

UN GLOBAL COMPACT - Communication on Progress

Company	Imperial Chemical Industries Ltd	Report Year: 2006
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Nature of business – extract from 2006 Sustainability Report

The ICI Group is one of the world's leading coatings, adhesives, starch and synthetic polymer businesses with products and ingredients developed for a wide range of markets. Our vision is to become the leader in formulation science, creating complex mixtures that deliver the effects valued by consumers and customers. To achieve this leadership goal, and through this deliver superior returns for shareholders, the Group is building a portfolio of businesses that are leaders in their respective industries, bringing together consumer understanding, outstanding knowledge of customer needs and processes, and leading-edge technology platforms to create and deliver products that provide superior performance.

At the start of 2006, the Group comprised National Starch, ICI Paints, Quest and Uniqema as well as a number of regional and industrial businesses that are essentially local in scope. However, there were several major strategic moves made during the year that will have a significant impact on ICI going forward. In September 2006, we completed the sale of Uniqema, our oleochemicals and derivatives business, to Croda International for £410m. In November, we announced the proposed sale of Quest to Givaudan, the market leader in flavours and fragrances, for £1.2bn This sale was completed in March 2007. As a result of these divestments, we can now invest in strengthening the competitiveness of our core businesses.

On a comparable basis – that is, including continuing operations only – Group trading profit grew by 5% in 2006 to £502m on sales that rose 5.3% to £4,845 million. Listed on the London stock exchange, ICI has approximately 26,000 employees with operations in more than 50 countries.

				
Dulux® is one of the world's best-known decorative paint brands with a strong presence in Asia, a fast-growing market for paint.	National Starch's 'EASY-PAC' gives customers the lowest temperature packaging adhesive on the market along with low-maintenance application technology.	'Hi-maize' is a fast-growing range of slowly digestible starches that act as dietary fibre when added to foods, from bread to breakfast cereal.	ICI Paints scientists have reformulated 'Cuprinol' exterior wood treatment into a popular, easy to apply sprayable format.	Estec's specialty construction polymers are in demand in China's fast-growing construction market.
				
Specialty polymers from National Starch give fixative, conditioning, thickening, aesthetic or convenience properties and characteristics to hair care and skin care products.	Alco Chemical's unique natural, starch-based polymers provide effective and environmentally safe treatment for effluent water.	"We know the colours that go", Dulux' UK's 2006 advertising campaign, helped support further growth in a challenging DIY market.	Ablesitk is a world leading supplier of adhesives that connect and protect integrated circuits in phone cameras, MP3 players, computers and electronic game systems.	ICI's paints are market leaders in Argentina and Uruguay with a strong number two position in Brazil.

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Statement of Support – extract from 2006 Sustainability Review

“We will continue to develop our sustainability thinking and practice – both because we believe it is right in itself and because we believe it is right for our business. To the extent that this involves us in a wider debate, we will be happy to participate.”

“2006 was the first year of Sustainability Challenge 2010, the fourth of our five year programmes designed to improve our sustainability performance. We have been reporting on sustainability issues and performance since 1991 and over the intervening years we have made substantial progress. A combination of efficiency improvement and changes in our business portfolio has resulted in reduction of energy consumption by 90%, greenhouse gas emissions by 96% and hazardous waste to land by 97%.

Also over this period, we have continued to broaden our definition of sustainability in line with our changing business portfolio and the growing awareness of, and interest in, sustainability issues. In 2006 the ICI Board approved ‘The ICI Way’, which integrates the essential components of a socially responsible, environmentally sound and economically viable business. We also continue to embrace the principles of the UN Global Compact to promote responsible corporate citizenship.

Today, sustainability is integral to how we run our business – the way we treat our people, the way we interact with the environment through the development, manufacture, distribution and use of our products, and the way we engage with all of our stakeholders – employees, customers, investors, suppliers and the wider communities in which we operate.

2006 saw further progress across a broad range of areas. However, it is with great regret that we have to report that two independent contractors died while working on our behalf. These were the first fatalities involving operations, rather than motor vehicle incidents, since 2000.

Sustainability Challenge 2010 presents us with a number of demanding objectives to be met in the next few years. We remain convinced that the principles of sustainability are not just right in themselves but underpin an efficient and competitive way to do business.”

Peter B Ellwood CBE, *Chairman*

John D G McAdam, *Chief Executive*



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A. Human Rights

Business is asked to:

1. Support and respect the protection of international human rights within their sphere of influence; and
2. Make sure their own corporations are not complicit in human rights abuses.

Policy and processes

For many years ICI has committed itself to the protection of the rights of individuals, both inside and outside the company, by incorporating these issues into key company policies: the [Code of Conduct](#), the [Sustainability Policy](#), and the [ICI Employment Principles](#). In 2006 we published 'The ICI Way' which integrates these policies into a coherent framework.

Internal

Within the workplace implementation of these policies is through personnel procedures which support freedom from harassment and bullying. Awareness of and compliance with the Code is part of our internal audit process. Our Speak Up "whistleblowing" system acts as a further monitoring process.

Investment decisions are subject to risk management procedures, which include consideration of employee rights.

External

We aim to choose as business partners people with standards and ethical values compatible with our own. We do not formally ask partners to confirm their practices, but where it is clear that there is a serious incompatibility, which cannot be resolved, we will seek to terminate the relationship.

All business supplier assessment processes do not yet include specific human rights issues, though Quest has been piloting an assessment based on all UNGC principles.

In 2007 we are updating our Procurement Code which will include specific 'expectations of partners' in terms of their Human Rights and Labour practices. This will be incorporated into selection and assessment processes.

In our communities we support economic and welfare development, through a range of community based projects.

Specific actions during 2006, including outcomes

- ◆ Code of Conduct redrafted following a review against international standards, regulation and other good practice. New code published on website. Developed training materials and trained trainers in all regions ready for 2007 roll out. Summary code translated into 32 languages.
- ◆ Supplier Assessment, based on all UNGC principles, piloted in Quest: 75% Quest materials covered.
- ◆ Speak Up system operating globally: all calls investigated. Data collected and reported to Board Audit committee: number, nature and geographical split of calls. Now monitor calls per 1000 employees. 96 calls in 2006, average calls per 1000 employees was 3.1.
- ◆ Carried out thorough investigation on child labour allegations in Brazil, strengthened supplier audit process with support of NGOs Instituto Ethos and the Instituto Observatório Social.
- ◆ Projects to support education, skill development of women, under-privileged children.

Future plans

- ◆ Identify 'Respect for the Individuals' metric for future reporting.
- ◆ 2007 Code of Conduct: carry out training of all employees, using e-learning or workshops, review compliance reporting and auditing processes.
- ◆ 2006/7 Update procurement code, train buyers
- ◆ Review broader supplier assessment, and extend across businesses



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B. Labour

Business is asked to uphold:

3. *Freedom of association and the effective recognition of the right to collective bargaining;*
4. *The elimination of all forms of forced and compulsory labour;*
5. *The effective abolition of child labour; and*
6. *The elimination of discrimination in respect of employment and occupation.*

Policy and processes

We have a clear policy of non-discrimination, support freedom of association and recognise the right to collective bargaining in all countries where we operate. Our Code of Conduct, Employment Principles, and associated material deal specifically with discrimination and child labour issues.

Within the workplace we operate global standards for Health and Safety and more local personnel policies, which can focus on local requirements. These include consultation and training. The global/regional employee surveys carried out by each business include questions on discrimination. Awareness of and compliance with the Code is part of our internal audit process. Our Speak Up system acts as a further monitoring process.

Investment decisions are subject to risk management procedures, which include consideration of employee rights.

We aim to choose as business partners people with standards and ethical values compatible with our own. We have started to ask partners to confirm their practices. Where it is clear that there is a serious incompatibility, which cannot be resolved, we will seek to terminate the relationship.

All business supplier assessment processes include H&S, and Human rights and labour issues are being introduced but not all labour rights issues, though Quest is piloting an assessment based on all UNGC principles. In 2007 we are updating our Procurement Code which will include specific 'expectations of partners' in terms of their Human Rights and Labour practices. This will be incorporated into section and assessment processes.

We work with the communities where we operate to support economic and welfare development.

Specific activity during 2006 and outcomes

- Code of Conduct redrafted following a review against international standards, regulation and other good practice. New code published on website. Developed training materials and trained trainers in all regions ready for 2007 roll out. Summary code translated into 32 languages.
- ◆ Supplier Assessment, based on all UNGC principles, piloted in Quest: 75% Quest materials covered.
- Speak Up system operating globally: all calls investigated. Data collected and reported to Board Audit committee: number, nature and geographical split of calls. Now monitor calls per 1000 employees. 96 calls in 2006, average calls per 1000 employees was 3.1.
- Monitor and report minorities in management (16% women, 10% ethnic minority in US; 53% nationality non UK/US/NL – in rest of world)
- Carried out thorough investigation on child labour allegations in Brazil, strengthened supplier audit process with support of NGOs Instituto Ethos and the Instituto Observatório Social.

Future plans

- ◆ 2007 Code of Conduct: carry out training of all employees, using e-learning or workshops, review compliance reporting and auditing processes.
- ◆ 2006/7 Update procurement code, train buyers
- ◆ Review broader supplier assessment, and extend across businesses
- ◆ Broaden HR metrics across Employment Principles



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C. Environment

Business is asked to:

7. Support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

Policy and processes

Our Responsible Care Management System provides the basis of our operations. The standards and guidance covers such issues as risk assessment, product stewardship (from product development to disposal) and land remediation.

Since 1991 we have publicly reported our environmental performance and have been instrumental in developing the Environmental Burden approach – which helps to quantify the different impact of substances.

Our improvement approach is to set specific 5 year milestones for our key impacts. The current set of milestones, Challenge 2005, includes: greenhouse gases/energy, water, waste, biodiversity, land surveys and product stewardship. The new targets Sustainability Challenge 2010 are now in place.

All business supplier assessment processes include environmental issues.

ICI is a Corporate Member of Earthwatch in order to improve understanding of biodiversity.

Specific activity during 2006 and outcomes

- There are a number of examples of technology or material substitution, or products with a lower footprint:
 - Paints continue to reduce the VOC content in their coatings – the US Food and Drug Administration (FDA) identified Dulux Lifemaster paint as the industry leader in the development of low or zero levels of volatile organic compounds (VOCs)
 - NSC have reduced the energy used in their starch production processes by selling a waste product in the wet form – avoiding the need for an energy intensive drying process.
 - ICI Argentina have commissioned a biomass boiler using waste from wine making and soft fruit industries, and wood from the site's eucalyptus forest, which is irrigated by liquid effluent.
- Paints are involved in a UK Dept of Trade and Industry funded project, working with customer Carillion and Forum for the Future, with the aim of reducing the footprint of paint across the life cycle.
- We have made a good start against the new Challenge 2010 environmental objectives – performance is on target except for water use. Details in attached 2006 Sustainability Review.
- ♦ Supplier assessment processes encourages suppliers to improve their environmental systems and performance: 544 assessments took place for raw material suppliers and suppliers associated with the storage and distribution of our product. We also carry out improvement projects with customers.
- Carried out environmental projects with schools and local communities across the world.
- Good progress in development of foot printing tool to identify regional and local impacts/ improvement opportunities

Future plans

- Further progress against Sustainability Challenge 2010 objectives
- Implement REACH requirements, engage customers and suppliers
- Finalise environmental footprint tool to help identify regional and local impacts/ improvement opportunities



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D. Anti-corruption

Business is asked to:

10. *Work against all forms of corruption, including extortion and bribery.*

Policy and processes

For many years ICI has committed itself to work against bribery, both inside and outside the company, by incorporating these issues into the ICI Code of Conduct.

Within the workplace awareness of and compliance with the Code is part of our internal audit process. Our Speak Up system acts as a further monitoring process.

We aim to choose as business partners people with standards and ethical values compatible with our own. We do not formally ask partners to confirm their practices, but where it is clear that there is a serious incompatibility, which cannot be resolved, we will seek to terminate the relationship.

All business supplier assessment processes do not yet include specific corruption issues, though Quest is piloting an assessment based on all UNGC principles.

Specific activity during 2006 and outcomes

- Code of Conduct implementation and reporting included in Sustainability Challenge 2010 – the next set of Group sustainability targets.
- Code of Conduct redrafted following a review against international standards, regulation and other good practice. New code published on website. Developed training materials and trained trainers in all regions ready for 2007 roll out. Summary code available in 32 languages.
- ◆ Supplier Assessment, based on all UNGC principles, piloted in Quest: 75% Quest materials covered.
- Speak Up system operating globally: all calls investigated. Data collected and reported to Board Audit committee: number, nature and geographical split of calls. Now monitor calls per 1000 employees. 96 calls in 2006, average calls per 1000 employees was 3.1.

Future plans

- ◆ 2007 Code of Conduct: carry out training of all employees, using e-learning or workshops, review compliance reporting and auditing processes.
- ◆ 2006/7 Update procurement code, train buyers.

Attachments:

Sustainability Challenge 2010

2006 Sustainability Review

2006 Sustainability website

