

Our Responsibility

07
Corporate
Social Responsibility

CRODA

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Our Responsibility

Croda believes that to be successful as a company it must act responsibly and with integrity in all areas of its activities. Croda is committed to its business operations throughout the world being conducted in a manner that is consistent with relevant good practice in relation to social responsibility.

It is the responsibility of everyone working within the company to behave in a manner consistent with upholding the high standards expected to ensure we make a positive impact wherever we operate in the world.

Our Responsibility

- > We will work within the standards in our Code of Ethics to ensure that all our business practices are conducted with integrity.
- > We will treat our employees fairly, complying with the ILO declaration on the Fundamental Principles and Rights at Work and providing a rewarding environment in which our employees are engaged and developed.
- > We will respect our customers and suppliers and aim to treat them honestly and responsibly with consistent standards wherever we operate.
- > We will minimise any negative impact on the environment that might be associated with our operations or our products, searching out new ways to conserve natural resources and innovating to improve our products and processes.
- > We will be a good neighbour. Not just keeping our own house in order but also reaching out to support, aid and relate to those in our neighbourhood. In particular we will focus on providing educational and academic support and engaging in projects that will benefit our local communities.
- > We will seek out opportunities for dialogue with all our stakeholders.
- > We will monitor and record our achievements under this policy so that we may continuously improve.

Croda Cares

Our position as one of the world's leading speciality chemical manufacturers brings with it many responsibilities. We recognise that Croda is not just about products, or how they are made, or how they are used, but also the impact of our activities – everything we do – on our customers, employees, shareholders, communities and the environment.

Sustainability and social responsibility have always been synonymous with Croda. Our emphasis on 'natural chemistry', using raw materials from renewable resources to make our products. Our ongoing drive to develop cleaner, safer processes and technology to make these products. Our quest to find the best people to join us, and then to train them and develop their skills. Our relationships with our neighbours in the local community, and in schools and education. A company can undertake such initiatives because it has to... or, like Croda, because it wants to.

Our achievements and successes in all of these areas are based on partnerships, both inside and outside the company. In this report, we aim to give you a snapshot of just some of the exciting and innovative projects and initiatives we have been involved with over the last year or so, as well as demonstrating the commitment of our business to a future strategy based on good practice in Corporate Social Responsibility and Sustainable Development.

The company operates a global function, Enterprise Technology, which is challenged with developing and acquiring technologies consistent with sustainable development. The function is focused on delivering products and processes which meet the demands of all our stakeholders. Enterprise Technology has established numerous academic and commercial partnerships with recognized experts in green chemistry and biotechnology, and is developing novel sustainable solutions for the future needs of the business.

Our Vision

Underpinning life at Croda is the Croda Vision – our statement of the company culture. It is this Vision that both informs and describes our behaviour and is amply illustrated in this report.

We are proud that our reputation for being an ethical and fair company has been endorsed by our latest employee survey conducted at Thane in India where:

- > **65%** of the population responded that they **fully** trust the Company's leadership for running an ethical business.
- > **33%** of the population responded that they trust the Company's leadership for running an ethical business **to a large extent**.
- > Overall **98%** have shown **tremendous confidence** in the leadership for running an ethical business.

A company can undertake such initiatives because it has to... or, like Croda, because **it wants to**.

The Croda Vision

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



Pupils of Sidmouth Primary School visit Croda's Hull factory as part of the Children Challenging Industry scheme.

Our People

Employees

Croda has always been a people company. From its earliest days in the village of Rawcliffe Bridge where the company was founded, sons and daughters took over from their parents and a strong family ethic existed. Today, Croda is a global family, extended recently by the integration of Croda and Uniqema.

But despite the many changes and challenges faced by our employees, global staff turnover rate due to voluntary resignations has remained stable in 2007 at 5%.

Developing our People

During 2007, 90% of our employees worldwide participated in formal training and development activities – on average, over three days of development activity per employee. These included in-house courses, enhanced by the establishment of a new purpose-built training facility at Cowick Hall which, in the final quarter of 2007, saw 116 delegates from across Europe attending 11 different training courses. Around the Croda world, training covered every aspect of the business, including technical, operator, IT, management, SHE, quality and customer care. At our Hull factory, 95% of our operators have completed City & Guilds qualifications in Process Operations. During a time of great change, team building is particularly important and throughout the Croda world, initiatives and get-togethers have helped to quickly forge new bonds in our extended family.

Talent Management

Like all businesses, Croda seeks to attract and retain the best talent. Important aspects of this are our Graduate Development Programme and various Apprenticeship schemes.

Graduate Development

Croda is proud of its record in recruiting and developing graduates. The number of our senior managers who have come through the scheme is testament to our success in developing graduates into the future leaders of our business. We have graduates in many countries, but our long established schemes are run in the UK and US.

In the UK, recruitment involves a rigorous two-day assessment exercise which includes group projects, technical tests, interviews and written exercises, all overseen by highly trained assessors brought in from across the business. We engage between six and 10 graduates each year. The scheme itself lasts for two years and there are three variations. In the Graduate Development Scheme, graduates gain technical and commercial experience by rotating around different departments. The other two schemes focus on Chemical Engineering and Technical.



Pulling together: Latin American Sales Conference, Queretaro, Mexico.



One of Emmerich's 2007 intake of apprentices.

As well as development in the workplace, graduates undertake external training to improve their personal skills. They meet formally five times during the scheme, including two residential courses. One involves an activity week in the Peak District which encourages team work and problem solving skills, whilst the other is more business focused. It is expected that by the end of the scheme, graduates are personally and professionally ready to work independently, and they will fast track into positions of leadership.

Apprenticeships

Apprenticeships provide another route to nurturing young talent. Worldwide, Croda had 41 apprenticeships in operation in 2007. In the UK, our Wilton site had four people on a four year course, with the first two years spent at college, and the remainder spent working on site, combined with a day per week at college. Similar schemes operate at our Bromborough and Rawcliffe Bridge sites.

Elsewhere in Europe, schemes are running in France, Germany and Holland, the latter at Gouda being the largest scheme. There are currently 17 apprentices, nine of whom were taken on in 2007. In Germany, it can be almost impossible to find a qualified job without having completed an apprenticeship, and, in some professions, this is necessary before going to university. In total, there are approximately 370 state recognised apprenticeship careers. Our Emmerich site has on average 16 apprentices at any one time, with their time split between on-the-job training and studying at college, culminating in a final examination.

Having fostered excellent relationships with local schools and colleges, the company can often identify the cream of the local talent and although it is not a guarantee of long term employment, many do become valuable members of the workforce. During their training, apprentices work in different areas across the business including engineering, laboratories, production, SHE, technical, IT and product application.

Similar schemes operate in the US and Brazil. In total, 2% of our workforce are recruited and developed annually through formal graduate and apprenticeship programmes – a significant proportion of our recruitment each year.

Sharesave Scheme

Croda operates a scheme that encourages all employees to share in the success of the company. The Sharesave Scheme allows employees to save a regular monthly amount for a fixed term. In the UK, this can then be used to purchase shares in the company at a discounted rate, whilst for overseas operations it is paid as a cash amount with interest at the end of the scheme. There are currently five schemes running and 53.5% of eligible employees (there is a service qualification for eligibility) are saving this way. The 2007 scheme, the first following the acquisition of Uniqema, saw 46% of eligible employees joining the scheme – clearly a measure of employee confidence in the company.

An important part of the Croda vision is for the company to be a **'fun' place to work.**



Edison, NJ, Fun Day, August 2007.

Getting Together

An important part of the Croda vision is for the company to be a 'fun' place to work and, in keeping with this, many locations hold events that allow employees and their families to get together outside of the workplace to foster the family spirit mentioned earlier.

Croda in the US and Canada hold a variety of inclusive activities for employees and their families; from 'Bring your child to work' days to organised trips to baseball games, picnics and fun days.



Party time in Singapore.

Party Time

Croda South Africa helped to support a sponsored walk arranged by their local talk radio station, with 41 employees and their families joining an estimated 12,000 people on the walk. Employees from Croda Singapore organised a three day trip to nearby holiday and theme parks at the end of November 2007, culminating in a birthday party for some of the children. In 2007, Croda Singapore held its own birthday party for all employees, celebrating its 20th anniversary.



Walking the plank: Croda Germany employees take to the river.

River Deep, Mountain High

Some prefer a more energetic way of having fun. In July, to celebrate Managing Director Klaus Helmdach's birthday, members of Croda Germany cycled over the Dutch border to spend a day on the River Maas on Klaus's boat. Meanwhile, in South Korea, members of our Woobang team hit the heights when they scaled a nearby mountain, Young-Chuk.



It's a Knock Out: Family Fun Day, Cowick Hall, UK.

It's a Knockout

Also in July, the Head Office at Cowick Hall in East Yorkshire hosted a Family Fun Day for members of our UK sites, which included an 'It's a Knock Out' event. Eleven teams from our Leek, Hull, Rawcliffe Bridge, Wilton and Cowick Hall sites got into the spirit of the event in different themed fancy dress.



The Sederma, Crodarom and Croda France summer barbecue.

Summer Barbecue

Summer barbecues are always a popular way of bringing employees and families together – although when the summer season is depends on where you are in the Croda world. In June 2007, Sederma, Crodarom and Croda France joined forces for a summer barbecue attended by 135 employees and their families. Croda South Africa held a traditional 'braai' (barbecue), whilst Croda Brazil had an end of year party for 250 people that included a barbecue, football and games.



Children's Christmas party, Mevisa, Spain.

Children's Christmas Party

Christmas is another busy time in the social calendar. In December, Sederma organised a Christmas dinner on the River Seine, near Paris, whilst in Mevisa, Spain, a party was held at the site – just for kids! At Croda Miami, a party for employees' children was followed by a Christmas lunch for the staff and their partners.

The welfare and wellbeing of our employees is paramount.

Staff Welfare - a safe place to work

The welfare and wellbeing of our employees is paramount, which is reflected in the company's impressive Health and Safety record. But it is the stories behind the statistics that illustrate our commitment. Our factory at Thane in India is a good example.

The site has a 24 hour occupational health service with trained nurses and a visiting doctor. Regular workplace monitoring takes place, both in respect of the working environment (e.g. monitoring chemical exposure) and also in relation to individuals' ailments and requirements. Annual health checks are carried out for all employees using a specialist mobile unit with diagnostic equipment. In addition to the medical team, the site has trained First Aiders covering the whole site.

Fire safety is obviously important and, as with all Croda manufacturing sites, there are appropriate emergency response arrangements. Training and simulation exercises, often in conjunction with the Emergency Services, are held regularly so that everyone on site is aware of emergency procedures and their own responsibilities. This also enables the Emergency Services to monitor events and familiarise themselves fully with the site in order to deal with potential hazards and emergencies.

The Thane site comprises 19.5 acres and, with the climatic conditions, it is important that during the dry months of November to February the grass is kept cut and watered to prevent any fire hazard. Indeed, great emphasis is placed on the whole working environment, both inside and out; from planting trees on World Environment Day to installing transparent plastic sheeting on the roof to make the most of natural light. Just small things, but which cumulatively enhance working conditions and have added to the company's excellent reputation in the field of employee welfare, not just in India, but in every country in which we operate.



Safety Management seminar held in conjunction with the local authorities, Thane, India.



Occupational health centre, Thane, India.



Tree planting on World Environment Day.

Community Our Neighbours

Croda believes that to be successful it must act responsibly and with integrity in all areas of its activities. The company is committed to ensuring that it has a positive impact on the local community wherever it operates in the world.

This means that Croda will be a good neighbour – not just keeping our own house in order but also reaching out to support, aid and relate to those in our neighbourhood.

We are proud of our company and we want our neighbours to be able to share in this pride.

> Protecting the community

We will work to operate and maintain our sites so that they provide the least possible disruption to their locality. We will operate under conditions that are safe and environmentally sound.

> Employment for the community

We will provide a working environment based on respect and partnership that encourages and develops individual success and we will provide employment conditions that are fair and equitable.

> Standards within the community

We will ensure our business practices are ethical and encourage positive relationships with our suppliers, customers and other stakeholders.

> Engaging with the community

We will build positive relationships with our local communities. We will support and encourage our employees to participate in activities that will benefit the local communities in which we work and live.

Wendy Tattam and her mother present the Bladderscan at Hull Royal Infirmary.



The graduates arrive at Rotterdam.

The 1% Club

Croda has always fostered strong links with the local community. In order to encourage employees' participation in community based activities, the 1% Club was formed which enables employees to be given paid leave (up to 1% of their annual working time, or three days per year for most full time staff) to spend time away from work and get involved in voluntary work in the community. The type of projects undertaken are varied, some concentrated into the time off given by the company, whereas in other cases the 1% forms just a fraction of the employee's time commitment to a cause or project.

An example of the latter is Croda Hull's Wendy Tattam. Wendy is Secretary and Trustee of an independent charity, N.U.R.S.E. (Need.Urgent.Remedial.& Surgical.Equipment.) set up 25 years ago by her sister, who was then a junior nursing sister at Hull Royal Infirmary. A sponsored slim was the first of many fundraising efforts to buy two specialist surgical beds for the ward. Along with raffles, tombolas, summer fairs and sponsored walks, the mainstay of the fundraising has been a charity stall in the foyer of Hull Royal Infirmary run every Sunday by Wendy and her mother. Since its formation, Wendy, her friends and family have raised a staggering £162,000 to buy a range of equipment including a Pulse Oximeter for the children's department, a Bladderscan for a medical elderly ward and most recently, a Panoview Telescope and associated equipment for the Eye Hospital.

Wendy's time commitment is unique. Others prefer to get involved in smaller but still valuable projects such as the journey from Cowick Hall head office in East Yorkshire to Gouda in Holland, undertaken by a group of our UK based graduates using just bikes and a boat. They raised £866 which was split between three local charities. Indeed, there are few weekends when groups of Croda people are not to be seen either cycling through the streets or pounding the pavements in the name of some charity or cause.

The 1% initiative helped Nick Challoner, Managing Director - Suncare & Biopolymers, to qualify as a Football Association certified coach so he can further develop the skills and abilities of his local football club, Tickhill Juniors FC. Another 1% member, Jane Kitching, used her time to act as a guide on a trek in the Lake District undertaken by young people as part of the Duke of Edinburgh Award scheme, ensuring that they were safe and reached the specified locations throughout the four-day trek – and all gained the Duke of Edinburgh Silver Award in the process.

Working with the Community

Some sites form committees to tackle community projects in a more structured way. Wilton site is particularly active in this respect and has strong links with a number of local charities. One such charity is Daisy Chain, which provides a haven for children with autism.

When Alison Hill, Product Safety Advisor, was contacted by Daisy Chain to say they were organising an abseil from Middlesbrough's Transporter Bridge, she knew there would be no shortage of volunteers. Sure enough a team, including Alison, responded to the challenge and stepped out into the great blue yonder raising over £400 for Daisy Chain. Other charities receiving donations from the Wilton Charities Committee during 2007 included The Great North Air Ambulance, Grangetown YCC Juniors football team, Greyhounds Galore (a local animal shelter) and Ova the Rainbow, a support group for women suffering with gynaecological cancer.

Of course, not all community projects are restricted to our UK sites. Croda in the US at its Mill Hall, PA site has a long tradition of community involvement. Employee Shawn Etters is a member of the Sugar Valley Volunteer Fire Company in a neighbouring community. As well as using his time and skills in the wider community, Shawn is also a member of the Mill Hall Site Emergency Response Team, providing significant training for the team members. Croda, in turn, reciprocates with economic support for the surrounding volunteer Fire Companies upon whom the site would rely in an emergency.

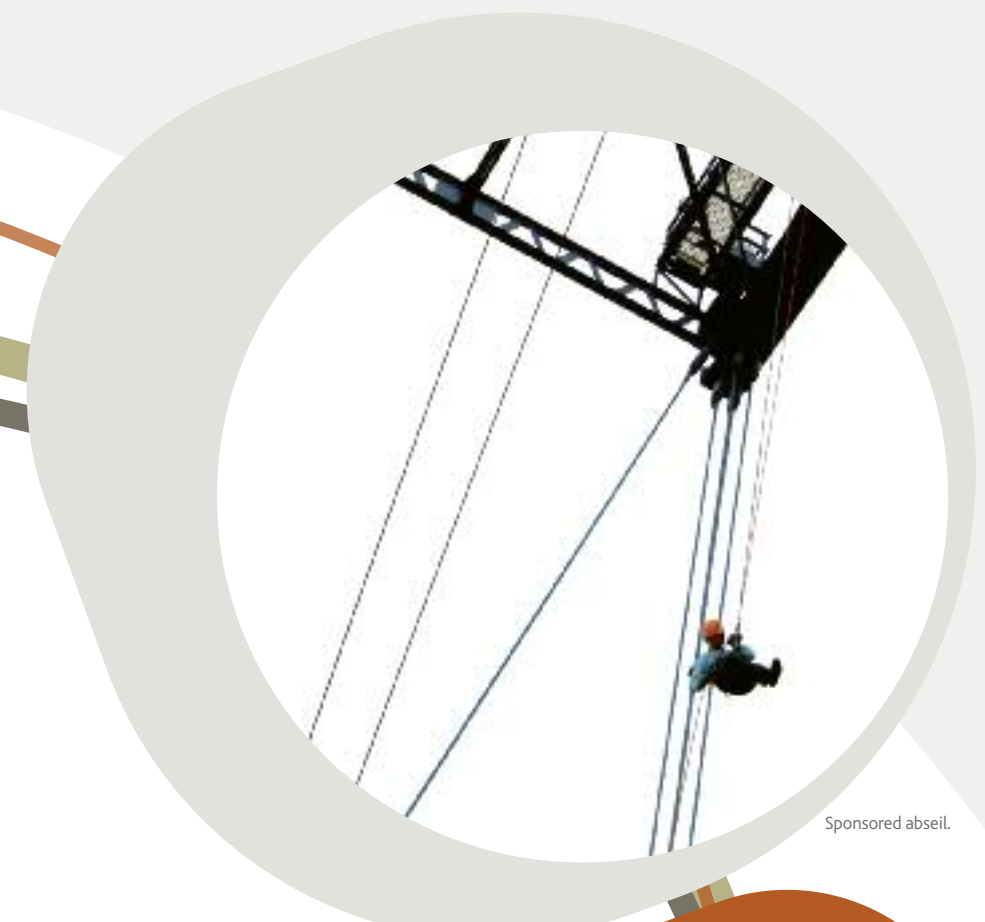
Listening to Concerns – and acting on them

Along with the growth of the Mill Hall site, the volume of traffic has similarly increased. Following feedback from local residents, Croda has improved signage to ensure truck drivers can find the site easily without driving through a nearby residential area. Community feedback also indicated that a school bus shelter could be located in a safer position away from the site entrance, so Croda obtained the necessary approvals and paid for it to be relocated – examples of working with the community, listening to concerns and acting upon them.

Paul DeCusati, Buyer at our Mill Hall site, is a member of the Bellefonte Borough Council, a neighbouring community which sits on one of the largest sources of drinking water in the region. During a drought period in 2007, the site was faced with significant water restrictions. Paul, who acts as the 'Croda ambassador' to the neighbouring community, approached the Bellefonte water authority to implement a contingency plan ensuring that Croda could truck in additional water supply if required.

Indeed, it is sometimes in the face of adversity that Croda, both the company and its employees, are galvanised into action. In June, in the UK, many areas were affected by flooding. Hull was badly affected, including our Oak Road site. A trail of devastation across the city affected over 15,000 homes, leaving many people homeless, including some of our employees. Croda donated £5,000 to the Hull Flood Fund set up by the city council.

Jonathan Townend, Research Chemist in the Hull laboratories, is a member of one of the churches in the area that was asked to help. Jonathan, along with members of the congregation, used funds donated by local companies, including Croda, to put together 600 food hampers which they delivered just before Christmas to those people living in caravans as a result of the floods.



Sponsored abseil.



Preparing hampers for flood victims in Hull.



Operations Director Mark Robinson presents a cheque to the Lord Mayor of Hull for the Hull Flood Fund.

Students from Salters Chemistry Camp try their hand at formulating in the Cowick Hall laboratories.



Working with Schools

Working with schools and colleges is a vital part of our relationship with the community. As well as equipping the students with knowledge about our industry, it is likely that some of them will be the Croda employees of the future. In addition, we benefit from their energy and enthusiasm.

We have forged strong links with many local schools and colleges, often involved with programmes and projects that are related to the National Curriculum and supported by the CIA (Chemical Industries Association).

A good example is our work with Snaith School in Yorkshire, which is located close to our Cowick Hall head office. There are a number of ways that we work together:

Work experience

Each year, Croda develops the skills of six Year 11 students during a two week period of work experience. This helps the students decide which career path they may wish to follow, whilst giving them a taste of working life, developing communication, team working, planning and organising skills. As well as making them aware of what is expected of them, the students learn the importance of taking responsibility for their actions. Some of the students return to work for the company during their school holidays. Some return to join the company when they have finished their college or university studies.

Mentoring

This is a scheme whereby suitably trained Croda employees act as mentors, helping Year 11 students with different aspects of their studies and school life. The scheme also helps the students decide which career path to take, as well as looking at further study options.

Enterprise schemes

Croda is involved with the Young Enterprise scheme which involves Year 10 students setting up and running their own company. Employees work alongside the teams, offering support and advice to motivate them and ensure they realise their full potential. The school also holds a Business and Enterprise Day once a year which involves Year 9 students designing a product. Again, several employees get involved to offer help and advice. The company also offered advice in the development of the school's website.

Mentors and children at Atlas Point site, Delaware.



Croda Brazil's book was distributed to local schools in the Amazon region.



Careers advice

Every year, members of our Personnel department help Year 11 students to develop and improve their interview skills. This includes a mock interview which enables the students to put these skills into practice followed by a review. The school holds regular Career Fairs, and Croda offers advice on what skills and qualifications are required to gain employment with the company.

Sponsorship

Snaith School organises a maths competition in which local schools participate. Croda sponsors the award and one of our employees presents it to the winning school.

Croda Brazil recently sponsored the publication of a book called Julinha Relógio in which a cartoon character was created to teach children about the environment and conservation. The books were distributed to local schools and members of the Santo do Abonari community, one of the communities living on the banks of the Amazon with whom Croda works in partnership on its Crodamazon project (see page 27).

In Germany, Croda GmbH assisted with sponsorship to finance a new building for a local school, Brevell Comprehensive School, and regularly gets involved with 'Chemistry in action' events. In Italy, we took part in a symposium, "Salone dello Studente", which gave students the opportunity to question delegates from industry-leading companies, as well as taking part in mock interviews to improve their skills.

Children Challenging Industry Day

Each year, our Hull and Widnes sites participate in a Children Challenging Industry Day which focuses on various aspects of their science curriculum via site visits where they can see chemistry in action. Twenty four Year 6 pupils from Sidmouth Primary School recently visited our Hull site as part of a project on 'Water for industry', during which they undertook tours of the laboratories and plant to see the various uses of water around the site. A similar visit was then organised for 20 A Level students, again with the aim of bringing chemistry to life.

School visits

During the year, Croda Wilton hosted visits from local primary and secondary schools as part of a larger program which is supported by the Chemical Industries Association and is related to the National Curriculum. The site is paired with St David's secondary school in Middlesbrough in connection with a new industry-related learning programme it has launched, which again is linked to the curriculum.

Similar events are held at various sites worldwide. In the US, our Edison, Mill Hall and Atlas Point sites all participated in 'Take our children to work day', a day of activities with the aim of stimulating interest in chemistry. Several employees at Atlas Point also get involved with mentoring schemes through a project called Big Brothers/Big Sisters. Employees are matched on a one-to-one basis with at-risk children, offering support with class work and generally lending an ear to their problems, from kindergarten through to 5th grade.

All of these projects and many others around the Croda world are invaluable not just in teaching children about chemistry, but also showing them how chemistry, and in particular Croda's chemistry, impacts upon all our lives.

Environment Our World

In our opening paragraph, we referred to the fact that our position as a global leader in speciality chemicals brings with it many responsibilities. There is no greater one than our responsibility to the environment.

Croda International Plc is a manufacturer of speciality chemicals with business sectors for the consumer care and industrial specialities markets currently employing approximately 3,700 people worldwide. The company operates its business in a manner which actively seeks to prevent or minimise the possibility of its operations causing harm to people, plants or animals. We strive to provide the resources to educate and involve every individual in the company in achieving this objective. It is my belief that aspiring to excellence in the management of safety, health and the environment is vital to ensuring the long term future and profitability of the company.

Principles

- > We believe that all accidents, incidents and work related ill health are preventable and we manage our business with this aim, including the provision of adequate resources for the prevention of major accident hazards.
- > Because we are human, mistakes can be made; but because we are committed, intelligent human beings, we investigate to identify the basic causes and take action to prevent these mistakes being repeated.
- > As an absolute minimum we will comply with all national regulations but in addition we set our own demanding internal corporate standards on matters relating to safety, health and the environment and endeavour to comply with them throughout our international operations.
- > Site management teams within the company are measured for their contribution to the continuous improvement of safety, health and environmental performance in their area of responsibility. Individual employees each have a responsibility to participate in and contribute to the improvement of the corporate SHE performance.
- > We will continue to search out new ways of conserving all the natural resources used in our processes.
- > We will continue to innovate in order to improve our products and processes so that their effect on safety, health and the environment is reduced.
- > We will continue to improve communication and the exchange of views with employees, employee representatives, customers, contractors, suppliers, neighbours and any other individual or organisation affected by our business.

We have assessed the significant safety, health and environmental hazards posed by the company's activities, and an appropriate set of arrangements has been implemented to control these hazards. The effectiveness of these arrangements is monitored and reviewed on a regular basis with action taken to redress any deficiencies and ensure continuous improvement.

The Group controls its business by the delegation of much of its management responsibility, including SHE matters, to its site heads and general managers.

The overall strategy, development of policy and review of SHE performance within the Group is controlled by the Group SHE Steering Committee. The Group SHE department assists in setting standards, providing guidance, brokering best practice and auditing the sites against international standards as well as Croda internal standards.

In 2007 a new Group SHE Manual was produced to combine the best practices available from Croda and Uniqema following the acquisition of Uniqema in September 2006. This document provides the framework upon which the individual site SHE management systems are based. Sites are regularly audited for compliance with this Manual and all Croda manufacturing sites have the objective of certification to BS EN ISO 14001 and BS OHSAS 18001 by 2010.

The results of SHE audits are used to focus the Group SHE initiatives and the annual Group SHE objectives. The audit process, used by the Group SHE department to audit the manufacturing sites, has been externally validated by BSI in 2004 as being in accordance with BS EN ISO 19011 auditing guidelines for quality/environmental management systems.

Indicators of SHE Performance

The Group has published annual safety, health and environmental objectives and targets since 2001. The acquisition of Uniqema in September 2006 had a marked effect on many aspects of the Croda group. Although there are many products and processes in common there are also significant differences such as the addition of high volume fatty acid manufacture to the product profile.

As a result the manufactured tonnage has increased more than tenfold. Since all the Croda targets are normalised to the manufactured tonnage this has a large effect on the performance target statistics.

As a result of these factors Croda has decided to rebase the targets for the combined Group on 2006 data and to review all the targets for the next four years to the end of 2010. 2007 is the first year that the former Uniqema sites have been included in the reported data.

Where necessary these objectives and targets have been re-based on current operations manufacturing at the end of 2007.

The 2006 baseline data includes eight months when the Uniqema sites were under ICI control. Croda's different and perhaps more focused approach to the stated metrics means that the comparative data may be flawed between 2006 and 2007.

Indicators of SHE performance

SHE management

Objective:

To continually improve the effectiveness of our SHE management systems.

Target:

All original Croda manufacturing sites to be certified to BS OHSAS 18001 by 2009. All former Uniqema manufacturing sites to be certified to BS EN ISO 14001 and BS OHSAS 18001 by 2011.

All original Croda sites are certified to BS EN ISO 14001. Five original Croda sites (Chanac, Ditton, Hull, Mill Hall and Rawcliffe Bridge) became certified to BS OHSAS 18001 during the year. In all, six sites have been certified and four remain to be certified. The former Uniqema site at Cikarang became certified to both BS EN ISO 14001 and BS OHSAS 18001 during the year. In all, two former Uniqema sites have been certified and 10 remain to be accredited.

Energy consumption

Objective:

To continually improve the energy efficiency of our manufacturing processes.

Target:

Based on 2006, to improve energy efficiency (GJ/tonne manufactured) at all manufacturing sites by 2% each year (8% overall) until the end of 2010.

In 2007 the Group improved its energy efficiency per tonne by 0.5%. This was achieved during the substantial restructuring of the manufacturing operations during which time Croda withdrew from some low margin business and manufacturing output fell by 4.9%. Overall energy use reduced by 5.4%.

Continued progress with energy reduction is demonstrated by our continued compliance with the energy reduction targets of UK Climate Change Agreements and the EU Emissions Trading Scheme. Croda already generates 0.6% of its own energy from sustainable sources and new initiatives in 2008 are expected to increase this substantially in the next few years.

Air emissions of Volatile Organic Compounds (VOCs)

Objective:

To minimise the mass of VOCs released to air from our processes.

Target:

Based on 2006, all manufacturing sites to reduce VOC emissions (kg/tonne manufactured) by 5% per year (20% overall) until the end of 2010.

In 2007 there was a 7.2% increase in the amount of VOCs per tonne released. The increase was due to greater demand for the remaining products which require the use of low boiling solvents in their manufacture. The VOC losses amount to less than 0.05% of our manufactured output.



Artist's impression of the wind turbine in position at our Hull site.

Indicators of SHE performance (continued)

Waste disposal

Objective:

To minimise the quantities of waste disposed to landfill.

Target:

Based on 2006, to reduce waste to landfill (kg/tonne manufactured) by 5% each year (20% overall) until the end of 2010.

The waste data relates to waste generated by the manufacturing operations. One off disposals of waste not directly associated with the manufacturing process, for example, construction excavations or contaminated land remediation, are excluded. In 2007 waste disposed to landfill per manufactured tonne reduced by 3.9%.

Waste water discharges

Objective:

To reduce the environmental impact the Group has on controlled waters.

Target:

All manufacturing sites to achieve greater than 97.5% compliance with their effluent discharge consents in every year and for year on year continuous improvement towards 100% compliance.

In 2007 the compliance with our effluent discharge consents improved from 91.0% to 94.5%. This represents a significant step on the way to achieving our target.

Consumption of mains water

Objective:

To reduce the Group requirements for mains water.

Target:

Based on 2006, all manufacturing sites to reduce the use of mains water (m³/tonne manufactured) by 2.5% per year (10% overall) until the end of 2010.

In 2007 the mains water used per manufactured tonne increased by 4.8%. Overall mains water used decreased by 0.3%.

SHE Initiatives 2007

Accidents and enforcement action

In 2007 there was an increase in the reportable accident rate of 0.29 per 100,000 man hours. The Group received one notice of violation in USA for non compliance with nickel levels in the waste water discharge and was fined \$15,000. This waste water discharge was owned by Croda but also contained waste water from a company (SPI) with whom the site was shared. SPI accepted that they caused the problem and agreed to pay the fine. There were no prosecutions in 2007.

Soil and groundwater investigations

The Group believes it has already identified its major liabilities with regard to historical contamination of the ground and groundwater. To date, remedial strategies are either in place or being developed for the cost effective control of this contamination at all relevant sites.

Indicators of process safety performance

Croda recognises that whilst the personal injury accident rate is a useful indicator of SHE performance, it is also important to monitor those events which might lead to process incidents and/or loss of containment. Very infrequently these incidents can lead to catastrophic accidents and it is important that these leading indicators are recognised so that action can be taken to prevent them from recurring.

The Group has implemented a system for monitoring the performance of those engineering control measures which are critical to the safe operation of its hazardous processes. The system was extended to the former Uniqema sites in Q4 of 2007.

In the pages that follow, we will give you illustrations of just some recent initiatives we have undertaken as part of our ongoing Safety, Health and Environmental policy.

Energy Efficiency Programme

Wind Turbine at Hull

Croda's factory in Hull is currently in the process of installing a 2MW wind turbine at a cost of £2.9m. The wind turbine (125m tip height) will be the second largest structure in Hull and is predicted to displace, on average, about 30% of the site's electricity demand. At full output, or during the site's two annual shutdowns, the electricity generated by the wind turbine will exceed the site's requirements and be exported to the electricity grid. Although the equipment itself is relatively simple, the project has been complex and it has been necessary to demonstrate that there will be no negative impact on the environment in respect of danger to aviation, possible nuisance to neighbours, interference with television and radio signals, and disturbance of wildlife. Meetings, displays and Q&A sessions have been held with members of the local community to address any concerns.

Since planning approval was received in 2007, connections to the electrical distribution network have been installed and civil engineering design work has been completed. Installation of the foundations, roadways and other electrical equipment will take place during the first half of 2008, with installation expected in September 2008.

The new boilers at Leek are the most efficient currently available.



Rape oil is delivered by barge.

Energy efficiency has been improved by the installation of energy monitoring equipment.



Rape seed is an important raw material source for Croda.

Resource savings at Leek

In 2000, Croda's factory at Leek began to refocus its business on the production of dietary supplements based on the refining of fish oil. As a result, production volumes reduced significantly and the site found that its boilers were vastly over-sized, and consequently inefficient in providing the necessary steam for the new processes.

Last year, the factory completed a project to replace its boilers as part of the Group's objective to increase energy efficiency. The new boilers are the most efficient currently available. They are also of a design which will allow the site's by-product streams to be used as a co-fuel once regulatory approval has been granted. Savings have already been achieved, with a 12% decline in demand for energy in 2007 and further benefits expected in the future.

Improved energy efficiency at Yangsan

Croda's factory at Yangsan in South Korea has been working on reducing its energy consumption for the last two years, and in 2007 it recorded an improvement in energy efficiency of 21%. This was achieved by a combination of initiatives. The first was replacement of an inefficient steam heating system in the warehouse with automatic electrical heating which provides more precise control. The second was a switch of boiler fuel from oil to liquefied natural gas. Finally there was benefit from implementation of a new shift system which allowed operating hours for energy consuming utilities to be reduced.

Improved energy efficiency at Hull

In order for Croda to meet its Group SHE targets, each manufacturing site has to have a plan to make its share of improvements. Each site is obviously best placed to identify and manage its own opportunities. The Croda factory at Hull, for example, has had a strategy to improve the efficiency of its utility usage for the last seven years. During this time energy efficiency (gas and electricity consumption per tonne of manufactured product) has improved by 52% with a corresponding reduction in carbon dioxide emissions. Similarly, water consumption per tonne of manufactured product has been reduced by 61% during the same period.

These improvements have been achieved through the application of three key principles: investment, maintenance and change in culture. For example, there has been investment in a new boiler, air compressors and energy efficient lighting and motors. Installation of energy monitoring equipment on every plant has also supported process development work, allowing yields and plant feed rates to be improved. Improvements through maintenance have included demolition of redundant plant, replacement of steam traps and steam leak repairs. Finally, there has been a progressive change in culture through regular communication and involvement of everyone in the setting of challenging usage targets. As a result, energy management is firmly embedded in the way things are done at the factory, and there are more ideas and initiatives in the pipeline to reduce usage further.

Reduction in energy use at Ditton

Another Croda site which has adopted a similar proactive approach and made a significant contribution towards Group objectives is our factory at Ditton, Widnes. The site's use of borehole water (see Potable Water Reduction) requires a delivery pump, and an estimated 25% saving in electricity has been achieved in this application by the fitting of a speed controller. Further savings have been achieved by the replacement of two old cooling towers with a new unit in which the speed of the fans is regulated by the temperature of the circulating water. In addition, improved management of the removal of sludge from the biological waste water treatment plant has reduced the number of running hours of the blower unit, hence the amount of electricity consumed. Finally, several initiatives have resulted in reduced demand for gas. These range from the replacement of an inefficient gas burner in the spray drying plant, to the re-use of steam condensate as process water, and additional stack monitoring to improve the efficiency of the boilers.

Rape oil delivery by barge at Hull

Rape oil is a major raw material for Croda's factory in Hull, and is stored in bulk in the city. The normal method of delivery for vegetable oils would be by road tanker. However, both Croda's factory and the storage are alongside the River Hull, so delivery by barge is possible. Each year, the factory receives about 75 barge deliveries, displacing the need for more than 1,000 round trips by road tanker and avoiding the consequent traffic congestion and fuel consumption. The barges themselves also minimize their use of fuel by timing their trips up and down river according to the tidal flow.

Natural Raw Materials

Croda's products are mainly derived from a wide variety of natural, sustainable sources from all parts of the world, including rape seed oil, palm oil, coconut oil, olive oil and woolgrease, the raw material from which lanolin is obtained. Crodarom produces an innovative range of high purity plant and botanical extracts from organically grown crops, whilst Crodamazon oils are extracted from the fruits and nuts of the Amazon Rainforest, such as Cupuaçu, Maracujá (passion fruit) and Castanha do Brasil (Brazil nut).

Palm oil, an important raw material for Croda, is the world's second largest oil crop, and is found in tropical areas of Asia, Africa and South America. Croda is a member of the Roundtable on Sustainable Palm Oil, whose aim is to ensure that the production and use of palm oil is done in a sustainable manner.

Potable Water Reduction

Ditton

The factory has achieved a 10% reduction in the consumption of mains water by using borehole water, by developing improved plant washing techniques, and by increasing the frequency of meter readings (now twice daily) to identify further opportunities for improvement.

Chanac

As part of its commitment to continual environmental improvement, Croda's factory at Chanac in France has involved all its employees in an initiative to reduce water consumption. Last year, it recorded a reduction of 13%, bringing its cumulative reduction since 2002 to 39%. This performance has been achieved by measuring water use throughout the site and assessing all the opportunities for improvement. In the production areas, high pressure cleaning systems have been adopted as they use less water, and all hoses have been fitted with trigger connections so that they cannot be left running when not in use. Water saving initiatives have also been implemented in the laboratory areas. For example, laboratories traditionally use water driven vacuum pumps for filtration purposes and a 'once-through' system of cold water for condenser cooling. Electric vacuum pumps are now used where possible, and a closed-circuit cooling system has been installed for operating condensers.

Cikarang

The Croda factory at Cikarang in Indonesia has made a contribution to the Group's overall objective of water reduction by implementing a range of proactive measures. These include the installation of water meters to map water consumption across the site, an intensive campaign to minimise water usage for non-production activities, water re-use where this is possible, and reinstallation of the buried fire hydrant line to above ground, thereby allowing easier detection of water leaks. The result was a 13% reduction in mains water use in 2007.

Shiga

Croda's factory at Shiga in Japan managed to achieve a 10% reduction in mains water use in 2007 by the simple expedient of arranging for the water supply to the toilets to be drawn from the a local well.

Sederma site, Le Perray, France.



Croda has planted 25,000 trees on land surrounding its Cowick Hall head office.



Local school children helped to plant the first trees.



Recycling

Ditton

Until a few years ago, all the waste from the Croda factory at Ditton was sent to landfill, but the site has since been working hard with a waste recycling company to reduce this figure. In 2007, 75% of the waste generated was recycled, and further segregation of waste at source was implemented.

Le Perray

Our Sederma factory at Le Perray in France has been working hard this year to minimise the amount of waste being sent to landfill. Their first task was to select a new waste treatment contractor with whom they could work in partnership to meet the site's objectives. Following an analysis of waste flows, the site implemented segregation arrangements to facilitate reuse and recycling, and provided the necessary training to all employees. The result of this effort is seen in the 43% increase during 2007 of the amount of waste which is recycled per tonne of product.

Chocques

Croda's factory at Chocques in France has made a significant contribution to the Group objective by increasing the number of empty drums which have been recycled and by arranging for the composting of the sludge from its waste water treatment plant. As a result, in 2007 the amount of waste recycled per tonne of product increased by 55%.

Tree Planting

Cowick Hall

Not all environmental initiatives are associated with our manufacturing processes. In recent years, land surrounding our Cowick Hall headquarters in East Yorkshire has been managed for agricultural use. However, in medieval times this would have been part of 180,000 acres of hunting country, rich in wildlife and stocked with red deer. Group Chief Executive Mike Humphrey felt it would be good to restore the land to something of its former glory, in keeping with the area's history and resources, as well as Croda's own 'natural' ethos.

As a result of a partnership with the Woodland Trust, who manage and oversee the project, 25,000 trees have been planted, creating 55 acres of new woodland in an area of the country which has little woodland cover. The first trees were planted by children from three local primary schools as part of the Woodland Trust's 'Tree For All' initiative, a five year campaign which will ultimately result in the planting of 12 million trees around the UK.

REACH

Croda has identified two main priorities in response to the requirements of the REACH legislation. The first is to gain and maintain compliance, which is being achieved by integrating the necessary controls into the relevant business processes. The second priority is to limit the negative impacts of the legislation on the business whilst developing opportunities for improving growth and profitability. On the one hand this involves identifying and mitigating risks so that costs can be minimised. On the other, there is the potential to realize product and service value by a combination of product innovation and the development of relationships with customers and the supply chain.

Market Place

Our Partners

Natural Chemistry: Sustainability has always been at the heart of Croda's 'natural chemistry' and, in particular, our use of raw materials from renewable sources. Each year, Croda manufactures many thousands of tonnes of natural-based speciality chemicals.

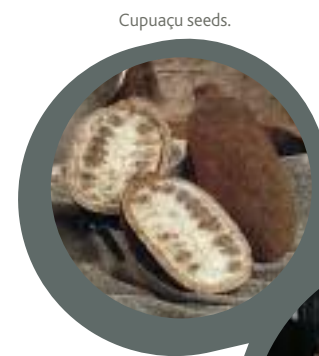
As part of our manufacturing strategy, we have established a network of manufacturing sites around the world including the UK and mainland Europe, North and South America, India, Indonesia, Singapore, South Korea and Japan. This minimises the length of the chain of supply thereby reducing energy.

The acquisition of Uniqema in 2006 significantly increased the number of manufacturing sites. During 2007 we set up multidisciplinary teams to seek out further opportunities for rationalisation and localisation of manufacture. This has created opportunities to transfer production from Europe to Asia and vice versa, and Europe to the Americas and vice versa, yielding further significant customer benefits, as well as reducing the environmental impact of freight transport.

It may seem that the words 'natural' and 'chemistry' are somewhat at odds with each other, but by using sustainable resources, by striving for cleaner, safer processes, and by developing environmentally preferred products – products whose applications span the whole spectrum of industry – then we feel we can use this expression with some justification. Here are just some examples of Croda's 'natural chemistry' applied in the market place.



Mevisa site, Spain.



Cupuaçu seeds.



Inauguration of new plant, Cupuama Oleos.



Crodarom makes high purity plant and botanical extracts.

Personal Care

Oils from the Amazonian Rainforest

Our Crodamazon operation started in Manaus, in the heart of the Amazon Rainforest. This is an exciting and innovative project, which began in 2001, whereby Croda Brazil works with the communities living on the banks of the Amazon who cultivate the fruits and nuts from which the Crodamazon oils are extracted. The whole operation is carried out in a sustainable way under the auspices of a number of organisations including Imafloa (Institute of Forest Management and Certification), SAN (Sustainable Agriculture Network) and the Forest Stewardship Council. A Forest Handling Plan is created so that certain trees or plants are mapped, noting their size, position, age, etc, with the aim of ensuring that no damage is done.

Initially, the communities were only involved with cultivating and harvesting the fruit and nuts, but recently, Croda has helped a small local company, Cupuama Oleos, to begin extraction of the seed oils using equipment transferred from Crodamazon, thereby benefiting the local economy. Furthermore, as a result of the partnership, a number of local families have started to grow the cupuaçu plants as there is now a guaranteed market.

From humble beginnings, the Crodamazon product range now extends to 18 different oils and butters, extracted from fruit and nuts such as Brazil Nut, Pequi, Maracujá – all with distinctive properties and characteristics. Thanks to Croda's global marketing network, Crodamazon oils form vital ingredients in well known cosmetic brands in over 20 countries worldwide – and the more the project succeeds, the greater the economic benefits to the local communities.

Plant Extracts

The Crodarom product range is unique – an innovative range of plant and botanical extracts. The company operates to the highest ethical standards using, wherever possible, product derived from plants that are organically cultivated and grown without the use of pesticides or synthetic fertilisers. The company's state-of-the-art manufacturing facility at Chanac, France, uses its own patented 'microwave' technology to extract the active ingredients from the plant – a process which is much quicker, with much less degradation than traditional, solvent extraction. The result is paler and purer products.

Consequently, Crodarom botanical and plant extracts are ideal for customers who want to develop 'natural cosmetics'. Of course, different manufacturers and organisations have different definitions of what exactly constitutes a 'natural cosmetic' so Croda has different categories of natural ingredients including Ecocert® certification, so customers know exactly what criteria these products fulfil and what claims can be made. For example, the category in which a product is classified would indicate whether or not an extract is derived from plants that are organically cultivated.

Crodarom has an established policy of sustainability, exemplified by its adherence to CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) and consequently never uses plants which are endangered.



Croda's vegetable based squalane is increasingly preferred to the shark derived product.

Personal Care

Vegetable Based Squalane

Squalane is a highly desirable component in cosmetic formulations for topical applications, and its use as an essential building block in promoting healthy skin is widely accepted in the cosmetic industry. Until the mid-1980s, squalane was recovered exclusively from the liver tissues of deep sea sharks. However, public concern about loss of biodiversity in shark species and increasing customer sensitivity has prompted the search for alternative sources based on renewable raw materials. Alternatives were found in byproduct streams from vegetable oil refining processes (the so called acid oil distillates) obtained from mainstream crops such as olive, palm, rice bran and soya.

From the early 1990s, Croda has been developing processes for the manufacture of squalane and is now a prominent supplier of high quality products in the vegetable squalane market. In 2007, Croda further intensified efforts to expand the vegetable squalane market. As a result of R&D, two new squalane grades have been introduced, one of which consumes 20% less energy to produce and is therefore likely to find favour amongst customers who are responsive to cosmetic ingredients with reduced carbon footprints.



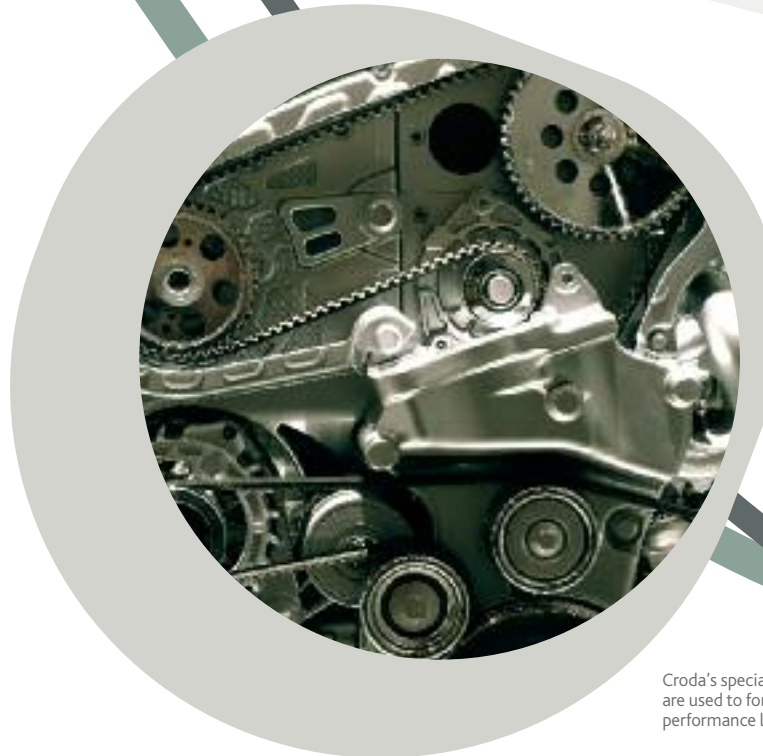
Medilan Ultra can be used safely in all pharmaceutical and health care applications.

Health Care

Medilan™: Therapy for Skin

Lanolin and its derivatives have been an important part of Croda's product portfolio for over 80 years. Lanolin was our first ever product, and today we are the world leader in lanolin technology. Obtained from wool production, lanolin has impeccable sustainability credentials. This is particularly relevant today as in some cases the alternative choice of ingredient is Petrolatum, derived from petroleum sources. It is worth mentioning that the wool grease (from which lanolin is made) is removed from the sheep's wool after it has been sheared, so there is absolutely no cruelty to the animal.

Today, Croda has established levels of lanolin purity and functionality that could not have been imagined 20 years ago. Medilan Ultra is the purest grade of lanolin available anywhere in the world. Clinical trials have demonstrated that Medilan Ultra causes no allergic or irritant reactions even in patients with severely compromised skin. In fact, in the most recent studies dealing with 'dry cracking' of skin on the hands, lips and feet, Medilan Ultra was compared with Petrolatum (previously regarded as the 'Gold standard'), outperforming it and providing a longer lasting effect – another example of nature at its best, with a sustainable ingredient winning over a non-sustainable product.



Croda's speciality products are used to formulate high performance lubricants and fuels.

Lubricants

Environmentally Friendly Additives

In 2005, the European Union published its plans for a European Ecolabel for lubricants. The purpose of the scheme is to reduce carbon dioxide emissions, and also to reduce contamination of soil and water through the use, and subsequent loss of lubricants. The lubricant types affected by the Ecolabel include hydraulic fluids, greases, chain saw oils, concrete release agents and 2-stroke oils – these all being regarded as offering the greatest potential for loss/contamination. Croda has responded by developing the broadest offering of high performance synthetic lubricant base fluids of any supplier to meet European Ecolabel criteria.

The automotive industry has three main environmental drivers – improved fuel economy, emissions control and reduction, and extended oil drain intervals. Through the development of new high performance engine oils, transmission fluids and fuels, the lubricants and fuels industries have a key role to play in enabling automotive manufacturers to achieve their environmental targets. Croda supplies a range of products used in the formulation of high performance lubricants and fuels.

The marine market is emerging as an industry needing environmentally friendly lubricants. Lubrication of the bearing supporting the ship's propeller is an example where environmentally acceptable lubricants are being adopted. These bearings operate in harsh conditions, with vibration, water ingress, etc and therefore require high performance lubrication. Croda supplies speciality esters which are used to create a fully biodegradable formulation.

Home Care

Dry Cleaning goes Green

Cleaning Enterprises GmbH, a member of the Linde Group, one of Europe's largest producers of industrial gases, have announced the launch of their Fred Butler eco-friendly dry cleaning business for which Croda is their exclusive partner in the supply of specially developed cleaning additives used in the process.

The Linde dry cleaning process uses liquid carbon dioxide as a dry cleaning solvent, offering advantages over conventional dry cleaning solvents in terms of environmental impact, plus the fact it is gentler on clothes. The process incorporates Croda's speciality products to boost cleaning performance as well as in the pre-treatment and, later in the process, conditioning of the fabrics. There are plans to introduce a new improved cleaning booster which is a blend containing more Croda products. Linde have received the prestigious Blue Angel award in Germany which is a seal of approval for the environmental footprint of this technology – an approval which details Croda as a key partner.

Industrial Specialities

'Green' Concrete Release Agent

The construction industry in North America consumes 45 thousand tonnes per year of diesel fuel and mineral oil as release agents to prevent concrete from sticking to the forms into which it is poured. These release agents inevitably end up in the environment. Croda has developed a 'green', 100% biodegradable, non-volatile, water-based release agent that does the same job that diesel fuel has done, but also provides a better surface finish. The improved surface finish is particularly valuable for architectural concrete applications such as painted concrete pillars and walls.

Crop Care

Polymeric Surfactants for Agricultural Formulations

Public and regulatory scrutiny of what were previously considered to be 'inert' ingredients used to produce pesticide formulations applied to food crops has increased dramatically in recent times. Croda's response has been to develop an extensive range of polymeric surfactants that enable the world's most technologically advanced crop protection companies to formulate high performance products. Products incorporating our polymer surfactants demonstrate excellent human and environmental safety with exceptional stability, which translates into consistent, leading edge performance in the field, and long shelf life.

Croda's Crop Care business also supplies adjuvants that improve the efficiency of the active ingredient of crop protection chemicals. In turn, improving efficiency reduces the amount of active ingredient that is required to be introduced into the environment to protect the crop. Croda's technology allows for the highest crop yield possible whilst minimising the amount of potentially harmful chemicals that are introduced into the environment.

An example is Atlox AL-2575, a product manufactured from glucose derivatives and a sustainable source of natural alcohols, which is used in the production of one of the widest spectrum herbicides available. Croda's product has helped to reduce the dose rates required of this herbicide by increasing the efficacy of the active ingredient, which, allied to its biodegradable properties, significantly reduces the environmental footprint of the final product.



Croda's surfactants are used in the formulation of high performance crop care products.

Summary

This report, our first covering Corporate Social Responsibility, focuses on just some of the things that have been happening around the Croda world over the last year or so, as well as providing the basis for future reporting of our approach and performance on social responsibility and sustainable development issues. We hope that it will give you an insight into our company, our people and the things that are important to us...

...the things that we do because **we want to**, not because we have to.



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