





# Our Risks continued

Key risk	Potential impact on our business	How we respond	What we have done in 2014
<b>Revenue generation in established and emerging markets</b>  <b>1 Delivering consistent top and bottom line growth</b>	 Failure to follow our customers as they move into emerging markets, or to continue to grow in established markets will adversely impact delivery against our strategic objective of delivering consistent top and bottom line growth.	Our local sales teams sell directly to customers and maintain excellent relationships at all levels in their organisation. They speak our customers language, with market and industry training and backgrounds. We have established research and development centres, customer centres and manufacturing closer to our customers.	Moved to a global organisation structure. We have expanded capacity in Asia and Latin America to shorten our customers' supply chain. We opened up a new sales office in Houston and created a dedicated EEMEA commercial team separate from Western Europe. We expanded our R&D groups in China, Singapore, Brazil, France and the UK.
<b>Identification and integration of acquisition targets</b>  <b>1 Delivering consistent top and bottom line growth</b>	 The Group has grown through acquisitions and continues to pursue them to meet its strategic objectives. A failure to identify new business areas or extend our portfolio could impact our ability to grow. Our success in realising the benefits of acquisitions depends on focused due diligence before acquisition, the integration of the acquired businesses, and their performance in relation to expectations.	The new Executive position of President of Corporate Development has a remit to identify new strategic acquisition opportunities and to work closely with our market sector Presidents. Each business area has a strategic plan which includes a review of demand and of potential new opportunities, which are regularly monitored and challenged.  Our Technology Investment Group is integrated within our market sectors to identify new technology acquisition opportunities.	We appointed a President of Corporate Development, an Executive position, from April 2014 to identify strategic growth opportunities. Acquisition opportunities have been identified with the full engagement of the market sectors.  Responsibility for the integration of our recent acquisitions (Sipo, JD Horizons and AM Coatings) has been assigned to senior managers.
<b>Product and technology innovation</b>  <b>2 Increasing the proportion of New and Protected Product sales</b>	 Innovation plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margins. Failure to drive innovation will impact on growth.	We have a Chief Technology Officer at Board level. We have identified seven key technology platforms which we believe will drive innovation.  We have outstanding technical resources in place, who focus on internal innovation projects. We partner with customers, universities and developers of emerging technologies and invest in external acquisitions to remain at the cutting edge.	Established a new process innovation team from January 2014 to consider, differentiated class leading technologies to give our products a technical edge. Globalised the technology group.  Two external acquisitions brought new technology and expertise to the Group.
<b>Protect new intellectual property</b>  <b>2 Increasing the proportion of New and Protected Product sales</b>	 Expansion into new markets and technologies has increased our risk of failure to protect our intellectual property, which could undermine our competitive advantage.	We have a dedicated professional Intellectual Property (IP) team who participate in the technical and business planning and strategy meetings to identify new products and technologies which may require protection. They monitor our IP and challenge infringements where necessary.	Differentiation and protection of many of our new products, including our range of excipients for the pharmaceutical industry, see page 16.

▼ Risk decrease

▲ Risk increase

▬ No change

Link to Strategic Objectives

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<b>Employee recruitment, retention and motivation</b>  <b>3 Investing in a sustainable future</b>	<p>The vision and experience of our knowledgeable and specialist employees is critical to maintaining the Group's success. A lack of appropriately skilled people could adversely impact our ability to perform in line with expectations.</p>	<p>Our framework of development and reward programmes, strong culture and world class learning and development opportunities support the retention and career development of the high quality teams we need. All Croda regions offer graduate development programmes, involving stretching and high profile assignments, and our structured development programmes, such as the Croda 2020 network and Leadership Development Groups, nurture internal talent. Our global appraisal system, Aspire, supports the annual personal review process.</p>	<p>The Executive has focused on developing a people strategy for each of our market sectors which fully supports and aligns with the Business strategy and ensures that our current high retention rates continue. Importantly, delivery of the strategy will ensure that the pipeline of talent will continue to be filled.</p>
<b>Succession planning for senior positions</b>  <b>3 Investing in a sustainable future</b>	<p>We rely on key employees whose vision and knowledge is critical to maintaining our success. If these individuals were to leave with no succession plan in place, it would take some time to replace them.</p>	<p>On an annual basis our talent review process considers succession plans for critical roles throughout the organisation. Output and actions arising from these reviews are monitored by the Executive and the Board to ensure that succession planning continues to be a focal point.</p>	<p>Our new Group HR Director appointed in April 2014 has provided focus and leadership to a renewed and more rigorous succession planning process. Areas of higher risk have been identified and are being addressed.</p>
<b>Product liability claims</b>  <b>3 Investing in a sustainable future</b>	<p>We sell into a number of highly regulated markets. Non compliance with quality regulations could expose us to liability and reputational damage especially in the light of our commitment to sustainability.</p>	<p>Our Head of Global Quality Assurance leads our quality programme. Many of our sites are EFfCI GMP-certified and several have the EXCiPACT™ quality standard. These are demanding quality standards valued by our customers. We work proactively with relevant trade associations to shape future regulation, see page 36.</p>	<p>The Board reviewed this risk with a presentation from the Executive risk owner. We communicated a new Group Quality policy and started working on a supporting manual. Quality reporting is now incorporated into the quarterly Group SHEQ meetings.</p>
<b>Major safety incident</b>  <b>Major environmental incident</b>  <b>3 Investing in a sustainable future</b>	<p>We rely on the continued operation of our manufacturing sites around the world. Certain sites are particularly critical to the Group due to their size or what they produce.</p> <p>A major event causing loss of production, or violating safety, health or environmental regulations could limit our operations and expose the Group to liability, cost and reputational damage, especially in the light of our commitment to sustainability and customer service.</p>	<p>We have comprehensive global Safety, Health and Environment (SHE) policies, procedures and guidelines which are defined in the Group SHE manual. Our network of SHE specialists and process safety engineers at each site ensure compliance on a day to day basis, and all site processes undergo a Process Risk Review at five yearly intervals. A rotational SHE assurance programme is undertaken by our specialist audit team to assess compliance with the Group SHE manual with a comprehensive issue follow up process. External audits assess compliance with our OHSAS 18001 and ISO 14001 certifications.</p> <p>The SHEQ steering Committee meets quarterly to monitor and review progress against safety and environmental KPIs and targets.</p> <p>We have business continuity plans in place for each site and a Group crisis management plan which is tested at least annually.</p> <p>We go beyond the basic regulatory requirements setting stretching safety, health and environmental targets, see page 34.</p>	<p>The Croda Hazard Study Leader's Academy marked its first full year since its diploma was certified by the University of Derby.</p> <p>A new Group SHE manager was appointed to develop and lead our specialist Group SHE audit team.</p> <p>We continue to develop our balanced score card of leading lagging process safety KPIs, which are subject to formal quarterly review by the SHEQ Steering Committee, and can provide an early warning system for any problems.</p>