

Focusing on our responsibilities



SUSTAINABLE DEVELOPMENT REPORT 2006



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GRI Index

A table that tallies with the indicators required by the GRI (G3 version) is available for the above contents. The GRI (Global Reporting Initiative) is a tool for formalizing and evaluating social and environmental reporting that applies on an international level.

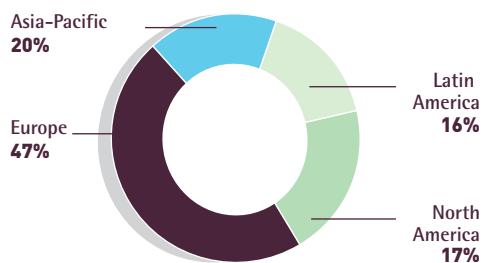
For technical terms, a glossary is available on P. 38

→ Our business

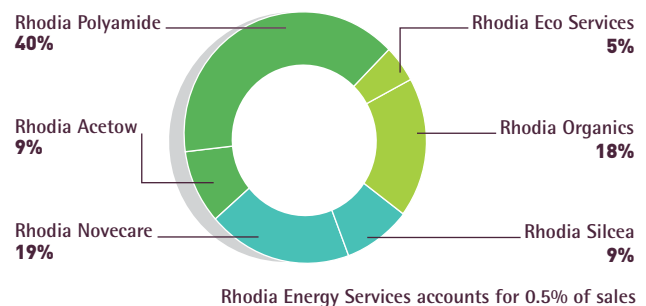
Rhodia, a chemist, leader in its businesses, is an international industrial group resolutely committed to sustainable development. The Group aims to improve its customers' performance through the pursuit of operational excellence and its ability to innovate.

Structured around seven Enterprises, Rhodia is the partner of major players in the industrial, automotive, tire, electronics, perfume, health, beauty and home care markets. The Group is listed on Euronext Paris and the New York Stock Exchange.

Breakdown of sales by geographic zone



Breakdown of sales by Enterprise



Performance Materials ■
Functional Chemicals ■
Organics & Services ■

Key figures for the Group in 2006

€4,810 M
NET SALES

€683 M
EBITDA (EARNINGS BEFORE INTEREST,
TAXES, DEPRECIATION AND AMORTIZATION)

16,000*
EMPLOYEES

€359 M
OPERATING INCOME

€62 M
NET PROFIT

69* INDUSTRIAL SITES
WORLDWIDE

* Proforma after finalization of the sale of the Silicones business.



A commitment at the heart of Rhodia's identity

INTERVIEW WITH JEAN-PIERRE CLAMADIEU, CHIEF EXECUTIVE OFFICER



“

Operational excellence cannot be achieved without a real culture of responsibility, which acts as an additional driver to boost performance.”

→ Jean-Pierre CLAMADIEU

WHAT IS THE ROLE OF SUSTAINABLE DEVELOPMENT IN RHODIA'S STRATEGY?

→ JPC Sustainable development is at the very heart of the Group's identity. Rhodia is one of the world leaders in the chemical industry, a sector that involves products and processes which present a variety of potential risks. Managing those risks is absolutely vital. We ensure therefore that our practices are constantly updated. We apply ever more rigorous standards to protect our employees, our customers and the communities around our sites. This commitment ties in perfectly with our approach to sustainable development. As an integral part of our business, sustainable development enables us to develop a global approach to our responsibilities toward all our stakeholders. Our ability to manage risks and share transparent, reliable information with our stakeholders anchors the trusting relationship that forms the heart of our identity as a responsible chemical company.

IS RHODIA STILL ONE OF THE BEST CHEMICAL COMPANIES IN THE WORLD IN TERMS OF SAFETY AT WORK?

→ JPC For almost 30 years, our Group has been developing a culture based on the strictest standards of safety and for the second consecutive year we have seen less than one lost-time accident per million hours worked. This remarkable achievement places Rhodia among the very top of our profession worldwide. Our uncompromising approach to health, safety and the environment is inherent to Rhodia's culture and forms the basis of a responsible policy that places sustainable development at its core.

WHAT ABOUT YOUR COMMITMENT TO REDUCING GREENHOUSE GAS EMISSIONS?

→ JPC As a sizeable emitter of one of the six industrial gases which, like CO₂, contributes to global warming, the Group quickly recognized the need for action very early on.

As a result, at the end of the 1990s we made considerable investments at our Chalampé site in France to limit greenhouse gas emissions linked with the manufacture of adipic acid. With similar investments at the Paulinia site in Brazil and the Onsan site in South Korea, Rhodia is set to reduce its greenhouse gas emissions by 56 percent over the period 1990-2010. These last two investments are among the largest registered within the framework of the Kyoto Protocol's Clean Development Mechanism.

HOW DO YOU PERCEIVE RHODIA'S INTEGRATION, IN JANUARY 2007, INTO THE ASPI EUROZONE INDEX, WHICH EVALUATES COMPANIES' SOCIAL RESPONSIBILITY?

→ JPC The integration of Rhodia in this index, which includes the 120 best-rated European companies based on Vigeo Group corporate social responsibility criteria, encourages us to continue in our quest for excellence. It can be accredited to the efforts of all our employees over the past three years to coordinate our actions in a global approach and wholeheartedly embrace sustainable development into our corporate culture. It shows that we're headed in the right direction, by combining the implementation of best practices within the Group with external commitments endorsed by the wider community.

HOW DOES RHODIA INTEND TO STRENGTHEN ITS RESPONSIBILITY APPROACH IN 2007?

→ JPC The next important step is to deploy the Rhodia Way - our stakeholder responsibility reference framework - on an international level. Between now and 2008, our aim is to integrate sustainable development into all the Group's managerial processes and engage our staff as much as possible. Operational excellence cannot be achieved without a real culture of responsibility, which acts as an additional driver to boost performance. The Rhodia Way provides renewed impetus to harness the determination, skills and energy of our teams, which have been so instrumental in bringing Rhodia back on track, and will no doubt pave the way for future success. Together we are building the new Rhodia - a company in which we have both pride and pleasure in working!



Sustainable development: perspectives from 10 employees

SHARING A COMMON VIEW OF OUR RESPONSIBILITIES

1 | Seng Heng Yap - SOUTH KOREA



3 | Alvaro Cavenaghi - ITALY



5 | Pierre-Emmanuel Goutorbe - FRANCE



2 | Dominique Raison - FRANCE



4 | Lonnie M. Gleaton - USA



→ 1 / Seng Heng Yap Director, Rhodia Energy Korea (Seoul - South Korea)

At its Onsan site in South Korea, Rhodia has completed the project to reduce its N₂O emissions within the framework of the Clean Development Mechanism (CDM) established by the Kyoto Protocol. This project and the project in Paulinia Brazil developed by the Group are among the most important CDM projects registered by the UNFCCC. I think that global warming is a crucial issue for the coming decades and I am proud to work for a responsible company, involved in environment protection activities.

→ 2 / Dominique Raison Product Stewardship Manager, Rhodia Novecare (Aubervilliers - France)

One of Rhodia's main responsibilities is toward the products it manufactures. The Group's approach in Product Stewardship enables us to guarantee product safety throughout the products' life cycle, iden-

tify the hazards and assess the risks, from their design through their use. By doing so, Product Stewardship shares in the increasing confidence of our customers in our products. So, through the work I undertake on a daily basis, I'm contributing to Rhodia's excellence in sustainable development.

→ 3 / Alvaro Cavenaghi HSE Manager Rhodia Polyamide (Ceriano - Italy)

The site I look after has been specializing in nylon chemistry for 100 years and its activity gives the whole region a considerable boost. Rhodia is highly geared toward respecting the environment and I am responsible for developing relationships with our neighbors, schools and local communities, communicating with them and ensuring they're aware of the site's impact. At the Ceriano site, priority is given to behavioral aspects of health and safety, and that influences my management style.

→ 4 / Lonnie M. Gleaton Manager, Environmental Operations (Charleston - USA)

As a responsible company, we are very conscious of the ways in which our work practices impact the environment and our communities. We strive to be good corporate citizens. We do all we can to abide by all regulations and will often go beyond simply complying with the laws if it means doing the right thing. We call that operational integrity.

→ 5 / Pierre-Emmanuel Goutorbe Marketing Manager, Rhodia Silcea (Lyon - France)

Rhodia's technologies contribute to reducing the impact of our activities and those of our customers on the environment. This applies particularly to our technical solutions for vehicles, which help reduce greenhouse gases. Accompanying the growth of these markets requires a long-term investment strategy with our major customers.

6 / Anne Perazio - FRANCE



8 / Tom Dutton - UK



9 / Ludmila Gordeeva - RUSSIA



7 / Edmund Yap - CHINA



10 / João Luiz Costa - BRAZIL



My job is to work with our partners to anticipate the impact of new regulations and develop robust plans to meet their future requirements, thus encouraging long-term relationships.

→ **6 / Anne Perazio**
Purchaser - Europe
(Lyon - France)

The integration of sustainable development into purchasing processes has changed my view of how I work with my suppliers: we are now part of a long-term relationship. By identifying our mutual interests, we put in place the appropriate action plans to improve our ways of working. Both parties are winners because it makes purchasing, procurement and payment processes more efficient.

→ **7 / Edmund Yap**
General Manager - Rhodia Organics
(Hong Kong - China)

I appreciate the value of Rhodia's involvement in the development of its employees and its commitment to

respecting social equality and cultural diversity. I believe these are essential factors in the company's international development. I also value the fact that they are encouraged in Asia, as in each of the countries where the Group is established. I am proud to belong to this family.

→ **8 / Tom Dutton**
UK HSE Manager, (Oldbury - UK)

Rhodia's commitment to Responsible Care means we do everything we can to improve our health, safety and environmental performance at each step of the production process. We have a good record, but we know that's not enough - we're working hard for example to limit our impact on the environment, always looking for new ways to reduce our emissions and waste year on year.

→ **9 / Ludmila Gordeeva**
Quality Laboratory Manager,
Rhodia Acetow (Serpukhov - Russia)

The quality laboratory I manage is well equipped and the measures put in place

are extremely reliable. This isn't at all surprising, given that Rhodia makes quality one of its priorities. Knowing about Rhodia's high safety and environmental standards gives me and my neighbors, who live near the site, every confidence in Sertow's operations.

→ **10 / João Luiz Costa**
Process Manager, R&D:
Polyamide Intermediates
(Paulinia - Brazil)

A part of my work that I find particularly stimulating is examining both industrial competitiveness and ever-increasing environmental constraints. The search for improved output from raw materials, the reduction in energy consumption, increased process safety and the need to reduce emissions are a real challenge, but one I accept thanks to the creativity of the teams that work with me.



Rhodia's chemistry: with us everyday

OUR APPLICATIONS

The preferred supplier of numerous manufacturers in many business sectors, Rhodia is a partner of choice in their search for performance, productivity and quality. Our innovations aim to improve the comfort and well-being of everyone on a daily basis and protect our shared environment.

Protecting the environment



Improving our customers' performance



Increasing well-being





Providing more comfort



INCREASING WELL-BEING

The day starts with a bath or morning shower, using soaps and shower gels formulated with Rhodia's sophisticated surfactant systems, Miracare® SLB. Their luxuriant foam and unique texture give a feeling of immediate well-being, and ensure prolonged moisturizing of the skin. Washed with shampoos based on Jaguar® bio-polymers or Polycare® polymers, your hair will be silky, glossy and easy to manage. At home or when traveling, cleansing wipes benefiting from Rhodia's surfactant systems ensure long-lasting hygiene.

PROVIDING MORE COMFORT

Rhodia's Mirapol® Surf-S polymers make floors in the home shine and kitchenware regain all its sparkle, while our vanilla, woodland, floral or coumarin fragrances scent washing powder. For television, Rhodia's rare earths give plasma or LCD displays brilliant colors. In sports activities, Rhodia's low-density polyurethane and silicas give running shoes exceptional bounce and cushioning properties, qualities they keep for a long time, thanks to our aliphatic isocyanate-based adhesives.

PROTECTING THE ENVIRONMENT

The Eolys™ soluble catalyst plays an essential role in eliminating particulates emitted by diesel engines, and today is fitted to over 2.5 million vehicles worldwide. Recently, Optalys® materials, which allow the reduction of toxic emissions from gasoline powered vehicles, have been adopted by the major catalytic converter manufacturers. Zeosil™ high performance silicas reduce tire rolling resistance and therefore fuel consumption. Technyl® engineering plastics help to make vehicles lighter by replacing metal. In the field of industrial paints, the Rhodocoat™ range allows traditional solvents to be partly replaced by water so that discharges of volatile organic compounds are greatly reduced.

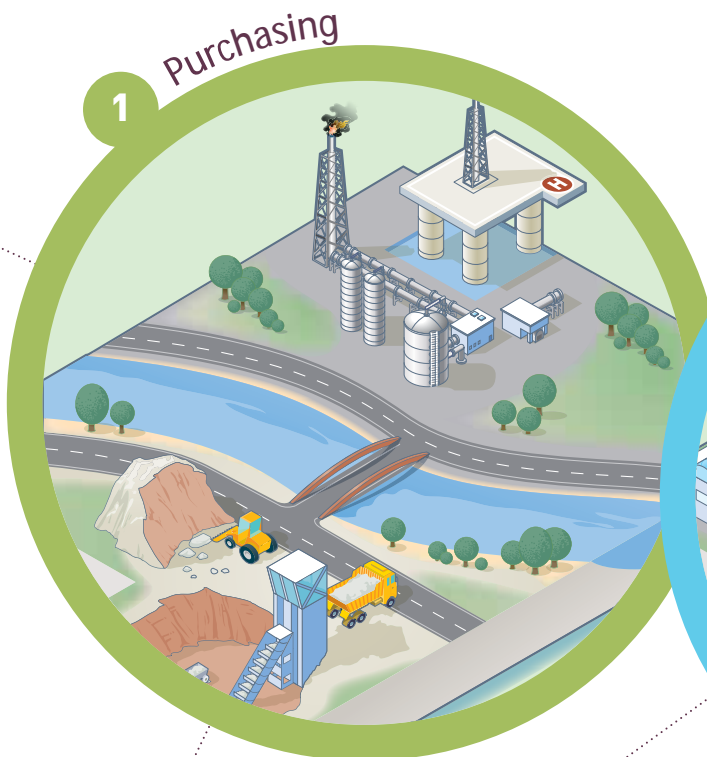
IMPROVING OUR CUSTOMERS' PERFORMANCE

Oil and gas operating costs drive manufacturers to make their wells as profitable as possible. In partnership with the petroleum service companies, Rhodia provides tailor-made technological solutions based on controlling the formulation of polymers and surfactants. These solutions improve the performance of petroleum extraction and inhibit corrosion in the recovery equipment, while taking care of the environment.



Impact of our operations and scope of our responsibilities

OUR BUSINESS FOOTPRINT



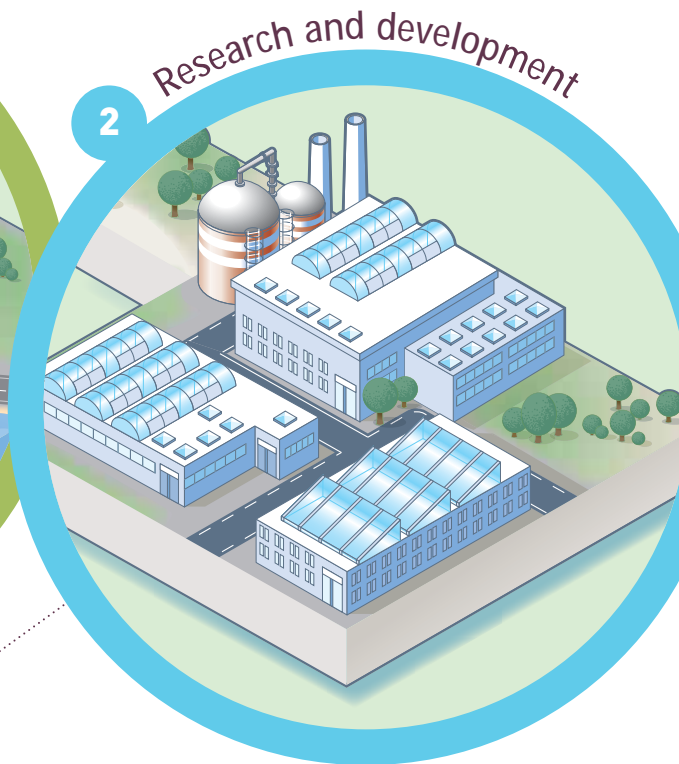
Our Responsibility...

Purchases of raw materials - petrochemical and mineral - and energy represented about 2.5 billion euros in 2006. In order to build long-term partnerships, Rhodia favors suppliers who, themselves, incorporate the requirements of sustainable development.

...through Actions

In 2006, particular efforts were made to integrate the requirements of the future REACH (Registration, Evaluation & Authorization of Chemicals) regulations concerning the assessment of suppliers, the formalization by contract of their relationship with Rhodia and the origin of raw materials into the purchasing processes.

→ In this way, the Group's Purchasing teams now work very closely with the Sustainable Development function and the Responsible Care function in charge of Health, Safety and Environment issues. The aim is that purchasing processes systematically take into account statutory requirements and thus improve the upstream control of purchases.



Our Responsibility...

Rhodia's R&D teams play an important part in the Group's sustainable development policy: in partnership with major customers, they develop products and processes that are more efficient and more environmentally sound.

...through Actions

To optimize the success of new products, the Product Stewardship approach, which aims to track the products' life cycle, has been integrated upstream in the research and development phases.

→ Product Stewardship Steering Committees have therefore been created to approve the integration of this approach at each phase of product development. The introduction of the Product Stewardship model thus favors the consideration of sustainability from the earliest, conceptual stages of a product's function and formulation.

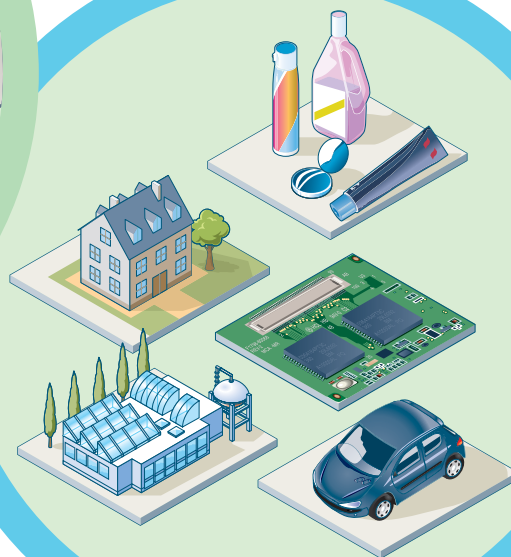
3 Production and transport

3



4

Sales



Our Responsibility...

Managing all the risks linked with its activities is an essential requirement for Rhodia. The Group makes sure it minimizes its impact on the environment and its CO₂ emissions linked with the manufacture, transport and use of its products, such as the potential risks linked with any accident.

...through Actions

In accordance with international regulations, Rhodia's sites have put in place transport safety plans for high-risk hazardous materials, to minimize the risks of accidental release, theft or the inappropriate use of any hazardous products that could endanger people, property or the environment.

→ Within the context of the American C-TPAT (Customs-Trade Partnership Against Terrorism), Rhodia Inc. was awarded the highest possible level by the US Customs and Border Protection Agency (tier 3).

→ In France, the Collonges site signed a contract with the SNCF (French railway network) for the transport by rail of its carbonate flow: 14,000 tonnes have already been transported by this means and, in the long run, almost 30,000 tonnes will be routed by rail and no longer by road.

Our Responsibility...

Rhodia products are sold mostly to major companies and distributors and must therefore meet the rigorous demands of these markets for fully monitoring the products' life cycle, safe storage and use after delivery.

...through Actions

To reinforce its responsible sales approach, Rhodia has established a specific process to monitor its major accounts, through Corporate Key Account Directors and Comex sponsors.

→ Aim: to use all the Group's skills to accompany its customers in their approach to sustainable development.

→ Thanks to its expertise in Product Stewardship and knowledge of international regulations, Rhodia is capable in particular of providing high value-added advice to identify a product at risk or help a customer develop a substitute.

→ Responsibility through actions

OUR SUSTAINABLE DEVELOPMENT POLICY

Rhodia is convinced that its activities and future cannot be dissociated from its responsibilities toward all its stakeholders, and so puts into practice a sustainable development policy in line with its principles of dialog, transparency, responsibility and commitment.

Sustainable development has been an essential component of the rebuilding of Rhodia and, year on year, is becoming even more firmly established at the heart of the Group's identity. Since 2004, while undertaking its financial recovery plan, Rhodia stepped up the integration of sustainable development into its current managerial processes and encourages all its employees to become directly involved in the approach. For each of its stakeholders, Rhodia identified best practices to strengthen its ties through dialog, develop trust in the quality of its information through transparency and fulfill its responsibilities.

REGULAR ACTIONS

TO FULFILL OUR COMMITMENTS

With the implementation of its Health, Safety and Environment (HSE) policy in the 1970s, Rhodia laid solid foundations for its sustainable development approach. These foundations were regularly reinforced and gave rise to the signing, in 1997, of the Responsible Care initiative, a progress commitment for the chemical industry and, in 1998, to the implementation of the SIMSER+ system, a management tool to evaluate HSE practices and systems and recommend continuous improvements.

In 2002, Rhodia also undertook to reduce its greenhouse gas emissions in France by 30 percent for the period 1990 - 2010, within the context of the Association of Companies for the Reduction of Greenhouse Gases

(AERES). After joining the UN's Global Compact in 2003, Rhodia signed the Diversity Charter in France the following year. In 2005, it signed an agreement of worldwide social and environmental responsibility with ICEM (the International Federation of Chemical, Energy, Mine and General Workers' Unions). In 2006, Rhodia signed the Responsible Care Global Charter, a worldwide initiative in the chemicals sector, which goes beyond the principles of Responsible Care in terms of health, safety and the environment. It establishes as conditions for responsible chemistry:

- improving the management of product life cycles,
- greater transparency toward stakeholders,
- evaluating and publishing environmental performance.



INSIGHT → Jacques KHELIF
Rhodia Group Vice President, Sustainable Development

"Implementing the principles of sustainable development means contributing toward meeting the challenges now faced by our planet resulting from our mode of development. We have to explore new ways of producing, consuming and making decisions by taking into account our stakeholders' expectations. These are the kind of real choices that exist at the heart of a company, affecting its future. It's in the way that a company does business and acts that it faces up to its share of the challenge. Since 2000, this belief has guided Rhodia along the path of sustainable development. A key stage in our commitment, the Rhodia Way ensures the inclusion of social and environmental responsibility in our management processes and reinforces our approach to make continuous progress with all our stakeholders. The Rhodia Way invites us to go further - that is what our lifelong responsibility is all about."



1 Site operator, Acetow, Freiburg (Germany)

2 Paulinia site (Brazil)

The Rhodia Way™ in action

In 2005, Rhodia developed a responsibility reference framework, structured around its six stakeholders, to strengthen its approach to sustainable development. A team of 60 managers (10 for each stakeholder) drafted an initial version of the reference framework, defining the principles, commitments and indicators corresponding to each stakeholder.

In 2006, a pilot phase enabled them to test the preliminary version of the framework in the purchasing function and the Polyamide enterprise's engineering plastics business. Considerable work was carried out to clarify these commitments and practices to make them easier to understand and implement. This final improved version of the reference framework will be rolled out throughout the Group in 2007 with the support of specially trained local representatives and a dedicated toolbox. The Rhodia Way reference framework now includes 21 commitments which

involve 44 key practices. The driving force in the Group's approach to sustainable development, the reference framework is both ambitious and pragmatic. It has been designed to be flexible so that in future years new requirements can be incorporated, such as the ISO 26000 standard, a social counterpart of the quality standard ISO 9001 and environmental standard ISO 14001.

A DYNAMIC OF RESPONSIBILITY

As an integral part of management processes, the Rhodia Way will allow teams to conduct self-assessments of their practices, evaluate any issues and establish action plans. The wide involvement of employees in this self-assessment phase is a major component of the Rhodia Way and a key challenge. The culture of individual responsibility that the Group is aiming to bring about implies both a convergence of skills and willingness of participants to conduct business with full consideration of sustainability principles.

2007: THE WORLDWIDE DEPLOYMENT OF THE RHODIA WAY

By giving managers of different Rhodia sites, enterprises and functions the means to undertake self-assessments of how they have performed according to four different levels – introduction, deployment, maturity and performance – the Rhodia Way is a key tool for strengthening the Group's responsibility approach. In 2007, the Rhodia Way will be rolled out across the whole Group according to the following schedule:

- May 2007: finalizing the toolkit and the Rhodia Way Intranet.
- April to September 2007: involvement of the Group's Management Committee and training of local representatives.
- June to December 2007: self-assessment undertaken by each of the entities to define their corporate social responsibility (CSR) profile and set out action plans.



INSIGHT → Laurent SAPET, Rhodia Way Project Manager

"Tested in 2006 in the Polyamide enterprise's engineering plastics business and in the Group's Purchasing function, the Rhodia Way reference framework was refined and clarified to make it easier to implement best practices. It was also improved by comparing it with other systems and is now geared toward including the requirements of the future ISO 26000 standard. In 2007, this reference framework will provide everyone with an assessment scale so they have the means to measure how they stand with regard to the Group's commitments, to implement the necessary corrective measures and play their part on a daily basis in integrating sustainable development into our management system."



Our commitments and achievements

2006: ASSESSING THE RESULTS OF OUR ACTIONS

STAKEHOLDER	→ OBJECTIVES	TIMEFRAME	2006 RESULTS	→ COMMENTS	CF. PAGE
ALL OF THEM, through the Rhodia Way Responsibility Reference Framework	To complete the Rhodia Way self-assessment phase in all entities.	2007		Pilot phases carried out at the beginning of the year were implemented. The reference framework has been improved.	p. 11
	<ul style="list-style-type: none"> ■ To implement progress plans for all units concerned. ■ To audit the application of the Rhodia Way initiative. 	2008			p. 11
INVESTORS <ul style="list-style-type: none"> ■ Ensuring risk management ■ Ensuring good management and governance practices 	To conduct a SIMSER+ audit every three years at all our sites.	Recurrent	91% ✓	A combined ISO 14001/SIMSER+ assessment was conducted successfully. This process will be developed in 2007.	P. 20
	To distribute the "Compliance Policy" to all employees, outlining issues such as conflict of interest, free competition and basic social rights.	2007			P. 15
EMPLOYEES <ul style="list-style-type: none"> ■ Guaranteeing the health and safety of employees 	To achieve a TF1 of 0.6 in 2006 for Rhodia personnel.	2006	0.5	A guide to the behavioral approach to safety was drawn up. 95% of sites implemented an improvement plan accordingly.	P. 19; 32
	To achieve a TF2 of 1.7 for Rhodia personnel and its contractors in 2006.	2006	1.5		P. 19; 32
	To attain a TF2 of 1 for Rhodia personnel and its contractors by 2010.	2010			P. 19; 32
	To maintain the same level of training (18 hours/employee) and strengthen the worldwide reporting system of these indicators, implemented in 2005.	2006	20 hours in 2006	Average number of training hours per person increased due to improved management of the training budget, and internal programs for skills development.	P. 17; 33
ENVIRONMENT <ul style="list-style-type: none"> ■ Conserving natural resources ■ Limiting impact on the environment, protecting biodiversity ■ Controlling logistics-related impact 	To put in place a water management policy in areas of water stress (limited access to water).	2007		No progress in 2006. Action will continue in 2007, particularly by aiming to achieve the 'introduction' level of the Rhodia Way initiative on the use of water at sites situated in areas of water stress.	P. 22
	For the period 2005 - 2010: <ul style="list-style-type: none"> ■ To reduce the chemical oxygen demand (COD) and eutrophication in the Group's aqueous waste by 20%. ■ To reduce air acidification (SO_x/NO_x) by 20% and emissions of volatile organic compounds (VOC) into the air by 10%. 	2010	 COD -14% N+P -6% SO _x /NO _x -5% VOC -13%	See comments and indicators in the environment section.	P. 22; 31



STAKEHOLDER	→ OBJECTIVES	TIMEFRAME	2006 RESULTS	→ COMMENTS	CF. PAGE
CUSTOMERS ■ Controlling product-related risks ■ Expressing our CSR commitments in our relationships with our customers	Within three years of identifying them, carcinogens, mutagens and substances toxic for reproduction (CMR) must be treated, either by eliminating them or by managing the risks of their implementation.	2008	 None of the four substances listed were dealt with as of 12/31/2006	Formulations containing a CMR agent were declassified by reducing their concentration.	P. 21
	To implement the REACH plans in 6 relevant enterprises in the Group: the aim is to have advanced the plans by 90% by the end of 2007.	2007		See the section relating to Rhodia's commitment to REACH.	P. 21
	To have 100% of the Group's Safety Data sheets (SDS) revised in less than three years so as to provide our customers with the most up-to-date information.	Recurrent	 91% for the European zone	A follow-up indicator for the distribution of revised safety data sheets has been put in place. The review rate for SDS is also progressing for other zones.	P. 33
SUPPLIERS ■ Managing and assessing suppliers, optimizing relationships ■ Assessing buyers' performance in terms of CSR	To reach a partnership agreement with 30% of partner suppliers identified.	2006	 55%	40 partnership contracts were signed, including 20 in the Europe zone and 20 for all three other zones.	P. 26-27
	To conclude an additional 20% of partnership agreements with identified suppliers.	2007			P. 26-27
	To designate a buyer for each partnership contract signed.	2006		Objective achieved.	P. 26-27
	To monitor the number of supplier incidents linked to Quality, Health, Safety & Environmental issues.	2006		An additional level of severity was created, particularly with a view to pinpointing supplier incidents linked with HSE.	P. 26-27
	To prepare an assessment of the transport environmental impact (CO ₂).	2006		No progress made, bearing in mind the complexity of the measure and the considerable number of players involved.	P. 9 / 26-27
	To carry out an assessment of the transport environmental impact in a Business Unit.	2007			P. 9 / 26-27
	To adapt the function's management system. To train 95% of buyers in sustainable development and pre-requisites in terms of purchasing in order to integrate CSR criteria into each process concerned.	2007			P. 26-27
COMMUNITIES ■ Controlling risks related to the presence of the entities in their local areas ■ Integrating entities within their local areas (region, country)	To revise or implement emergency plans for all sites in order to strengthen the management of accidents linked to production processes and transportation.	Recurrent	 97.5% ✓	95% of entities tested their emergency plan within the last 3 years.	P. 28
	To communicate with local economic and political stakeholders about the Group's sustainable development commitment.	Recurrent		This communication is not consistent. The Rhodia Way's key practices are focusing on improving this commitment.	P. 28-29



A responsible company

ESTABLISHING OUTSTANDING GOVERNANCE ALIGNED WITH INVESTORS' EXPECTATIONS

In line with its commitment to transparency and responsibility, Rhodia's governance policy integrates good practices and recommendations in accordance with corporate governance requirements for listed companies. The Board of Directors' committees, composed entirely of independent members, actively ensure adherence to this policy.

The Board of Directors and its consultative committees

The Board of Directors determines the company's main strategic, economic, financial or technological guidelines. Seven out of the eleven board members are classified as independent, according to criteria published in the Bouton report*. Three consultative committees, composed solely of independent board members, assist the Board of Directors.

AUDIT COMMITTEE

- 3 independent members
- 8 meetings in 2006
- 100 percent attendance rate

The audit committee examines all matters of a financial or accounting nature and ensures that all means are in place to prevent and control risks to which the Group may be exposed through its activities.

COMPENSATION AND SELECTION COMMITTEE

- 3 independent members
- 5 meetings in 2006
- 93 percent participation rate

This committee's main responsibility is to formulate recommendations on executive compensation, share subscription or stock option programs and free share allocations. Its work also concerns any-capital increases reserved for employees,

replacement plans for members of the Executive Committee and initiatives for significant organizational changes to Group management.

STRATEGY COMMITTEE

- 3 independent members
- 2 meetings in 2006
- 100 percent participation rate

The main role of the strategy committee is to make the necessary preparations for Board decisions relating to the Group's strategy, examining portfolio, investment and alliance operations in accordance with strategy adopted, and presenting its conclusions and recommendations to the Board of Directors.

GOOD GOVERNANCE CRITERIA

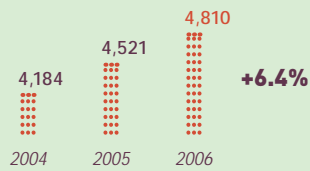
(Drawn up mainly from the AFEP/MEDEF consolidated report on corporate governance in listed French companies of October 2003)

RHODIA'S PERFORMANCE

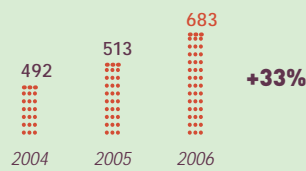
As of December 31, 2006

INDEPENDENCE	BOARD MEMBERS TOWARD THE MANAGEMENT	Presence of at least 50% of independent directors on the Board, and 2/3 on the accounts committee; majority of independent directors on the other committees.	Board of Directors	Audit Committee	Compensation and Selection Committee	Strategy Committee
			63.64% (7/11)	100% (3/3)	100% (3/3)	100% (3/3)
INDEPENDENCE	AUDITORS TOWARDS THE MANAGEMENT	Term of office limited to 4 years.	4 years			
		No advisory services sold by auditors except for auxiliary audits services.	3.3% of the Auditors' fees cover auxiliary services or tax matters.			
		Examination of auditors by the Audit Committee.	Examination of Auditors when the Audit Committee is inspecting the annual, half-yearly and quarterly accounts			
INVOLVEMENT	DIRECTORS	Number of Board and Committee meetings.	10 meetings (2.5 hours on average)	8 meetings	5 meetings	2 meetings
		Directors' participation rate at Board and Committee meetings.	87.27%	100%	93.33%	100%
		Board's operation assessed every 3 years.	Self-assessment in 2004, 2005 and 2006			
	EMPLOYEES	Share of the capital held by employees (within the context of the Corporate Savings Plan).	3.66%			
		Board member representing the employee shareholders.	1			

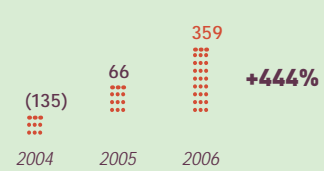
* The Bouton Report, published in September 2002, made various recommendations to improve corporate governance in France.

SALES*(in millions of euros) IFRS standards*

The increase in sales is the result of solid demand and increases in sales prices over the year compared with 2005.

RECURRENT EBITDA*(in millions of euros) IFRS standards*

The operational performance is the result of the growth in volumes, price rises and new fixed cost reduction programs.

OPERATING INCOME*(in millions of euros) IFRS standards*

Operating income is up 444% on 2005. It was boosted by improvements in the recurrent EBITDA and reductions in restructuring costs.

Behavioral excellence: clearly defined ethical principles

Rhodia's governance policy is inextricably linked with the establishment of ethical and behavioral principles. Available on the Group's Intranet, rules, procedures and good practices are detailed in the following reference documents:

THE MANAGEMENT BOOK

Providing the link between corporate governance and internal control, the Management Book organizes Group operations around 10 processes and appoints a Corporate Process Owner (CPO) for each one. These managers have formalized a set of «red lines», rules that must be adhered to by all Rhodia employees involved in the processes concerned.

THE COMPLIANCE POLICY

Outlining the ethical principles to which all Group employees must adhere, the Compliance Policy defines the principles of individual behavior to be adopted in

the face of real, diverse situations arising from daily professional life.

RESPONSIBLE LOBBYING OF EUROPEAN INSTITUTIONS

As a major European chemical company, Rhodia has been keeping the European Commission and members of the European Parliament informed about its stance on key pending regulations governing climate change, CO₂ standards for the automotive industry, the waste directive, water quality standards, etc. This open and transparent dialog has created a framework for positive communication on ways to substitute sensitive substances in industry processes, within the context of REACH. It has also helped to promote Rhodia's actions in developing more eco-friendly technologies, particularly for the reduction of CO₂ emissions in the automobile industry. And in line with its responsible lobbying strategy, Rhodia responded positively to the Commission's public consultation

regarding the transparency of organizations lobbying the European Union, launched in May 2006, and made known its support for establishing transparency rules and adherence to a common code of conduct.

BUSINESS INTELLIGENCE: RECOGNITION FOR RHODIA'S QUALITY OF MANAGEMENT

In 2006, Rhodia received the "Core Business Intelligence" prize awarded by Business Objects, the world's leading company specializing in business intelligence and decision-making software. This distinction recognizes the Group for its work, its approach and its vision in terms of business intelligence, particularly in the management of performance indicators for its activities and the implementation of corrective measures.



INSIGHT → Aldo CARDOSO, Member of the Rhodia's Board of Directors

"Rhodia was able to take the many requirements laid down by the Sarbanes-Oxley Act (a U.S. law pertaining to corporate governance, financial controls and disclosure) and, closely monitored by the Audit Committee and the Board of Directors, redefine its procedures and thus transform requirements into opportunities. Having come to the end of its recovery period, the Group now has streamlined procedures in place that enable tight and effective controls. These guarantee the reliability of the data used for decision making as well as the quality of information for investors."

→ A company that cultivates talent

RAISING PERFORMANCE WITH OUR EMPLOYEES

With a workforce of almost 16,000 employees at the close of 2006, 40 percent of whom are based in Latin America and Asia, Rhodia has developed a social policy that embraces growing cultural diversity by building on strong ethics, social dialog and international career management.

HR management, a strategic global challenge

Fresh from the success of its recovery plan "2006 - Make it Happen Now", the Group is starting a new chapter in its history. With close links uniting economic performance and human development, implementing an effective human resources management policy presents a strategic challenge, particularly in fast-growing zones of the world.

The number of Rhodia employees in Asia and Latin America continued to grow in 2006 to reach 40 percent of the workforce (compared with 27 percent in 2003). Of the 1,116 employees who joined the Group in 2006, 25 percent were recruited in Asia. In China, for example, 203 new members of staff joined during the year. A reflection of Rhodia's strategy, this growth is accompanied by a slowdown in the reduction of staff globally.

Permanent social dialog

Maintaining a permanent dialog with its social partners is integral to Rhodia's culture. With transparency in mind, the Group ensures staff representatives are kept fully informed so that every member of the team is well placed to anticipate and prepare for any foreseeable changes. These principles prompted the Group to sign a forward-looking management agreement in 2003, and a method agreement in 2004 that resulted in the creation of a strategic dialog body.

In France, a global agreement concerning salaries, spanning several years, was signed for the 2006-2007 period, directly linking pay increases with the Group's business results.

Signed in 2005 with ICEM (the International Federation of Chemical, Energy, Mine and General Workers Unions), the Social and Environmental Global Responsibility agreement had its results

assessed and presented to the European Works Council for the first time. (cf. box opposite).

Mobilizing talents

DEVELOPING SKILLS

In 2006, Rhodia's annual appraisal tools were redefined to take skills development one step further. As part of this initiative, all 4,000 managers in the Group received in-depth information and an ambitious training program was launched in parallel. The program is being rolled out first across the managerial team; 830 managers received training in 2006.

The issue of staff employability was also given special attention. Processes for detecting and tracking employability were streamlined as the Group continues to encourage greater involvement of operating units in this area, in the spirit of the agreement on the management of activities, jobs and skills signed in 2003.

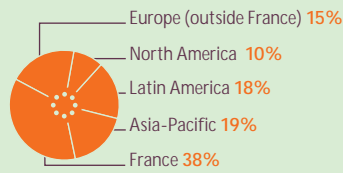


INSIGHT → Manfred WARDA, General Secretary of ICEM

"For ICEM, commitments in terms of social responsibility are most effective when a company works closely with the workers' legitimate representatives. This is the case for Rhodia whose initiatives, developed with its stakeholders in the social domain, help to reinforce positive labor relations on a global scale in an innovative way. The Global Framework Agreement signed by Rhodia and ICEM actually paves the way for an honest social dialog, improving the quality of Rhodia's social responsibility, especially in regions of the world where this concept is still evolving. It will mean more balance and justice for everyone in a global economy."

STAFF DISTRIBUTION

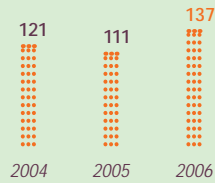
Based on historical scope by geographic zone, as a %



In 2006, the number of employees in Asia and Latin America continued to grow.

GEOGRAPHIC MOBILITY

Number of expatriates on special assignments



Rhodia encourages the employment of local executives: the number of expatriates should stabilize at around 0.4% of the total number of employees.

GENDER DIVERSITY (NUMBER OF WOMEN)**21%**

of the total workforce is female
31% of junior executives,
11% of "high-potential" executives.

INTERNATIONAL DIVERSITY**40%**

of Management Committee members and
54% of high-potential executives are not
of French nationality.

PROMOTING LOCAL TALENT

Today, over half of Rhodia's high-potential executives are not of French nationality, thus confirming that the internationalization of its teams has become a reality.

Management teams in Brazil, Asia and particularly in China are largely made up of local executives. Nonetheless, the Group's expatriation policy remains active and the number of expatriates is stabilizing at around 0.4% of total employees.

Developing employability**OPTIMIZING TRAINING OPPORTUNITIES**

In 2006, Rhodia continued the initiative launched in 2005 to establish a global vision of training priorities for each professional category.

This resulted in a series of strategic programs, including Six Sigma, training for commercial managers, getting to know Rhodia, preparation for SAP, development of multicultural skills, behavioral approach to safety, reinforcement of purchasing skills, project management, etc. These efforts led to an increase in the number of training hours per employee (+11 percent on average), and an average of 23 hours of training for managers and 19 hours for other employee categories. In 2006, 70 percent of employees worldwide benefited from some form of training (compared to 65 percent in 2005).

FACILITATING MOBILITY

With the aim of promoting mobility among staff members, Rhodia has developed an international career management and mobility process for the

different professional categories within the Group.

This process is implemented throughout the world by the Group's Human Resources networks, according to geographic area for executives and according to country for non-executives. As a result, 10 percent of executives were transferred internally in 2006, confirming the upward trend underway since 2002.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AGREEMENT: FIRST FEEDBACK

In 2005, Rhodia signed a Social and Environmental Global Responsibility Agreement with ICEM, the most important international trade union for employees in the sector. This agreement covers all matters involving the respect of basic social rights, including social dialog, health and safety, social welfare and whistle blowing. This text applies to the 80 countries where the Group operates and to all employees.

In 2006, the results of this agreement were assessed for the first time and confirmed Rhodia's ful-

fillment of its commitment to communicate information through a series of measures:

- Translation of the text into the Group's five main languages;
- Release of the text for consultation on Rhodia's Intranet site;
- Submission of information to the French Group Works Council and the European Works Council.

The key areas for action established jointly with ICEM focus particularly on the targeted application of this agreement at Rhodia's sites in China and Brazil.

The "Career Opportunities" section on the Group's Intranet offers every employee the opportunity to view all positions available internally. In France, workers, employees, technicians and lower management can take advantage of the services of an internal agency, which aims to develop staff mobility and promotion on a national scale.

The health and safety of its employees are top priorities for Rhodia. The Group has long been developing a systematic prevention policy, based on the SIMSER+ management system, which aims to ensure continuous progress in the areas of Health, Safety and the Environment.

Clear performance in terms of safety

Thanks to efforts made over 30 years, Rhodia has achieved outstanding safety performance, with a "lost time" accident rate that is well below the industry's worldwide average. And in response to technological and industrial risks, all Group facilities are subject to extremely detailed "process safety" studies, a program that accurately evaluates the potential risks related to both products and processes.

A process safety study has been produced or reviewed within the last five years at 80 percent of facilities. For plants classified as Seveso or similar (for countries outside the European Union) the coverage rate is 93 percent ✓⁽¹⁾.

Rhodia believes in maintaining a high level of vigilance. In 2006, the reporting of low-level accidents was put in place to reinforce results already achieved. Until then, the feedback process following an accident had only applied to "C,H,M" (Catastrophic, High, Medium) level accidents. Reductions

DIVERSITY: PRELIMINARY ASSESSMENT 2006

In 2004, Rhodia signed the Diversity Charter, which commits the Group, and 60 other major French companies, to actively integrate diversity in all its dimensions throughout the organization.

The Group appointed a team at the University of Evry (France) to assess its response to diversity, by reporting on the perception of the Group's policy in this area, and the actual experience of employees on a daily basis, etc. Conducted during the third quarter of 2006, this assessment identified areas of progress and actions to take in terms of diversity.

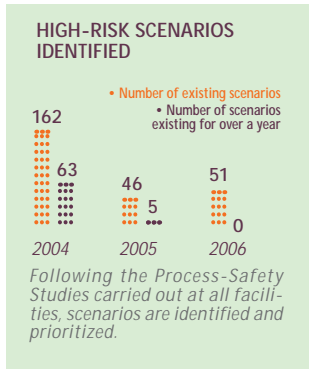
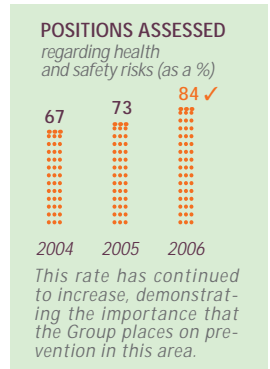
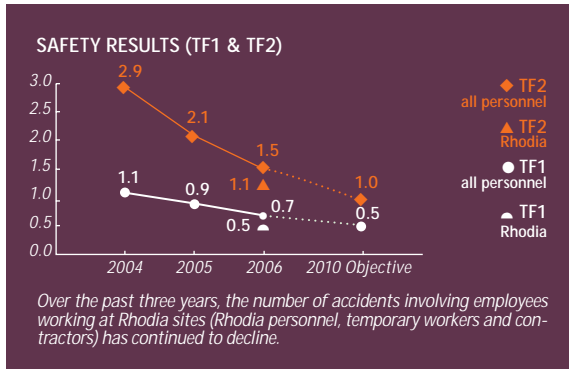


INSIGHT → Briya DAHANE, Logistical Data Administrator, Rhodia Services, Lyon (France)

"Having had first-hand experience of a restructuring plan at one of Rhodia's subsidiaries, I was fortunate enough to benefit from a job transfer scheme set up by the human resources network. This opened up a whole range of new opportunities for me within the Group, giving me the chance to make the most of my skills in a new position. Moreover, I appreciate the Group's commitment, through the signing of the Diversity Charter, to reflect the diversity of the human society in which it operates."

(1): Indicator based on the total coverage percentages for each unit.

ENSURING THE HEALTH AND SAFETY OF EMPLOYEES



in the number of accidents in these categories within the Group prompted Rhodia to introduce the inclusion of "L" (Low) level accidents, in order to maintain a realistic bank of statistical data.

EMERGENCY PLANS TO ANTICIPATE SIGNS OF RISK

For each unit and business, Rhodia is prepared for different types of emergency scenarios adapted to the risks identified. The Group is studying different types of accident situations relating to industry processes, transportation or products. Emergency plans

have thus been drawn up at different levels (Group, Country, Enterprise and Industrial Sites) to prepare for the various risks. These plans define the roles of each entity according to the type of crisis encountered and specify how they must coordinate with each other to ensure effective management in such situations. About 95 percent of the entities have test-run their emergency plan in the last three years (with 97.5 percent ✓ having reviewed their emergency plan). These results show that the procedure is now firmly rooted in the Group's practices.

BEHAVIORAL EXCELLENCE FOR OPTIMUM SAFETY

For two years, a behavioral analysis program has been implemented at Rhodia sites to improve safety. This program consists of several phases:

- A common phase with the production of a manual detailing a behavioral approach to safety;
- Creating and updating an inventory of best practices initiated at certain sites.

The Ceriano Laghetto site in Italy, and Collonges and Salindres sites in France have the most advanced systems in place for observing the behavioral patterns of site operators and identifying related risks.



INSIGHT → Jean-Michel BAR HSE Coordinator - Rhodia Operations, Roussillon/Acetol (France)

"After 20 years of service, including 10 in the field of HSE, I am in a position to say that there are no fatalities arising from accidents. But that's no reason to become complacent – we need to ensure vigilance at all times. I believe that the future of our industry, and our jobs, depends on finding ways to reduce our impact on the environment and control waste production. Our methods of prevention are already taking effect; the results speak for themselves. If we want to sustain those results over the long term, we need to continue sharing experience and good practices among our sites."

→ A company that optimizes its industrial processes

MANAGING THE RISKS OF OUR ACTIVITIES FOR PEOPLE AND THE ENVIRONMENT

Driven by a responsibility to manage the industrial risks related to its activities, Rhodia has in place a Health, Safety and Environment (HSE) policy in line with the commitments undertaken by the chemical industry globally, the initiative known as Responsible Care.

Our measurement tools

SIMSER+:

OUTSTANDING HSE MANAGEMENT

Underscoring its commitments to HSE, Rhodia's risk management approach encompasses both the application of a minimum set of requirements, known as 3RHSE, and a management system, known as SIMSER+. Covering risks associated with safety, the environment, occupational health and transport, SIMSER+ was certified in 2005 by the companies DP2i and DNV as compliant with benchmark OHSAS 18001 and as satisfying the requirements of the ISO 14001 standard regarding the environment.

The identification of hazards and risk assessment are in fact pivotal to the SIMSER+ rating system. Unique in the world of management systems, SIMSER+ exemplifies the importance that Rhodia attaches to a proactive approach in risk assessment, setting a higher level of requirements than existing international standards.

Used in structuring the organizational aspects of HSE management, SIMSER+ gives Rhodia sites a head start in demonstrating compliance with international standards. Of these, the Paulinia site in Brazil, with a workforce of 800 employees, is the only one to have attained the highest level achievable in this rating system. A full inspection carried out in December 2006 by internal and external auditors confirmed the high level of excellence in the safety, health and environmental practices at this site, testifying to its outstanding ability to identify and manage risk.

Global charter: A commitment to progress

In 2006, Rhodia invested almost €25 million in health and safety and €34.5 million in the environment. In order to boost its commitment to Responsible Care, the Group signed the Responsible Care Global Charter (RCGC), which draws on the chemical industry's best practices and performance going back to the mid-80s.

The Global Charter focuses on new challenges faced by both the chemical industry and civil society, including the emergence of a public dialog on sustainable development, growing concerns about chemical products and their effects on health, and the need for greater transparency within the industry.

In 2006, Responsible Care reporting was conducted throughout the Group's entities, demonstrating its commitment to progress across the board. With 91.4 percent ⁽¹⁾ of these sites audited within the last three years (according to 3RHSE and SIMSER+ rating systems), Rhodia has achieved an excellent performance and made clear improvements over the previous year.

MANAGEMENT SAFETY VISITS: TAKING ACTION ON THE GROUND



The Group's efforts in the areas of health, safety and the environment are also manifested in the active involvement of managers in training and motivating employees. The average rate of managerial inspections by members of the Enterprise Management Committees was 7.6 in 2006, up from the 2005 figure of 7.3. Moreover, members of the General Management Committee and Executive Committee made an average of 1.7 visits per person in 2006.

Jean-Pierre Clamadieu visits the Pont-de-Claix site (France).

(1) Of all the sites required to carry out an audit according to the Group's internal procedures.



Polyamide granules and spirals.

NUMBER OF CMR SUBSTANCES ON THE MARKET

	2004	2005	2006
<i>CMR substances (submitted for REACH authorization) present in products sold in Europe</i>	19	7	4
<i>Substances placed on the worldwide market (submitted under Rhodia's CMR procedure)</i>	20	8	6

SOLID PRODUCT EXPERTISE
Gearing up for the REACH requirements

One of Rhodia's top priorities is to identify ways of improving product management through their various applications, as manifested in the Group's support for the European REACH (Registration, Evaluation and Authorization of Chemicals) directive, which comes into effect in June 2007. REACH aims to ensure that any use of at-risk products, in particular CMR (carcinogenic, mutagenic or toxic to reproduction) substances, is limited or substituted where possible. As an example, Rhodia Novocare made the decision in 2006, ahead of regulatory requirements, to stop marketing two CMR-classified products and replaced certain CMR reagents used in its research laboratories with alternative products.

More generally, Rhodia has been preparing actively for the start of the REACH regulation throughout 2006. Organizational changes have been introduced across the Group's enterprises to harness the full potential of their position as reliable suppliers, fully equipped to understand and incorporate the complex requirements of REACH. Over the course of the next 11 years, Rhodia will invest around €80 million in registering the approximately 400 substances in the Group's inventory.

Led by the Responsible Care function, in conjunction with the IT team, the COMPO-EHS project was launched in June 2006 to finalize any dossiers required for the initial pre-registration stage, to be completed by the end of 2008 under REACH stipulations.

The project also responds to growing customer and market demands for ingredient traceability and control over purity levels of Rhodia products.

In addition, Rhodia intensified its efforts over the course of the year by implementing a composition traceability plan for all raw materials purchased, aimed at ensuring that suppliers also meet the requirements of REACH. This assessment, conducted in close collaboration with the purchasing function, identified about 100 raw material substances that, in the event suppliers are unable to do so, Rhodia will be required to register under REACH to ensure their safe supply and distribution in Europe.


**INSIGHT → Jean-François GALEY
REACH project manager, Rhodia Polyamide Lyon (France)**

"While some view REACH as a threat to the future of the European chemicals industry, Rhodia believes that this vital reform paves the way for sustainable, responsible and high-performance chemistry to develop in Europe. Since 2003, Rhodia has been actively involved in the consultation organized by the European Commission, putting forward several recommendations to facilitate the practical application of REACH."



A company that manages its impact

PROTECTING THE ENVIRONMENT FOR FUTURE GENERATIONS

Drawing together its research and innovation capabilities and the expertise of its teams, Rhodia is striving to reduce the Group's consumption of water, energy and non-renewable resources, both during its manufacturing processes and at product level.

Conserving natural resources

WATER CONSUMPTION

In 2006, Rhodia's global water consumption rose (+4.9 percent) in comparison with 2005 due to the inclusion of water consumption not accounted for in previous years. Used mainly for cooling plants, this water is restored to the natural surface environment and monitored in accordance with the applicable regulations.

ENERGY CONSUMPTION

To optimize the management of the Group's energy supplies, Rhodia established Rhodia Energy Services, an enterprise dedicated to the purchase of energy, on January 1, 2006. In addition, the Energize project was introduced across the majority of French sites over the course of the year, enabling staff to take an active role in identifying ways of saving energy.

The Group continued its policy of developing cogeneration at major production sites, which provided an energy output of 1,100 GWh on the French network in 2006.

WASTE

To promote recycling, reuse and heat recovery of some of the raw materials and packaging used, a system of waste separation is in operation on all Rhodia sites. In 2006, 65 percent of incinerated waste was accompanied by heat recovery.

Mitigating the impact of Rhodia's activities

Environmental analyses undertaken by the Group are based on the strict identification of hazards and an accurate assessment of the risks and impact that its activities may have on the environment. The Paulinia site in Brazil, for example, carries out a daily assessment

of the ecotoxicity of effluents for the receiving environment.

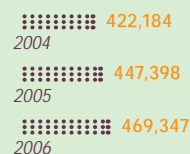
In 2006, 79.6 percent ✓ of Rhodia's plants had produced or reviewed an environmental analysis within the previous five years.

Remediating industrial sites

Rhodia's objective with regard to sites undergoing closure is to carry out the necessary work to prepare the land for future use. Actions consist mainly of containing or remediating deposits, pumping and treating groundwater or monitoring.

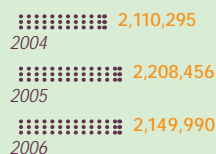
At the end of 2006, environmental provisions set aside for this purpose totaled €207 million, covering the projected value of all reasonably calculable costs for the duration of the treatment required up to 2020, or even 2050 for certain sites.

WATER CONSUMED (in thousands of m³)



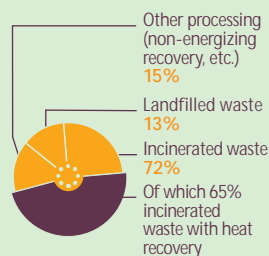
The increase in water consumption is due to the inclusion of consumption not accounted for in previous years.

ENERGY CONSUMED (Total TOE - tonnes of oil equivalent)



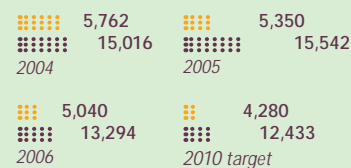
WASTE

Total waste produced in 2006: 482,337 tonnes



IMPACT ON WATER

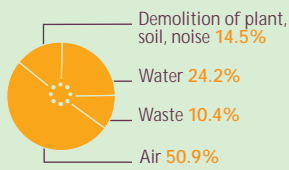
- Eutrophication (in tonnes of Nitrogen + Phosphorus)
- Chemical Oxygen Demand (COD in tonnes of oxygen)



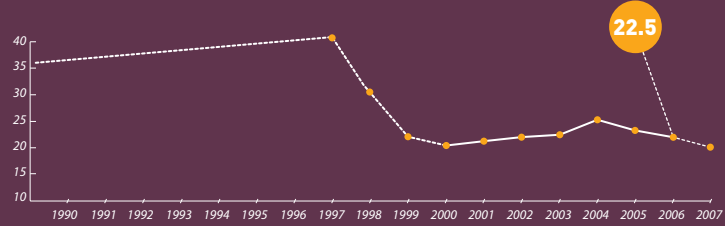
- The Group is making excellent headway in meeting its reduction target (-6% in 2006).
- It has almost reached the reduction target of 20%, achieving a 14% cut in 2006.

**INVESTMENT
IN THE ENVIRONMENT**

€34.5 million

**REDUCTION OF GREENHOUSE GASES**

(in millions of tonnes)



Technical processes for the destruction of nitrous oxide implemented at the Paulinia (Brazil) and Onsan (South Korea) sites at the end of 2006 are beginning to produce results. Pre-2000 data has been recalculated.

**OUTSTANDING COMMITMENT
TO THE FIGHT AGAINST CLIMATE CHANGE**

With growing concerns over climate change and the challenges it poses our planet, Rhodia took the initiative to begin reducing its greenhouse gas (GHG) emissions in the 1990s. This early commitment makes the Group a pioneer in this field and, with efforts intensified year on year, now constitutes a pillar of Rhodia's sustainable development policy.

A review of the Group's global waste and emissions is conducted annually, in accordance with Rhodia's Responsible Care commitment and consistent with the recommendations of CEFIC (the European Chemical Industry Council) and the GRI (Global Reporting Initiative). Regular improvement initiatives are also undertaken to achieve the Group's target to reduce 56 percent of its greenhouse gas emissions over the 1990-2010 period.

At the end of 2006, two new plants geared toward cutting greenhouse gas emissions began operation on the Onsan (South Korea) and Paulinia (Brazil) sites. These will enable Rhodia to reduce nitrous oxide (N₂O)

emissions for each tonne of adipic acid produced by more than 80 percent and place 11- 13 million tonnes of carbon dioxide emission credits (or CERs) on the quotas market each year, from 2007 to 2013.

These projects have received approval from the United Nations within the framework of the Kyoto Protocol. At the end of 2006, the initial emission reductions were audited and 1.6 million tonnes of CO₂ emission credits were received and sold. The Group has also consolidated its position on the CO₂ market through ORBEO, a 50/50 joint venture with Société Générale created in 2006 to trade CERs. This move supports Rhodia's aim to boost the liquidity of this market and actively encourage its growth to combat climate change.

**INSIGHT →
Philippe ROSIER, President
of Rhodia Energy Services**

"Today, Rhodia's performance in reducing its greenhouse gas emissions on a global scale establishes ORBEO as a leading operator on the CO₂ market, thanks to a significant contribution of CERs to the market. ORBEO brings together the industrial expertise of Rhodia in emissions reduction and the experience of Société Générale in trading and managing risk on financial markets.

The result is innovative solutions adapted to the needs of market players, developed to foster exchanges on the carbon market. Within just a few months, ORBEO has become a preferred partner to buyers and traders of carbon-based financial instruments".

→ A company that listens to its markets

FOSTERING LASTING COOPERATION WITH OUR CUSTOMERS

To anticipate customer requirements and provide innovative responses tailored to their needs, Rhodia is building a network of industrial partnerships, particularly in researching and developing solutions focused on sustainable development, in a variety of sectors including the automotive, oil and cosmetics industries, where demand is growing.

Toward the industry of tomorrow

The general public is becoming ever more sensitive to the impact of the use and consumption of products in everyday use. To anticipate the needs of end users and regulatory developments in terms of ease of use, safety and the environment, Rhodia accompanies its customers from the fine-tuning of their technological solutions to the customer's production processes.

With this in mind, the Group has implemented a policy of forging long-standing partnerships with key players in the sector using its products, including cosmetic, high-technology, automotive, chemical and electronic companies. Launched in 2004, the Rhodocoat™ range, for example, is an effective replacement for traditional solvents used in the formulation of industrial, water-borne paints, thus helping to significantly reduce the amount of VOC

(volatile organic compound) waste. Cooperation with AKZO Nobel Coatings on this technology has won Rhodia the title of «preferred supplier» to this market leader. The importance of this initiative in driving forward responsible, green chemistry in Europe is undeniable, with the partnership granted the «Eureka» label by the European Commission.

In 2006, the Group also received the status of best supplier to Cataler, a subsidiary of Toyota, for its rare-earth based formulations used in anti-pollution solutions.

RHODIA, IN PARTNERSHIP WITH CHALLENGE BIBENDUM

As a long-standing partner of Michelin, Rhodia was actively involved in the company's annual Challenge Bibendum, with the 2006 event taking place in Paris. The main goal was to promote technological innovations capable of reducing greenhouse gases and energy

consumption, an area in which the Group excels with its range of technologies already contributing to the sustainable mobility targets of its customers.

Several other product ranges demonstrate the Group's commitment to sustainable development in automotive solutions:

■ EOLYS™, the soluble catalyst for diesel engines, is used for regenerating particulate filters and can now be found in more than 2.5 million vehicles worldwide.

■ High-performance Zeosil™ silicas used in tires reduce rolling resistance, fuel consumption and polluting emissions.

■ Technyl® plastics help reduce the weight of vehicles by replacing metal components, while improving aerodynamics and offering greater design freedom.



INSIGHT → Laurent GILBERT, Advanced Research Director - Material Sciences, L'Oréal

"A leading supplier to the cosmetics industry must be capable of providing all information on its raw materials relating to human health and environmental protection. This requirement begins at the research stage, during which dialog is crucial. We also expect our suppliers to demonstrate an excellent ability to anticipate future challenges - that's one of the main drivers to create value together. Rhodia responds to all these different expectations, and our common commitment to sustainable development is helping to restore a degree of distinction to the chemicals industry."

INNOVATION PROJECTS

30%

of innovation projects initiated in the last three years incorporate sustainable development components within their main objectives.

CUSTOMER RELATIONS

80%

of innovation projects are developed in close collaboration with the Group's customers.



By reducing the weight of vehicles and processing polluting emissions, Rhodia is helping to mitigate the impact of automobiles on the environment.

Maximizing our renewable resources

Today, Rhodia plays an active role in the green chemistry market, thanks to its use of renewable raw materials, such as guar gum and erucic acid extracted from rapeseed. The Group is striving to go even further through its policy of integrating renewable raw materials into production processes.

With this goal in mind, Rhodia is set to harness the opportunities offered by new production lines emerging in the international arena dedicated to bio-resources. In the areas of energy and biofuels, these new lines provide the key to important sources of chemical derivatives and intermediates with great recycling potential. The Group is also forming research partnerships with major companies in the industry as well as in agri-resources, which have implemented biotransformation control procedures. These agri-busi-

ness partners should be able to provide chemical companies with significant volumes of new raw materials at competitive prices.

PROMOTING SUSTAINABLE CHEMISTRY
Rhodia places particular emphasis on developing innovative processes that require less energy and fewer non-renewable resources, such as transforming its diphenols manufacturing process, now an industry benchmark in terms of product quality and environmental stewardship. This new process will be deployed at the diphenols production facilities currently under construction at the Zhenjiang site in China.

Rhodia is moreover a member of SUSCHEM (sustainable chemistry), a European platform that focuses on the chemistry of the future and brings together chemists, laboratories and professional and governmental organizations. Since 2004, the Group has

been actively involved in identifying the areas of development required to raise sustainable chemistry to a Europe-wide level, laying the groundwork for the formulation of the EU's Seventh Research Framework Program (FP7), launched at the beginning of 2007.

PRODUCT STEWARDSHIP: MANAGING RISK THROUGHOUT A PRODUCT'S LIFECYCLE



With the aim of controlling all health, safety and environmental aspects of its products throughout their life cycle, Rhodia has actively adopted a Product Stewardship policy. A Material Safety Data Sheet (MSDS) is drawn up for each of its products, providing all information required for risk control, such as

the nature of the substance, the type of hazard and the applicable safety instructions. Updated at least every three years, the MSDS are sent to customers and research and production teams alike, in order to inform them of the various hazards at each stage.



A company founded on partnership

DEVELOPING WELL-BALANCED RELATIONSHIPS WITH OUR SUPPLIERS

Launched in 2005, the sustainable purchasing approach falls directly in line with Rhodia's responsible chemistry policy. It aims to incorporate sustainable development criteria in the selection of the Group's suppliers.

Rhodia's sustainable purchasing approach

In 2006, the Group purchased products and services to the value of almost €2.5 billion.

Its sustainable purchasing charter identifies three pivotal requirements:

- To define procedures, tools, indicators and training operations, etc. that integrate sustainable development criteria.
- To respect the environment (green purchases, analysis of product life cycle in terms of recyclability and biodegradability).
- To comply with international standards (including human rights, environmental protection, basic social rights, the fight against corruption, etc.).

The Group has also identified three families of supplier - partners, key and 'spot' (one-off) suppliers - and defined an expected level of sustainable development to be met by each category.

After an initial pilot stage, the sustainable purchasing approach was redefined in 2006, in order to anticipate future ISO 26000 requirements and give renewed impetus to corporate social responsibility within the Group.

The sustainable purchasing approach calls for changes in internal and external

practices, where success depends on the mutual agreement of all parties involved. Mutual trust and a shared appreciation of the pace of these changes are essential for forming a well-balanced relationship. The Group has therefore adopted an approach combining the drive and the capacity to put its responsibility into practice.

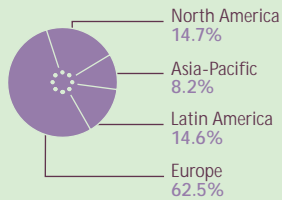
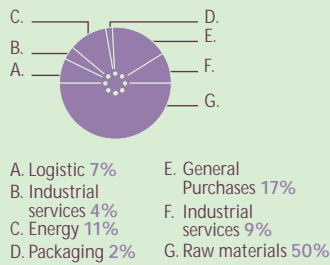
This approach has already made an impact. In 2006, the Group's purchasing function achieved ISO 9001 certification (2000 version), a recognition of Rhodia's lead over its competitors, particularly with regard to processes redeveloped by the Group to incorporate sustainable development requirements.

A LABORATORY DEDICATED TO NEW MATERIALS



Created in 2006, the LPMA, a polymers and advanced materials laboratory based in Lyon, in the Rhône-Alpes region of France, is advancing Rhodia's expertise in this area of research and has met with support from local communities. It falls in line with Rhodia's commitment to promote proximity with customers and suppliers and thus encourage the development of SMEs (small and medium-sized enterprises) in the locality. Rhodia and Axelera (the chemistry and environ-

ment competitiveness cluster created in partnership with Suez, Arkema, the French Petroleum Institute and the CNRS) also signed an SME pact in 2006, which aims to build new sustainable research partnerships with these vital contributors to the local and regional economy. The first meeting with SMEs took place in September, in Lyon, with the next one planned for 2007 in Aubervilliers, France.

DISTRIBUTION OF PURCHASES BY GEOGRAPHIC ZONE (as a %)**DISTRIBUTION OF PURCHASES BY FIELD** (as a %)

Product loading at Belle-Etoile site, France.

Integrating sustainable development into our contracts

As the interface between Rhodia and its suppliers and subcontractors, the Purchasing function has a clear responsibility to fulfill. Working in step with the Group's sustainable development approach since its inception, the function drew up a sustainable development manual, which was subsequently distributed to the Group's 330 buyers. Since the end of 2006, all contracts signed between Rhodia and suppliers have integrated QHSE (Quality, Health, Safety, Environment) clauses and now include CSR (Corporate Social Responsibility) components.

In line with the Group's commitment to create value over the long term, this marks the beginning of a new approach for the Purchasing function, where the buyer no longer fulfils the simple role of cutting costs but becomes a real long-term business partner, able to manage and create value for all stakeholders involved, both within and outside the Group.

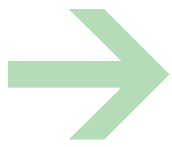


INSIGHT → Olivier MENUET, Purchasing Manager Europe, Rhodia
Jacques DELSAUT, Marketing director of Adecco

"Having been partners for many years, we decided to inject new, far-reaching changes into our commercial relationship in 2006. Both Rhodia and Adecco, which specializes in temporary work, had the same goal of integrating sustainable development requirements in mind, to create a perfectly balanced, transparent and mutually beneficial relationship.

The original contract between our two companies was rather conventional, based on service price and a commitment by the supplier to pass any annual productivity

gains on to the customer. It has now been replaced with a contract that takes account of global service costs, which are then reduced through close cooperation. In 2007, we will be mobilizing our expertise to identify potential productivity gains, harmonize our transactional processes and share the benefits of any progress made equally. We have also set up a working group to draw up a common commitment charter and take the sustainable development dimension of our relationship to the next level."



A company integrated into its local communities

FOSTERING A RELATIONSHIP WITH COMMUNITIES BASED ON TRUST

Rhodia has an active policy of managing industrial risk. Applied internally within the Group, this policy is built on constant dialog with external stakeholders. Meeting their expectations is crucial to ensure that Rhodia's activities can be integrated into its local communities in a sustainable way.

A PERMANENT DIALOG WITH RESIDENTS

The right to be heard and informed

Living near Rhodia sites gives local residents, elected officials and associations the right to be heard and informed about the Group's activities, in the context of open and honest dialog. Open-house days and the Group's involvement in, for example, local information and consultation committees (CLIC) in France and community advisory panels in the USA all contribute positively to this goal.

Rhodia's Pont-de-Claix site took part in the first meeting of the CLIC (Comité Locaux d'Informations et de Concertations) for Grenoble and South Isère (France). Made up of local representatives and set up in compliance with the French law governing Seveso-classified sites, this committee focuses on improving information and communication on industrial risk.

The proximity of nearby towns, the technologies used, the global management of industrial risks and local concerns over environmental issues (water, air, waste, transport, etc.) prompted the site team to establish and foster a permanent, open dialog with the various stakeholders, including State services, elected officials, environmental protection associations, residents, schools and universities, etc.

AN OUTSTANDING PARTNERSHIP

For years, the Collonges site in France has worked to foster communication, particularly with local residents and elected officials. The first Rhodia site in Europe to attain ISO 14001 environmental certification in 2002, Collonges organized a "Sustainable Development Day" in 2006, bringing together elected officials from neighboring areas and representatives of local residents' associations.

Teams from the Group presented a review of the site's environmental and economic activities, detailing its commitments to stakeholders and how these translate into practice. These include the reduction and treatment of aqueous waste, improved efficiency in by-product recycling processes, and a significant reduction in noise levels as well as air pollution.

As a testament to the outstanding partnership with sustainable development at its core, the Collonges Town Hall decided to use the methodology developed by Rhodia and its partners to map and deal with its own noise pollution.



INSIGHT → Angelia WASHINGTON,
Human resources manager – Charleston, South Carolina (USA)

"As the main contact person with the community, I serve on a number of boards and committees in the Charleston area. Rhodia has a very active Community Advisory Panel which meets monthly and is comprised of folks who live and work in the area. We learn from each other. Right now, we're working on a program to train community leaders in how to conduct a shelter-in-place exercise. Over the years, I've gotten to know so many people that a lot of folks invite me to their family gatherings."



1 *Museu de Arte Jovem: Ivens Francisco Ribeiro, winner of the art competition*

2 *Virtual image of Wattlelos remediation project.*

AN OPEN RELATIONSHIP WITH CIVIL SOCIETY

Raising awareness of chemistry and its applications

In North America, the "Chemistry Connection" program was created in 1989 to promote science education among middle school students. To date, more than 125 Rhodia employee volunteers have taken part in presentations to some 250,000 students in the USA, Canada and France.

These "ambassadors" for responsible chemistry are helping to stimulate interest in science and chemistry, through exciting experiments that demonstrate how Rhodia products can enhance quality of life.

RHODIA, A PARTNER IN EDUCATION AND THE ENVIRONMENT

In Brazil, Rhodia is working in partnership with the Museu de Arte Jovem (Museum of Young People's Art), an initiative aimed at encouraging art and

education among the country's socially excluded teenagers. The theme in 2006 was entitled: "Let's ensure the future of our planet". Students were asked to create paintings inspired by different areas of sustainable development, and the best pieces were showcased in a touring exhibition around the Group's Brazilian and French sites.

In South Korea, the Incheon site has made an outstanding contribution to the local community. Beyond initiatives to promote balanced and sustainable development for the town (fighting water and air pollution, creating green spaces, etc.), the Rhodia team actively participates in schools, educating students about environmental issues.

In France, Rhodia provided support to the building of a primary school in Saint-Fons (located south of Lyon), the first to be granted High Environmental Quality (HEQ) certification in the region.

WATTELOS: AN OUTSTANDING REMEDIATION PROJECT

In 2006, the remediation project at the Wattlelos site in northern France entered into its first phase. In the place of the old industrial site, the project aims to create a natural, metropolitan space, open to the public.

From now until 2008, a series of remediation measures will transform the derelict industrial site: any remaining buildings will be removed, polluted soil confined and the whole zone covered with a layer of clay to minimize surface water infiltration. The addition of a layer of soil will then pave the way for landscaping and new planting at the site. From the outset, Rhodia has been actively involved in this outstanding project initiated by the residents of Lille to restore the natural environment.

SERTOW: TOP ENTERPRISE IN SERPUKHOV (RUSSIA) 2006



Awarded to Rhodia Acetow Russia, the "Serpukhov Top Enterprise 2006" prize recognized the Sertow site's excellent results, dynamic contribution to the town's social and economic life, and commitment to sustainable development. The second largest Rhodia Acetow

production site in the world, Sertow has installed the latest technologies while cutting its CO₂ emissions by 1,800 tonnes per year - thanks to a new boiler system and process improvements - and reducing noise pollution by installing additional noise absorbers.

Measuring our performance

ENVIRONMENTAL INDICATORS

2004-2005-2006 CONSOLIDATION

Emissions were determined on a historical basis in order to show the Group's annual impact. However, to ensure transparency, all indicators illustrating emission trends in percentage terms within the body of this report (and par-

ticularly those appearing on pages 22 and 23) as well as their targets have been restated and calculated on a comparative basis. This enables us to judge the real efforts made by the Group within the scope of its activities as of December 31, 2006.

Conserving natural resources

Energy	On a historical scope		
RESULTS (in TOE - tonnes of oil equivalent)	2004-2006 CONSOLIDATION		
	2004	2005	2006
FOSSIL AND ALTERNATIVE FUEL	1,525,803	1,452,185	1,389,681
ELECTRICITY	893,865	649,842	568,340
THERMAL ENERGY (vapor)	445,186	196,454	196,714
TOTAL TOE (intra-Rhodia sales eliminated)	2,864,855	2,298,482	2,154,735

Water consumption	On a historical scope		
RESULTS (in thousands of m ³)	2004-2006 CONSOLIDATION		
	2004	2005	2006
DRINKING WATER	14,648	12,811	17,901
UNDERGROUND WATER	214,448	211,268	218,000
SURFACE WATER	243,363	240,221	233,581
TOTAL	472,458	464,301	469,482

Limiting the impact of our activities

ON THE AIR:

Greenhouse gases	On a historical scope		
RESULTS (in tonnes)	2004-2006 CONSOLIDATION		
	2004	2005	2006
CO ₂ LINKED WITH CHEMICAL PROCESS	193,547	204,183	166,642
ENERGY CO ₂ *	7,468,321	7,567,086	7,140,394
OTHER CO ₂ EQUIVALENT GASES	19,428,211	17,793,589	16,851,024
OF WHICH N ₂ O	17,881,064	16,304,871	15,036,387
CO ₂ TOTAL (intra-Rhodia sales eliminated)	26,233,191	23,940,618	22,559,640

New facilities for the destruction of nitrous oxide in Onsan, Korea (3 months of operation) and in Paulinia, Brazil (1 month of operation) are beginning to produce results.

After a full year in operation, the reduction target of 11 to 13 million tonnes of CO₂ equivalents per year will have been achieved.

*Fossil and alternative fuel, electricity and vapor (intra-Rhodia sales not eliminated).

Greenhouse gases (GHG emissions according to the categories of the Kyoto Protocol)	On a historical scope		
GASES (expressed in CO ₂ equivalents)	2004-2006 CONSOLIDATION		
	2004	2005	2006
CO ₂	6,740,030	6,146,807	5,708,615
SF ₆	0	0	0
CH ₄	3,712	4,165	4,994
PFC	538,850	507,702	629,675
N ₂ O	17,881,064	16,304,871	15,036,387
HFC	192,096	141,574	170,788
EXCL. KYOTO	877,439	835,498	1,009,181
GHG TOTAL	26,233,191	23,940,618	22,559,640

Rhodia not only monitors greenhouse gases included within the framework of the Kyoto Protocol, but also other gases outside of the Protocol which contribute to global warming (CFCs, HCFCs, etc.).

Acidification	On a historical scope		
RESULTS (in tonnes)	2004-2006 CONSOLIDATION		
	2004	2005	2006
SO _x	23,984	22,152	21,951
NO _x (EXCLUDING N ₂ O)	6,701	8,943	7,141
TOTAL SO _x + NO _x	30,685	31,096	29,093
PARTICULATE MATTER	1,063	1,196	826
H _x	83	71	94

The decrease in air acidification is essentially linked to a decrease in nitrogen oxide emissions (excluding nitrous oxide) due to the use of less emissive fuels and thermal processes.

Tropospheric ozone	On a historical scope		
RESULTS (in tonnes)	2004-2006 CONSOLIDATION		
	2004	2005	2006
VOLATILE ORGANIC COMPOUNDS (VOC)	7,993	6,973	5,939

With a 15% drop in volatile organic compound (VOC) emissions, the Group is seeing the result of its efforts in the destruction of these compounds at Chalampé in France (SISOX facility) and improving acetone-related emissions at Rhodia Acetow sites.

ON WATER:

Eutrophication	On a historical scope		
RESULTS (in tonnes)	2004-2006 CONSOLIDATION		
	2004	2005	2006
PHOSPHORUS (P)	6,534	523	539
NITROGEN (N)	5,766	4,559	4,504
TOTAL	12,300	5,082	5,043

No change in this indicator between 2005 and 2006.

Heavy metal waste in 2006 expressed in copper equivalent			
LIST OF HEAVY METALS	RAW WASTE IN TONNES	COEFFICIENT	COPPER EQV.
ARSENIC	0.234	0.200	0.047
CADMIUM	0.182	2.000	0.364
CHROME	1.316	0.330	0.434
COPPER	4.900	1.000	4.900
LEAD	0.332	0.200	0.066
MERCURY	0.100	16.670	1.675
NICKEL	4.017	0.170	0.683
ZINC	2.781	0.125	0.348
TOTAL OF COPPER EQV. EMITTED IN TONNES:			8.517

Damage to the aquatic environment	On a historical scope		
RESULTS (in tonnes)	2004-2006 CONSOLIDATION		
	2004	2005	2006
CHEMICAL OXYGEN DEMAND (COD)	17,312	15,893	13,389
SUSPENDED SOLIDS (SS)	4,469	3,713	3,734
SOLUBLE SALTS	265,431	284,930	311,899
ABSORBABLE ORGANIC HALOGENS (AO _x)	53	75	73
HEAVY METALS (in copper equivalent)	16	9	9

The 16 percent fall in COD waste in 2006 in comparison to the 2005 period is mainly linked to the incineration of effluents at the Clamecy site (France), the closure of certain sites and the discontinuation of production at the Lille site in France.

It should also be noted that a COD waste reduction program has been implemented at the Wuxi site in China for water recycling.

Waste production and recovery:

Waste	On a historical scope		
RESULTS (in tonnes)	2004-2006 CONSOLIDATION		
	2004	2005	2006
LANDFILL			
LANDFILLED HAZARDOUS WASTE	30,423	26,082	31,650
LANDFILLED NON-HAZARDOUS WASTE	40,570	39,743	29,270
MINING-TYPE WASTE (gypsum, carbonate, etc.)	1,074,990	248,861	1,645
INCINERATION			
WASTE INCINERATED BY RHODIA	245,616	240,948	243,384
OF WHICH WASTE INCINERATED BY RHODIA WITH HEAT RECOVERY	181,382	167,270	174,487
INCINERATION RATE WITH HEAT RECOVERY (internal and external)	74%	67%	65%

Recovery of materials and disposal as fertilizer	On a historical scope		
RESULTS (in tonnes)	2004-2006 CONSOLIDATION		
	2004	2005	2006
RECOVERY OF MATERIALS	109,977	103,303	75,811
DISPOSAL AS FERTILIZER	25,839	22,218	26,721

The rate of waste incineration and energy recovery is maintained at a high level of 65 percent.

Improvement initiatives in the areas of safety and the environment

Process safety studies	On comparative scope		
	2004	2005	2006 ⁽¹⁾
RATE OF "PROCESS SAFETY" STUDIES, CARRIED OUT OR REVIEWED WITHIN THE LAST 5 YEARS	0.89	0.91	0.80
RATE OF "PROCESS SAFETY" STUDIES, CARRIED OUT OR REVIEWED WITHIN THE LAST 5 YEARS ON SEVESO SITES	0.90	0.93	0.93✓

80 percent of our facilities have undergone a process-related safety study within the past five years. Special emphasis was placed on Seveso-classified units or similar (for countries outside the European Union), for which a coverage rate of 93 percent was achieved.

France, in particular, was the focus of intensified efforts, with analyses set up for the technological risk prevention plans (TRPP) to comply with the French law of the same name, dated July 30, 2003, and, within the geographical zones, with the training of high-level experts.

Number of SEVESO-classed sites: 37.

(1) Indicator based on the combined total of coverage percentages from each facility.

Environmental analysis	On comparative scope		
	2004	2005	2006
RATE OF ANALYSES MADE OF ENVIRONMENTAL ISSUES, UNDERTAKEN OR REVIEWED WITHIN THE LAST 5 YEARS	0.77	0.81	0.796✓

Regarding the environment, ever-changing regulations mean that the Group's operatives and experts have to be continuously brought up to standard. Rhodia's "Environment Guide" published by the Group in 2005 and updated in 2006 to account for developments in the Group's activities, provided its sites with a method for prioritizing studies according to impact.

This indicator remains at a high level with environmental studies conducted at 80 percent of all Rhodia production facilities.



Measuring our performance

HEALTH AND SAFETY INDICATORS

Personal safety

ANALYSIS OF HEALTH AND SAFETY RISKS

Studies to evaluate Health and Safety risks were carried out or reviewed in the last 5 years for 84% ✓ of functions. The continual improvement in this rate is the result of progress made in establishing an occupational health policy in the various geographic zones in which the Group operates. The tools put in place explain the essentials of the various types of risk – chemical, physical and biological - but also more specific risks, such as those connected with noise and vibration. These tools are updated regularly to take account of analyses of past experience and statutory developments.

RESULTS AND PERFORMANCE

Since 2006, Rhodia has been consolidating the safety results for all personnel operating on its sites (Rhodia personnel + temporary staff + contractors) and a set of global objectives has been established.

The accident rate is decreasing year on year, a result of efforts made over time. This improvement has firmly established Rhodia as one of the leading companies worldwide in our sector. Based on historical comparisons, with a TF1 of 0.5 and a TF2 of 1.1, Rhodia achieved its best performance ever in this area in 2006.

TF1/TF2 ACCIDENT RATE	2004	2005	2006
ALL PERSONNEL WORKING ON A RHODIA SITE TF1 ⁽¹⁾	1.1	0.9	0.7
ALL PERSONNEL WORKING ON A RHODIA SITE TF2 ⁽²⁾	2.9	2.1	1.5
RHODIA PERSONNEL TF1 ⁽³⁾	0.9	0.8	0.5
RHODIA PERSONNEL TF2 ⁽⁴⁾	2.2	1.8	1.1
RHODIA PERSONNEL TG ⁽⁵⁾	0.08	0.05	0.04
OCCUPATIONAL DISEASES FOR RHODIA PERSONNEL	35	41	57 ⁽¹⁰⁾
TEMPORARY STAFF TF1 ⁽⁶⁾	0.5	1.4	1.7
TEMPORARY STAFF TF2 ⁽⁷⁾	1.9	2.3	2.3
CONTRACTORS TF1 ⁽⁸⁾	2.0	1.1	1.2
CONTRACTORS TF2 ⁽⁹⁾	5.3	3.0	2.6
NUMBER OF DEATHS AMONG RHODIA PERSONNEL, CONTRACTORS AND TEMPORARY STAFF	0	0	0

(1) Accident frequency rate resulting in leave of one full day (or more), over and above the day of the accident, for Rhodia personnel, temporary staff and companies from outside the Group, whose employees work at Rhodia sites, measured as the number of accidents occurring per million man hours.

(2) Accident frequency rate, whether or not resulting in leave, for Rhodia personnel, temporary staff and companies from outside the Group, whose employees work at Rhodia sites, measured as the number of accidents occurring per million man hours.

(3) Accident frequency rate resulting in leave of one full day (or more), over and above the day of the accident, measured as the number of accidents occurring per million man hours.

(4) Accident frequency rate, whether or not resulting in leave, measured as the number of accidents occurring per million man hours.

(5) Accident severity rate with leave, measured as the number of working days lost per thousand man hours.

(6) Accident frequency rate resulting in leave of one day (or more), over and above the day of the accident, for temporary staff employed at Rhodia Group sites, measured as

the number of accidents occurring per million man hours.

(7) Accident frequency rate, whether or not resulting in leave, for temporary staff employed at Rhodia Group sites, measured as the number of accidents occurring per million man hours.

(8) Accident frequency rate resulting in leave, for companies from outside the Rhodia Group, whose employees work at Rhodia sites, measured as the number of accidents occurring per million man hours.

(9) Accident frequency rate, whether or not resulting in leave, for companies outside the Rhodia Group, whose employees work at Rhodia sites, measured as the number of accidents occurring per million man hours.

(10) Cases of occupational diseases recognized in 2006 (excluding cases already identified as likely to be recognized) in 2005) or cases identified in 2006 as likely to be recognized later, i.e. cases of occupational diseases entered in 2006 but for which a decision on their recognition was not yet known by the Group as at 12/31/2006 (for France only).

Analysis of health and safety risks

ASSESSMENTS OF CMR SUBSTANCES PRESENT AT OUR SITES

FIGURES FOR 2006	2006	2008 TARGET
NUMBER OF LOCATIONS AT OUR SITES USING A CMR PRODUCT (EC CATEGORIES 1, 2, IARC 1 AND 2A)	607	Estimate not possible to date
% OF NON-SUBSTITUTION OR SUBSTITUTION BRIEFING DOCUMENTS DRAFTED	25%	100%
% OF IN-DEPTH ASSESSMENTS CARRIED OUT	27%	100%
% OF CMR DOSSIERS CREATED	24%	100%

With the aim of monitoring the application of Rhodia's CMR procedure at an international level, a new indicator was created in 2006. Around 600 locations using a CMR product (corresponding to a set of one hundred or so CMR substances, including raw materials, intermediates, laboratory reagents and finished products) were entered by the Group's sites and research centers. 25 percent of non-substitution briefing documents were drafted and as many in-depth assessments carried out. 24 percent of CMR dossiers were finalized, with a target of 100 percent for the end of 2008.

DATA FOR THE IDENTIFICATION OF HAZARDS AND RISK ASSESSMENT

MSDS (Material Safety Data Sheets) on hazardous products used at sites, dated within last 3 years

	2004	2005	2006
AVAILABILITY RATE OF MSDS, DATED WITHIN LAST 3 YEARS, COVERING HAZARDOUS PRODUCTS USED AT SITES	73%	72%	76%

High-quality Material Safety Data Sheets are essential for ensuring that our risk assessments are relevant, since scientific data and statutory requirements are constantly being updated. Three-quarters of the Group's MSDS were produced or reviewed in the last three years. The improvement in this rate is a major sign of progress for our sites.

MANAGEMENT'S COMMITMENT

The number of managerial inspections made in 2006 was 7.6, against a target of 5.

Moreover, members of the General Management Committee, as well as Function Managers and Executive Committee members made 17 safety visits in 2006, the equivalent of 1.7 per person compared to 1.33 in 2005.

INVOLVEMENT OF PEOPLE

ON COMPARATIVE BASIS	2004	2005	2006
RATE OF PEOPLE INVOLVED IN A PROGRESS METHOD (5S, PGI: PLANNED GENERAL INSPECTIONS, BBS: BEHAVIOR-BASED SAFETY, OR OTHER RISK ASSESSMENT METHOD, IDEAS BOX, ETC.)	0.63	0.78	0.793✓

Success in the areas of Health, Safety and Environment is only possible through the concerted effort of everyone involved in this process, through daily action. With a marked improvement in this indicator, Rhodia is seeing an improved trend toward even better performance.

PROCESS SAFETY STUDIES

Number of process accidents categorized as C,H,A (Catastrophic, High, Average)

2004	2005	2006
33	46	22

With the aim of permanently reducing the number of process accidents categorized as Catastrophic, High or Average, the Group implemented a monitoring strategy for Low-level incidents at the end of 2006. This will create a bank of statistical data to conduct analyses of past experience.

TRANSPORT SAFETY

Number of transport accidents

2004	2005	2006
14	23	22

2006 saw a drop in the number of accidents. This was accompanied by a fall in the level of severity and consequently a reduction in physical injuries. For the first time ever in the reporting of transport incidents and accidents, the Rhodia Group had no accidents or incidents to report within one whole month. However, almost 60 percent of accidents are due to incidents involving transport. Actions to raise awareness will be intensified in 2007.

SOCIAL INDICATORS

CHANGES IN STAFFING LEVELS

ON A HISTORICAL BASIS	2004	2005	2006
STAFFING CHANGES	20,577	19,444	17,077

On 01/31/07, Rhodia finalized the sale of its Silicones activity, which brought the number of its staff to 15,924 employees.

INCOMING/OUTGOING BALANCE

(EXCLUDING EFFECT OF HISTORICAL TREND)	2004	2005	2006
EXTERNAL RECRUITMENT	715	1,025	1,116
OUTGOING	1,891	2,217	1,739

Rhodia continued with its productivity efforts in 2006. However, reductions in staffing levels have slowed, with a pace of 5-6 percent in recent years replaced by 3.5 percent in 2006. This is due to a rise in recruitment and a reduction in the Group's outgoing staff. France, the United Kingdom and the United States continued to account for outgoing staff numbers, while China saw a significant rise in the number of staff recruited in 2006 (203).

INVESTMENT IN TRAINING

(IN EUROS)	2004	2005	2006
TRAINING INVESTMENT PER PERSON	314	324	317

Average investment per person went from €324 in 2005 to €317 in 2006, both as a result of more internal training (site training, skill development, etc.) and an effort to reduce structural costs.

NUMBER OF HOURS OF TRAINING

(IN HOURS)	2004	2005	2006
TRAINING PER PERSON	N/A	18	20

In 2006, the average number of hours of training per person increased due to better management of the training budget and the implementation of internal skill development programs, with 830 employees receiving training in 2006.

INTERNAL MOBILITY OF EXECUTIVES

	2004	2005	2006
% OF EXECUTIVES TRANSFERRED INTERNALLY	11%	17%	10%

110 percent of executives transferred internally, confirming the upward trend underway since 2002.

GEOGRAPHIC MOBILITY

	2004	2005	2006
NUMBER OF EXPATRIATES FROM "SPECIAL ASSIGNMENTS" AND SHORT-TERM ASSIGNMENTS	121	111	137

In 2006, the number of expatriates and those in the same category remained almost the same (+2). Short-term overseas assignments rose significantly (+20). This is linked with investments in Asia, where inter-country mobility in this zone is beginning to develop.



Our commitments confirmed

EXTERNAL ASSESSMENTS

RATINGS AND CERTIFICATIONS

VIGEO rating

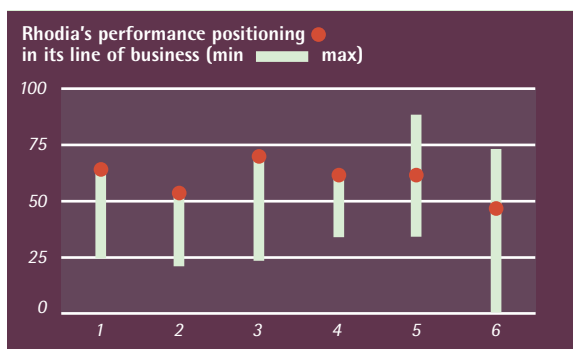
The European rating agency VIGEO establishes a "declarative" rating for Rhodia each year. This type of rating is mainly intended for investors and is based on companies' public documents and on information from stakeholders (sector-based reports, press reviews, etc.), supplemented where necessary by specific questionnaires.

Compared with 2005, the Group's overall performance improved. Rhodia is perceived to be one of the best in its sector for respect of human

rights, social dialog with employee representatives and the continuous improvement of its safety results. Signing the Corporate Social Responsibility agreement with the sector's international workers union (ICEM) in 2006 reinforced the Group's credibility in this domain. Improvements were also seen in both societal commitment and corporate governance. Moreover, the inclusion of Rhodia in the ASPI Eurozone index is a clear testament to the Group's sincere commitment to its environmental and social responsibilities.

RHODIA REPORTING: UNMISTAKEABLE QUALITY

Since 2002, Rhodia's Sustainable Development report has been checked by PricewaterhouseCoopers by drawing on the Group's key indicators in Health, Safety and Environment. This audit covers both the report itself and the aspects relating to the French NRE (New Economic Regulations) decree of February 20, 2002, in the areas of the Environment and Safety. In 2006, for the fourth year running, Rhodia has obtained "reasonable assurance", that is to say, the highest level of assurance, for the quality of its reporting.



- (1) Human rights
- (2) Environment
- (3) Human resources

- (4) Customers and suppliers
- (5) Corporate governance
- (6) Societal commitment

- ++ Company is classed among the most committed companies in its line of business
- + Company is classed among the most active companies in its line of business
- = Company is classed among the average companies in its line of business
- Company is classed among the companies that are below average in its line of business
- Company is classed among the least advanced companies in its line of business

Corporate governance, environmental and social performance

Fields min -- / max ++	Ratings 09/2005	Ratings 03/2007
HUMAN RIGHTS	++	++
ENVIRONMENT	+	+
HUMAN RESOURCES	+	+
CUSTOMERS AND SUPPLIERS	+	+
CORPORATE GOVERNANCE	=	+
SOCIETAL COMMITMENT	=	=

SRI RESEARCH
Index

Rhodia - March 2007
is included in



The **ASPI Eurozone**® index consists of the 120 listed Eurozone companies that perform best in social and environmental terms. The stocks are selected on the basis of Vigéo ratings.

www.vigéo.com

STATEMENT BY PRICEWATERHOUSECOOPERS

Statement of PricewaterhouseCoopers on health, safety and environmental improvement initiatives

This is a free translation into English of the Statutory Auditor's statement issued in the French language and is provided solely for the convenience of English speaking readers. The statement should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In connection with our review, Rhodia asked us to check the extent to which improvement initiatives in support of the Group's commitments had been implemented at the sites visited. This statement only concerns actions carried out in 2006, identified by the ✓ symbol.

During our site visits, we interviewed managers responsible for health, safety and environment commitments and ensured, on the basis of documentary reviews (site inspection reports, internal monitoring reports, management reports, accounting data, etc.), that the actions in 2006 were consistent with the information entered by the site in the reporting system.

After the visits, at corporate headquarters, we carried out a review - on a test basis - of consistency checks and sites counts made by the reporting managers.

Based on a sample of 18 sites visited, selected on the basis of their contribution to the environmental and safety indicators, the figures disclosed by the Group - identified by the symbol - appear to be ✓ consistent with the result of our review.

Paris, March 6, 2007

PricewaterhouseCoopers Audit

Christian Perrier
Statutory Auditor Partner

Sylvain Lambert
Sustainable Development Department Partner





Auditor's report

REVIEW REPORT FROM PRICEWATERHOUSECOOPERS AUDIT ON THE CALCULATION OF ENVIRONMENTAL AND SAFETY INDICATORS FOR 2006

This is a free translation into English of the Statutory Auditor's review report issued in the French language and is provided solely for the convenience of English speaking readers. The review report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

At the request of Rhodia's Senior Management, and in our capacity as the Group's Statutory Auditors, we have carried out certain verification work to obtain reasonable assurance concerning the following 2006 data, presented on pages 30 to 32 of the Sustainable Development Report:

- **Air:** Greenhouse gases expressed in CO₂ equivalent, acidification (nitrogen and sulfur oxides) and tropospheric ozone (Volatile Organic Compounds)
- **Water:** Consumption, eutrophication (nitrogen and phosphorus) and damage to the aquatic environment (Chemical Oxygen Demand, suspended solids, and soluble salts)
- **Waste:** Landfilled hazardous waste and landfilled non-hazardous waste
- **Safety:** Rhodia personnel (TF1, TF2, accident severity rate, deaths and occupational diseases), contractors (TF1, TF2 and deaths) and temporary staff (TF1, TF2 and deaths), all personnel (Rhodia, contractors and temporary: TF1 and TF2).

This data, which is the responsibility of Rhodia Senior Management, has been prepared in accordance with Responsible Care Data reporting procedures (RCD 06 and the related glossary, RCD 06-01), which represent the standards generally accepted by the global chemical industry and are available for consultation at corporate headquarters.

Our responsibility is to express an opinion about this data, based on our review.

NATURE AND SCOPE OF OUR REVIEW

We carried out the reviews described below to obtain reasonable assurance that no material irregularities exist with regard to the data referred to above.

Our review was conducted between November 2006 and the end of January 2007 at corporate headquarters and at 18 major sites worldwide, representing 37 operating units, selected on the basis of 2005 data. The facilities concerned are located in France, Germany, Brazil, the United States, China and Korea.

Environmental data for the units visited covers, for each indicator, the following percentages of the total figures published by the Rhodia Group:

Greenhouse gases (CO ₂ equivalent, intra-group sales eliminated) 2006	93.7%
Acidification (nitrogen and sulfur oxide emissions) 2006	87.8%
Tropospheric ozone (VOC emissions) 2006	57.8%
Water consumption 2006	85.8%
Eutrophication (nitrogen and phosphorus emissions) 2006	85.7%
Damage to the aquatic environment (COD emissions) 2006	64.7%
Damage to the aquatic environment (suspended solids) 2006	42.2%
Damage to the aquatic environment (soluble salts) 2006	42.2%
Landfilled hazardous waste 2006	45.8%
Landfilled non-hazardous waste 2006 (excluding mining-type waste)	24.3%

Safety data for the units visited covers, for each indicator, the following percentages of total hours worked used to calculate frequency and severity rates.

Rhodia personnel	28%
Contract employees	36%
Temporary staff	39%
All personnel (Rhodia, contractors and temporary staff)	30%

WE CARRIED OUT THE FOLLOWING WORK:

At corporate headquarters and prior to the site visits:

- We reviewed reporting procedures in terms of their relevance, reliability, objectivity and ease of comprehension.

During site visits:

- We checked that the Group reporting rules were properly applied, including the definitions of the Responsible Care indicators which we conducted our review on.
- Concerning environmental and safety indicators (except for occupational diseases):
 - We compared, on a test basis, the data entered in the reporting system by the operating units with information obtained from a wide range of sources (including self-assessments, reports prepared for government agencies, reports by outside organizations drawn up in the context of local regulations, internal monitoring documents, invoices and management reporting data).
 - We performed an analytic review of the raw data used to calculate the 2006 indicators, compared with data for the previous fiscal year.
 - Where discrepancies were identified, we determined the correct value based on discussions with the operating unit and Corporate Responsible Care team, and checked that the necessary adjustments had been made in the unit's reporting datasheet.

After the site visits, at corporate headquarters:

- For the sites visited

We checked that the data reviewed for the operating units visited had been properly included in the consolidated data produced by the Corporate Responsible Care Department.
- For the sites that were not visited:
 - We reviewed, on a test basis, the work carried out by the reporting managers to follow-up and explain the discrepancies between the 2005 and 2006 data.
 - We reviewed, on a test basis, the consistency checks made by the reporting managers.

→ For occupational diseases:

We reviewed, on a test basis, the work done on analyzing and classifying cases of occupational diseases in France and abroad (work carried out by the Responsible Care Department in collaboration with a law firm for France). This review was conducted on the following scope: occupational diseases recognized in 2006 (excluding cases already identified in 2005 as «likely to be subsequently recognized») or identified in 2006 as likely to be subsequently recognized (i.e. cases of occupational diseases entered as current to 2006 but for which a decision on their recognition was not yet known by the Group as at 12/31/2006, for France only).

We requested the assistance of our experts from the Sustainable Development Department to conduct this verification work.

In view of the work carried out annually over the last eight years on the Group's major sites, we consider that our review on the environmental and safety data described in the first paragraph of this report provide a reasonable basis for the opinion expressed below.

CONCLUSION

In our opinion, the environmental and safety data identified in the first paragraph of this report has been prepared, in all material aspects, in accordance with the procedures defined by the Group and does not contain material errors.

Paris, March 6, 2007
PricewaterhouseCoopers Audit

Christian Perrier
Statutory Auditor Partner

Sylvain Lambert
Sustainable Development Department Partner





For more information

GLOSSARY

AO_x

Absorbable Organic Halogen Compounds that are absorbed by Active Carbon.

CEPIC

European Chemical Industry Council, whose mission is to promote and continuously improve the activities of the European chemical industry, including health, safety and environmental performance.

CFC

Chlorofluorocarbons.

CH₄

Methane.

CMR

Carcinogenic, Mutagenic and toxic for Reproduction.

CO₂

Carbon dioxide.

CNRS

France's National Scientific Research Center.

COD

Chemical Oxygen Demand.

CSR

Corporate Social Responsibility.

GLOBAL COMPACT

Drawn up in 1999 on the initiative of the former UN Secretary-General, Kofi Annan, it aims to ensure that heads of companies promote and uphold ten universal principles concerning human rights, working conditions, respect for the environment and anti-corruption.

GRI

Global Reporting Initiative: A world-wide, multi-stakeholder initiative set up to develop an international standard for environmental and social reporting as well as define guidelines and key performance indicators.

H_x

Halogenated Hydracids.

HCFC

Hydrochlorofluorocarbons.

HFC

Hydrofluorocarbons.

ISO 26000

Guidance standard on Social Responsibility currently being developed. This standard is the subject of thematic discussions and studies by working groups (NGOs, businesses, governmental organizations, standardization bodies, etc.). ISO 26000 will incorporate the requirements of ISO 9001 (quality management) and ISO 14001 (environmental management) standards. However, it will only contain guidelines and will not be for use as a certification standard.

KYOTO PROTOCOL/QUOTAS MARKET

To reach the reduction targets set by the Kyoto Protocol, each European country has drawn up a National Quota Allocation Plan, setting the targets that the liable companies must not exceed over the 2005-2007 period. Various solutions are envisaged for quota "allocators", including the reduction of emissions so as not to exceed the applicable threshold, obtaining additional credits or, likewise, buying quotas from more efficient emitters on the European exchange market for greenhouse gas emissions.

MIS

Materials in Suspension.

N₂O

Nitrous oxide.

NO_x

Nitrogen oxides, excluding N₂O.

NGO

Non-Governmental Organization.

PFC

Perfluorocarbons.

PRODUCT STEWARDSHIP

A responsible product-management approach designed to ensure that the use of chemical products does not damage human health or the environment.

RESPONSIBLE CARE

The chemical industry's voluntary HSE continuous improvement initiative to promote safe handling of products, from development in the research laboratory to manufacturing, distribution, use and disposal.

REACH

The REACH (Registration, Evaluation and Authorization of Chemicals) directive is designed to ensure that companies manufacturing and importing chemical products evaluate the risks associated with their use, and take the necessary measures to manage any risks identified.

SF₆

Sulfur hexafluoride.

SO₂ / SO_x

Sulfur oxides.

SEVESO

A European Union policy to prevent chemical risks, set out in the European directive on the control of major accident hazards involving dangerous substances, adopted in 1982 as the "Seveso I" directive and replaced in 1996 by the "Seveso II" directive.

STAKEHOLDERS

All individuals or groups who contribute to the economic life of the company (employees, customers, suppliers, shareholders), who monitor the company (trade unions, NGOs), or who are to a greater or lesser degree directly influenced by it (civil society, community, etc.).

SUSTAINABLE DEVELOPMENT

"Development which meets the needs of the present without compromising the ability of future generations to meet their own needs." Report by the UN Commission on Environment and Development (Brundtland Commission), "Our Common Future", 1987.

TOE

Tonnes of Oil Equivalent.

VOC

Volatile Organic Compounds.

USEFUL WEBSITES

■ On corporate responsibility

www.unglobalcompact.org
www.globalreporting.org
www.orse.org

■ On the environment

www.unep.org
■ On social issues
www.icem.org
www.imsentrendre.com

■ On the commitments of the chemical sector

www.responsiblecare.org
<http://ec.europa.eu/enterprise/reach> (Reach)

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An interactive version of this report is available in the Sustainable Development section.

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RHODIA IS A PARTNER OF:



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