



sustainability review  
2004

# Welcome to our Sustainability Review summarising our developments in 2004

## Welcome



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### Further information

Full sustainability reporting is on our website at [www.ici.com/sustainability](http://www.ici.com/sustainability)

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2004 represented a year of good progress for the ICI Group towards achieving our 'triple bottom line' sustainability objectives – financial, social and environmental. Our commitment to our sustainability principles remains resolute, with their continued importance recognised within the Group. In generally good economic conditions we delivered satisfactory financial results.

Our performance in 2004 is reported against the commitments given in SHE Challenge 2005, our current five-year programme, as well as our more recently adopted social indicators. We continued to perform well against our environmental objectives, and have made progress in supply chain and employee areas. We are particularly encouraged by our selection as a member of the Dow Jones Sustainability Index.

Although our safety performance is amongst the industry leaders, we are disappointed with the lack of improvement over the last two years. During the year, the Company experienced two fatalities, one to an employee and one to a contractor. These are the first since 2000, and are deeply regretted by the Board and all our employees. We reiterate our commitment to operating in a safe manner.

This review also outlines the detailed process that is taking place to set our 2010 sustainability objectives. We will communicate these new objectives at the beginning of 2006.

The Board remains committed to the principles of sustainable development and to those of the UN Global Compact. We recognise their importance and are keen to continually learn from our own and others' experience. Any feedback is very much welcomed and can be addressed to the Group Vice President, Sustainability.

This review is intended as a summary only. Full details of our sustainability performance can be found on our website at [www.ici.com/sustainability](http://www.ici.com/sustainability)



**Peter B Ellwood CBE**  
Chairman

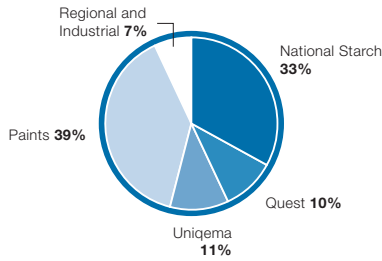


**John D G McAdam**  
Chief Executive

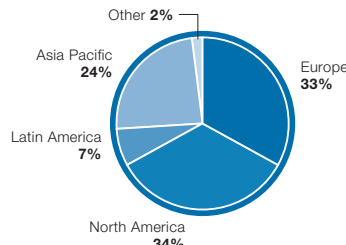


**William H Powell**  
ICI Executive Director,  
Sustainability

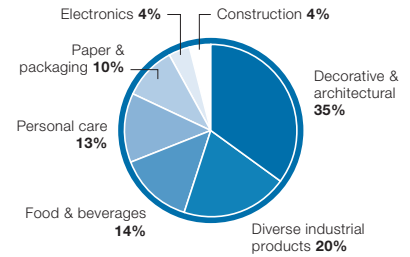
### Turnover by business 2004



### Turnover by customer location 2004



### Turnover by market sector 2004



## Our Group



**ICI is one of the world's major specialty products and paints businesses. At the end of 2004 the Group employed about 33,300 people, had operations in more than 50 countries and produced over 50,000 different products.**

ICI's specialty products and paints businesses comprise National Starch, Quest, Uniqema and ICI Paints. These businesses serve diverse consumer and industrial markets through some 80 strategic business units, comprising around 180 operating units with an array of market leadership positions across the world. The Group also has a number of bulk chemical operations in its Regional and Industrial portfolio. During 2004 we completed the sale of Quest's Food Ingredients business and announced the sale of National Starch's Vinamul Polymers business, which was completed in February 2005. We also announced the Group's exit from the Ineos Chlor business and sale of 18.9% of our interest in Pakistan PTA Ltd.

ICI is a publicly listed company on the London and New York Stock exchanges. Group sales in 2004 totalled £5.6 billion, with an operating profit (before exceptional items and goodwill amortisation) for the year of £479 million.

## The businesses

### National Starch

National Starch markets an immense product range to sectors as diverse as food, healthcare and construction. Four main divisions are grouped around adhesives, specialty starches, specialty synthetic polymers and electronic and engineering materials.

£1,870m sales  
 £219m trading profit†  
 9.5% return on capital employed\*  
 9,410 employees (average)  
 £1,287m net operating assets

### Quest

Quest creates and markets flavours and fragrance concepts and solutions for the fast moving consumer goods industries. It makes vital ingredients for foods, snacks, beverages, personal care, fine fragrances, and home hygiene products.

£584m sales  
 £51m trading profit†  
 5.2% return on capital employed\*  
 3,730 employees (average)  
 £309m net operating assets

### Uniqema

Uniqema concentrates on products which deliver specific effects that influence how customers' products feel or perform. The formulation of personal care ingredients, natural and synthetic lubricants and polymers are areas of particular expertise.

£629m sales  
 £19m trading profit†  
 1.7% return on capital employed\*  
 2,800 employees (average)  
 £405m net operating assets

### ICI Paints

With some of the world's top paint and decorative product brands, ICI Paints aims to inspire consumers to transform their surroundings with performance products and colour. It makes products to prepare and care for all building materials, and also provides coatings for cans and packaging.

£2,161m sales  
 £216m trading profit†  
 13.8% return on capital employed\*  
 15,330 employees (average)  
 £790m net operating assets

### Regional and Industrial

ICI's Regional and Industrial businesses represent elements of the Group's historic activities. Principal operations are in Pakistan, Argentina and India and include activities in pure terephthalic acid, polyester staple fibre, rubber products, wine additives and soda ash.

£375m sales  
 £(26)m trading loss†  
 (10.1)% return on capital employed\*  
 2,220 employees (average)  
 £237m net operating assets

† Trading profit/(loss) is defined as operating profit/(loss) before exceptional items and goodwill amortisation.

\* ICI's method of calculating return on capital employed is defined on page 131 of the Annual Report 2004.

**Further information:**  
[www.ici.com/sustainability](http://www.ici.com/sustainability)

ICI's portfolio has changed fundamentally since our first five-year improvement objectives were set in 1990. We have moved from a bulk producer of chemicals on large industrial sites, to a specialty products and paints business operating from many smaller sites.

Accordingly our Challenge 2005 safety, health and environment (SHE) objectives were developed through a combination of internal debate, external opinion leader research, peer review discussion with a panel

of three independent experts, and have been implemented through the commitment of our business leaders and the dedication of our employees.

We also recognised other key areas, such as sustainable products and services and social aspects, which are covered in this review.



**Our sustainability principles, based on longstanding SHE and employee values, with developing stakeholder interests, were formalised into our Sustainability Policy published in 2002. This goes beyond the impact of our manufacturing operations to encompass product stewardship across the supply chain, and our relationships with employees, suppliers, customers and the communities where we operate.**

#### Product Stewardship

It is our belief that our products have a beneficial effect on peoples' life style and well-being, as well as on the environment in which we live. Our products contain a range of chemicals so we take care to manage this balance of risk responsibly, throughout the product life cycle. It requires management, employees, contractors, customers and all those involved in the supply chain to work together in applying safe and environmentally sound practices, based on risk assessment.

#### Manufacturing impacts

The prime impacts on the environment, people and communities where we operate are covered in our SHE Challenge 2005 objectives. These include health and safety, use of water and energy, and our emissions to air, water and land.

#### Raw material and product impacts

Our product stewardship guidelines require businesses to carry out hazard and risk assessments of all raw materials, intermediates and products. This forms the basis of risk management and communication processes.

#### Working together

We use a variety of methods to assess material hazards to confirm safety in use, and remain actively engaged in the development and use of new methods. For example we are already using predictive modelling techniques. The Uniqema business has joined the Sustainable Futures initiative, which is designed to help industry develop new chemicals that are economically and environmentally sustainable, and offers an integrated path to the development of safer chemicals. We also contribute to voluntary industry initiatives including the HPV Challenge in the USA.

In order to better understand and act on concerns related to the use and management of chemicals, we continue to engage in constructive dialogue with key stakeholders, for example through the UK Chemical Stakeholder Forum. We continue to assess the impact of the proposed Registration Evaluation and Authorisation of Chemicals (REACH) regulations in Europe. Certain substances that we use and manufacture are identified on priority lists such as OSPAR. We regularly review the use of these substances and, where possible, are actively seeking ways to substitute or minimize their use.

#### Communication

It is vital that we communicate product information to our customers in an effective way. All our international businesses have made investments in integrated systems for hazard communication to ensure that consistent, high quality information is available for product literature and labelling – in a language appropriate to the user.

**Renewable materials:** Many of our raw materials come from renewable and recycled sources, mainly vegetable-based. Understanding the role of responsible sourcing and other sustainable practices to minimise environmental impact and other emerging issues is critical.

**Eco-efficiency:** All our operations aim to use technology to maximise process efficiency and minimise the use of raw materials, energy and water, and waste generation. Our total reductions in Non-Product Output and energy usage

demonstrate improved eco-efficiency of our product portfolio.

**Material reuse/recycling:** Many of our products are dispersed during use or eaten, so they are not available for recycling, eg personal care, lubricants, coatings. Some go into products like glass, clothing and paper/cardboard, which are readily recyclable. For our Paints business the biggest impact is unused product and packaging. The business is particularly active in the UK and Canada in developing cost effective reuse/ recycling programs.

In 2001 an Executive Director was nominated to overview Sustainability, and in 2002 the ICI Board published our Sustainability Policy and Principles. Sustainability covers all areas of our business with different elements managed by existing structures for Finance, Safety, Health and Environment, Human Resources, Procurement and Business Management.

In 2004 the ICI Board appointed a new cross-business Sustainability Board, reporting to the Executive Director for Sustainability. The

Sustainability Board is leading a detailed evaluation of current and future priorities and stakeholder expectations, involving all our business and functional boards, to develop our strategy and objectives for 2010.

We are working with Forum for the Future in this 'Sustainability Challenge' process; the outcomes will be tested with a range of internal and external stakeholders later in 2005, and communicated in early 2006.

## How we run our business



### Corporate Governance

ICI is committed to high standards of corporate governance. Throughout 2004 the Company has been in compliance with the applicable provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003.

Because of its US Listing, ICI is also required to comply with the provisions of the Sarbanes-Oxley Act 2002 as it applies to foreign issuers. The company continues to monitor its legal and regulatory obligations arising from Sarbanes-Oxley. We have taken action to be compliant with those rules that have already become effective, and have plans to address rules with future effective dates.

### Code of Conduct

Our Code of Conduct sets out the way we do business. It covers legal, operational, behavioural, and human rights issues. We support the United Nations Universal Declaration of Human Rights, and in 2003 we endorsed the principles of the United Nations Global Compact: our summary of progress is included on our website. Awareness of, and compliance with, our Code is part of our audit process. The Code will be routinely reviewed and updated if necessary in 2005.

Our whistleblowing system has now been in place for eighteen months and is available to employees in every country where we operate. As we gain more experience, we plan to identify measures to help us to monitor the effectiveness of the system.

### Responsible Care Management System

We subscribe to Responsible Care®, the international chemical industry's commitment to continuous improvement in all aspects of safety, health, environmental performance, and product stewardship, and to openness in communication about its activities and progress. Our Responsible Care Management System encompasses all of our safety, health, environment, product stewardship and related community standards and guidelines globally: it is independently verified against both UK and US Responsible Care® codes, ISO 14001, OHSAS 18001 and the International Chamber of Commerce (ICC) Business Charter for Sustainable Development. During 2005 Lloyds Register QA will update this verification, including assessment against the revised 2004 American Chemistry Council Responsible Care Management System.

We carry out a range of SHE and insurance audits to ensure that our global SHE standards are implemented throughout the businesses, and to identify and prioritise areas for improvement. We also require our businesses to submit an annual report (known as a Letter of Assurance) to the ICI Board and ICI Audit Committee, giving details of compliance with our policy and global standards.

We have reported environmental performance since 1991, and performance in safety, health and the environment since 1996. SHE Challenge 2005 is our third set of five-year objectives and is the basis of our current review.

#### Further information:

[www.ici.com/sustainability](http://www.ici.com/sustainability)

There was very good progress in environmental performance against ICI's Challenge 2005 objectives, with excellent improvements in the use of energy and water, waste reduction and emission of greenhouse gases. Only in the areas of hazardous substances to the air and, to a lesser extent, acid gases are we behind plan. We are taking steps to remedy this.

We continue to report our environmental impact using the Environmental Burden methodology developed by ICI. Full details of this are available on the website.



### Land

Reducing our impact on the land means that we need to reduce the amount we landfill, maintain the biodiversity of our sites and continue to review them for any potential soil or groundwater contamination. We are on plan against all our targets.

We have continued to make good progress in reducing the amount of hazardous Non-Product Output (NPO) generated, and the absolute volume of hazardous NPO to landfill is down by about 20% since 2000. We have a number of examples of waste reuse and recycling, but overall these figures have remained static at around 30% for hazardous and 15% non-hazardous as the total volume of NPO is further reduced.

Our five-stage risk management approach to assess possible land contamination helps us monitor and manage land issues. We also continue to support, protect and promote biodiversity where we can. During 2004 we completed five biodiversity surveys, many in partnership with local scientific or conservation organisations.

### Water

ICI has set a reduction target to conserve this precious resource by reducing both our water use and any residual impact from our water discharges. Our indicators are ahead of target due to continuous improvements in production processes and efficiencies. We have also made progress by reducing the volume of treated potable water used by 21%.

### Climate Change

Our contribution to climate change as a manufacturing company has reduced drastically through the transformation of our product portfolio and technology improvements. All indicators are ahead of target due to continuous improvements in production processes and efficiencies and some investment in new technology. We also measure the emissions of ozone depleters, although we have no target: the current level is 99% below the 2000 level.

### Air

We have set separate targets on other emissions to air covering hazardous substances and acid gases. We are currently behind target on both these indicators. We have not been able to achieve these reductions purely by operating improvements but have needed to invest in abatement technology. A thermal vent treatment unit in Pakistan, which comes on stream in 2005, will significantly reduce the emissions of hazardous substances.

### Compliance

It is our policy to comply with the law in all countries where we operate. In 2004, we were fined a total of nearly £40,000 as a result of six environmental, three safety and health, and two product related infringements.

### Case Studies

### Environment

**NPO:** During 2004 Quest's Naarden site in the Netherlands reduced waste by 35% and made significant financial savings by reducing the level of product rejects and stocks, while maintaining good delivery performance to customers.

**Biodiversity:** The Regional Center of Scientific and Technical Research carried out a survey at ICI Argentina's Palmira site. They concluded '...all the activities carried out at the plant do not affect the environment biodiversity; on the contrary, new habitats that house birds and flora species, have brought benefits to it.'

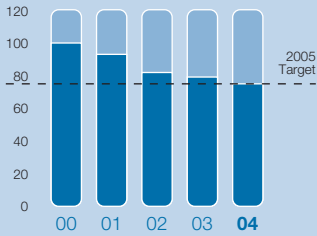
**Water:** ICI Argentina's San Lorenzo site has significantly reduced the amount of water extracted for the site. They have ceased the use of deep well water and reduced river water used for cooling by implementing a closed loop cooling water system.

**Climate Change:** ICI Paints has improved energy efficiency per tonne of production by 24% since 2000 by optimising plant operation and consolidating production sites to improve process efficiencies. A mild winter also influenced 2004 consumption.

**Further information:**  
[www.ici.com/sustainability](http://www.ici.com/sustainability)

### Hazardous Non-Product Output (NPO)

Units: kg per tonne production – percentage change from 2000



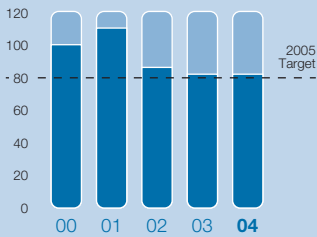
#### On target

Target 2005: -25%  
 Percentage change: -25% adjusted for product mix (actual -24%)  
 2000: 4.40 kg per tonne production  
 2004: 3.34 kg per tonne production  
 Total 2000: 26,612 tonnes  
 Total 2004: 22,618 tonnes

Local regulations determine which of our Non-Product Output (NPO), or waste, are categorised as hazardous (i.e. poisonous to humans and animals or harmful to the environment if not disposed of properly). Our data includes all NPO disposed of by all methods – recycling, landfill, incineration (with and without energy recovery), and other methods.

### Non-hazardous Non-Product Output (NPO)

Units: kg per tonne production – percentage change from 2000



#### On target

Target 2005: -20%  
 Percentage change: -18% adjusted for product mix (actual -12%)  
 2000: 100 kg per tonne production  
 2004: 88 kg per tonne production  
 Total 2000: 604,202 tonnes  
 Total 2004: 598,662 tonnes

Non-hazardous Non-Product Output (NPO), or waste, includes all NPO not defined as hazardous (as above). Our data includes all NPO disposed of by all methods – recycling, landfill, incineration (with and without energy recovery), composting and other methods.

### Land assessment

**Target 2005:** Report the number of sites that have completed ICI Stage 1 assessment (this reviews the impact of past and present activities to identify whether further checks are required). In 2004 we strengthened this target to include only assessments completed in the last five years.

**Progress 2004:** 169 out of 196 of sites (86%) have completed Stage 1 assessments in the last five years.

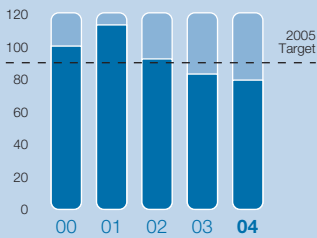
### Biodiversity

**Target 2005:** All ICI sites larger than 10 hectares or located close to sensitive biodiversity regions will undertake an ecology survey and develop a biodiversity management plan.

**Progress 2004:** 37 on-site surveys have been completed since 2000 out of 52 sites which fit the reporting criteria. Surveys have been completed at a further six sites which have been sold. Nine biodiversity management plans are in place.

### Water use

Units: m<sup>3</sup> per tonne production – percentage change from 2000



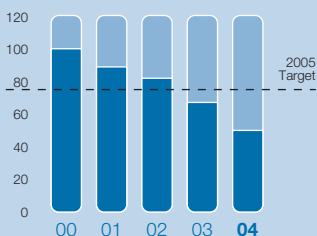
#### Ahead of target

Target 2005: -10%  
 Percentage change: -21% adjusted for product mix (actual -19%)  
 2000: 6.79 m<sup>3</sup> per tonne production  
 2004: 5.52 m<sup>3</sup> per tonne production  
 Total 2000: 41,086,458 m<sup>3</sup>  
 Total 2004: 35,818,315 m<sup>3</sup>

Water use per tonne of production is calculated from our total water use for production excluding water used on a 'once through' basis for non-process purposes, e.g. for cooling.

### Aquatic Oxygen Demand (AOD)

Units: kg per tonne production – percentage change from 2000



#### Ahead of target

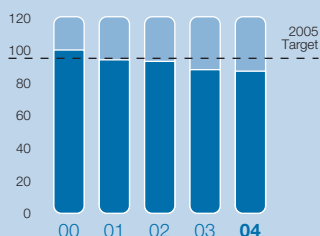
Target 2005: -25%  
 Percentage change: -50% adjusted for product mix (actual -53%)  
 2000: 1.98 kg per tonne production  
 2004: 0.93 kg per tonne production  
 Total 2000: 11,991 tonnes  
 Total 2004: 6,333 tonnes

Aquatic Oxygen Demand (AOD) measures the potential of discharges to water to remove dissolved oxygen. It comprises chemical oxygen demand and ammonia. We measure or estimate the AOD in our effluent after it has been treated by ourselves or by others, to indicate the actual burden on the environment.



## Energy use

Units: GJ per tonne production – percentage change from 2000



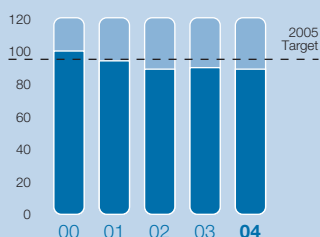
### Ahead of target

Target 2005: -5%  
 Percentage change: -13% adjusted for product mix (actual -11%)  
 2000: 5.92 GJ per tonne production  
 2004: 5.26 GJ per tonne production  
 Total 2000: 35,809,109 GJ  
 Total 2004: 35,683,848 GJ

In 2004 about 2.3% of ICI's energy came from renewable sources, compared with 2.5% reported in 2003. Our main focus remains continuous improvement in energy efficiency. However, we routinely review the availability of renewable energy, as contracts are due for renewal.

## Greenhouse gases

Units: kg CO<sub>2</sub> equivalent per tonne production – percentage change from 2000



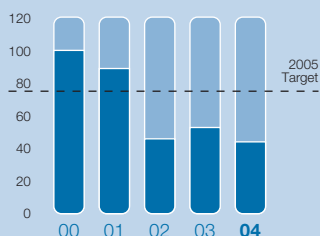
### Ahead of target

Target 2005: -5%  
 Percentage change: -11% adjusted for product mix (actual -10%)  
 2000: 387 kg CO<sub>2</sub> equivalent per tonne production  
 2004: 347 kg CO<sub>2</sub> equivalent per tonne production  
 Total 2000: 2,342,411 tonnes  
 Total 2004: 2,351,807 tonnes

Our greenhouse gases are comprised of process emissions from manufacturing and combustion emissions from the energy we use. The global warming impact of different gases is expressed in terms of the equivalent amount of CO<sub>2</sub> that would have the same effect.

## Ozone generators

Units: kg ethylene equivalent per tonne production – percentage change from 2000



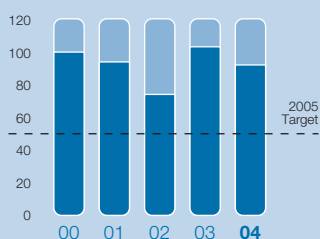
### Ahead of target

Target 2005: -25%  
 Percentage change: -56% adjusted for product mix (actual -53%)  
 2000: 0.506 kg ethylene equivalent per tonne production  
 2004: 0.237 kg ethylene equivalent per tonne production  
 Total 2000: 3,063 tonnes  
 Total 2004: 1,609 tonnes

Ozone generators are volatile organic emissions to air with the potential to form harmful ground level ozone, a precursor to smog. The impact of different gases is expressed in terms of the equivalent amount of ethylene that would have the same effect.

## Hazardous substances to air

Units: kg benzene equivalent per tonne production – percentage change from 2000



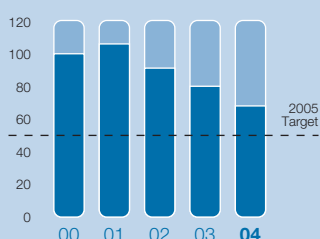
### Behind target

Target 2005: -50%  
 Percentage change: -8% adjusted for product mix (actual -11%)  
 2000: 0.026 kg benzene equivalent per tonne production  
 2004: 0.023 kg benzene equivalent per tonne production  
 Total 2000: 159 tonnes  
 Total 2004: 158 tonnes

Hazardous substances in this context are defined to be those considered to have carcinogenic potential. We have extended our reporting to include probable and possible human carcinogens in addition to known human carcinogens as classified by the International Agency for Research on Cancer.

## Acid gases

Units: kg SO<sub>2</sub> equivalent per tonne production – percentage change from 2000



### Behind target

Target 2005: -50%  
 Percentage change: -32% adjusted for product mix (actual -27%)  
 2000: 1.59 kg SO<sub>2</sub> equivalent per tonne production  
 2004: 1.17 kg SO<sub>2</sub> equivalent per tonne production  
 Total 2000: 9,634 tonnes  
 Total 2004: 7,909 tonnes

Acid gases which have the potential to form acid rain, which can lead to localised acidification. The impact of different gases is expressed in terms of the equivalent amount of SO<sub>2</sub> that would have the same effect.



## Product Stewardship systems

**Target 2005:** All businesses will implement the ICI product stewardship assessment system.

**Progress 2004:** 113 out of 114 business units (99%) had completed self-assessments by the end of the year. The average compliance is 73%.

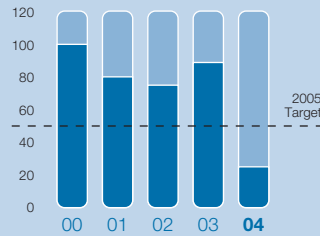
### Suppliers

**Target 2005:** Develop a formal system of supplier assessment. Carry out formal assessments of 25 priority suppliers.

**Progress 2004:** A formal system of assessment was introduced and piloted in 2002. 69 assessments, with verification, of priority suppliers were completed during 2004.

## Distribution incidents

Units: Number of incidents – percentage change from 2000



### Ahead of target

Target 2005: -50%

Percentage change: -75%

2000: 16

2004: 4

We use the definition of distribution incidents given by the European Chemical Industry Council (CEFIC).

## Our supply chain



### Product Stewardship

Commitment to product stewardship is one of the core elements of ICI's Responsible Care Management System. This encompasses protecting our customers and the public by the assessment and management of potential risk from our products throughout their life cycle: research and development, raw material sourcing, manufacture, storage, distribution, applications, reasonably foreseeable uses, including the proper handling by customers, distributors and other companies.

Our product stewardship system applies five global standards: design and development; product management; distribution and use; suppliers and other purchased services; material hazards; and resource conservation.

We have made good progress in the coverage of product stewardship assessments, with improving performance in the majority of businesses. In one business the compliance levels are below expectations: there is a focused drive to improve understanding and performance.

There has been a significant reduction in distribution incidents, mainly due to improved performance in our Paints business.

Our procurement and safety, health and environment professionals have carried out in excess of 300 assessments of priority suppliers using our integrated assessment process: of these, 69 have included a verification visit to discuss the assessment results and improvement plans. The assessments have helped us to identify areas where we can work together to improve performance.

### Product and process innovation

We made progress in strengthening the way we integrate sustainability issues into the innovation processes used across the company. Both Uniqema and National Starch have carried out a full review of their stage-gate processes and formalised their use across the business. Processes are developed to reduce the impact of both operations and products. These improvements include reduced use of energy, water and raw materials; reduced waste; and raw material substitutions. Our scientists and engineers are also developing products and services that give social and environmental benefits in use.

#### Case Study

#### Product stewardship

ICI Paints in the Peoples' Republic of China (PRC) is implementing rigorous hazard & risk assessments for raw materials and products, involving all suppliers, to produce detailed safety data sheets for their 2,300 retailers, distributors and customers.

Uniqema has carried out a worldwide review of product stewardship processes and carried out training covering the R&D, procurement, manufacturing, supply chain, sales and marketing, and legal functions.

ICI Paints in Asia has extended the use of the product stewardship supplier assessment process to evaluate potential regional suppliers in PRC.

National Starch has substituted the use of SO<sub>2</sub> in all their operations worldwide, reducing the hazards and security risks associated with transport and use.

Quest has developed 'Dairy Designer' which gives Dairy taste and texture to non or low fat dairy products. Products in the low fat and low cholesterol markets are beginning to appear.

National Starch is continuing to develop 'Hi-maize', a 'resistant' starch, by combining plant breeding, nutrient science, processing and consumer research. This is being used in foods and products for clinical nutrition in many countries – to encourage well-being, weight management and digestive health.

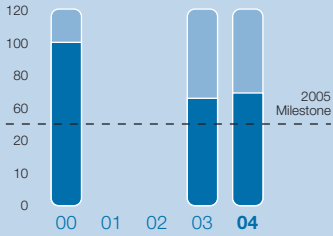
ICI Paints continues to develop technologies to improve the performance of waterborne paints, increasing the potential to replace solvent-based paints in more decorative applications.

#### Further information:

[www.ici.com/sustainability](http://www.ici.com/sustainability)

## Employees and supervised contractor injury and illness

Units: Total Recordable Case rate (TRC) – percentage change from 2000

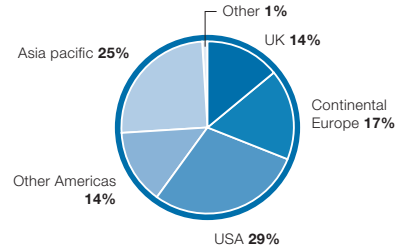


### Behind milestone

Milestone 2005: -50%  
 Percentage change: -31%  
 TRC rate 2000: 1.4  
 TRC rate 2004: 0.97

The Total Recordable Case rate (TRC) is the number of injuries and illnesses, including fatalities, which result in time off work or restricted work or require medical attention beyond first aid, per 200,000 hours worked.

## Employee numbers by region 2004



### Employment Principles

The ICI Group employs about 33,300 people worldwide in more than 50 countries. While each business is responsible for determining its own employment practices, in June 2004 our Executive Management Team agreed a set of 'Employment Principles', which summarises how it expects the individual businesses to manage their employee relations.

We report here on progress against a number of the principles.

### Health and Safety

Health and Safety performance is managed through our Responsible Care Management System.

We regret that for the first time since 2000 an employee was killed while on company business. A sales representative was involved in a head-on vehicle collision while driving to visit a customer. There were no supervised contractor fatalities, but a visiting contractor mechanic died when the lorry hit him while he was testing a repair he had carried out to the brakes. We deeply regret these events and continually strive to eliminate them from our operations.

Driving safety is one of our biggest challenges. We saw an increase in the number of driving

incidents with injury during 2004, which we are addressing by raising awareness and training.

2004 was the second full year of reporting using the new ICI measurement system based on the US Occupational Safety and Health Administration (OSHA) Total Recordable Case rate (TRC).

The TRC rate for our employees and on-site contractors has marginally increased during 2004, continuing the essentially flat trend in our injury and illness performance over recent years. Whilst this was again disappointing, the Group's performance continues to benchmark well amongst the industry leaders. Manual handling continues to be a significant risk, and a special task force has been set up to identify improvements.

The performance of contractors supervised by their own management is comparable to our employees, with a Total Recordable Case rate of 0.77 (2003: 0.76).

### Development of people

We are committed to equipping all employees for their job roles and to supporting them to realise their full potential. Training and development plans are an integral part of the annual performance review process – this may include specific training events as well as coaching and on-the-job projects to develop new skills.

Some businesses and sites monitor specific training activity, but we do not currently have indicators to measure overall performance.

### Diversity

The principle of equal opportunity is central to our Code of Conduct and the Sustainability Policy. Each business has a diversity policy.

We have extended the monitoring of gender and started to monitor ethnicity/ nationality in recruitment, promotion and turnover within our worldwide management population. In the USA and Canada we report on ethnic minorities; in the rest of the world minority nationality, ie nationality other than from USA, UK or the Netherlands, where our businesses are headquartered.

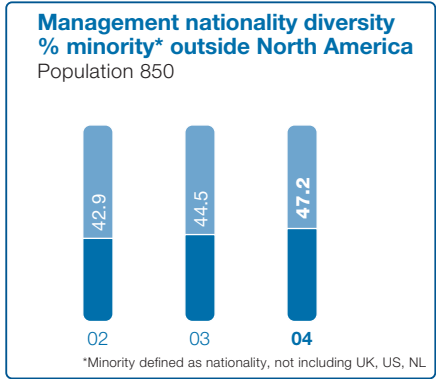
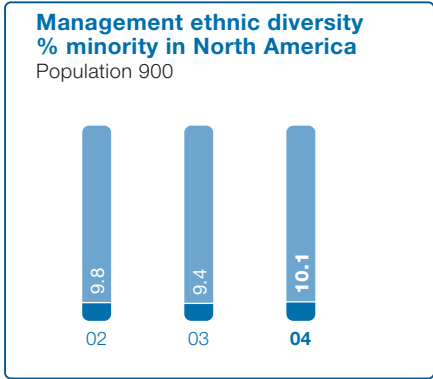
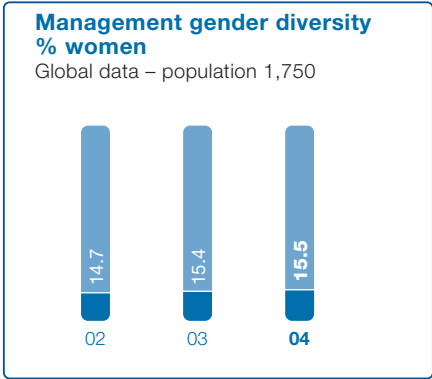
#### Highlight

#### Employment principles

The employment principles are fully consistent with the commitments given in both the ICI Sustainability Policy and Code of Conduct. They comprise:

- Health & Safety
- Development of People
- Diversity
- Respect for the Individual
- Work-life balance
- Organisation change
- Communication and consultation
- Performance and reward

In setting out these principles we accept that in some areas we need to make further progress. We see this as a three-stage process: first set the principles, then confirm that there are procedures in place world-wide, finally measure the improvement in performance. We are at different stages of development for each principle.



The data indicates that the 2004 management group of about 1,750 included 15% women, 10% ethnic minority in North America and 47% minority nationality in all other regions. For women, the proportions for recruitment (29%), internal promotions (27%) and leavers (21%) reinforce the gradual trend towards a higher ratio of women managers: see website for details. The same upward trend is clear for minority nationals. In 2004, recruitment and internal promotions stood at 65%, with leavers at 33% of the population. The proportion of ethnic minorities in management in North America remains fairly constant.

We also encourage the development of minorities in the communities where we operate.

**Respect for the Individual**

This is an important element of our Code of Conduct. A number of issues have been raised through the whistleblowing programme: these have been investigated and in some cases we have provided extra training support.

**Work-life balance**

All our businesses provide a range of opportunities at a variety of locations, including flexible working, home working, job sharing and career breaks. This is an area where we recognise that more work is required.

**Organisation change**

Restructuring continued during 2004, as our businesses consolidated the changes announced in 2003. We continue to maintain open communication about the changes and to provide practical support for those seeking alternative employment aiming to mitigate the effects of necessary business restructuring.

**Communication and consultation**

We consult and communicate with employees regularly, mainly through the management cascade system, and also through business and local site communications such as newsletters, electronic news services and employee surveys. There is also regular contact with formal employee representation channels.

During 2004, we carried out global surveys in our Uniqema and Quest businesses and in the Corporate Centre, and a smaller management survey in the Paints business. This represents 20% of the total workforce. Results indicated a high level of employee loyalty and a determination to contribute to long-term business success.

**Performance and reward**

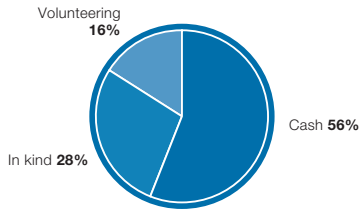
The majority of our businesses now operate global electronic systems for the performance appraisal of management and office-based staff. During 2004, both National Starch and Quest moved towards consolidating their systems. The overall completion rate of performance appraisals stands at 95-98%. These are based on objectives agreed annually: individual reward reflects performance against these objectives.

**Further information:**  
[www.ici.com/sustainability](http://www.ici.com/sustainability)

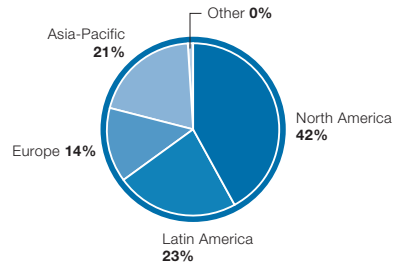
Case Studies	Our people
<p><b>Safety:</b> ICI Imagedata at Brantham have systematically reduced the risks from rotating equipment by installing modern trip systems to prevent operators being exposed to nip and entanglement hazards.</p> <p><b>Manual handling:</b> ICI Paints sites in Brazil have worked with their transport contractors to reduce the risks of falling and manual handling injuries during loading and unloading operations. As a result they have installed platforms and a safety belt arrest system to improve access safety.</p> <p><b>Health:</b> By changing the manufacturing process for important new products, ICI Paints' Shanghai plant, PRC has reduced levels of equipment noise, dust</p>	<p>and manual handling, while increasing the plant capacity by 12%.</p> <p><b>Equal opportunities:</b> ICI Pakistan supports a women's vocational training centre, which gives them the opportunity to learn new skills.</p> <p><b>Organisational change:</b> Uniqema have been carrying out 'pulse' surveys every three months to monitor understanding and issues around their restructuring programme.</p> <p><b>Communication:</b> National Starch have conducted a survey of readers of the electronic news service, in order to scope changes being implemented in 2005.</p>



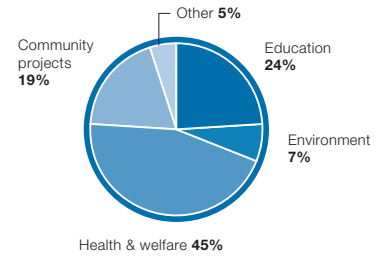
### Community impact 2004 – equivalent hours



### Community impact by region 2004 – equivalent hours



### Community investment 2004 – cash donations



**Community involvement is an important part of life for the ICI Group and each of its businesses. The principles are set out in the sustainability policy and guidelines: while some involvement is at business level, most of the activity is managed at local site level. Many of our sites have been an integral part of their communities for many years.**

Activities are typically led by a representative community liaison group who develop dialogue with community leaders and other groups: to help understanding of our operations and focus community support from the site. Other activities may be spontaneous where employees have identified a particular local need. Company support and encouragement includes time, budget, matched funding, Give-as-you-Earn and other schemes. Activities range from site open days to hosting eye clinics; from supplying clean water for the local community to beach cleaning;

from supporting a health & safety training initiative for small local contractors to projects to rehabilitate neglected children and destitute people living on the streets.

#### Community Involvement

We have collected community involvement data from sites around the world for the second year: this year data was available from about 75% of sites.

- Cash donations were £2.07m (2003: £2.71m), of which £1.83m was from the company, the balance from employees' fundraising.
- Donations in kind totalled £0.55m (2003: £0.6m), including paint, IT equipment, loan of facilities, etc.
- Volunteer time on company supported projects totalled about 29,500 hours (2003: 61,500 hours), of which more than 20,850 hours were in company time.
- The total equivalent value of donations and volunteering was £3.07m (2003: £4.40m), or more than 172,600 equivalent hours – about 0.7 working day for each of our employees. We use this measure of equivalent employee hours, based on local employment costs, to illustrate the impact of our community involvement in different parts of the world.

The total giving of cash and volunteering is reduced from last year: some of this is a reflection of the project and needs-led nature of this activity, and currency fluctuations, though part will be due to incomplete data collection. From the beginning of 2005, a new data collection system is in operation, integrated with our site SHE data collection.

#### Community Complaints

We also measure complaints from the public arising from our operations. In 2005 there were 106 complaints (2003: 142): after investigation 94 (2003: 113) were found to be justified and appropriate actions were taken.

**Further information:**  
[www.ici.com/sustainability](http://www.ici.com/sustainability)

#### Case Studies

#### Community involvement

**Community partnership:** At Uniqema's UK Bromborough site 500 past and present employees and members of the local community had a Fun Day to celebrate 150 years of operation and strong links with the community.

ICI Corporate Centre employees received an award from Community Links in London for continued high level volunteering and donation support over many years.

**Education:** Employees from National Starch in Argentina have introduced a program, developed by Junior Achievement, into a public school in a low-income area near the plant. They help the children to learn life skills like motivation and entrepreneurialism.

**Training/employment:** ICI Paints, in the second year of its partnership with Habit for Humanity in the USA, provided paint

to decorate over 300 houses. In Hong Kong they have worked with Hope World Wide Ltd to repaint thousands of apartments for the elderly.

**Health care and security:** 45 employees at Quest Brazil are working with Pastoral da Crianca to support children and their families in a destitute area in Vinhedo.

ICI Pakistan and ICI Pakistan foundation provide free bi-monthly eye camps that treated over 10,000 patients during 2004.

**Environmental:** For the fourth year running ICI Pakistan partnered with WWF-Pakistan to organise the Nature Carnival to raise awareness among children on the significance of nature conservation. They also used the opportunity to highlight the significance of road safety, safe homes and personal health.

Following discussions with some of our investors, in 2004 we focused on the prime stock market sustainability indices to benchmark performance against our peers. We retained our listing on the UK FTSE4Good Index, the London Stock market index for companies that meet ethical criteria, and for the first time were selected as an index component for the Dow Jones Sustainability World Indexes (DJSI World) and Dow Jones STOXX Sustainability Indexes (DJSI STOXX).

An updated assessment from Storebrand Investments rated us "best in class", ranking ICI among the top performers in their analysis of the

chemical industry's environmental and social responsibility.

We continue to benchmark our safety performance against the American Chemical Council (ACC) grouping and in 2004 retained our position in the upper quartile.

**Further information:**

[www.ftse.com/ftse4good/index.jsp](http://www.ftse.com/ftse4good/index.jsp)

[www.sustainability-indexes.com](http://www.sustainability-indexes.com)

[www.storebrand.com](http://www.storebrand.com)

## Engaging our stakeholders



### Stakeholder mapping

During 2004 we mapped our key corporate stakeholders and have begun the prioritisation process; as part of the Sustainability Challenge project we are also identifying the key business stakeholders. Once these activities are complete we will be in a position to formalise and further focus our engagement processes.

### Investors

Details of the range of engagements with investors are given in the Annual Report and on the dedicated investor relations website. We have had discussions with Socially Responsible Investment (SRI) analysts associated with a number of our investors. We are planning another formal briefing session towards the end of 2005.

### Customers

Business sales/marketing teams operate a range of processes to develop and maintain customer relationships. These include dedicated key customer relationship teams, local sales representatives, joint development teams, and ICI employees based on customer sites. They obtain customer feedback from regular contact, visits and account meetings as well as through formal surveys.

National Starch has carried out a global survey of customers to measure customer loyalty and satisfaction, and to identify opportunities for closer working.

ICI Paints in Europe have set up an integrated system to respond quickly to customers' queries about quality, social and environmental issues.

### Employees and Community partnerships

Details are given on pages 9 and 10 of this review.

### Suppliers

Relationships with global suppliers are developed and maintained from the highest levels in the company to daily operations, with many opportunities for feedback. The global contract

managers operate regular, formal contract and relationship reviews. Individual business supplier relationships are managed by business purchasing groups: relationships are developed through regular review and some in-depth audit processes.

### Universities and Research Associations

We have active programmes to develop new technologies, techniques and applications.

We also have a Science Advisory Board made up of academics who are leaders in their fields – their role is to provide a critical review of our technology strategy and direction.

### Sustainability Organisations

We value our continuing links with associations like Forum for the Future, Earthwatch and other NGOs as they challenge us to develop further in our sustainability thinking. In addition to the Sustainability Challenge process, we have also worked with Forum on a pilot project for sustainability accounting in one of our businesses. We also keep close ties with a number of educational programmes as we continue to raise the capability of leaders and influencers within the company.

### Government

Our contact with governments is usually through our industry and specialist trade associations. Recent activity includes involvement with the European Stakeholder Forum. ICI also takes part in UK CIA (Chemical Industries Association), COLIPA (The European Cosmetic Toiletry and Perfumery Association), CEFIC (European Chemical Industry Council) and other industry organisations, which comment on relevant UK, EU and other legislation.

**Further information:**

[www.ici.com/sustainability](http://www.ici.com/sustainability)

<b>Sustainability performance highlights</b>							
<b>FINANCIAL</b>		Objective	2000	2001	2002	2003	2004
Turnover	£million		6,415	6,425	6,125	5,849	5,601
Operating profit	£million		617	573	533	430	479
Dividends	£million		232	116	88	74	86
Taxation	£million		104	58	35	37	44
R&D investment	£million		157	151	148	150	147
Total employee wages	£million		1,199	1,218	1,220	1,203	1,138
ROCE			7.8%	7.2%	7.0%	5.8%	7.6%
<b>ENVIRONMENT</b>							
<b>Climate change</b>							
Energy use	GJ		43,296,830	36,810,758	38,081,940	39,515,056	35,683,848
	GJ/te	✓	6.43	5.81	5.92	6.00	5.26
Renewable energy	%		1.0%	1.2%	1.7%	2.5%	2.3%
Greenhouse gases – CO <sub>2</sub> equiv	Te		3,797,783	2,842,608	2,485,054	2,607,493	2,351,807
	kg/te	✓	564	448	386	396	347
Ozone depleters – CFC11 equiv	Te		3.70	3.87	2.63	0.04	0.04
	kg/te		0.00	0.00	0.00	0.00	0.00
Ozone generators (incl VOC) – ethylene equiv	Te	✓	4,254	3,532	1,769	2,034	1,609
	kg/te		0.632	0.557	0.275	0.309	0.237
<b>Land impacts</b>							
Hazardous NPO	Te		31,267	28,796	24,738	23,409	22,618
	kg/te	✓	4.64	4.54	3.84	3.55	3.34
Non-hazardous NPO	Te		679,879	642,738	590,827	621,402	598,662
	kg/te	✓	101	101	92	94	88
Land assessment Stage 1	% total	✓		93%	91%	91%	86%
Biodiversity surveys	% target	✓		19%	37%	67%	74%
<b>Air impacts</b>							
Hazardous substances – benzene equiv	Te		374	306	289	439	158
	kg/te	✓	0.055	0.048	0.045	0.067	0.023
Acid gases – SO <sub>2</sub> equiv	Te		9,893	8,885	9,911	9,625	7,909
	kg/te	✓	1.47	1.40	1.54	1.46	1.17
<b>Water impacts</b>							
Water consumption	m <sup>3</sup>		106,050,710	104,261,613	59,135,375	45,129,219	35,818,315
	m <sup>3</sup> /te	✓	15.7	16.44	9.19	5.52	5.52
Aquatic Oxygen Demand (AOD)	Te		23,334	19,324	12,162	10,280	6,333
	kg/te	✓	3.47	3.05	1.89	1.56	0.93
<b>Unplanned releases outside boundary</b>	Number		16	12	7	8	5
<b>Product stewardship</b>							
Product stewardship audits	% sites	✓	87%	89%	91%	65%	99%
	% compliance		61%	71%	75%	78%	73%
Distribution incidents	Number	✓	20	16	15	17	4
Verified supplier audits	Number	✓				13	69
<b>SOCIAL</b>							
<b>Safety and Health</b>							
Employee fatalities	Number		2	0	0	0	1
Employee Classified injury rate	/100,000hrs	✓	0.237	0.196	0.216	0.264	–
Employee Work related illness rate	/10,000 empl	✓	27.6	14.1	13.18	16.23	–
Employee/ supervised contractors Total Reportable Case rate (TRC)	/200,000hrs	✓	1.4	–	–	0.93	0.97
Other Contractor TRC	/200,000hrs		–	–	–	0.76	0.77
Contractor Fatalities	Number		1	0	0	0	1
Contractor Classified injuries	/100,000hrs	✓	0.357	0.247	0.288	0.260	–
<b>Management diversity</b>							
Gender diversity	% women				14.7%	15.4%	15.5%
Ethnic diversity (North America only)	% minority				9.8%	9.4%	10.1%
Nationality diversity (non-US/UK/NL)	% minority				42.9%	44.5%	47.2%
<b>Community</b>							
Total cash donations (from company)	£million		(2.7)	(3.2)	(2.5)	2.71 (2.41)	2.07 (1.83)
In-kind donations (from company)	£million					0.6 (0.27)	0.55 (0.25)
Total volunteer hours (in company time)	1,000 hours					61.5 (47.0)	29.5 (20.9)
Equivalent total community investment	Hrs/employee					7.9	4.9
Company community investment	% profit					1.2%	0.6%
Complaints (justified)	Number		172 (126)	130 (104)	116 (94)	142 (113)	106 (94)
<b>Compliance</b>							
Prosecutions and Fines (Product, SHE)	Number		5	8	8	7	11

This data is as publicly reported at the end of each year. The 2000 baseline data for Challenge 2005 has now changed due to portfolio changes. See 'About our data' on page 13.



**Environmental burden and product mix**

ICI handles and processes many different materials. If released, each may have an impact on the environment. To create a measure of ICI's overall environmental impact, we group emissions of individual substances into five categories of 'environmental burden':

- global warming,
- photochemical ozone creation,
- aquatic oxygen demand,
- hazardous air emissions, and
- acidity to air.

Our Challenge 2005 objectives are based on percentage reductions from the 2000 burden values per tonne of production. A simple percentage change in a measure of impact per tonne of production can be a misleading measure of performance as the change may be due solely to changes in the quantities of individual products manufactured.

For this reason, we report the percentage change from the baseline year (2000) adjusted to the product mix in the current year. This measure better reflects actual changes in our manufacturing operations.

**Portfolio Changes and 2000 baseline**

Changes in ICI's business portfolio can distort trends when measurements are being compared to the 2000 baseline. We have therefore taken the decision to include any newly acquired business and add its data retrospectively to our 2000 figure, thereby adjusting the baseline. In subsequent years, the data from the newly acquired business will be treated in the same way as other parts of the ICI Group.

If a business or part of a business is sold, the data is removed from the baseline and subsequent years. If a site is closed, there is no change to the baseline.

Although we apply this adjustment to the base line year (2000), we do not adjust the reported performance results for the intervening years. That is, the performance for 2002 indicated in the graphs remains based on the 2002 portfolio.

**Summary Verification Statement**

Enviros has conducted an independent verification of ICI's 2004 Safety, Health and Environment (SHE) data to provide assurance on the completeness and accuracy of the data on which the review is based. The 'Management Diversity' and 'Our Communities' sections of the review have not been verified on this occasion.

The verification was undertaken through a series of interviews with SHE professionals in the five ICI Business Units and the central SHE function. This was supplemented by verification interviews at various global sites to examine data and assess site-level implementation of ICI's reporting guidelines.

Based on our verification process, all text and data in the report demonstrate a fair and balanced account of ICI's SHE performance during 2004. We believe that the trends shown by the 2004 data are consistent with ICI's performance since the Challenge 2005 programme began.

No material inaccuracies with the data have been identified and the internal checks carried out ensure that any significant reporting errors are identified and rectified.

The overall SHE management structure and process for communication of data is clear across ICI. Data reporting processes are now well established and embedded across the business. However, the reporting interface is due to alter during 2005 and ICI should ensure that the high level of reporting continues despite this change.

We are encouraged that ICI have again extended the scope of their reporting, taking into account a greater range of social/community issues and have continued to engage with a variety of stakeholders.

During 2005 it will be important for ICI to consider the scope of its reporting regime leading to the development of appropriate and relevant future improvement targets. Particular attention should be paid to determining how performance improvements related to qualitative issues will be measured and how ICI intend to take into account, and respond to, the views and opinions of their stakeholders.



**Rachel Pickering**  
Head – Sustainable  
Business Unit



**Guy Turner**  
Project Director

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the vital ingredient