, safety and sustainability than current non-renewable technologies.

CrodaTherm is our new range of phase change materials, used to store and/or release large quantities of energy as materials change from solid to liquid and vice versa. They can be used at low temperatures, such as in refrigeration and shipping medical equipment; ambient temperatures, such as in air conditioning, building materials and textiles; and high temperatures, for energy storage and electronics.

Sustainability Benefits

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

NatraSense™ Provides all the cleaning performance of high-foaming surfactants, in a low foaming, 100% plant-based format.

The major benefit of NatraSense is that it matches, or exceeds the performance of traditional petrochemical foam control agents, used in everything from fabric care and bathroom cleaners to dishwasher detergents.

Sustainability Benefits

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



We are a leader in natural specialities, with 65.2% of our raw materials coming from renewable, natural sources in 2013. This figure has stayed close to 70% for the past four years that we have been reporting it, which puts us in an excellent position to benefit from the growing trend in natural based consumer products.



Product Design

Responsible Palm Oil Sourcing

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

2004

The Roundtable on Sustainable Palm Oil (RSPO) was formed to promote 'the production and use of sustainable palm oil for People, Planet and Prosperity'. It is a non-profit organisation comprising of PO growers, processors and traders, consumer goods manufacturers, environmental non-government organisations (NGOs), social NGOs, banks, investors and retailers.

2010

We became the first chemical ingredient manufacturer of PO/PKO derivatives to support SPO via RSPO's Book & Claim process by developing our own methodology to provide our customers with the data to purchase GreenPalm certificates. The subsequently published RSPO calculations aligns to our approach.

Understanding the Issue

- It is estimated that at least 50 million acres of rainforest are lost a year, equivalent to the area of England, Scotland and Wales.*
- PO plantations are the main driver for this deforestation in Malaysia and Indonesia.

*Source: Rainforest Action Network

During 2013, **Darrel Webber**, Secretary General of RSPO said:

"RSPO commends Croda's efforts in moving towards sourcing for physical certified sustainable palm oil. We acknowledge the complexity of the palm oil supply chain, especially when it involves the palm oil and palm kernel oil derivatives market. Thus, Croda's initiatives are indeed an affirmative step towards the right direction, playing a significant role in the collective efforts to transform markets and make sustainable palm oil the norm."

We have always purchased low volumes of pure PO and PKO and last year saw our total consumption drop by almost 90% to just 38 tonnes, for which we supported SPO by purchasing GreenPalm certificates. However, and despite these low volumes, we will be seeking to source this as segregated material during 2014.

GRI Indicator:
EN26



We are playing a leading role in driving the change to Sustainable Palm Oil (SPO), because we produce the widest range of Personal Care ingredients globally and touch the majority of cosmetic formulations.

2012

Our Singapore manufacturing site became certified to handle PO/PKO derivatives via RSPO's Mass Balance process. This was an important, progressive step in developing the physical supply chain of certified SPO derivatives. The process is designed to address supply chain logistical issues due to the inability to connect derivative buyers and sellers. Certified SPO is drawn into the physical supply chain and traced through an audited process to the finished product, which gives our customers a direct link to supporting volumes of certified SPO. It helps address the large volumes of SPO that can remain unsold and it will help create the momentum to derivative material being available via RSPO's segregated process.

2013

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

By 2015 we will have 100% RSPO certification of all our supply chains.



The Future

Leading the way in renewable ingredients and certified SPO

During 2014, we will continue to monitor our new products against the 12 Principles of Green Chemistry, whilst considering our new additional 13th element that looks at the environmental benefits of our products in use.

In 2014, we anticipate that two more of our manufacturing sites, in Spain and Brazil, will achieve RSPO certification, taking our total to six sites handling 85% of the PO derivatives that we use. By 2015, all of our manufacturing sites handling PO, PKO and their derivatives will have RSPO supply chain certification. We are working very proactively to widen this out to our entire PO supply chains, so that by 2017 all of the palm oil within our ingredients will be 100% SPO. This is supply chain permitting as it requires the collaboration of growers, millers, crushers and numerous suppliers to source sustainably across many different industries.

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OUR MANAGEMENT & GOVERNANCE



Product Stewardship

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

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

sensitive manufacturing processes, and clear and comprehensive customer information for safe and efficient use and disposal.

Product quality is at the heart of responsible stewardship. We must be able to achieve consistently high standards wherever we manufacture our ingredients in order to deliver the performance our customers expect and claim, and to ensure the safety and satisfaction of consumers. So strong is our commitment to quality that we are actively helping to raise global standards through our work with organisations like the European Commission and the European Federation for Cosmetic Ingredients (EFfCI).

P07

2013 Targets

- Gather product data at manufacturing site level to populate our Ingredient Sustainability database in accordance with the gap analysis completed in 2012
- Further engage with our major suppliers on our Supplier Code of Conduct during 2013
- Following a detailed audit of product stewardship across the Group, ensure that best practice is communicated and any appropriate improvement actions are taken by the end of 2014
- Gain EFfCI GMP certification for our remaining five manufacturing sites that produce cosmetic ingredients and EXCiPACT certification for six manufacturing sites producing pharmaceutical excipients by the end of 2015

2013 Highlights



11

manufacturing sites
now EFfCI certified

500



listings in our Ingredient Sustainability database



Product Stewardship

Our Approach

To gather high-quality sustainability data on all our major ingredients, and to drive product quality and consistency

We are exceptionally well informed about the sustainability of our ingredients and our business processes, as demonstrated by our extremely high product stewardship credentials. It means that we:

- go above and beyond the data collection requirements of legislation;
- identify future supply issues and continue to meet customer demand; and
- seek opportunities to enhance their environmental profile.

We are committed to providing uniform ingredient quality and performance across the globe to protect our customers' brand integrity and for the safety of the consumer. We also recognise that, wherever in the world we manufacture our ingredients, our customers need to be assured that they will receive the same, consistently high quality standards via a secure transportation operation.

2013 Performance

Tracking Product Sustainability

By the end of 2013 we had 500 of our ingredients in our Ingredient Sustainability database and had begun collecting the data against the 10 metrics that we will measure them on:

1. Energy use
2. Water use
3. Waste %
4. Recycled %
5. Air pollution
6. Biodegradability
7. Aquatic toxicity
8. Raw material source
9. Renewable carbon content %
10. Residual impurities, where relevant

Closely linked to this, and as part of the European Commission's objective to stimulate the market for renewable or 'bio-based' products, we have been involved in a technical working group to assist the development of:
• a European standard definition for the term bio-based and methods for determining the bio-based content of products; and
• standards for lifecycle analysis and methods for business-to-business communication of bio-based claims.

During 2013, we were proud to be recognised by the Carbon Disclosure Project (CDP) for our leadership in climate change transparency; an integral part of our continued commitment to sustainability. It was 10 years ago when the CDP pioneered the global disclosure system for companies to report their environmental impacts and strategies to investors. This system has evolved significantly, supporting multinational purchasers to build more sustainable supply chains. Today, we engage with a number of major customers in providing environmental data relating to the ingredients we supply to them.



Our listing on the CDP Climate Disclosure Leadership Index signifies our excellence in internal data management and our understanding of the climate change risks and opportunities that affect our Business, including greenhouse gas emissions and their reduction targets.

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Henkel Beauty Care Sustainability Award 2013

In 2013, we received the Henkel Beauty Care Sustainability Award for delivering lifecycle assessment data for several ingredients they purchase from us. This data allowed Henkel to establish better and validated lifecycle assessment models for their own beauty care products, so together we are achieving more with less environmental and social impact.

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OUR MANAGEMENT & GOVERNANCE



Driving Global Quality & Consistency in Personal Care

The European Federation for Cosmetic Ingredients (EFFCI) first produced its Good Manufacturing Practice (GMP) Guide in 2004, followed by its voluntary Certification Standard in 2010 to assure customers of product quality and, ultimately, safety. We have actively helped to develop the Standard and Guide to keep it up to date with on-going quality and GMP developments, with the current edition released in 2012. By the end of 2013, 11 of our manufacturing sites were EFFCI GMP certified, which:

- signals the quality and safety of our cosmetic ingredients; and
- provides our customers with a guarantee of quality and performance consistency to support their product claims.



We have been amongst the first to achieve EFFCI GMP certification in Brazil, India, Japan and North America.



international excipients certification

Ensuring Patient Safety Through Quality

In 2013, two UK operations, our manufacturing site in Rawcliffe Bridge and our Thorne distribution warehouse, received EXCI-PACT™ certification. EXCI-PACT is a voluntary international scheme that provides independent third-party certification of manufacturers, suppliers and distributors of pharmaceutical ingredients. Building on the ISO9001 framework, it aims to:

- ensure patient safety through supplier quality; whilst
- minimising the audit burden and overall costs for assessing the excipient supply chain, without sacrificing quality.

GRI Indicators:
EN26, PR1, PR3

OUR MANAGEMENT & GOVERNANCE



Establishing a Distribution Quality Standard

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

The Future

A stronger focus than ever on ingredient sustainability, safety, quality and consistency throughout the supply chain

During 2014, we will continue our strategy of gathering ingredient sustainability data to help fulfil our responsibility to reduce any negative impacts of our products throughout their lifecycle. We intend to develop a streamlined business process for populating our Ingredient Sustainability database with the 10 key pieces of information per ingredient.

Our strategy of driving quality, safety and consistency will also move forward. Our aim is to achieve EFFCI GMP certification at our two remaining sites manufacturing cosmetic ingredients by the end of 2014, and five more of our operations producing pharmaceutical excipients are on target to achieve EXCI-PACT certification by the end of 2015. We will also continue to review our approach to product stewardship and share best practice across the Group, ensuring that any appropriate improvement actions are taken by the end of 2014.

In 2013, we identified that we must go further than our current communication with suppliers to ensure that those who represent 80% of our direct and indirect spend fully understand our Supplier Code of Conduct. We will now be communicating our expectations and adherence to our Code through face-to-face meetings with suppliers to ensure complete clarity. This is of growing significance as traceability becomes an increasingly important factor for our customers and consumers. It is also an essential part of our product stewardship responsibilities, which goes wider than our own actions to take in those of the whole supply chain.



Process Safety & Stewardship

Foster the development of safety and quality systems associated with all of our processes

We have a clear responsibility to protect our people, the communities in which we operate and our infrastructure. The consequences of not doing so represent the most significant risk to our Business, stakeholders and people.

2013 Targets

- At the end of every quarter in 2013, have 100% of all Process Risk Assessments reviewed to stringent internal quality standards at least once every five years across the Group
- At the end of every quarter in 2013, have no outstanding critical actions from Process Risk Assessments overdue across the Group
- To define a programme that attains external post-graduate certification for members of our internal Hazard Study Leaders' Academy during 2013
- To develop and implement a training programme to improve incident investigation through the use of a common methodology by the end of 2014

However, the benefits that arise from carefully managed process safety and process stewardship are extensive, having a direct impact on our business growth, reputation and sustainability.

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

2013 Highlights



100%

of all critical actions arising from Process Risk Assessments completed on time



Global Incident Investigation training implemented a year ahead of schedule



Croda Hazard Study Leaders' Academy programme endorsed by the University of Derby

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Our Approach

To drive process safety and stewardship improvement through top-down line management commitment, extensive training, and thorough checks and measures

Since 2006, our strategy has been to strengthen our robust Process Safety Management System, which is aligned with the OHSAS 18001 Health and Safety Management System. We have achieved this year on year, with a particular focus on new acquisitions, through the support of:

- our Safety, Health, Environment and Quality Steering Committee (SHEQSC), comprising of Group Executive Committee members and Operations Managing Directors who are responsible for setting the strategy, monitoring progress and driving improvement;
- the Croda Process Safety Model, which is sanctioned by the Board of Directors, providing the framework for Process Safety Management at all of our manufacturing sites; and
- a balanced set of Process Safety Performance Indicators that monitor the operation of our Process Safety Management and provide targets to drive improvement.

2013 Performance

Delivering & Maintaining Process Safety Competence

We have recognised for a long time that success in this area could only be achieved if activities are endorsed, and actively promoted and carried out at all levels in our Business. Comprehensive training has been essential in achieving this, which includes:

- Process Safety Leadership courses by the National Skills Academy for the Process Industries (NSAPI) have been run each year between 2011-2013 to cover the Group Executive Committee and Business Directors;
- during 2013, the development of our own course for Engineers and Business Managers, based on the intermediate NSAPI syllabus, which we will deliver from 2014;
- continuing to carry out site-based process safety training for Operators and Technicians, with the development of our Basis of Safety documents for all of our processes with this in mind;
- in 2013, the introduction of training for first-line supervisors to increase their confidence in successfully monitoring performance and making effective changes in behaviour, which has been very positively received; and
- formal competence development, which is being achieved and is ongoing across the Business via the Croda Hazard Study Leaders' Academy.

From the very top of our organisation, all of our people recognise the differences between personal and process safety and the need to pursue excellence in both.



GRI Indicators:
LA10, LA11

Leading from the Top

- All business leaders, who have the power to allocate resource, have visited their manufacturing sites to challenge the quality of safety management and process stewardship.
- We have played an active role in the Chemical Industries Association (CIA) Process Safety Leadership Initiative and sit on the expert panel of NSAPI.



The Croda Hazard Study Leaders' Academy

To support our sustainable approach to risk management and review across process safety and stewardship, and to develop a Group-wide team of Hazard Study Leaders, in 2011 we launched our own internal Academy. In 2013, the Academy achieved external postgraduate certification from the University of Derby in the UK, providing a truly aspirational goal for our young engineers.





Process Safety & Stewardship

Monitoring Progress & Driving Improvement

At Croda, we have identified and registered 139 of our chemical processes as requiring hazard and risk assessment. Each of these is subjected to a seven-stage hazard study, the last stage of which is to conduct a Process Risk Assessment (PRA) within a strict five-year cycle. This allows us to evaluate whether they present an intolerable risk to the Business and whether we need to pursue mitigating actions.

We also carry out the following checks and measures to ensure that process safety is continually monitored and reviewed, with the data being used to inform training needs and drive improvement:

- At the quarterly SHEQSC meeting, progress is reviewed against an evolving set of Performance Indicators and any necessary corrective action is mandated.
- Each PRA is checked by Group SHEQ specialists against thirteen challenging quality standards designed to mirror the Croda Process Safety Model framework, with any that do not pass first time being returned to the individual site and coaching offered to close gaps.
- A formal audit programme is conducted over a three-year cycle, which includes a core section on process safety and an annual Management Review, during which the SHEQSC sets the direction for the coming year.
- During 2013, our quarterly Board of Directors meetings took place at several site locations to give members a chance to hold structured process safety discussions with technicians.
- All process safety issues are reported in the Company incident database, where we have seen a significant improvement in the standard and openness of such reporting in the last five years.



Improving the Way We Monitor Process Safety

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

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



Improving Incident Investigation

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

The Future

Continuing to place process safety and stewardship at the heart of our strategy for business growth

With our robust Process Safety Management System at the core of Product Safety & Stewardship, we now have a target to ensure that it is fully in place at all of our manufacturing sites by the end of 2016 and embedded at any subsequent acquisitions within three years of final completion. This will be achieved through relevant management training programmes and it will also mean that all of our current chemical processes will have gone through a PRA by 2018.

As a result of the Basis of Safety work carried out across the Group, especially at Mill Hall, we have identified that this document will become the main vehicle for communicating to operations staff how our high-hazard processes are run safely. By the end of 2016, we will have rewritten Basis of Safety documents for all 139 of our processes.

Building on the success of our SHEQ management system, we are now also in the process of developing a complementary internal Group Quality Policy and Manual, which will be issued to every manufacturing site by the end of 2014.

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Health, Safety & Wellbeing

Empower employees to have health, safety and wellbeing at the forefront of their thinking

As a global manufacturer, we have a responsibility to take care of all our employees across our global operations and we set ourselves extremely high standards, particularly in personal safety management where our aspirational goal is zero harm. We also recognise that our approach must continually evolve in response to global trends, for instance, the ageing population in the developed world. An ageing workforce is positive in terms of diversity, but also a risk at our

manufacturing sites due to potential physical restrictions; a challenge we are addressing using established ergonomic assessment techniques.

No one should expect to be injured when working at one of our operations, but health and safety at Croda goes further than legal requirements to encompass the total wellbeing of our people. We are continuing to invest in initiatives with this in mind. First and foremost this is the right thing to do, but it also makes good business sense; when employees and contractors are safe and healthy, absence is reduced and potential loss of reputation due to serious breaches in policy and regulation is eliminated.

2013 Targets

- Sustain the improvement since 2010 (0.39 per 100,000 hours) on the frequency of injuries to all personnel, to ultimately reduce the rate to 0.2 per 100,000 hours worked on a sustainable basis
- To ensure that all locations undertake health promotion activities during 2013

2013 Highlights



94

different health promotion activities across the globe

Development of bespoke Behavioural Safety Programmes across our manufacturing sites



Our two North American manufacturing sites have been awarded OSHA's coveted VPP* status

*Voluntary Protection Program (VPP), the highest award from Occupational Health & Safety Advisory Services (OSHA)



Health, Safety & Wellbeing

Our Approach

To provide a safe working environment where our people can safeguard themselves and their colleagues from harm and are actively encouraged to adopt healthy lifestyles

The health and safety of our employees remains a top priority for us and we continually strive to improve upon our injury rate for the optimum protection of our workforce. To help us achieve this, our existing three-point strategy remains in place:

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

We have now extended our Health & Safety Material Area to include Wellbeing, signalling our intent to actively invest in the general wellbeing of our employees, often over and above legal health and safety requirements.

2013 Performance

Lost Time Injury (LTI) Rate

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

We track the following three LTI rates:

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

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

LTI Rate



Changing Behaviours to Improve Safety

In 2012, our Rawcliffe Bridge manufacturing site in the UK developed an interactive Behavioural Safety Programme, which focused on the ways line managers and supervisors communicate unsafe and safe behaviours to their teams.

The Programme was very well received, and in 2013 we carried out further coaching to help individuals apply the techniques they had learned. In line with our new target to have a Behavioural Safety Improvement Programme at every site by the end of 2014, last year we also shared the best practice from Rawcliffe Bridge and are encouraging other sites to develop a similar approach.

Another example is from our Sederma manufacturing site in France where, following a safety climate survey, the team took action to improve the perception of risk by introducing frequent safety and quality communications sessions for all employees, and increasing the standard of monthly workplace risk assessments.



We aim to prevent all work-based injuries and illnesses through effective training of our people and careful management of risk.

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Promoting Health & Wellbeing in the Workplace

The Wellbeing element of this Material Area recognises that health and safety goes wider than safeguarding against injury and incident. We must work together to create a safe and healthy working environment, which contributes to having an engaged workforce, so that we continue to do the best job possible.

At the start of 2013, we set a target for all of our operations to undertake health promotion activities during the year, which received an excellent global response, building on existing programmes at many of our operations.



'Cycle to Work' schemes



Annual health checks



Promotion of sports activities



First aid training for employees



Improved desk equipment



Health promotional emails



Health talks focused on nutrition and healthy living



Free fruit baskets



Putting Wellbeing Centre Stage with Our Wellness Fairs

For the past four years we have run Wellness Fairs at our three North American operations to help promote the benefits of healthy living to our employees. Local fitness centres, nutrition counsellors, chiropractors and massage therapists have all attended the Fairs. Various screenings have also taken place, including thyroid, skin damage, blood pressure, BMI and lung function tests, along with free flu vaccinations.

The Future

Continuing to drive our safety culture by working towards our goal of zero harm and putting health and wellbeing centre stage

As a result of reviewing our strategy against the global drivers, we have established a new target for 2014: to conduct a risk assessment at every manufacturing site to help us understand and mitigate any potential issues that the ageing of our workforce may present. This is something that is already being considered at some sites, but given the continued increase in retirement age it is important that we look at the global picture.

During 2014, in addition to our behavioural safety target that encourages people to think before they act, we will also be developing and implementing a programme to raise awareness of potential health and wellbeing issues that could affect our employees. It demonstrates our serious commitment to the wellbeing, as well as the safety, of all our employees.

P05



Talent Acquisition & Management

Be an employer of choice

Our Business is only as good as our people. First, we need to find 'the talent'; the people with the right mix of skills in the places where we need them. As a scientific knowledge business, this increasingly means tackling issues such as the lack of the skills we require in emerging markets and the increasing global competition for graduates with science, technology, engineering and maths (STEM) qualifications.

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2013 Targets

- All regions to have a programme of local graduate and trainee recruitment by the end of 2013
- To complete one global employee engagement survey in 2014, which will then be conducted at least every third year
- Develop company share scheme membership by continuing to improve advertisement, promotion and availability to ensure that all employees can make an informed decision for the 2013 programme
- To make personal skills development accessible to all through the development of a comprehensive online learning zone by the end of 2013
- During 2013, support our talent management procedures by coaching and actively involving senior managers, and their teams, in the identification and effective management of talent
- All employees to have a formal appraisal by the end of 2015

We then need to attract talented people to work for us, stay with us and develop rewarding careers with us. How do we do this? By being an employer of choice, which means offering the right balance of remuneration, rewards and opportunities. If we get all this right, we can capture and keep hold of the critical knowledge that we rely on to drive innovation and growth, to continue building a committed global workforce that will help us to achieve even greater success.

2013 Highlights



90% of our employees received training, totalling

122,212
hours

Non-UK employees enrolled in our sharesave schemes increased from



48%
to
60%

whilst UK membership rose to 78%

All regions now have a

**Graduate
Development
Programme**



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- Process Safety & Stewardship
- Health, Safety & Wellbeing
- Talent Acquisition & Management**
- Corporate Knowledge
- Diversity & Inclusion
- Community Education & Involvement

Our Approach

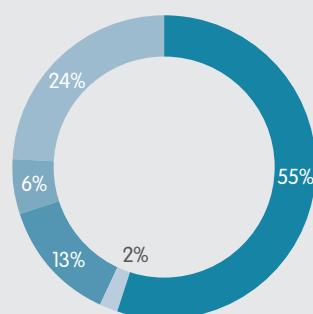
To source and develop the critical knowledge our Business depends upon and to keep it within our business

Our Business depends upon the expertise and dedication of our people. We work hard to recruit the best and to source the specialist knowledge we require, so once we have found the right people we want them to develop and grow within Croda. Our strategy is to better understand the needs, motivations and abilities of our employees, and prospective employees, so that we can:

- **attract** the most talented people to our Business with the skills we need to compete and succeed;
- **develop** a retention strategy to keep talent and knowledge within our Business;
- **continually improve** our reward packages in line with changing expectations;
- **provide** fulfilling careers and opportunities for ongoing personal and professional development;
- **cultivate** our next generation of leaders and specialists; and through all of this
- **become an employer of choice**, which makes us more attractive to new and existing employees.

2013 Performance

3,545 employees in 34 countries making 1 global team



*As of January 2014

Number of Employees*	
Western Europe	1,933
Eastern Europe, Middle East & Africa	71
North America	474
Latin America	206
Asia Pacific	861

Recruiting the Best

During 2013, we continued to invest in our very successful Graduate Development Programme, meeting our target for all regions to have a programme of local graduate and trainee recruitment by the end of the year.

We attended careers fairs and held promotional activities at universities across the world, including events that were new to us in China and São Paulo, Brazil. Graduate residential training also took place for the first time in Latin America, and for the second time in Asia. Both of these training programmes have been adapted from our successful European and North American programmes to ensure that our global graduates benefit from consistent messaging, content and development experience.



The Croda Graduate Development Programme (GDP)

Steve Laugher, an independent training expert who helps us to deliver the Croda GDP, gives his views on the programme's success:

"As Croda has grown as a company, so has their Graduate Development Programme. New modules have been introduced, which are relevant to the needs of the Business to ensure that there are highly developed individuals ready to take on the challenges that the next stages of Croda's growth will present."

"Testimony to this is the number of current Senior Managers that have been through the GDP, and those that are now driving business right through the Company."

"The Programme is designed to offer the graduate the opportunity to take on stretching and advanced high-profile projects. The training elements provide a level of information that asks the graduate to take a 'step up' from their current awareness of business and aim for higher achievements than in many other organisations."



Our Graduate Development Programme has been running for over 25 years and has supported over 300 graduates through their early years at Croda.



Talent Acquisition & Management

Retaining Talent

When someone leaves us, it has a huge impact on our Business in terms of potential critical knowledge loss, the cost of recruiting and training a replacement, and the negative effect it can have on teams and departments. So talent retention is a key part of our strategy and it is something that we do well; most of our senior people have come up through the Business and we only have 4% annual turnover from resignations.

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With retention firmly in mind, last year we continued to develop our Company share ownership scheme, Sharesave. We met our target and exceeded expectations in driving awareness through advertising and promotion, giving all employees the opportunity to make an informed decision about whether to join a scheme. The result was an increase in global share scheme membership from 55% in 2012 to 65% in 2013.

In 2013, we also continued preparations for our first global employee engagement survey, which will take place in 2014. This will help us to be more proactive in identifying potential employee turnover issues, individual concerns and employment trends, so that we can better manage our workforce and recruitment planning.

Managing & Developing Talent

Investing in our people to build on their knowledge, skills and abilities is important because:

- it allows us to develop expertise from within, for example, half our Group Executive Committee joined as graduates;
- it provides excellent opportunities for ongoing personal and career development; and
- it helps to make us an employer of choice.

In 2013, we continued to work towards our target of all employees having a formal appraisal by the end of 2015. This involved fine-tuning our online Aspire appraisal system, which provides an invaluable source of information regarding job performance, aspirations, mobility and training needs to feed into our Talent Review Process.

The Croda Talent Review Process

Early 2013 saw the start of our global Talent Review Process. This is an essential part of the way we manage talent, as is our new Development Centre process that we also defined and implemented in 2013. Our aim is to more closely link our talent management process and promotion decisions. We recognise that if, and only if, we have a clear view of talent in our Business, we can ensure that promotion decisions are objective, fair and are right for our Business.

Both Aspire and our Talent Review Process are essential, not only for us to be able to identify and develop talent, but also for our employees to feel invested in, valued and respected.



1,353 individual employees were discussed during local talent review meetings

160 managers from around the world were involved in the review discussions

Richard Butler, Managing Director, Sun Care and Biopolymers said:

"I think the talent review process forces us, as managers, to take a step back and really think about each person within our organisation. It makes us take the time to review each individual's performance, their capability and their specific development needs. Through this process we can build a more sustainable organisation by:

- early identification of the candidates with the capability for succession into key roles;
- ensuring improvement plans for candidates with performance issues, whether this is due to capability or motivation; and
- not losing sight of those within our teams who do a 'solid' job and make a very valuable contribution, but do not aspire to progress."



Growing Our Talent

In our first Development Centre we held one-to-one evaluations with 10 individuals to ascertain whether they would be ready to move onto a higher graded role within 12-18 months. The process identified who would be ready for promotion in the short, medium and long term with the right support. All participants received internal and external feedback that they can practically implement.

OUR SUSTAINABLE APPROACH

OUR MATERIALITY

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Process Safety & Stewardship
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Talent Acquisition & Management
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Diversity & Inclusion
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OUR MANAGEMENT & GOVERNANCE



Croda 2020 Network: Developing the Leaders of Tomorrow

During 2013, we ran the first global Croda 2020 Network as part of our Leadership Development Portfolio. The Croda 2020 Network aims to develop and showcase those who have the potential to be leaders and global specialists during the decade of 2020. The Network is split into the three regional groups of Europe, Americas and Asia and in its first year 46 employees joined. Each year, a new intake will be invited to complete a formal year-long programme, with the skills learnt and experiences gained being built upon throughout their careers.

Building the Skills We Need, Where We Need Them

Our 1% Club allows all employees to volunteer 1% of their annual working time to support community and education activities. In emerging markets, as well as in developed markets, 1% Club members are actively working to build the skills our Business relies on within the communities in which we operate.

For example, last year in India we:

- distributed periodic tables specifically designed for children, now in use in 16 schools to inspire the next generation of scientists;
- gave students from technical and management institutes the opportunity to work on short-term projects as a part of their internship;

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- welcomed students from local science and technical colleges to our manufacturing site to give them an insight into the industry; and
- formed close ties with local academics, focusing on providing university students with the opportunity to interact with professionals from diverse fields.

In 2013, we also widened our UK STEM initiative to other countries where we are working to inspire the next generation of Croda people. All of these activities help to develop the skills and experience of our people, whilst supporting community education.

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The Future

A stronger focus on empowering our people to take their development into their own hands and working to redefine our graduate programme

In 2014, we will continue working towards our objective of being an employer of choice, providing a rewarding environment for talented individuals to progress their careers with us. We want employees to achieve their full potential, and to do so with Croda.

With this in mind, we intend to launch a suite of career management tools by the end of 2016. This includes the slightly delayed launch of our online learning zone that will offer a range of personal skills training, product training and job-related development modules to our global workforce from early 2014. The aim is to enable our people to understand how they can develop their skills and take an active role in managing their own careers.

In 2014, we will be conducting our first global employee engagement survey and we are already making plans for more; our target is to have conducted our third survey by the end of 2020, resulting in a set of leading indicators of employee engagement that we can track over time.

We are also working to implement a redefined Graduate Development Programme (GDP) for our 2016 recruits. Our current GDP was established 25 years ago and, although it has evolved, we welcome the chance to review whether it is still fit for purpose to take in the needs of younger generations and our changing business.



2013 Global Croda 2020 Network with our Group Executive Committee

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Corporate Knowledge

New Material Area

Safeguard our knowledge and expertise

In a world where employees are increasingly mobile and the rate of innovation is on the increase, keeping hold of the critical knowledge that helps to generate profit is more difficult, and more important, than ever.

2013 Highlights



Over
32,000

customer reports in client relationship management system, C2G

Put simply, corporate knowledge is 'what we know'; about everything from our technologies and products, to our customers and markets. It can be in people's heads, on computers or filed away in a cupboard. The challenge for any business is how to identify, hold onto, share and develop that critical knowledge to create competitive advantage.



45%

of our marketing, engineering and technical experts communicate on our social media network, The Hive

Our Approach

We can avoid knowledge loss as people retire or move on in their careers by being more effective in how we transfer our expertise

As a speciality chemical company, we employ a huge variety of people who are all experts in their individual job roles. These people drive the innovation that creates our growth and many of them are with us for a large part of their career, becoming not only experts within our Business, but also recognised specialists within their occupation. Our employee retention rates are very high and something that we strive for as a means of keeping critical knowledge within our Business. We must recognise, however, that some employees will move on in their careers and all will inevitably retire. So this new Material Area addresses how we manage knowledge.

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2013 Performance

During 2013, we highlighted the three key areas of corporate knowledge that will be critical to our future growth success:

1. Knowledge Capture

With innovation and technology constantly changing and developing, to stay competitive we must continue to capture new knowledge through our acquisitions and recruitment strategies. Bringing in new talent will be crucial to our future success.

2. Knowledge Retention

Once we have knowledge in our Business, we must keep it there. Many of our employees develop a unique understanding of their specialist field and how this relates to a business such as ours. We must recognise and reward this expertise, whilst also using today's technology to capture this knowledge as people retire or pursue other opportunities elsewhere.

3. Knowledge Transfer

In a world where knowledge is accessible at people's fingertips and shared at the click of a button, we must advance our systems to capture expertise and fully capitalise on it. This means transferring our knowledge across our Business, sharing and re-using it to the best effects and avoiding any duplication of effort.

The Future

Identify how to optimise critical knowledge capture and share it in our Business where it can create profit

We already have internal systems in place to store information and share ideas, so during 2014 we will review the use of these tools and conduct a feasibility study on the implementation of a global knowledge transfer process. This will standardise the sharing of critical knowledge across the Business and the transfer of information to better capture, protect and exploit it in order to drive future growth.

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Diversity & Inclusion

New Material Area

Embrace and empower all individuals

We live in a changing world. Significant population growth in emerging markets is shifting economic growth, workforce demographics in developed economies are changing, and the gap in health, wealth and living standards is getting bigger. We are embracing these changes by highlighting Diversity & Inclusion as a new Material Area in our

2013 Highlights



Gender Split

Female 32.5%
Male 67.5%



Age Profile

17-25 yrs	8.1%
26-35 yrs	26.8%
36-45 yrs	27.8%
46-55 yrs	25.6%
56-65 yrs	11.4%
66+ yrs	0.3%



Full-Time/Part-Time Work

Total	Full	Part
	94.3%	5.7%



Permanent/Temporary Work

Total	Perm	Temp
	98.3%	1.7%

sustainability strategy, focusing on supporting, valuing and respecting diversity in our workforce, and ensuring that all employees feel empowered and included.

2013 Target

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

Our Approach

Diversity & Inclusion is not just about complying with policy, it is about creating a culture of mutual respect for mutual benefit

At Croda, diversity and inclusion is not something we do because we are required to. We do it because it is:

Good for our people

When we all feel respected and that our opinion counts, we enjoy greater career satisfaction, feel invested in and have more opportunity to fulfil our potential.

Good for our Business

Greater diversity in our teams can lead to new, better ways of working and thinking, driving ideas and innovations. It also allows us to better represent the diversity of the communities in which we operate.

2013 Performance

As a Material Area, Diversity & Inclusion underlines our commitment to creating a diverse workforce that feels accepted and included. We have a comprehensive diversity policy in place and understanding perceptions relating to gender has been a recent area of focus for us. Through asking qualitative and quantitative questions to a selection of our European employees, we have been able to obtain rich, detailed and sometimes very personal insights into the perceptions around gender and equality within our European business.

See AR&A



Analysis of the results has highlighted that we must find a way to remove inhibitors to female progression, making the playing field more equal while adhering to objective fair processes. The top recommendations from the survey were:

1. Improve attitude to home and flexible working.
2. Make publicity of successful female role models more visible.
3. Adhere to a consistent process of advertising, selection and internal promotion.

The Future

Living and breathing our policies

We are committed to pursuing cultural change and building diversity and inclusion into everything we do, our gender survey has been a key part of driving this. We are now acting on the results of the survey and widening our approach to include the whole breadth of diversity and inclusion. The first global employee engagement survey that takes place in 2014 will play a critical role in indicating how included our workforce feels.

In 2014, we will enhance our whistleblowing policy and procedures to include an independent reporting hotline and website, making it easier for our employees to challenge and question. As a direct result of our gender survey, we will also be running a pilot programme of unconscious bias training with a cross-section of our middle and senior managers to help avoid stereotyping and unfounded perceptions impacting on the effectiveness of our people management processes.

By the end of 2016 we intend for all our locations to have appropriate policies and activities in place to support, value and respect diversity in their workforce. This goes beyond our ongoing commitment to ensure that our policies remain consistent with the spirit and intent of the ILO Declaration on Fundamental Principles and Rights at Work.



Community Education & Involvement

Support the communities in which we operate, with a primary focus on encouraging young people to work within science and technology

In a changing world where transparency and access to information are expected, and trust in business is more uncertain, good relationships with our neighbours are more important than ever before.

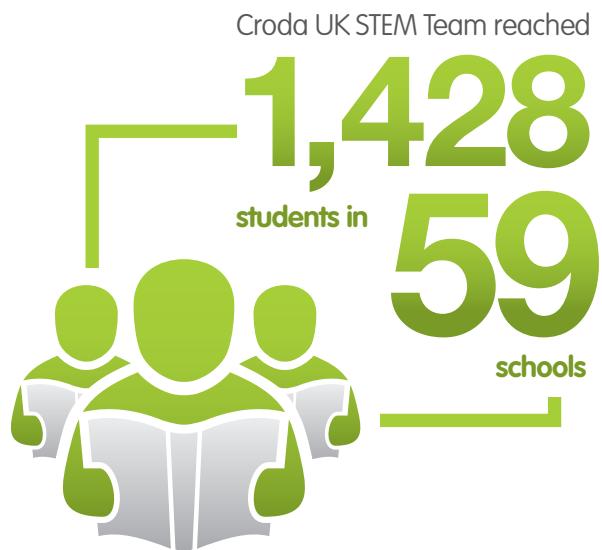
2013 Targets

- To support our manufacturing sites and offices of more than 30 employees in their efforts to hold a minimum of two face to face dialogue sessions within each of our key stakeholder groups
- To ensure that all Research & Development Centres and locations with a significant engineering team have implemented an education programme with local schools, colleges or universities by 2013
- Develop an internal Education Ambassador training programme to underpin community education activity in all relevant local languages by the end of 2013
- To ensure that at least 5% of employees at all operations with a Research & Development Centre or significant engineering team receive Education Ambassador training by the end of 2014
- Following a review of the UK STEM education programme, facilitate the implementation of at least two programmes at new locations tailored to meet local needs by the end of 2014
- 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 to participate in the programme during 2013
- Establish clear communication channels that will help to share 1% Club news and best practice across the Group in order to encourage participation

Our 'social licence to operate' is based on the relationships we have with communities local to our operations. These relationships also have an impact on the people who work for and with us, and on their families and wider communities.

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

2013 Highlights



402 reported meetings with local community and stakeholder groups

4,387 1% Club hours were volunteered
equivalent to over £77,000 in-kind donations

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Our Approach

We add value to local communities around the world through our training and education initiatives and by our people 'getting involved'

When we consider our impact on local communities, we have two areas of focus:

Community education, which aims to raise the profile of science, technology, engineering and maths (STEM) by providing relevant, targeted support to schools, colleges and universities in our local communities. In doing so, we can improve the learning and career prospects of local populations, enhance our reputation and develop the vital employee skills that we depend on for future growth.

Community involvement, which demonstrates that we are investing in local communities, turning talk into action, by responding both proactively and reactively to local needs and delivering real benefits. Through this, we can also enhance the performance and morale of our employees, support the recruitment needs of our Business and ensure that we have a positive impact wherever we are in the world.

None of this is possible without effective communication and we strongly believe that the only way to understand and act on any local concerns regarding our operations, and to identify joint improvement opportunities, is through open dialogue. We must be connected and transparent if we are to engender trust and respect.

2013 Performance

Talking to Each Other

During 2013, the vast majority of our operations with 30 or more employees met their target to hold at least two face-to-face dialogue sessions with each of our key stakeholder groups: local authorities, councils, governments and emergency services; local businesses or their representative groups; and local schools, colleges and universities.

In many cases, locations well exceeded the target of six meetings in total, with the average number of meetings recorded across our larger operations being 16 for 2013. This is a very satisfying improvement on the average of seven meetings per location in 2012 and illustrates our continued commitment to an open dialogue with the communities in which we operate. A total of 402 stakeholder meetings were recorded in 2013 across all of our operations.

Supporting Science Teaching in Our Communities

As a knowledge industry, we have a duty and a passion to encourage and enthuse young people about the benefits of a scientific education. As part of this, in 2013, 15 out of 19 of our Research & Development (R&D) Centres and locations with a significant engineering team implemented local education programmes.

We also recognise that education goes wider than STEM, and we are working to encourage future generations to learn about other areas and functions in our Business such as HR, IT, sales and marketing through work experience and school visits.

Inspiring the Innovators of Tomorrow

All of our global operations understand the value of science education and continue to raise awareness in their local communities. This includes the UK STEM Team, a rotating group of junior managers in its third year of operation, which has been working hard to support other regions as they enhance their own education programmes through the ongoing development of web and paper based toolkits.

In 2013, the UK STEM Team reached 1,428 students in 59 schools. Initiatives have been wide and varied: from lessons about the chemistry behind sunscreens and how to make foam, to talking about the huge variety of careers available in science.

A key part of the UK STEM Team's work has been to create a broader pool of Education Ambassadors, and in 2013 we developed and delivered a training programme for new Ambassadors across both the UK and Latin America. As well as supporting the local community, our Education Ambassadors also benefit from the personal and professional development opportunities that being part of the STEM Team offers. We are also well on our way to ensuring that at least 5% of all our employees at R&D Centres and locations with significant engineering teams receive this training by the end of 2014.



High school students learning about the importance of sun protection at the Republic of Argentina School



Undergraduates at the University of Ostwestfalen-Lippe in Germany taking part in a workshop on raw materials and formulating



Community Education & Involvement

Action in Our Local Community

Our community involvement activities are as diverse as the locations in which we operate. Rather than having one headline company charity, we achieve this diversity in our community activities by giving our employees the flexibility to respond to their local community needs. This is delivered with the support of our local management teams and our Group-wide, employee-led volunteering programme, 1% Club.

1% Club enables all of our employees to use 1% of their annual working time to support local community-based activities. That equates to around three days a year for full-time employees. This not only supports local communities, but also helps boost staff morale and offers valuable opportunities for personal and team development.



Bringing Community Involvement to Life in India

As part of our aim to reinforce community involvement fitting to local culture, a group of employees at Croda India have come together to form a team named PRAYAS, meaning 'an honest effort' in Sanskrit. Last year, the team were active in a huge variety of projects, including:

- supporting local schools by helping to create a better learning environment and supporting free health checks;
- supporting Aarambh, a non-governmental organisation working to help underprivileged children by engaging them in education and leisure activities, carrying out first aid training and advising on basic precautions in childcare;
- holding an annual employee blood donation camp, now in its sixth year with a total of 352 units of blood given during that time; and
- providing essential flood relief in the form of employee donations to support those affected by flash floods in the hill state of Uttarakhand.

1% Club in Action

Planting the Seeds of Growth

In October 2013, Croda Argentina organised a 'Crops and Agriculture' training session for 50 pupils at Las Tunas Primary School in Buenos Aires. During the session, Croda Crop Care Account Manager, Gabriel Amato, gave a presentation about growing fruit and vegetables and the importance of healthy eating. Afterwards, the children were given pots to plant tomato, basil, corn and parsley seeds, and they were also given packets of seeds to take home.

Community Action in Gouda

Throughout 2013, over 20 of our Gouda employees in the Netherlands helped out with a variety of community projects, from school trips and sporting activities, to organising trips for the elderly and carrying out repair work for the Salvation Army. Process Engineer, Thaddeus Anim-Somuah, even took a trip to the North West of England to give interactive presentations at schools and colleges on the basics of chemical engineering.

The Future

A wider sphere of influence for our education activities, and greater employee awareness and involvement in 1% Club

2013 saw the 10th anniversary of 1% Club, following its initial launch in the UK. Now global, it continues to allow our employees to make a huge contribution to local communities around the world. However, we have known groups of employees who struggle to take part in the scheme, which was not adequately addressed with our 2013 target. In 2014, we will develop the community engagement pages on our intranet that were built in 2013 and launch an internal communications campaign, spearheaded by our 1% Club Champions at each of our operations. The primary aim will be to get the message across that the scheme is open to all and to enthuse our employees to take part. We will also work with local management to understand and support the reduction of any barriers to involvement.

Our community education work, supported by 1% Club, aims to increase external and internal awareness of our work in STEM, enabling employees in all the countries where we operate to take part in education activities by the end of 2015. This will involve rolling out our Education Ambassador training programme to all R&D operations and sites where we have a significant engineering team. By 2020, we also intend to broaden our activities to ensure that we have tools to capture students at each touch point in their education life span: interest in the subject at 7 to 11 years, commitment to education at 14 to 18 years and career choice at 18 to 21 years.

These activities will ensure that we are maximising the positive impact we can have on local communities, and at the same time, boost employee morale and development and increase the talent pool of future Croda employees.

Delivering Sustainability

Since 1925, a dedicated and diverse senior management team has been at the heart of Croda, driving business growth and informing our environmental and social agenda. They are now part of a 75-strong team that is directly involved in developing and implementing our sustainability programme across the Business.

Our two most senior decision making bodies, the Board of Directors and Group Executive Committee, govern and are ultimately responsible for our economic, environmental and social performance. As such, they play an active role in ensuring that sustainability is an integral element of our Business strategy.

See AR&A 

However, responsibility for shaping and delivering our sustainability strategy does not just lie with our leaders; it stretches right across our Business. Sustainability truly is down to each and every Croda employee, which is reflected in our internal 'Our Responsibility' brand.

Our Vice President of Sustainability manages our Global Sustainability Team, reporting to our Group Chief Executive and leading our Global CSR Steering Committee, with an Executive Sponsor who acts as Chair. Experts from specific areas of the Business sit on the committee as Materiality Owners and four Regional Representatives are supported by Regional Steering Committees that play a 360° role, cascading details of our activities globally and reporting back on the delivery of our strategy.

Each of our 48 reporting operations has a Sustainability Champion who communicates the different needs of their regions and reports progress against our performance targets.

Our approach to sustainability is influenced by global drivers, which affect the way we do business both now and in the future. To ensure that these feed into our strategy and to keep sustainability at the forefront of our business thinking, the Group Executive Committee receives quarterly performance reports and is involved in an annual CSR Strategy Review Meeting. The Board of Directors also receives a quarterly summary report alongside those from other corporate functions including: SHEQ, HR, IT, Legal, and Finance and Treasury.

The primary aim of the Global CSR Steering Committee, working with the Board of Directors and Group Executive Committee, is to establish clear objectives and performance targets aligned to global drivers through  our Material Areas.



"Customers and consumers are putting an ever-greater value on sustainability, which means there is a strong commercial justification for increasing our sustainability credentials in every area of our Business, as we have been doing."

Martin Flower, Chairman



Look out for...

- Fully Reported
- Partially Reported
- More online

GRI Index

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

GRI Disclosure	Description	Content Level	Sustainability Report Page(s)	Annual Report & Accounts Page(s)	More Online
Profile Disclosures					
1.1-1.2	Strategy and analysis	●	2	2-5, 24-28	
2.1-2.10	Organisational profile	●	Inside front cover, 2-4, 27	Inside front cover, 5-7, 10-11	■
3.1-3.4	Report profile and contact	●	Inside front cover, 40		■
3.5-3.11	Report scope and boundary	●	Inside front cover, 5		■
3.12-3.13	GRI content index and assurance	●	38-39		■
4.1-4.10	Governance	●	2, 4, 6, 37	34-73	■
4.11-4.13	Commitments to external initiatives	●	6-7	24-27	■
4.14-4.17	Stakeholder engagement	●	7, 28-36		■
Economic Performance Indicators					
Management Approach					
EC1	Direct economic value generated and distributed	●	Inside front cover, 2-7	2-23	■
EC2	Financial implications and other risks relating to climate change	●	Inside front cover	Inside front cover, 2-23, 82-84	■
EC3	Coverage of the organisation's defined benefit plan obligations	●	2, 5-6, 10-14	24-27	■
EC4	Significant financial assistance received from government	●		99-103	■
Environmental Performance Indicators					
Management Approach					
EN1	Materials used	●	10-14		■
EN3	Direct energy consumption by primary source	●	17	10-11, 30	■
EN4	Indirect energy consumption by primary source	●	11-12	29	■
EN8	Total water withdrawal by source	●	11-12	29	■
EN9	Total water withdrawal by source	●	13	29	■
EN11	Water sources significantly affected by withdrawal of water	●	13		■
EN12	Land in or near protected areas or areas of high biodiversity	●	14		■
EN15	Significant impacts on biodiversity	●	14		■
EN16	IUCN Red List species in areas affected by operations	●	13	29	■
EN20	Direct and indirect greenhouse gas emissions	●	13	29	■
EN21	NO _x , SO _x and other air emissions	●	11	29	■
EN22	Total water discharge	●	11	29	■
EN23	Total weight of waste	●	11	29	■
EN26	Significant spills	●	10-14, 16-21	29-30	■
EN28	Initiatives to mitigate environmental impacts of products and services	●			■
	Monetary value of significant fines	●			■

GRI Disclosure	Description	Content Level	Sustainability Report Page(s)	Annual Report & Accounts Page(s)	More Online
Labour Practices & Decent Work Performance Indicators					
Management Approach					
LA1	Workforce by employment type, contract and region	●	13-16, 22-28	75	
LA2	Employee turnover	●	33	10-11	
LA6	Percentage of workforce represented in health and safety committees	●	30	23	
LA7	Rates of injury and illness and number of work related fatalities	●	7, 26		
LA10	Training per year per employee	●	24, 26-27		
LA11	Programmes for skills management and lifelong learning	●	23, 28-31	32	
Human Rights Performance Indicators					
Management Approach					
HR5	Operations in which the right to exercise freedom of association or collective bargaining may be at risk	●	28-31, 33		
HR6	Operations at risk of incidents of child labour	●	33		
HR7	Operations at risk of forced or compulsory labour	●	33		
Society Performance Indicators					
Management Approach					
SO1	Programmes to assess impacts on communities	●	34-36	33	
SO2	Business units analysed for corruption risks	●	34-36	33	
SO3	Employees trained in anti-corruption policies and procedures	●			
SO6	Value of financial and in-kind contributions to political parties	●			
SO7	Number of legal actions for anti-competitive behaviour	●			
Product Responsibility Performance Indicators					
Management Approach					
PR1	Life cycle analysis on health and safety of products	●	16-21		
PR2	Non-compliance with regulations and codes for health and safety of products	●	20-21		
PR3	Information required by procedures	●			
PR4	Non-compliance for information and labelling	●	20-21		
PR6	Adherence to marketing communications laws and standards	●			
PR7	Non-compliance to marketing communications laws and standards	●			
PR8	Substantiated complaints for breaches of customer privacy or data loss	●			
PR9	Regulatory non-compliance	●			

Glossary & Contact Us

The following abbreviations are used in this report:

ASTM	American Society for Testing and Materials	OHSAS	Occupational Health & Safety Advisory Services
BITC	Business in The Community	PKO	Palm Kernel Oil
BSI	British Standards Institute	PO	Palm Oil
CDP	Carbon Disclosure Project	PRA	Process Risk Assessment
Cefic	The European Chemical Industry Council	QA	Quality Assurance
CEN	European Committee for Standardisation	R&D	Research & Development
CHP	Combined Heat and Power	RSPO	Roundtable on Sustainable Palm Oil
CIA	Chemical Industries Association	SCCS	Scientific Committee on Consumer Safety
CIR	Cosmetics Ingredients Review	SHE	Safety, Health and Environment
CO ₂	Carbon Dioxide	SHEQ	Safety, Health, Environment and Quality
CSPA	Consumer Speciality Products Association	SHEQSC	Safety, Health, Environment and Quality Steering Committee
CSR	Corporate Social Responsibility	SPO	Sustainable Palm Oil
EBITDA	Earnings before interest, taxes, depreciation and amortisation	SRI	Sustainable Responsible Investment
EFFCI	European Federation for Cosmetic Ingredients	STEM	Science, Technology, Engineering and Maths
FFC	Forces for Change	Te	Tonnes
GDP	Graduate Development Programme	Te eq CO ₂	Tonnes equivalent carbon dioxide
GHG	Greenhouse Gas	TIG	Technology Investment Group
GJ	Gigajoule	UK	United Kingdom
GMP	Good Manufacturing Processes	VOC	Volatile Organic Compound
GRI	Global Reporting Initiative	Yrs	Years
HR	Human Resources		
ILO	International Labour Organisation		
IPEC	International Pharmaceutical Excipient Council		
IRB	Istituto Di Ricerche Biotecnologiche		
ISO	International Organisation for Standardisation		
IT	Information Technology		
kg	Kilogram		
kW	Kilowatt		
m ³	Metre cubed		
NGO	Non-Governmental Organisation		
NSAPI	National Skills Academy for the Process Industries		
OSHA VPP	Occupational Safety & Health Administration, Voluntary Protection Programme		

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