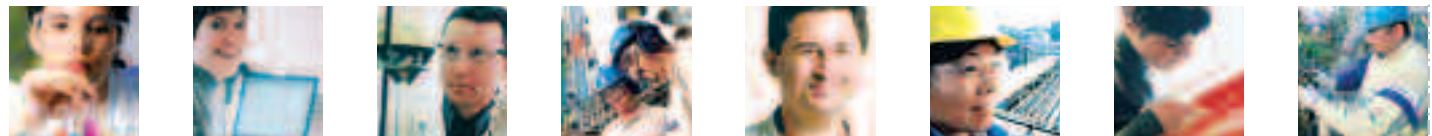


Responsibility through actions



Sustainable Development Report 2005

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From left to right: Researcher at the Paulinia (Brazil) research center – Communication project manager, Aubervilliers (France) – Chemical engineer, Aubervilliers research & technology center (France) – Operators on the Paulinia polyamide plant (Brazil) – Industrial buyer, Paulinia (Brazil) – Logistics specialist, Beijing (China) – Human Resources assistant, Aubervilliers (France)

Our business

Rhodia is a global specialty chemicals company committed to sustainable development. In partnership with our customers, we develop a wide range of innovative solutions for the automotive, electronics, perfumes, tires, health & beauty markets, as well as home care products. The Group is listed on Euronext Paris and the New York Stock Exchange.

KEY FIGURES FOR THE GROUP IN 2005

19,444 employees

€5,085 million net sales

€595 million EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

€97 million operating income

2.7% of net sales dedicated to Research & Development

17% of net sales generated by products less than five years old

88 industrial sites worldwide and five research centers



Jean-Pierre Clamadieu,
Chief Executive Officer



Sustainable development is an essential component of Rhodia's renewal."

Foreword

Q: What were the main achievements in 2005?

JPC: 2005 was an important year for Rhodia. We confirmed our ability to improve our operating performance and continued to refocus our portfolio towards activities in which we hold strong global positions.

The equity increase we implemented at the end of 2005 enabled us to strengthen our balance sheet structure, reduce our debt and improve our financial flexibility, allowing us to consider expanding in businesses and regions of the world where we hold sound positions.

Q: What place does sustainable development have in the Group's strategy?

JPC: Sustainable development is an essential component of Rhodia's renewal and is becoming ever more firmly established at the heart of the Group's identity.

Q: What were the concrete achievements in 2005?

JPC: With less than one accident resulting in lost time per million hours worked, we

are maintaining a tradition of excellence that places us amongst the very top of our profession worldwide. This result is to be credited to action taken by all our staff, based on the safety culture developed by the Group over many years.

In quite another field, the investments we are going to make on our Onsan (Korea) and Paulinia (Brazil) sites, added to those made on our Chalampé site in France, will enable Rhodia to reduce its greenhouse gas emissions by 56% over the period of the Kyoto Protocol (1990-2010). This remarkable performance illustrates Rhodia's early commitment in this area.

Q: And socially?

JPC: The quality of the dialogue developed with our trade union representatives in France has enabled the Group to carry out a demanding restructuring program requiring goodwill and responsibility from our teams. This dialogue in a difficult situation would not be possible without an attitude of respect for our various partners.

Furthermore, to date we are the only chemical group to have signed a global

agreement of social and environmental responsibility with ICEM, the international federation for employees in our sector. As part of this agreement, we are together going to implement training programs in health, safety and the environment for the Group's employees in China.

Q: How will you extend and strengthen this approach?

JPC: We have developed a Responsibility Reference Framework that aims to integrate sustainable development into the Group's managerial processes and involve our employees more widely. Its deployment throughout the Group will constitute a major step along the path to progress we have chosen.

Our business

Specialty chemicals

Specialty chemical products are most often invisible, but without them daily life would be less safe and less pleasant. They contribute certain qualities and performance to everything around us, to everything we use or consume.

Three main areas of activity

1. Performance Materials

RHODIA POLYAMIDE: engineering plastics for the automotive and electrical equipment markets; **high-strength yarn** for tires and airbags.

RHODIA ACETOW: cellulose acetate fiber for manufacturing cigarette filters.

2. Functional Chemicals

RHODIA NOVECARE: surfactants, phosphorus derivatives, natural polymers, specialty polymers and monomers for cosmetics, detergents, oil exploration and production, and water and metal treatment.

RHODIA SILCEA: rare-earth based materials for vehicle catalysis and electronics, **high-performance silicas** for tires, and **silicones** for various uses.

3. Organics and Services

RHODIA ECO SERVICES: regeneration of sulfuric acid.

RHODIA ORGANICS: diphenols and derivatives for flavor and fragrance applications, **salicylates** for analgesics (aspirin), **fluorinated compounds and derivatives** for catalysis applications, and **aliphatic isocyanates** for automotive paints.

RHODIA ENERGY SERVICES: energy supply to Rhodia and CO₂ emissions credit management.



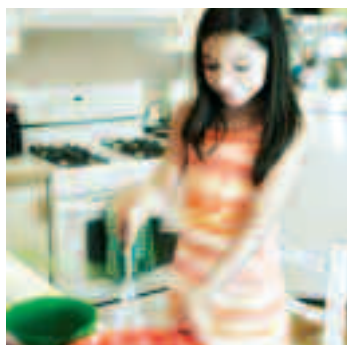
Left to right: Researcher, Paulinia Research Center (Brazil) – Marketing Assistant, Santo-André site (Brazi) – Quality and Strategy Engineer, Paulinia, (Brazil) – Researcher, Paulinia Research Center (Brazil) – Operator, Beijing (China) – Recruitment Officer, Santo-André site (Brazil) – Logistics specialist , Paulinia site (Brazil) – Operator, Research and Technology Center, Lyons (France)

Products to improve daily life



Well-being

Our mild surfactants used in soaps and shampoos that care for delicate skin ensure bath time is a time of pure pleasure for children.



Home care products

Products simply smell good, thanks to Rhodia's vanilla or floral fragrances. For laundry, our polymers attack stubborn stains and protect delicate fabrics.



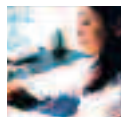
Electronics

The latest plasma or LCD television screens have bright, vibrant colors and a longer life, thanks to our rare earths.



Automotive

With our rare earths, catalysis makes diesel and gas engines cleaner and the air purer. Vehicles consume less fuel because of our engineering plastics, used increasingly in place of metal, and our high-performance silicas, used in tires to reduce rolling resistance.



Left to right: Researcher, Paulinia Research Center (Brazil) – Logistics specialist, Beijing (China) – Chemical Engineer, Shanghai Research Center (China) – Industrial Buyer, Paulinia (Brazil)

Impact of our operations and our responsibilities

From raw materials purchasing through to product commercialization, Rhodia takes responsibility with respect to its stakeholders.

1 - Purchasing

Purchasing of raw materials – petrochemicals and minerals – as well as energy represents 2.5 billion euros.

Rhodia gives preference to suppliers who are themselves committed to a sustainable development approach and aims to maintain long-term, well-balanced relationships with such suppliers.



2 - Research & Development

Rhodia's R&D teams play an important role in the Group's sustainable development policy by developing, in partnership with major customers, innovative products and processes that are both more effective and more environmentally friendly. Through its R&D programs and commitment to the substitution of sensitive chemical substances, Rhodia is contributing to a responsible chemical industry.



3 - Production

Consumption of water and energy, emissions into the air and water – these are the main environmental impacts of our production facilities.

Transportation also contributes to emissions and presents a potential risk of pollution in the event of an accident. Controlling industrial and environmental risks, as well as the safety of employees and surrounding populations, are basic requirements for Rhodia and the condition for a successful integration of our sites into their local environment.



4 - Sales

Rhodia's products are mainly sold to major companies such as Procter & Gamble, Michelin, PSA, Nike, and to distributors. At this stage, the main challenges involve overall monitoring of the lifecycle of the products, as well as product safety during storage and use by customers.

Quality standards for Rhodia products have been developed worldwide, as well as an information and customer training policy regarding the use of sensitive products.



Sustainable development, a cultural and strategic approach



Left to right: Project Leader, Beijing (China) – Chemical Engineer, Laboratory of the Future, Bordeaux (France).

Rhodia's sustainable development policy is a natural continuation of the Group's policy on Health, Safety and the Environment which was developed over twenty years ago, and has been regularly reinforced over the years.

20 years on

Rhodia's commitment to sustainable development is based on firm foundations, laid down and consolidated in recent decades. The first "stones" were laid during the 1970s, with the implementation of a voluntary Health, Safety and Environment (HSE) policy.

These foundations have since been regularly strengthened, before being transformed in 1998 into a true management system to drive continuous progress. Known as SIMSER+, this system is applied at all sites with over 100 employees; it is supplemented by another management system, 3 RHSE, adapted to smaller sites. It was certified in 2005 by the company DP2i as

compliant with benchmark OHSAS 18001 concerning health and safety, and as satisfying the requirements of the ISO 14001 standard regarding the environment.

In addition, in 1997 Rhodia signed the "chemical industry progress commitment", an international sectoral initiative known as "Responsible Care". This commitment, completed in 2005, includes the various components of sustainable development, while the previous version focused more on the issues of health and safety.

These initiatives acted as platform for the sustainable development approach adopted from 2000 onwards.

ASSESSMENT OF SITES ACCORDING TO THE INTERNAL MANAGEMENT, HEALTH, SAFETY, AND ENVIRONMENT SYSTEM (SIMSER+)





Left to right: Researcher, Shanghai Research Center (China) – Development Assistant, Santo-André (Brazil) – Researcher, Paulinia Research Center (Brazil) – Operators, Beijing (China) – Marketing Assistant, Paulinia site (Brazil) – Researcher, Research and Technology Center, Lyons (France) – Operator, Beijing (China) – Supply chain meeting, Shanghai headquarters (China) – Team Leader, Beijing (China).

A strategic choice

While ensuring its recovery and preparing for a return to profitability, Rhodia decided in 2004 to boost its commitment to sustainable development, with two objectives: to integrate sustainable development into current managerial processes and ensure that all the Group's employees are direct contributors to this approach.

A self-assessment reference framework

Around sixty employees in the Group took part in setting up a reference framework of good practice, based on the responsibilities the Group sets itself with regard to its stakeholders: our shareholders, employees, customers,

suppliers, environment and local communities. This forms the basis of a general benchmark for consistency that will enable managers of the different sites and Enterprises to self-assess the performance of their units on a maturity scale comprising four levels, with level one representing the introductory level and level four, excellence. Teams can then identify the improvements that need to be made, within the aim of ongoing progress.

Beyond self-assessment, the Responsibility Reference Framework is a driving force for team dynamics involving many people, from the choice of progress objectives the business unit sets itself, to the definition and implementation of the necessary action plans. At our site at Gorzow in Poland, the preparation of action plans involved all levels including production operators.



By doing this, we are defining the way we do business and saying who we are."

were necessary – the sincerity of its commitment. Not only did we not ignore it, but we reasserted our willingness to go further in integrating sustainable development into current managerial processes, involving our employees as widely as possible. A few months later, we compiled a Responsibility Reference Framework for use with our stakeholders which was then tested in a pilot phase – we are now finetuning the Framework before it is implemented throughout the Group. By doing this, we are defining the way we do business and saying who we are.

Our true identity is revealed most clearly during difficult times. By deciding in early 2005 to intensify its sustainable development approach, despite the difficult financial situation, our Group emphasized – if this



Jacques Khélif,
Vice-President
Sustainable Development



Pierre Luzeau,
Director of the Engineering Plastics
Europe Business Unit

You are in charge of one of the units that has implemented the Responsibility Reference Framework as a pilot operation. What was the attitude of your teams to this new tool?

Their initial reaction was to question about the usefulness of this approach. Some undoubtedly thought "not again". But the reference framework was ultimately adopted very quickly, for two key reasons. First, the educational explanation phase meant that managers could better appreciate how high the stakes are in sustainable development. The global problem we are all facing helped us understand that as manufacturers we have an important role to play. That was when something clicked, in giving real meaning to the approach, in convincing everyone they could contribute through their daily decision-making.

The second key success factor lies in the details of this good practice reference framework. The in-depth examination of different themes by the teams enabled them to identify real tools to bring about progress. For example, for 2006 we have identified eleven criteria where progress is needed. It is a real company approach, which will shape Rhodia's culture in the future.

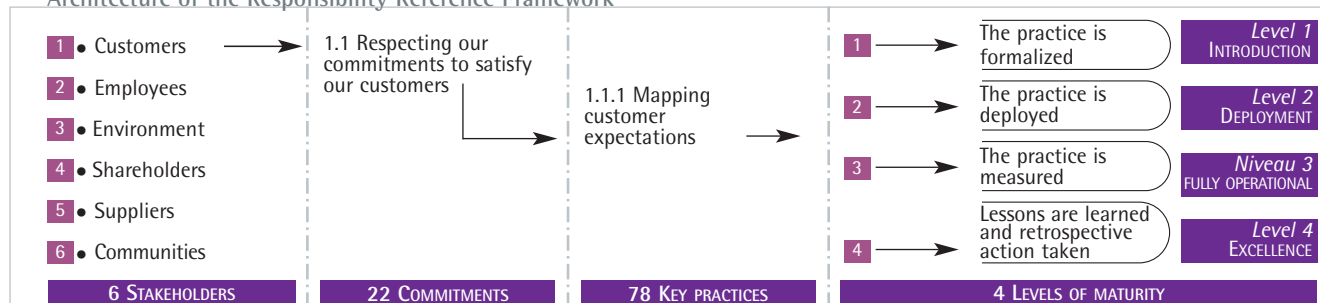
The objective is to involve as many employees in the Group as possible and improve continuously relations with all stakeholders.

The Responsibility Reference Framework offers a road map, which enables each entity of the Group to plot its location within its approach to sustainable development, to know where it wants to go and how to get there.

Compiled during the first half of 2005, then implemented in two pilot schemes, its deployment will be underway by the end of 2006 and should become widespread during 2007.

“The global problem we are all facing helped us understand that manufacturers have an important role to play in development”.

Architecture of the Responsibility Reference Framework



Commitments to reinforce our approach

Together with its partners, Rhodia has made certain commitments that form an integral part of its approach to sustainable development and is showing its willingness to be open. Agreements reached with international organizations bear witness to Rhodia's search for an external perspective on its approach.

1997. Signature of the "chemical industry progress commitment", a sectoral initiative known internationally as "Responsible Care". Its objective is to encourage players in the chemical industry to continuously increase their respect for the environment, safety, and human health, as well as dialogue with stakeholders.

2002. Commitment by the Group, within the framework of the Kyoto Protocol, to reduce greenhouse gas emissions by 30% in France over the period 1990-2010. Adopted in 1997 under the auspices of the United Nations Framework Convention on climate change, the Kyoto Protocol aims to reduce emissions of greenhouse gases. It envisages the implementation of several mechanisms, allowing nations and companies to exchange emission rights.

2003. Signature of the United Nations Global Compact. This code of conduct involves companies in respecting ten fundamental principles regarding respect for human rights, freedom to work, non-discrimination, the abolition

of child labor, environmental respect and protection, the principle of the precautionary approach, and the fight against corruption.

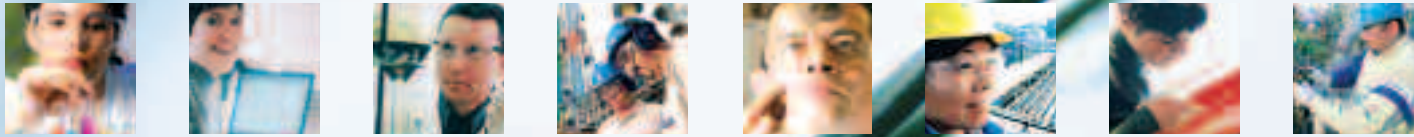
2004. Signature of the Diversity Charter in France, which aims to promote cultural, ethnic, and social diversity within companies.

2005. Signature of the Social and Environmental Global Responsibility agreement with the ICEM (International Federation of Chemical, Energy, Mine and General Workers Unions), the international union federation for our sector. This agreement creates a permanent dialogue between the two signatories for all matters involving the respect of international social standards and a raft of commitments specific to Rhodia in the following areas: health and safety, mobility and employability, social welfare, relationships with suppliers and subcontractors, risk management and respect of the environment, social and civil dialogue. This text applies to the 80 countries where the Group operates and to all employees.



Left to right: Human Resources Manager, Paulinia site (Brazil) – Researcher, Research and Technology Center, Lyons (France)

Left to right: Researcher, Paulinia Research Center (Brazil) – Communication Project Leader, Aubervilliers (France) – Chemical Engineer, Research and Technology Research Center, Aubervilliers (France) – Operators, Paulinia Polyamide plant (Brazil) – Operator, Santo-André plant (Brazil) – Logistics specialist, Beijing (China) – Human Resources Assistant, Aubervilliers (France) – Operators, Roussillon plant (France)

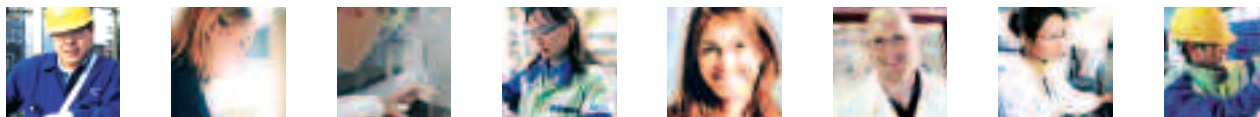


Our actions with respect to stakeholders

Commitments and achievements

	Commitments*	Key achievements in 2005	Objectives
Customers	<p>Managing the risks associated with products</p> <p>Innovation, combining health and environmental protection</p>	<ul style="list-style-type: none"> Rhodia prepared for implementation of the REACH draft regulation, relating to the analysis and registration of chemical substances, and reduced the number of its CMR chemical substances, either by ending production, introducing alternative solutions, or divesting activities. 30% of innovation projects launched in 2005 were geared towards sustainable development. Rhodia became one of the main players in the Axelera competitiveness cluster in the Rhône-Alpes region of France. Focused on chemicals and the environment, this organization is carrying out research activities into water treatment, eco-design of materials and bio-resources. 	<ul style="list-style-type: none"> Over a period of three years following their identification, carcinogens, mutagens and substances harmful to reproduction must be treated, either by eliminating them or by managing the risks of their implementation. To have 100% of the Group's Safety Data Sheets revised in less than three years so as to provide our customers with the most up-to-date information.
Shareholders	<p>Managing our activities using a controlled risk management approach</p> <p>Disseminating and respecting corporate governance practices</p> <p>Communicating regularly, exhaustively and transparently</p>	<ul style="list-style-type: none"> In 2005, identification and ranking of various types of risk which the Group could face were achieved at Executive Committee level. The SIMSER+ Internal Management System, covering the risks associated with Health, Safety and the Environment, was certified by the company DP2i as compliant with ISO standard 14001 and the OHSAS 18001 standards. A "whistle blowing" mechanism was implemented in accordance with the Sarbanes Oxley Act - this enables every employee to point out any breach of accounting and financial rules. Standards of good governance have made progress: the number of independent directors has risen from five to seven out of 11 members. Their term of office was reduced from six to four years. The "Prix Spécial du Jury" was awarded to Rhodia by the Supreme Council of the Order of Accounting Experts for its 2004 Sustainable Development report. Since its creation in 2003, the Shareholders' Club has attracted 5,000 members. 	<ul style="list-style-type: none"> To conduct a SIMSER+ audit every three years at all of our sites. To distribute the "Compliance Policy" to all employees outlining issues of conflict of interest, free competition and basic social rights.
Employees	<p>Guaranteeing basic social rights</p> <p>Developing skills</p> <p>Mobilizing employees</p>	<ul style="list-style-type: none"> With only 28 lost time accidents over 36.8 million hours worked, Rhodia is among the top chemical companies worldwide in terms of safety at work (TF1** = 0.8). The total amount of training increased slightly in 2005. On average, each employee received 18 hours of training. In 2005, Rhodia implemented its internal mobilization program, "2006 - Make it Happen Now". It aims to involve every employee in the Group's recovery through highly specific actions. 	<ul style="list-style-type: none"> To achieve a TF1** of 0.6 in 2006 for Rhodia staff. To achieve a TF2*** for Rhodia staff and its contractors of 1.7 in 2006. To maintain the same level of training and strengthen the worldwide reporting system of these indicators, implemented in 2005.

* These commitments are taken from the Rhodia Responsibility Reference Framework.
 ** Frequency rate for accidents with lost time per million hours worked.
 *** Frequency rate for accidents with or without lost time per million hours worked.



	Commitments*	Key achievements in 2005	Objectives
Environment	<p>Preserving natural resources</p> <p>Limiting impact on the environment</p> <p>Controlling logistics related impact</p>	<ul style="list-style-type: none"> • Water: The consumption of drinking water decreased by 6% between 2000 and 2005 (as at December 31st, 2005 on a comparable basis). • Energy: Rhodia expanded its research in favor of alternative energy solutions, such as utilization of biomass and waste. • Within the context of the Kyoto Protocol, Rhodia received the approval of the United Nations for its two investment projects to reduce greenhouse gas emissions on the Onsan (Korea) and Paulinia (Brazil) sites. Over the period 1990-2010, following the investments made at Chalampé, France, the projects in Korea and Brazil will enable the Group to reduce its CO₂ equivalent emissions by 56%. • Incorporation of a clause into all contracts requiring our suppliers to provide an estimate each year of greenhouse gas emissions relating to logistics operations undertaken on behalf of Rhodia. 	<ul style="list-style-type: none"> • To put in place a water management policy in areas of water stress (limited access to water). • For the period 2005-2010: <ul style="list-style-type: none"> - Reduce the Chemical Oxygen Demand (COD) and eutrophication in the Group's aqueous waste by 20% - To reduce air acidification (SOx/NOx) by 20% and emissions of volatile organic compounds (VOCs) into the air by 10%. • To prepare for the implementation of a first assessment of the environmental impact (CO₂) of transportation used.
Suppliers	<p>Developing a long-term relationship with suppliers</p> <p>Integrating the requirements of sustainable development in the selection and assessment of suppliers</p> <p>Managing the industrial risks associated with supplier services</p>	<ul style="list-style-type: none"> • Official announcement of the Group's Sustainable Development policy at supplier meetings. • Signature of the first 10 partnership contracts. • Incorporation of a clause specifying the Sustainable Development requirements of the Group into all partnership contracts with our suppliers. • Integration of QHSE (Quality, Health, Safety, Environment) clauses communicated by each site into supplier contracts. 	<ul style="list-style-type: none"> • To reach a partnership agreement with 30% of partner suppliers identified • To designate a buyer for each partnership contract signed • To monitor the number of supplier incidents linked to Quality, Health, Safety and Environment challenges
Local communities	<p>Managing the risks associated with our presence in their locality</p> <p>Ensuring sustainable integration of Rhodia plants within their locality</p>	<ul style="list-style-type: none"> • Managing industrial risks is based on an accurate assessment of existing risks at all the Group's facilities. In 2005, 91% of facilities were the subject of "process safety studies", carried out or revised within the past five years. This rate rises to 93% ✓ for Seveso classified units or similar. • Solidarity with those affected by the tsunami through donations made to UNICEF and to the Red Cross for the victims of Hurricane Katrina in New Orleans. • 87% of sites met with their external stakeholders at least once in order to discuss safety, the environment and their financial situation. 	<ul style="list-style-type: none"> • To revise or implement emergency plans at all sites in order to strengthen the management of accidents associated with processes and transportation. • To communicate with local political and economic stakeholders about the Group's Sustainable Development commitment.



Indicators

EVOLUTION OF NET SALES

(IN MILLION EUROS)
IFRS STANDARDS



RECURRENT EBITDA*

(IN MILLION EUROS)
IFRS STANDARDS



* Recurrent EBITDA defined as earnings before interest, tax, depreciation and amortization.

Close relationships with our shareholders

The paramount responsibility of a group toward its shareholders is to ensure the company continues to perform strongly. With net sales up by 8%, a positive operating income for the first time since 2001 and a stronger financial position, Rhodia's recovery plan, launched in 2003, is producing results.

Internal auditing and risk management

In its Audit Charter, signed in February 2003, Rhodia adopted the following definition of its internal audit process, consistent with that of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) benchmark:

"Internal auditing encompasses all the verification systems, set up by the General Management, management and other members of staff, in order to provide reasonable assurance as to:

- the reality and effectiveness of operations,*
- the reliability of reporting,*
- compliance with effective laws and regulations,*
- the preservation of assets".*

The general objective of internal auditing is to anticipate and manage the risks resulting from Rhodia's business activities and the risk of error or fraud, particularly in the areas of accounting and finance. However, as with any auditing system, it cannot provide an absolute guarantee that these risks have been totally eliminated.



Left to right: Chemical Engineer, Laboratory of the Future, Bordeaux (France) – Researcher, Shanghai Research Center (China) – Development Assistant, Santo-André site (Brazil) – Logistics specialist, Beijing (China) – Controller, Baton Rouge site (USA) – Chemical Engineer, Shanghai Research Center (China) – Lab Manager, Research and Technology Center, Lyon (France) – Operator, Charleston sit (USA)



Indicators

In May 2003, Rhodia introduced a global project aimed at meeting the requirements of the French Financial Security Act (LSF) and the US law regarding internal auditing, known as the Sarbanes-Oxley Act. Application of this law will be obligatory with effect from 2007.

"Compliance Policy". This covers, specifically, the issues of conflict of interest, good commercial practices, free competition, protection of the legal entity, basic social rights and insider trading.

Risk categories identified

In 2005, the Group updated its mapping of the major risks to which it is exposed, whether strategic, operational or financial. The members of the Executive Committee identified and then assessed these risks in light of their potential impact and level of management. Action plans were then implemented to improve the prevention of risks regarded as the most serious.

Respecting the company's good governance standards

To develop a culture of integrity and ethics

The Group has defined principles of responsible behavior – respecting legal and regulatory provisions – and these have been communicated to all employees in its

Key fact

Assessment of performance of the Board of Directors

For the second consecutive year, the Chairman of the Compensation and Selection Committee, Michel de Fabiani, has assessed the performance of the Board of Directors and its three committees (the Strategic Committee, Audit Committee and Compensation and Selection Committee). Their operation was considered satisfactory overall on account, in particular, of the increased number of independent board members, the amount and quality of information made available to the Board, the diligence of individual board members, who are able to make their views known entirely independently and freely, and the open, easy, and direct relations with the Chairman and the Chief Executive Officer.



OPERATING INCOME (IN MILLION EUROS)

- 188
2004

+ 97
2005

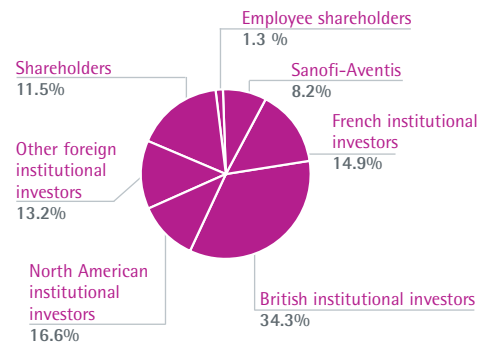


Left to right: Operator, Beijing (China) – Buyer, Purchasing Department, Aubervilliers (France) – Controller, Roussillon site (France) – R&D Junior Project Leader, Research and Technology Center, Lyons (France) – Chemical Engineer, Shanghai Research Center, (China) – Researcher, Research and Technology Center, Lyons (France) – Team Leader, Beijing site (China) – R&D Project Leader, Shanghai Research Center (China) – Maintenance Technician, Charleston site (USA)

Indicators

SHAREHOLDING STRUCTURE AT DECEMBER 30TH, 2005

AS % OF CAPITAL



Sources: Euroclear France, December 30th, 2005, and Capital Precision study, December 2005.

Rhodia's "Management Book" provides every employee with a framework to enable him or her to act in compliance with the legal requirements imposed on a listed company in terms of corporate governance. It defines our organizational operating principles and management rules.

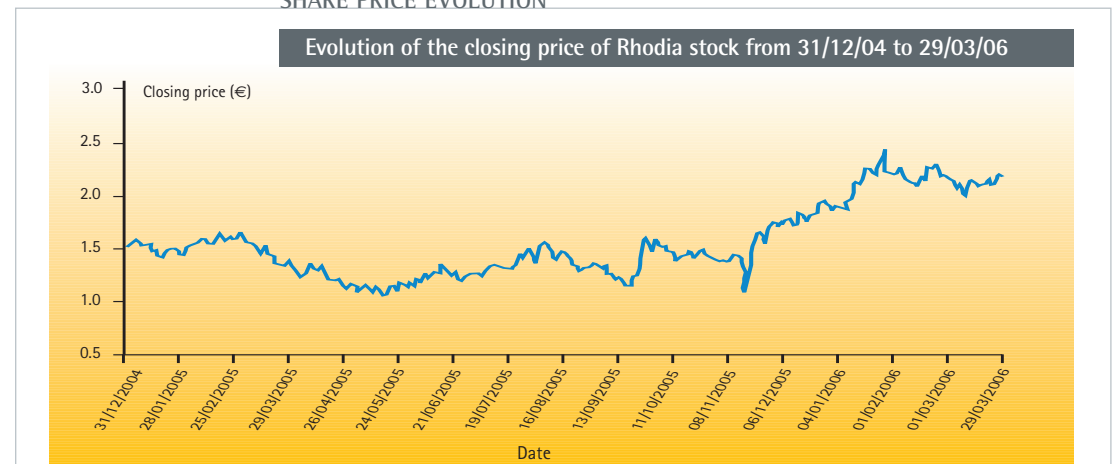
The implementation of the "whistleblowing" policy enables every employee to raise any issue, without fear of reprisal, relating to compliance with accounting and financial regulations. This mechanism, which meets the legal obligations of the Sarbanes-Oxley Act, was introduced in July 2005.

Structure and operation of the Board of Directors

The independence of the Board was consolidated in 2005. Seven of the eleven board members qualify as "independent" according to the definition given in the Bouton report*, and committees are composed entirely of independent board members. The term of office as a board member has been reduced to four years, as advocated in the good governance recommendations.

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

SHARE PRICE EVOLUTION



Source : Thomson One



Left to right: R&D Project Leader, Shanghai Research Center (China) - Manufacturing Technology Assistant, Shanghai Polyamide site (China)

Regular and transparent communication for all shareholders

Rhodia has established various ways of providing information to individual shareholders:

- The Consultative Committee, created in early 2004, comprises nine permanent members. Its task is to involve shareholders more closely in the life of the Group. The Consultative Committee met twice in 2005.
- The General Management Committee also meets regularly with representatives of the main individual shareholder associations through a liaison committee, which met twice in 2005.
- The Shareholders' Club has received over 5,000 applications for membership since its creation at the end of 2003.
- A series of information tools completes the communication policy: these include a shareholders' newsletter (published twice yearly), the website, a toll-free phone number for French shareholders, meetings around France or in Paris, and participation in specialist trade fairs, such as Actionaria.

Access and availability for investors and analysts

We attach particular importance to explaining our areas of business and strategy. Various forms of media allow us to meet the expectations of financial analysts and investors, in particular when our quarterly results are announced. Throughout the year, we pursue a program of regular meetings with institutional investors in Europe and North America. We play an active role in conferences, which enable us to reach a wide audience of international investors.



Indicators

BOARD OF DIRECTORS

11 members, 7 of whom are independent

11 meetings in 2005

88% participation rate

COMPENSATION AND SELECTION COMMITTEE

3 independent members

9 meetings in 2005

100% participation rate

AUDIT COMMITTEE

3 independent members

8 meetings in 2005

88% participation rate

STRATEGY COMMITTEE

3 independent members

3 meetings in 2005

89% participation rate

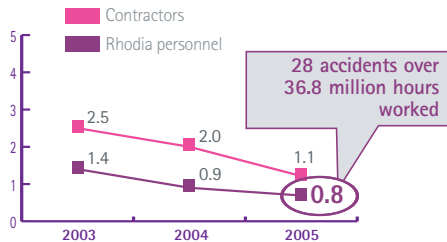
Indicators

€30.5 MILLION

Total investment in the area of personal health and safety was 30.5 million euros in 2005.

SAFETY RESULTS (TF1)

Over the past three years, the number of accidents involving employees working on Rhodia facilities has continued to decline.



POSITIONS ASSESSED REGARDING HEALTH AND SAFETY RISKS



The number of positions assessed within the past five years has continued to increase, demonstrating the importance we place on prevention in this area.

Our employees, mobilizing talent

At the close of 2005, Rhodia employed 19,444 people, one third of whom were based in Latin America and Asia. The Group's human resources management takes this cultural diversity into account by building on strong ethics, a rich and balanced social dialogue, and international career management. The attention devoted to our employees in the Group is all the more essential during this recovery period.

Ensuring personal health and safety

Health and safety are priorities for Rhodia – for its own employees, for third parties working on its sites and for those living nearby. The Group has long been developing a systematic prevention policy, based on the SIMSER+ management system, which aims to ensure we make continuous progress in the areas of Health, Safety, Environment and Transportation.

Respecting basic social principles wherever the Group operates

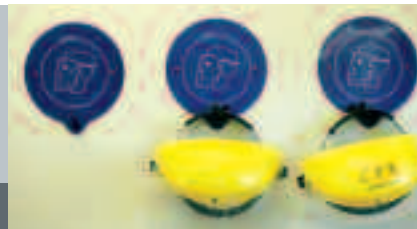
More than ever, Rhodia is of the belief that financial performance and human development are closely linked. With this in mind, in February 2005 the Rhodia Group signed an agreement on Social and Environmental Responsibility with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM).

A first in the world chemical industry, this agreement applies to all Rhodia employees in the 80 countries where the Group operates.

Key fact

Safety in 2005: Best performance in our history

Thanks to consistent efforts throughout the period, the 2005 frequency rate for accidents involving stoppages by Rhodia personnel (TF1), a reference value in the industrial world, was below 1 for the second consecutive year. This means that with only 28 accidents with lost time over 36.8 million hours worked the Group is one of the best in its sector in terms of workplace safety. The Group invested 30.5 million euros in employee health and safety in 2005.



Left to right: Operator, Beijing site (China) – Operators, Beijing site (China) – Laboratory Assistant, Research and Technology Center, Lyons (France) – Chemical Engineer, Wuxi site (China) – Logistician, Charleston site (USA) – Operator, Beijing site (China) – Researchers, Charleston site (USA) – Engineering Project Leader, Shanghai Polyamide site (China)



The European Works Council plays an important role within Rhodia. It reflects the quality of dialogue and the transparency established within the Group..."

Giuseppe Crippa,
Member of the European Works Council and Engineering Plastics
Technology Manager – Cerriano, Italy
CISL representative (Italian Confederation of Labor Unions)

The European Works Council plays an important role within Rhodia. It reflects the quality of dialogue and transparency established within the Group over the years. Created five years ago, it brings together around twenty people from all over Europe. Its means of expression are fairly direct and we are informed and consulted on a wide variety of topics. This body has allowed us to monitor the restructuring plans and familiarize its members with the challenges facing the Group. In our concern for transparency, one desired area for improvement would be to make the work of the European Works Council – and the stands it takes – accessible to all employees in the Group. The signature of the ICEM agreement also underlines the desire to carry out our business activities while respecting basic social principles. We have to disseminate this agreement even more widely at individual country level and make it available locally, to ensure that everyone signs up and helps to respect the commitments made.

It creates a framework for permanent dialogue to comply with international social standards and a raft of commitments made by Rhodia, covering eight specific areas: health and safety, mobility and employability, social welfare, supplier and subcontractor relationships, managing risks and respecting the environment, social and civil dialogue, and whistleblowing. The agreement has been translated into five languages and submitted to the French Group Committee and to the European Works Council. It can be accessed on the Group's intranet.

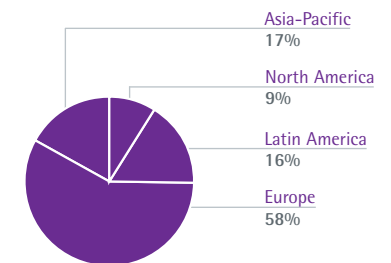
Promoting rich and well-balanced social dialogue

Created within the context of an agreement signed with the five French labor organizations regarding the Group's recovery plan, the Strategic Dialogue Body met three times during 2005. This enabled labor organizations to be informed and express their opinions about the organizational changes and the Group's new strategic vision.

Indicators

DISTRIBUTION OF EMPLOYEES

BY GEOGRAPHIC ZONE



Total employees in the Group in 2005: 19,444

52%

of recruitments in 2005 were in Asia and Brazil.



Left to right: Operator, Beijing site (China) – Laboratory Assistant, Research and Technology Center, Lyons (France) – Researcher, Shanghai Research Center (China) – Controller, Roussillon site (France) – European Head of Logistics Purchasing, Aubervilliers (France) – Operator, Charleston site (USA) – Operator, Beijing site (China) – Controllers, Chalampé site (France) – Chemical Engineer, Shanghai Research Center (China)

Indicators

DIVERSITY

21%

of total Group workforce is female

9%

of senior management is female

WORKFORCE TRENDS



Equal opportunities and diversity

Convinced that a company must reflect the diversity of the human society in which it operates, Rhodia signed the Diversity Charter from its very outset; the Charter was launched in France at the initiative of the Montaigne Institute and is supported by 40 international groups. The proportion of women out of the Group's total workforce is 21%, unchanged from the previous year. The percentage of female managing executives has noticeably increased compared to the previous year and is now 9%. Among new management recruits, 30% are women and, among "high potential" managers, the proportion of women has risen to 11%, which will enable the Group to improve the mix among the highest management levels in the near future.

Developing skills and employability

Rhodia regards autonomy and responsibility among employees as a whole as key factors in its performance. The Group therefore promotes the development of skills and internal, geographic and professional mobility.

Promoting the growth of local talent

Regarding international diversity, over two thirds of "high potential" executives are not of French nationality, thus confirming that the internationalization of teams has become a reality within the Group in recent years. For instance, management teams in Brazil, Asia and particularly in China are made up to a large extent of local executives.

Nonetheless, the Group's expatriation policy remains highly active and the number of expatriates is stabilizing at around 0.5% of total employees.





From left to right: Postal service, Aubervilliers (France) – Operator, Beijing site (China)

Optimizing training

In accordance with our objectives, the total investment in training has increased compared to 2004 and is back to a level per person close to that of previous years. For the first time, the Group has formalized a global vision for its training needs, based on those identified in each part of the organization. This strategic plan will also allow us to optimize training procurement, thanks to a more centralized process.

Promoting mobility - The "promotion and recruitment plan"

Rhodia has developed a career management and executive mobility process at a global level. It was designed to provide closer harmony between employees' aspirations in terms of career advancement and Rhodia's requirements. It will help the Group anticipate its needs in terms of resources and skills in the short and medium term and to fill those needs as quickly as possible.



Jean-Manuel Mas,
Head of the new synthesis and process laboratory, Rhodia Shanghai, China

I had been in charge of the processes department at Rhodia Silicones in Saint-Fons (France) for six years and was ready for new challenges, so I made my desire for advancement known. In December 2004, I was offered the chance to head the new synthesis and process laboratory in Shanghai. I accepted, because the position was appropriate for my experience, the skills I could offer and my wish to advance internationally. I'm very satisfied with the result.

“
The position was appropriate for my experience...”

Bernard Michelangelli,
Human Resources Director

What convinced us was the genuine desire of Jean-Manuel to advance in his career with Rhodia and the fact that he acted pro-actively regarding his move to China. We are very selective when it comes to choosing candidates, because expatriation is a significant investment for the company and the person in question. The task assigned to Jean-Manuel was intended to create research and development expertise in Asia. Our candidate therefore had to have both an entrepreneurial mindset and genuine technical skills.

“
We are very selective when it comes to choosing candidates, because expatriation is a significant investment...”

Indicators

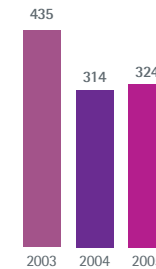
MOBILITY

17%

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

TRAINING INVESTMENT

PER PERSON (IN EUROS)



On average, 18 hours of training were received by each employee in 2005.

Indicators

PRODUCT SAFETY

86%

of MSDS (Material Safety Data Sheets) reviewed in less than three years. Material Safety Data Sheets are used to provide our customers with full technical information on each of our products.

Our customers, combining cost, safety and innovation

The general public's perception of the risks linked with the chemical industry has gradually increased over the last few decades. After the safety of industrial plants, it is now also focusing on the quality as well as the health and environmental safety of products used or consumed on a daily basis. Rhodia is supporting and anticipating this trend to improve the safety of those using its products throughout their entire life cycle, and is developing innovative solutions to meet requirements in terms of health, safety and the environment.

Controlling health, safety and environment aspects

The principle aim of Rhodia's product stewardship policy is to control the health, safety and environmental aspects of its products throughout their life cycle. The basis of this policy lies in drawing up Material Safety Data Sheets (MSDS), which contain all information relating to each product's safety and environment aspects, such as the nature of the substance, the type of hazard and the applicable safety instructions. These files are sent to customers and research and production teams alike, in order to inform them of the various hazards at each stage. One of the Group's aims is to update our MSDS every three years and in 2005 additional data was included in 86% of these, in order to improve safety for those using our products.

From initial design to the end of a product's life

Rhodia's responsibility begins with the design of its products. Fundamental work is thus carried out on all research projects to ensure as far in advance as possible the harmlessness of future Rhodia products for our health and the environment. The design stage also takes account of the products' end-of-life. For instance, Rhodia Polyamide has redefined its range of engineering plastics for the automotive industry, so as to take account of the growth of recycling industries.

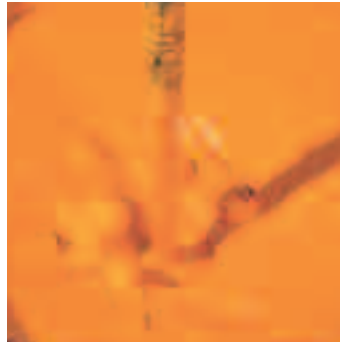
From left to right: Novecare Technical Sales Manager, Aubervilliers (France) - Operator, Beijing site (China) - Supervisor, Beijing site (China) - Application Projects Manager, Aubervilliers (France) - Logistician, Beijing site (China) - Controllers, Chalampé site (France) - Chemical Engineer, Research and Technology Center, Aubervilliers (France) - Controller, Roussillon site (France)



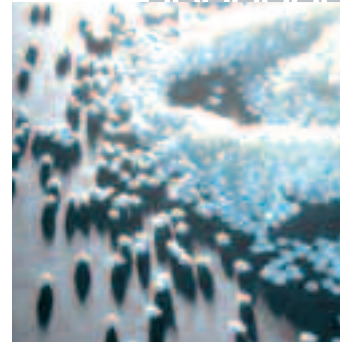
Launch of two new generations of silicas for tires, which enhance grip and help reduce vehicle consumption.



Optalys, a new generation of mixed oxides for catalytic converters in gasoline engines, helps remove automobile pollution.



Launch of a new, entirely biodegradable, nontoxic solvent for aquatic organisms. Applied in paint formulations, cleaning and stripping, it replaces traditional solvents, which present less favorable toxicological and eco-toxicological profiles.



Launch of new grades of Technyl plastics, which, because of their technical specifications, contribute to reducing the weight, and therefore the energy consumption, of vehicles.

Preparing for the challenges of the REACH initiative

Rhodia is actively preparing for the start of the European registration and evaluation system for chemical substances, known as REACH (Registration, Evaluation and Authorization of Chemicals), scheduled for the beginning of 2007. Currently being finalized, this program aims to examine some 30,000 chemical substances in order to thoroughly check their degree of toxicity for our health and the environment. The Rhodia Group estimates the number of its substances affected by this European program to be 400, six of which have been identified as CMR (carcinogenic, mutagenic or toxic to reproduction) and will be dealt with as a priority.

Compared with 2004, the Group has reduced the number of its CMR chemical substances, either by ending the production of some of them, implementing alternative solutions, or even selling some activities.

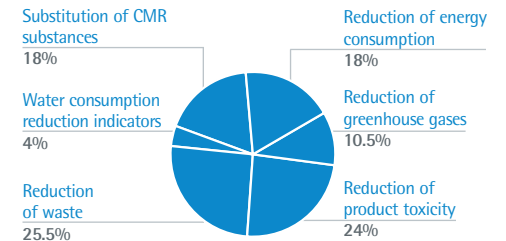
Developing innovative solutions that contribute to protecting our health and the environment

30% of innovation projects initiated in 2005 incorporate a sustainable development component. For most, this means reducing product waste and toxicity.

Indicators

30%

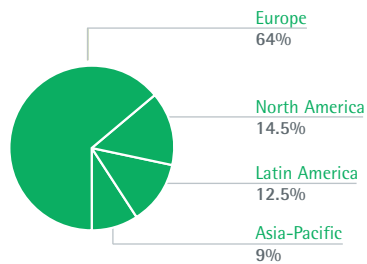
of innovation projects initiated in 2005 incorporate a sustainable development component. These projects relate to the following areas:



Indicators

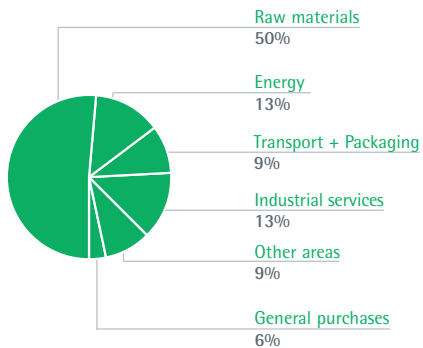
DISTRIBUTION

OF OUR PURCHASES PER GEOGRAPHIC AREA (AS A %)



DISTRIBUTION

OF OUR PURCHASES PER FIELD (AS A %)



Our suppliers, building partnerships

Purchases account for over 65% of the Rhodia Group's turnover. As such, they are one of the main drivers in its competitiveness and lie at the heart of its sustainable development approach. An Enterprise's responsibility and ethics should not be limited to its own frontiers, but apply in full to relations with its external partners.

Rhodia's "sustainable purchasing" approach

Rhodia's "sustainable purchasing" approach was launched during the first half of 2005, in line with the Group's objective to strengthen its commitment to sustainable development.

In order to benefit each party, the customer/supplier relationship must be built in a "win-win" spirit and based on mutual trust and understanding. Pragmatic, progressive and transparent, this approach aims to move on from the basic principle of improving price and payment terms to creating sustainable value in partnership with its suppliers.

Achievements in 2005

Presented to the Group's main suppliers at a convention held at the beginning of 2005, this "sustainable purchasing" approach translates into:

- The finalization and worldwide distribution of a "sustainable purchasing" manual that incorporates sustainable development criteria in all purchasing operations, whether in selecting suppliers, drawing up contracts or monitoring services, etc.;
- The integration of sustainable development clauses into new framework contracts, a tool often used for repeat purchases;
- The signing of the first partnership contracts to include the sustainable development approach;

From left to right: Engineering Specialist, Beijing site (China) - Researcher, Research and Technology Center in Lyons (France) - Operator, Organics site in Wuxi (China) - Management Controller, Aubervilliers (France) - Operator, Beijing site (China) - Researcher, Research Center in Shanghai (China) - Operator, Charleston site (USA) - Engineering Project Manager, Polyamide site, Shanghai (China)



- The provision of the first self-assessment for the Purchasing function with the help of the Responsibility Reference Framework, for which it is one of the two pilot activities.

The Purchasing function, pilot for the "Responsibility Reference Framework" approach

The purchasing department has undertaken a self-assessment in line with the criteria set out in the reference framework, which includes ten purchasing practices. They range from the Group's attention to the

quality of the services provided, to the establishment of sustainable partnerships with strategic suppliers, through controlling the risks linked with purchases, or suppliers' consideration of social and environmental criteria.

This self-assessment highlighted areas for improvement:

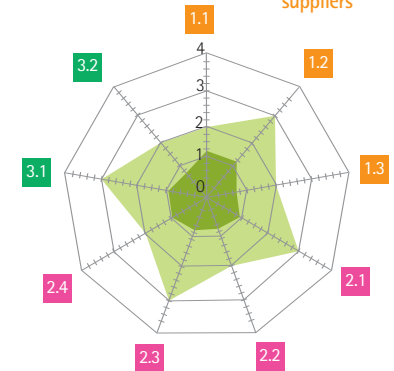
- Making buyers more aware of the Responsibility Reference Framework in order to integrate its contents more fully in their everyday lives
- Continuing to include our suppliers in this approach
- Extending its use on an international scale
- Progressing the program to bring suppliers in line with Health, Safety and Environment requirements

Indicators

THE RESPONSIBILITY REFERENCE FRAMEWORK APPLIED TO OUR "SUPPLIER" STAKEHOLDERS

3 - Control the industrial risks linked with suppliers and their services

1- Develop a sustainable relationship with suppliers



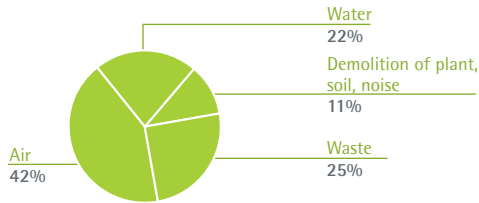
2 - Integrate the Group's sustainable development requirements when selecting and evaluating suppliers

The self-assessment carried out by the Purchasing Department highlights areas for improvement, especially with regards to bringing suppliers in line with the Health, Safety and Environment requirements of sites. The average progress target is set at 2.5 for the end of 2006, with a specific action plan, namely to integrate our Health, Safety and Environment requirements into all new contracts starting with calls to tender, and improve coordination between production sites and the Purchasing Department.

Indicators

INVESTMENT IN THE ENVIRONMENT

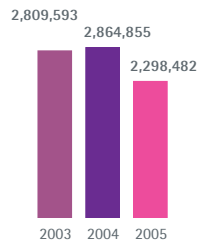
€42 MILLION IN 2005



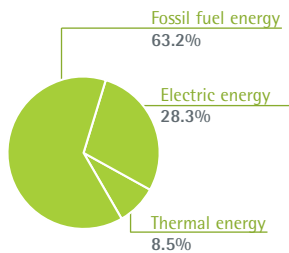
CONSERVING NATURAL RESOURCES*

ENERGY CONSUMED

TOTAL TOE (TONNES OF OIL EQUIVALENT)

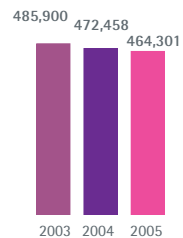


ENERGY MIX (AS A %)

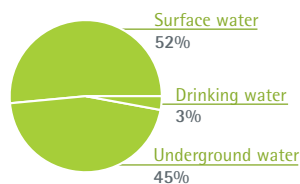


WATER

WATER CONSUMPTION (IN THOUSANDS OF M³)



TYPE OF WATER CONSUMED (AS A %)



*Based on historical data.

The environment, reducing the impact of our activities

The chemical industry, by its very nature, poses environmental and health risks. It is for precisely this reason that its activities are managed across the world by increasingly strict regulations. Rhodia relies on these regulations to continue to improve its environmental protection and prevention systems.

Conserving natural resources

Energy

Each year the Rhodia Group buys about 2.5 billion euros of non-renewable raw materials and energy. Any improvement in this field translates into a double economic and environmental gain. Thanks to its skills and ability to innovate, Rhodia's approach to optimizing its energy consumption is threefold:

- **Process optimization** for greater energy efficiency. An analysis of our main production lines is underway to improve their energy output.
- **Diversification of energy sources combined**, in particular, with the development of cogeneration at our main production sites. This technology provides an energy output of 70% to 80% against 40% to 60% for other energy production systems.
- **Use of internal waste** as alternative fuels or even biomass energy whenever possible.



From left to right: Researcher, Research Center in Shanghai (China) - Controller, Bâton Rouge site (USA) - Chemical Engineer, Research and Technology Center, Aubervilliers (France) - Logistics specialist, Beijing site (China) - Chemical Engineer, Research and Technology Center, Lyon (France) - Operator, Polyamide site, Paulinia (Brazil) - Chemical Engineer, Research Center, Shanghai (China) - Supply Chain Manager, Silicones site, St Fons (France)



Water

For the period 2000 to 2005, Rhodia's global water consumption fell 26% against historical data. Used mainly for cooling plants, 45% of this water comes from underground sources and is restored to the natural surface environment. As a result of increased awareness at our sites, drinking water consumption fell 13% in 2005 compared with the previous year.

Reducing the impact of Rhodia's activities on the air, water and waste

Environmental analyses

All Rhodia's plants have been the subject of environmental studies in order to record, evaluate and prioritize their impact on the environment. Subsequently, objectives for progress and action plans have been defined based on the results of these studies. In 2005, 81% ✓ of Rhodia's plants underwent an environmental analysis in under five years, compared to 61% in 2002.

Climate change

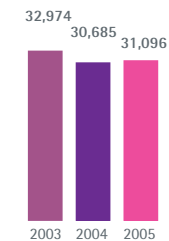
Atmospheric emissions are coming under increasingly strict control, both in terms of polluting emissions and greenhouse gases. An important event in 2005 was the United Nations' approval of Rhodia's two projects aimed at reducing greenhouse gas emissions at its Onsan (South Korea) and Paulinia (Brazil) sites, which produce adipic acid. The process improvements being made are of the same type as those made at the Chalampé site in France. Such improvements enable an 80% reduction in nitrous oxide (N₂O) emissions for each ton of adipic acid produced. These two new projects at Onsan and Paulinia will help Rhodia reduce its greenhouse gas emissions by 56% by the year 2010 and enable it to place 11 to 13 million tonnes of carbon dioxide emission credits (Carbon Emission Receipts) on the market each year, from 2007.

Indicators

LIMITING THE IMPACT OF OUR ACTIVITIES ON THE AIR*

Compared with 2004, the Group's greenhouse gas emissions have decreased by **9%**

ACIDIFICATION - TOTAL SO_x + NO_x
(IN TONNES)



ACIDIFICATION = (SO_x + NO_x)

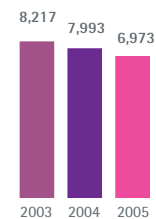
> Reduction target for the 2000-2005 period:

-15%

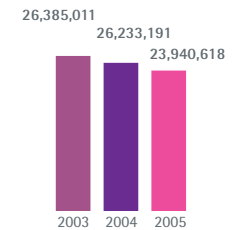
> Achieved at the end of 2005 (on a comparable basis**):

-11%

VOLATILE ORGANIC COMPOUNDS (IN TONNES)



GREENHOUSE EFFECT (IN CO₂ EQUIVALENT TONNES)



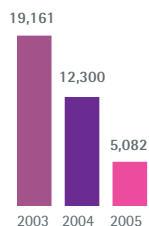
* Based on historical data.

** To be as open as possible, the targets reached were calculated on a comparable basis (as at December 31st, 2005). The data was restated by disregarding the emissions linked with activities divested between 2000 and 2005. This enabled us to judge the Group's real efforts.

Indicators

LIMITING THE IMPACT OF OUR ACTIVITIES ON WATER*

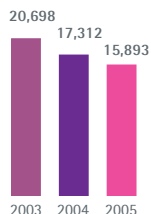
EUTROPHICATION (IN TONNES OF NITROGEN + PHOSPHORUS)



> Reduction target for the 2000-2005 period: **-30%**

> Results at the end of 2005 (on a comparable basis**): **-53%**

CHEMICAL OXYGEN DEMAND (COD, IN TONNES OF OXYGEN)



> Reduction target for the 2000-2005 period: **-30%**

> Achieved at the end of 2005 (on a comparable basis**): **-19%**

This result is due to an increase in the production of adipic acid and a new solvent in France. For the two sites concerned, investments are being made to improve effluent treatment.

*Based on historical data.

** To be as open as possible, the targets reached have been calculated on a comparable basis (as at December 31st, 2005).



Key fact

Reduction of greenhouse gases

Rhodia's investments, both past and present, to reduce emissions at the Chalampé (France), Onsan (South Korea) and Paulinia (Brazil) sites make it one of the leading industrial groups delivering results under the Kyoto Protocol. Rhodia Energy Services – one of Rhodia's business Enterprises – manages the Group's participation on the CO₂ emissions credits market. It is also responsible for managing the Group's energy supplies, so contributing to the company's sustainable development approach, and giving it a major competitive edge.

This will ensure Rhodia becomes one of the key players in the European emission credits market.

Waste water

On a historical basis, Rhodia reduced eutrophication by 59% between 2004 and 2005, thanks largely to the efforts made to recover ammonium nitrate, the process improvements made at the rare earth site in La Rochelle, France and the divestment of certain activities (phosphates). Waste from hazardous substances (organic

halogens and heavy metals) has also been significantly reduced. Moreover, the Group's major sites are all equipped with the means of controlling accidental pollution with, in particular, containment areas.

Actions to remediate industrial sites

The Group's policy aims to control the impact of its activities on the ground beneath its sites.

The objective is to use suitable processes (especially as regards "historical pollution" or a site that is ending production) in order to maintain the use of the land for industrial purposes. Actions consist mainly of containing or remediating deposits, pumping and treating groundwater or, of course, monitoring.

Research & development for environmental purposes

Rhodia is actively preparing the chemistry of tomorrow, often referred to as "green chemistry." This fundamental trend consists of integrating an environmental dimension as far in advance as possible, in a preventative way, in order not to have to deal with any impact at the end. The Group's research teams are, for example, undertaking a number of projects in one of the main areas of this chemistry of the future, process intensification, which consists of improving the global output of production plants, including on an environmental level.

From left to right: Supervisor, Beijing site (China) - Researcher, Research Center in Paulinia (Brazil) - Logistics specialist, Wuxi site (China) - Quality and Strategy Engineer, Paulinia site (Brazil) - Researcher, Research Center in Shanghai (China) - Administrative Manager, Beijing site (China) - Researcher, Research Center, Paulinia (Brazil) - Controller, Chalampé site (France)



To achieve this technological change of direction, Rhodia has also joined numerous French and European initiatives, for example in 2005 the Group joined SusChem, a European platform focused on this new kind of chemistry.

Rhodia is also one of the key players in Axelera, a "competitiveness cluster with a worldwide calling". The Laboratory of the Future, set up in 2004 in Bordeaux, France, is the result of an alliance with France's National Scientific Research Center (the "CNRS"). Specializing in new technologies such as microfluidics, automation and computing, the Laboratory of the Future enables the Group to increase research productivity and shorten time to market for its innovations. Another initiative in the pipeline in France - the creation in partnership with the CNRS of an advanced materials laboratory in Lyons to design materials of the future - will complete this external collaboration network.



Key fact

SusChem - A vision for Europe's chemistry

Rhodia is actively involved in SusChem, a European platform established to focus on the strategic directions of the European chemical industry over the next 20 years, with sustainable development in mind. This platform, which unites manufacturers, national representatives, European authorities and stakeholders (associations and non-governmental organizations), has defined three key technology areas - materials, process design and biotechnologies. Rhodia officially signed up to this "vision" in August 2005.

AXELERA - ANTICIPATING THE CHEMISTRY OF TOMORROW

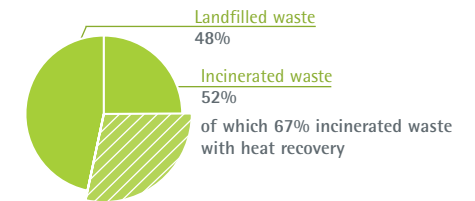
Rhodia is one of the key players in Axelera, a "competitiveness cluster with a worldwide calling". Established in July 2005 in the Lyons region of France, in partnership with Arkema, Suez, the IFP (French Petroleum Institute) and the CNRS, this initiative brings together companies, laboratories and training centers to ensure state-of-the-art expertise. Axelera's vocation is to accelerate the transformation of our industries so they progress from curative chemistry to preventive chemistry, thus reducing the global impact on both energy consumption and the environment. The first project, already underway, concerns process intensification. Its mission is to establish a true "factory of the future", the effect of which will be more compact, less capital-intensive plant, requiring less energy and fewer non-renewable resources.

Indicators

WASTE*
14%

2005 saw hazardous waste taken to landfill sites fall by 14% compared with 2004.

DISTRIBUTION OF PROCESSED WASTE



Total waste produced in 2005 = 652,907 tonnes

Heat recovery is maintained at a high level, which reduces the volume of waste while producing energy reused by the Group.

*Based on historical data

Indicators

SURVEY CARRIED OUT WITH PLANT MANAGERS AT THE BEGINNING OF 2006 (70% OF THE TOTAL SAMPLE IS REPRESENTED)

98% of our sites are equipped with a formal institutionalized exchange and information system, whether statutory or at their initiative.

For over **70%** of sites, safety is the topic most frequently raised at personnel meetings, followed by internal organization, working conditions and the environment.

In 2005, **87%** of sites met their external stakeholders at least once (elected officials, residents' associations, etc.).

Approximately **70%** of these meetings raised environmental issues and over 50% were linked with industrial safety, personal safety and the sites' economic situation.

70% of our sites have drawn up an action plan that applies to these stakeholders (external communication, joint projects, protection of the environment, etc.).

Over **33%** of our sites organized an open house day in 2005, attended by employees, their families and external stakeholders.

Local communities, integrating our sites into their environment

The Rhodia Group considers that living near its sites gives local residents, elected officials and associations the right to be heard and informed about its activities, in the context of open and honest dialogue. We believe open-house days at our sites, as well as our involvement in local information and consultation committees in France and community advisory panels in the United States, contribute positively to this.

Controlling industrial risks

Evaluating the risks related to plants and processes

The most important condition for good integration at local level lies in controlling industrial risks. All our plants are therefore subject to extremely detailed "process safety" studies, which accurately evaluate the potential risks related to processes, products and procedures. Risks are evaluated according to their degree of danger and probability of occurrence. This mapping is then used to draw up action plans aimed at prevention. Rhodia has set

itself a target of producing or reviewing these studies at least every five years, for each plant. In 2005 this was achieved for 91% of its plants, a figure which is steadily increasing. A special effort focused on Seveso classified units or similar (for countries outside the European Union), for which a coverage rate of 93% ✓ was achieved.

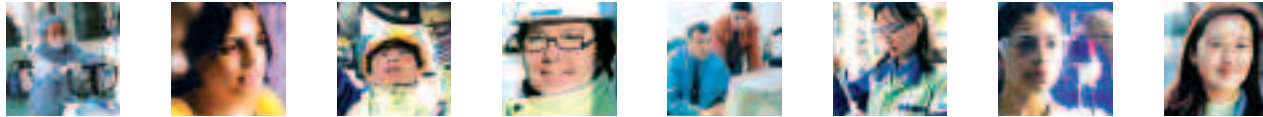
A similar risk control mechanism is applied to the logistics chain, in particular to the transportation of hazardous products.

FOSTERING CONSTRUCTIVE DIALOGUE WITH COMMUNITIES

In 2005, the silicas site at Collonges in France (300 employees, ISO 14001 certified) organized a "Sustainable Development" day, where it could share all the positive aspects of its Health, Safety and Environment policy and inform the people it liaises with about the site's safety program.

Those who attended particularly appreciated the efforts made by the site with regard to noise pollution. Thanks to an innovative process, noise levels have been cut to an eighth over the last ten years for all acoustic measures. This open house day provided an opportunity for a real exchange of information, after which Collonges Town Hall decided to use the methodology developed by Rhodia and its partners to map and deal with its own noise pollution.

From left to right: Logistics specialist, Wuxi site (China) - Recruitment Manager, Paulinia site (Brazil) - Supervisor, Beijing site (China) - Supply Chain Manager, Silicones site, Lyons (France) - European Logistics Purchasing Manager, Aubervilliers (France) - Researcher, Research Center, Shanghai (China) - Researcher, Paulinia Research Center (Brazil) - Administrative Manager, Beijing site (China)



Indicators

Defining emergency plans (for managing any type of accident situation relating to processes, transport, etc.)

All Rhodia's prevention efforts are aimed at "zero accidents". However, as zero risk does not exist, the Group is prepared for different types of accident scenarios, whether relating to processes, transportation or products. Emergency plans have thus been drawn up at different levels - Group, country, Enterprise and industrial site. These plans define the roles of each entity and specify how they must co-ordinate with each other in the face of a crisis situation. In 2005, 95% ✓ of entities had reviewed their emergency plans in less than three years (out of a target of 100%), a figure that is improving and proves that this has become standard practice at all our sites. Crisis management training is also provided worldwide in order to help prepare our teams for a potential emergency situation.

Extending this measure to the entire network, and explaining it to the outside world

Apart from controlling risks, developing relationships based on trust with the sites' stakeholders also involves listening, dialogue and contributing to local development. These different facets are all integrated into Rhodia's new Responsibility Reference Framework, which sets out good practices on subjects such as risk management and analyzing stakeholders' expectations, as well as transporting hazardous products.

95% ✓

of sites revised their emergency plan in the last three years.

INTEGRATING THE SITE INTO ITS COMMUNITY

The silicas site at Incheon in South Korea, ISO 9001 and TS 16949 certified, is building bridges with its local community using various initiatives, including the launch of an environment awareness program for students, decontamination of rivers in partnership with the town, safety training provided for neighboring companies, and the exchange of good environmental practices as part of an association comprising 19 companies.

Model in terms of sustainable management with major achievements in economic, environmental and social domains, the Incheon site is also involved in the local Agenda 21 sustainable development program launched by the South Korean government. One of the aims of the Agenda 21 programs, set out in the Rio Declaration of 1992, is to protect the environment.



Safety Indicators

Personal safety

Analysis of health and safety risks

A study to evaluate Health and Safety risks was carried out or reviewed in the last five years for 73% ✓ of functions.

The continual improvement in this rate is the result of the 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 feedback and statutory developments.

Results and performance

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 0.8 and a TF2 of 1.8, Rhodia achieved its best performance ever in this area in 2005.

	2003	2004	2005
Rhodia personnel TF1 ⁽¹⁾	1.4	0.9	0.8
Rhodia personnel TF2 ⁽²⁾	3.2	2.2	1.8
Rhodia personnel TG ⁽³⁾	0.09	0.08	0.05
Temporary staff TF1 ⁽⁴⁾	5.5	0.5	1.4
Temporary staff TF2 ⁽⁵⁾	7.0	1.9	2.3
Contractors TF1 ⁽⁶⁾	2.5	2	1.1
Contractors TF2 ⁽⁷⁾	5.2	5.3	3.0
Occupational diseases for Rhodia personnel ⁽⁸⁾	9	35	41
Number of deaths among Rhodia personnel, contractors and temporary staff	1	0	0

- (1) Frequency rate resulting in lost working time of a full day (or more), measured as the number of accidents occurring per million working hours.
 (2) Accident frequency rate, whether or not resulting in lost working time, measured as the number of accidents occurring per million working hours.
 (3) Accident severity rate with leave, measured as the number of working days lost per

thousand working hours.

- (4) Accident frequency rate resulting in one day's leave (or more), over and above the day of the accident, for temporary personnel employed at Rhodia Group sites, measured as the number of accidents occurring per million working hours.
 (5) Accident frequency rate, whether or not resulting in lost working time for temporary personnel employed at Rhodia Group sites, measured as the number of accidents occurring per million working hours.
 (6) Accident frequency rate resulting in lost working time for companies that do not belong to the Rhodia Group, but work at Rhodia sites, measured as the number of accidents occurring per million working hours.
 (7) Accident frequency rate, whether or not resulting in lost working time for companies that do not belong to the Rhodia Group, but work at Rhodia sites, measured as the number of accidents occurring per million working hours.
 (8) The vast majority of these diseases are the consequence of past exposure (diseases linked with asbestos and musculoskeletal problems). The growth in the number of occupational diseases can basically be explained by the exhaustiveness of the reporting put in place in 2004. Moreover, the definition of this indicator was extended in 2005 to include occupational diseases likely to be recognized in 2005, in addition to those already recognized.

Management's commitment

The average rate of managerial inspections by members of the Enterprise Management Committees was 7.1; a higher figure than 2004 (5.7).

Moreover, members of the General Management Committee, as well as Function Managers and Executive Committee members, made 13 safety visits, the equivalent of 1.33 per person.

	2003	2004	2005
Number of people involved in a progress method (5S, PGI: Planned General Inspections, BBS: Behavior-Based Safety, or other risk assessment method, ideas box, etc.)	59%	63%	78% ✓

Social Indicators

Process safety

2005 saw an increase in this indicator, due to the number of accidents categorized as "average"; this reinforces our need to widely deploy our "process safety" studies.

On a comparable basis (as at December 31st, 2005), Rhodia has 42 Seveso classified sites in the world with a "high and low threshold" or similar status, likely to present - through danger of explosion or release of noxious substances - health or safety risks for neighboring populations and the environment.

	2003	2004	2005
Number of process accidents	55	33	46

Transport safety

2005 saw a rise in the number of transport accidents and incidents. Thus, 23 accidents were recorded against 14 in 2004. This increase is due to an increase in traffic accidents by our transport providers. In order to control these risks as much as possible, our haulage contractors have been asked to make sure their drivers receive proper training, particularly when loading and unloading at our sites. Rhodia pays very special attention to the choice of its haulage contractors. The Group uses the benchmark defined by the CEFIC (European Chemical Industry Council) to audit and evaluate its suppliers as soon as they are selected. 100% of its haulage contractors in Europe are audited.

	2003	2004	2005
Number of transport accidents	25	14	23

Changes in staffing levels

ON A HISTORICAL BASIS	2003	2004	2005
Staff changes	23,059	20,577	19,444

Incoming/outgoing balance

(EXCLUDING EFFECT OF HISTORICAL TREND)	2003	2004	2005
External recruitment	726	715	1,025
Outgoing	2,177	1,891	2,217

Like most major industrial groups, Rhodia is continuing with its productivity efforts. Asia and Brazil, regions of strategic growth for the Group, accounted for 52% of external recruitment. These two regions now represent 32% of the Group's workforce as against 23% in 2003. China is the third largest country in terms of number of employees (behind France and Brazil, but ahead of the United States, the United Kingdom and Germany).

Training

(IN EUROS)	2003	2004	2005
Training investment per person	435	314	324

On average, 18 hours of training per employee were provided in 2005.

Internal mobility of executives

	2003	2004	2005
% of executives transferred internally	8%	11%	17%

Environment

Indicators

2003/2004/2005 consolidation

Emissions were determined on a historical basis in order to show the Group's annual impact. In our concern to maintain the audited values announced in previous reports, whether they apply to management or Sustainable Development, we did not incorporate any changes from previous years. The results shown below were therefore calculated on a historical basis.

With transparency in mind, all the indicators illustrating emission trends in percentage terms and their targets have been restated as of end 2005. We can thus judge the real efforts made by the Group, by disregarding emissions linked with activities that were divested between 2000 and 2005. These results on a comparable basis (as at December 31st, 2005) are available on Rhodia's website: www.rhodia.com.

Conserving natural resources

Energy

IN TONNES OF OIL EQUIVALENT	2003	2004	2005
Fossil fuel	1,485,496	1,525,803	1,452,185
Electricity	882,136	893,865	649,842
Thermal energy (vapor)	441,961	445,186	196,454
TOTAL TOE (Excluding intra-Rhodia transfers)	2,809,593	2,864,855	2,298,482

Water

IN THOUSANDS OF M ³	2003	2004	2005
Drinking water	13,908	14,648	12,811
Underground water	223,047	214,448	211,268
Surface water	248,945	243,363	240,221
TOTAL	485,900	472,458	464,301

Limiting the impact of our activities

On the air

ACIDIFICATION (IN TONNES)	2003	2004	2005
SOx	26,351	23,984	22,152
NOx (excluding N ₂ O)	6,623	6,701	8,943
TOTAL SOx + NOx	32,974	30,685	31,096
Particles	1,350	1,063	1,196
Hx	84	83	71

GREENHOUSE EFFECT	2003	2004	2005
CO ₂ linked with chemical process	280,189	193,547	204,183
Energy CO ₂	7,387,615	7,468,321	7,567,086
Other CO ₂ equivalent gases	19,500,166	19,428,211	17,793,589
For which N ₂ O	18,082,927	17,881,064	16,304,871
CO₂ EQUIVALENT TOTAL (internal sales neutralized)	26,385,011	26,233,191	23,940,618

TROPOSPHERIC OZONE	2003	2004	2005
Volatile Organic Compounds (VOC)	8,217	7,993	6,973

As an example, Rhodia Polyamide made sizeable investments to reduce the VOC emissions at its Chalampé site in France from 2,500 to 3,000 tonnes a year. In order to quantify the total VOC more precisely, we must continue to identify transitory and uncontained emissions.

On water

EUTROPHICATION	2003	2004	2005
Phosphorus (P)	12,713	6,534	523
Nitrogen (N)	6,448	5,766	4,559
TOTAL	19,161	12,300	5,082

From left to right: Chemical Engineer, Research Center, Shanghai (China) – Logistics specialist, Beijing site (China) – Chemical Engineer, Research and Technology Center, Lyons (France) – Administrative Manager, Beijing site (China) – Supply Chain meeting, Shanghai head office (China) – Researcher, Research Center, Shanghai (China) – Operators, Polyamide site, Paulinia (Brazil) – Operator, Wuxi site (China)



DAMAGE TO THE AQUATIC ENVIRONMENT	2003	2004	2005
Chemical Oxygen Demand (COD)	20,698	17,312	15,893
Materials in Suspension (MIS)	5,045	4,469	3,713
Soluble salts	254,246	265,431	284,930
Absorbable Organic Halogens (Aox)	78	53	75
Heavy metals (in copper equivalent)	35	16	9

Heavy metal waste in 2005 expressed in copper

LIST HEAVY METALS	RAW WASTE IN TONS	COEFFICIENT	COPPER EQUIVALENT
Arsenic	0.483	0.2	0.1
Cadmium	0.125	2	0.25
Chrome	2.070	0.33	0.68
Copper	6.216	1	6.22
Lead	0.289	0.2	0.06
Mercury	0.0133	16.67	0.22
Nickel	2.858	0.17	0.49
Zinc	8.969	0.125	1.12
TOTAL			9.139

We saw a sharp fall in 2005 (-42%) of all heavy metals to water.

Waste production

RESULTS IN TONNES	2003	2004	2005
Landfill			
Landfilled hazardous waste	29,544	30,423	26,082
Landfilled non-hazardous waste	47,164	40,570	39,743
Mining-type waste (Gypsum, carbonate, etc.)	1,601,067	1,074,990	248,861
Incineration			
Waste incinerated by Rhodia	242,139	245,616	240,948
Of which waste incinerated by Rhodia with heat recovery	175,718	181,382	167,270
Incineration rate with heat recovery (internal and external)	73%	74%	67%

Progress actions in terms of safety and environment

PROCESS SAFETY STUDIES	2003	2004	2005
Rate of success for "process safety" studies, carried out or reviewed in less than 5 years	79%	89%	91%
Rate of success for "Seveso process safety" studies, carried out or reviewed in less than 5 years	87%	90%	93% ✓

ENVIRONMENTAL ANALYSIS	2003	2004	2005
Success rate for analyses made of environmental issues, undertaken or reviewed over the past 5 years	74%	77%	81% ✓

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, provided its sites with a method for prioritizing studies according to impact.

External assessments

- **PricewaterhouseCoopers** was appointed seven years ago by the Rhodia Group to evaluate the Group's performance in terms of Health, Safety and the Environment. **For the third consecutive year, Rhodia has obtained "reasonable assurance"**, that is to say, the highest level of assurance, for the quality of its reporting (see pages 35, 36 and 37).
- 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), supplemented where necessary by specific questionnaires.

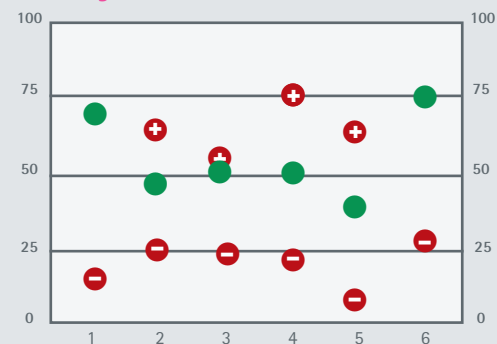
Compared with last year, the Group's overall performance has improved – Rhodia is perceived to be one of the best in its sector for respecting human rights, social dialogue with employee representatives and the continuous improvement of its safety results.

Signing the Environmental and Social Responsibility agreement with the sector's international workers union (ICEM) reinforces the Group's credibility in this domain.

– The improved performance for the "customers and suppliers" section is due in the main to paying heed to the European REACH regulations through implementing programs to replace CMR (carcinogenic, mutagenic or toxic to reproduction) substances or have better control over their use. The gradual implementation of the "sustainable purchasing" policy also contributes to the results achieved in this area.

There is still room for improvement, however, on both a societal commitment and corporate governance level, the latter being an area where Rhodia has already implemented a number of measures, including separating the roles of Chairman of the Board and Chief Executive Officer, increasing the number of independent directors and reducing terms of office.

Rhodia's assessment in its line of business according to VIGEO



- ➕ Maximum performance in the sector
- ➖ Minimum performance in the sector
- Rhodia
- 1- Human resources
- 2- Environment
- 3- Customers and Suppliers

Change in performance levels between 2004 and 2005 according to VIGEO



- 4- Corporate governance
- 5- Societal commitment
- 6- Human rights

Statement by PricewaterhouseCoopers

on health, safety and environmental improvement initiatives

In connection with our audit, Rhodia asked us to review 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 2005, identified by the ✓ symbol.

During our visits, we interviewed managers responsible for health, safety and environmental commitments, and ensured, on the basis of documentary reviews (site inspection reports, internal monitoring reports, management reports, accounting data, etc.), that the actions in 2005 were consistent with the information entered by the site in the reporting system.

Based on a sample of 19 sites visited, selected based on their contribution to environmental and safety indicators, the figures disclosed by the Group - identified by the ✓ symbol - appear to be consistent with the results of our audit.

Signed in Paris, on February 10th 2006
PricewaterhouseCoopers Audit

Christian Perrier
Partner
Statutory Auditor

Sylvain Lambert
Partner
Sustainable
Development Department



Auditors' report on the calculation of the environmental and safety indicators contained in the Rhodia Group's Sustainable Development Report for 2005

At the request of Rhodia's Senior Management, and in our capacity as the Group's Statutory Auditors, we have carried out certain procedures to obtain reasonable assurance concerning the following 2005 data, presented on pages 32 and 33 of the Sustainable Development Report:

- Air: Greenhouse gases expressed in CO₂ equivalents, acidification (nitrogen and sulfur oxides) and tropospheric ozone (Volatile Organic Compounds)
- Water: Consumption, eutrophication (nitrogen and phosphorus) and aquatic pollution (Chemical Oxygen Demand, waste from materials in suspension, soluble salts, AOx and heavy metals)
- Waste: Landfilled hazardous waste and non-hazardous waste
- Safety: Rhodia employees (TF1, TF2, accident severity rate, deaths and occupational diseases), contractors (TF1 and deaths) and temporary workers (deaths).

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 relating glossary, RCD 06- 01), available for consultation at corporate headquarters, and which represent the standards generally accepted by the global chemical industry. Our responsibility is to express an opinion about this data, based on our audit.

Nature and scope of our audit

We carried out the procedures described below to obtain reasonable assurance that the data referred to above is not incorrect.

Our audit was conducted between November 2005 and the end of January 2006 at corporate headquarters and at 19 major sites worldwide, representing 42 operating units, selected on the basis of 2004 data. The facilities concerned are located in France, Germany, Brazil, the United States and South 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) 2005	89.8%
Acidification (nitrogen and sulfur oxide emissions) 2005	84.8%
Tropospheric ozone (VOC emissions) 2005	62.6%
Water consumption 2005	81.5%
Eutrophication (nitrogen and phosphorus emissions) 2005	81.1%
Damage to the aquatic environment (CDO emissions) 2005	57.5%
Landfilled hazardous waste 2005	57.9%
Landfilled non-hazardous waste 2005 (excluding single entity mineral waste)	29.3%

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	27.8%
Contract employees and temporary workers	36.4%

We carried out the following procedures:

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 auditing rules were properly applied, including the definitions of the Responsible Care indicators about which we expressed an opinion.
- 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, internal monitoring documents, invoices and management reporting data).
 - We performed an analytical review of the raw data used to calculate the 2005 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 the Corporate Responsible Care team, and checked that the necessary adjustments had been made in the unit's reporting schedule.

After the site visits, at corporate headquarters:

- For the sites visited:
 - We checked that the audit data reviewed for the operating units visited during the audit had been properly included in the consolidated data produced by the Corporate Responsible Care Department.
- For occupational diseases:
 - We reviewed the procedure describing how occupational diseases have been taken into account since 2005 (RCD 28).
 - 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).

- 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 discrepancies between the 2004 and 2005 data.
- We reviewed, on a test basis, the consistency checks made by the reporting managers on the following elements: declared quantities of NOx and N₂O, number of Seveso-classed sites, severity rate.

We requested the assistance of Rhodia experts from the Sustainable Development Department to conduct the audit.

In view of the work carried out annually over the last seven years on the Group's major sites, we consider that our procedures 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.

Signed in Paris, on February 10th 2006
PricewaterhouseCoopers Audit

Christian Perrier
Partner
Statutory Auditor

Sylvain Lambert
Partner
Sustainable
Development Department



Glossary

AO_x

Absorbable Organic Halogen Compounds that are absorbed by Active Carbon.

CEFIC

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.

CO₂

Carbon dioxide.

VOC

Volatile Organic Compounds.

CNRS

France's National Scientific Research Center.

COD

Chemical Oxygen Demand.

H_x

Halogenated Hydracids.

MIS

Materials in Suspension.

N₂O

Nitrous oxide.

NO_x

Nitrogen oxides, excluding N₂O.

NGO

Non-Governmental Organization.

Product stewardship

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

The Kyoto Protocol and 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.

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.

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.

TOE

Tonnes of Oil Equivalent.

The UNO Global Compact

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

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Sustainable Development Department
Cœur Défense - 110 Esplanade Charles de Gaulle
F-92931 Paris La Défense Cedex
Tel: +33 (0) 1 53 56 64 64 / Fax: +33 (0) 1 53 56 64 00

