



Acknowledgements

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SUSTAINABLE DEVELOPMENT REPORT 2013-2014



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PIERRE LUZEAU
Chairman and CEO

INTERVIEW WITH THE CHAIRMAN

How would you characterise 2013 for Novacap and where is the Group today?

One of the big events of 2013 was the acquisition of a controlling stake in Taixing Yangzi Pharm Chemical (China), a leading Chinese manufacturer of paraminophenol (PAP), an intermediate chemical mainly used in the production of paracetamol. Taixing Yangzi Pharm Chemical's products are recognised within the pharmaceutical industry for their quality and purity. Following the acquisition of Novacyl from Rhodia in November 2011, this investment in Yangzi marks a new stage in Novacap's development strategy for the pharmaceutical and healthcare markets. More than half of Novacap's staff are now based in Asia and the company has significantly expanded its footprint outside Europe. A dedicated team has been appointed to manage the integration of the new company into the Group.

We have developed quickly since 2008 thanks to the success of numerous productive investments and the smooth integration of our acquisitions. The results can be seen in profits. Our margins have grown by 15% a year on average over recent years. Revenue was €651 million in 2013.

Can you explain your strategy?

Our strategy is based on three pillars. First: positioning ourselves in resilient markets which are growing and which offer solid entry barriers. We are currently looking at five of these: pharmaceuticals & healthcare, food and feed, cosmetics and fragrances, home care and environmental services. Second: international expansion. In the past, our core business was in solid industrial assets in France that gave us a strong commercial presence across Europe. Today, our businesses are far more international and we now have four production sites outside Europe. Asia, and particularly China, is a very important manufacturing and commercial base for Novacap. Half of our 1,300 employees work in Asia. Third: diversifying the range of downstream products that we supply from our production chain, concentrating on final markets that offer the highest value added. The strategy is being rolled out steadily and continuously in each of these areas, with no need for a step change, and we make sure that all the Group's stakeholders are happy with the process at all times. Finally, it is important to our customers, employees, partners and shareholders that we communicate a clear vision of Novacap's strategy, whatever the economic environment.

“OUR AMBITION IS TO RAPIDLY ROLL OUT OUR MODEL INTERNATIONALLY, ESPECIALLY IN ASIA.”

Novacap has three divisions: Pharmaceutical & Cosmetics, Performance Chemicals and Mineral Specialties. What does each contribute to the business?

These three divisions are broadly equal in terms of contribution and aim to serve our target markets.

Pharmaceutical & Cosmetics mainly serves the pharmaceutical, fragrances and cosmetics markets with production units in France, China and Thailand. We target global markets and customers with flagship products, most notably aspirin where we are the global leader. One of every three pills sold worldwide gets its active ingredient from our factories. In the pharma market, we also make paracetamol and its main ingredient para-aminophenol, in which we are one of the world leaders. We also have a strong presence in cosmetics, fragrances and flavourings with range of other products derived from the salicylin willow tree, particularly esters.

The Mineral Specialties division has two flagship products: soda ash and sodium bicarbonate, which has a host of applications in healthcare, pharmaceuticals, treatment of incinerator fumes, food & feed and home care. We are among the European leaders for these two key products in the markets we serve. Recent investments in France have also positioned Novacap as a leading player in the highest value added end-markets for these products, such as sodium bicarbonate for haemodialysis. Our ambition is to rapidly roll out our model internationally, especially in Asia.

The Performance Chemicals division is one of the Group's historical businesses, long-established in the Rhône-Alpes region of France. The division has specialised in oxygenated solvents, ferric chloride and calcium chloride, the most recent additions to the range that

target demanding markets such as the environmental and food sectors. The division's core business, however, remains the production and distribution of phenol and hydrochloric acid, products where Novacap is one of the leading players, particularly in southern Europe.

What differentiates Novacap from other chemicals groups, in your view?

I would point first to the values and behaviour that we seek to promote at Novacap: entrepreneurial spirit and fast response times, and team spirit built around mutual respect. We want entrepreneurs bound together by a common drive to succeed. We want to involve all our stakeholders in our long-term vision.

Also, Novacap stands out for the commitment of its teams to continuous safety improvements and to the sustainable development of the business in general.

Finally, a culture of operating excellence means we can offer our customers the best service thanks to responsive and reliable teams and a very high level of compliance and certification (ISO 9001, ISO 14001, OHSAS 18001, HACCP, GMP, etc.). The vertical integration model applied in all three divisions (e.g. making both the raw material acetone and its derivative rubbing alcohol, phenol and aspirin or para-aminophenol and paracetamol) means that customers can rely on the quality and consistency of the products we manufacture.

What would you say are the main issues facing the chemicals industry today?

The chemicals industry is one of the essential industries if we are to resolve society's current and future challenges. As the science of transforming matter, chemistry is

omnipresent in our daily lives: pharmaceuticals, health, food, clothing, transport and construction... these are just a few examples.

Competitiveness, sustainability, and attractiveness are the three inseparable and interdependent principles that have underpinned the industry's development in a fast changing world with a fast growing global population and rising pressure on resources. In Europe, particularly France, the big issue to watch is competitiveness. The chemicals industry must also remain attractive and show it can create wealth and jobs. This means creating innovative products and solutions for everyday life that are of high quality and respect both human health and the environment. In Asia, sustainability and the environmental footprint are key.

That said, Novacap will always work to promote a strong industry, particularly in France and China.

How do you see sustainable development working in a group like Novacap?

Sustainable development in this context means striking a viable, liveable and lasting balance between a more efficient and fairer economy, social equity and environmental protection and spreading the corporate values and principles of governance across the company.

We need to show ourselves to be leaders in this field and apply demanding standards on all issues affecting sustainable development.

This is why we decided to make a clear and measurable commitment to the three founding pillars linking economic performance to management of environmental issues and employee and social impacts.

At the core of our structured programme is the safety of people and property, a priority that we will never compromise. For years, we have been striving to make our manufacturing activities ever safer, to implement processes and standards that are clear to all, to raise awareness and train our employees and subcontractors alike.

To underline our commitment, I wanted Novacap to sign up to the UN Global Compact, which we did in 2008. This ensures that throughout the Group, the founding and universal principles of human rights, rights at work, environmental protection and the fight against corruption are guaranteed by all.

Building good relationships with local communities and making the company a pleasant place to work are essential conditions for the long-term success of the business.

I would like to offer my warmest thanks to our employees for putting these values into practice every day. Unless shared by all they make no sense. I would also thank our partners for placing their confidence in us over many years.

Which points do you see as critical today for the Group's continued development?

In recent years we have substantially diversified our product portfolio and adjusted our geographical positioning, notably with the move into Asia. We want to continue or intensify our strategy of positioning ourselves in highly demanding resilient and fast-growing markets and expand our international presence through targeted partnerships, equity stakes or acquisitions.

Any project or action on growth will have to first meet the criteria of our sustainable development policy.



NOVACAP, AN **AMBITIOUS** AND **RESPONSIBLE** GROUP

Everyday around the world, Novacap provides chemistry's **essential ingredients** for **everyday** products.

FOCUS

3 BUSINESS DIVISIONS



THE PHARMACEUTICAL & COSMETICS DIVISION (Novacyl and Yangzi) makes salicylic acid, aspirin, methyl salicylate and other esters, para-aminophenol and paracetamol.



THE MINERAL SPECIALTIES DIVISION (Novacarb, Novacogé and Novabion) makes soda ash, sodium bicarbonate and silicates.



THE PERFORMANCE CHEMICALS DIVISION (Novapex and Novacid) makes phenol and oxygenated solvents, hydrochloric acid and its derivatives, including ferric chloride.

Through its three business divisions, Novacap offers a wide range of products.

Pharmaceutical & Cosmetics

2 plants in France
1 plant in Thailand
2 plants in China

World leader
in aspirin
and salicylic acid

World no. 2
in para-aminophenol

European no. 2
in paracetamol

Mineral Specialties

4 plants in France

European no. 2 in
sodium bicarbonate

European no. 3
in soda ash

Performance Chemicals

3 plants in France

European no. 3
in phenol
and oxygenated solvents
Southern European no. 1
in ferric chloride

A global presence

The Group is a diversified international chemicals company and a benchmark in its business lines. It makes and sells essential chemicals for use in everyday products. Novacap is an essential partner of more than 650 customers worldwide.



12

MANUFACTURING UNITS

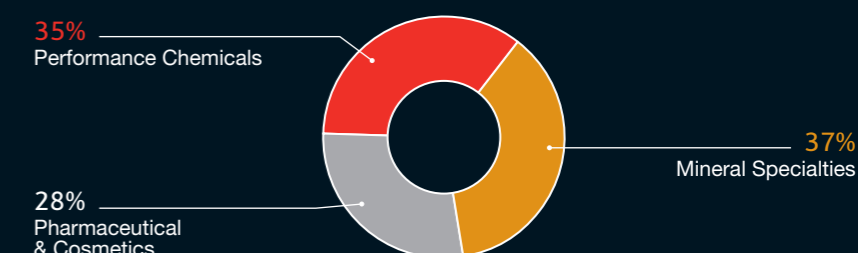
1,300

EMPLOYEES

€651

2013 REVENUE

2013 ADJUSTED EBITDA BY DIVISION



Leading positions in demanding end-markets such as pharmaceuticals and healthcare, food and feed, cosmetics and fragrances, home care and environmental services.

OUR MARKETS

Our flagship products

- ASPIRIN (ACETYLSALICYLIC ACID)
- PARACETAMOL
- SODIUM BICARBONATE
- FERRIC CHLORIDE



Pharmaceuticals and Healthcare

The Group develops a wide range of products for use in the pharmaceuticals and healthcare market: painkillers (aspirin, paracetamol), sodium bicarbonate (neutralisation of gastric acidity, dialysis, excipients, toothpaste) and some active pharmaceutical ingredients (APIs).

Contribution **29%**



Food and feed

Sodium bicarbonate is a basic raising ingredient for breads and cakes. Salicylic acid is used as an additive and preservative in the food industry. Calcium chloride has similar uses in cheese and other dairy products.

Methyl salicylate is used in ester form as a flavouring for food and drinks.

Hydrochloric acid is used to produce gelatine, food starch and food additives.

Soda ash is part of the manufacturing process for glass food containers (bottles and jars).

Contribution **16%**



Construction & Automotive

Phenol is the raw material used to manufacture polycarbonate for a range of sectors including the electronics, construction and automotive industries. It can replace glass in applications like mobile phone cases, car headlights or glass panels in buildings.

Sheet glass using soda ash is also used in building, for windows, doors, furniture, mirrors, in photovoltaic cells and in the automotive industry.

It is also a raw material for sodium silicate which goes to make the silica used in "green" tyres.

Contribution **23%**



Chemical intermediaries

Novacap sells chemical agents and intermediaries to several industries for use in a range of industrial applications, many of which serve our resilient target end-markets.

Contribution **15%**



Home care

Sodium sulphate, soda ash and sodium bicarbonate are used in washing powders and tablets for dishwashers and washing machines.

Contribution **6%**



Cosmetics and fragrances

Novacap supplies the cosmetics and fragrances market with esters including homosalate and octyl and methyl salicylates. These are sweet-smelling products used in sunscreen and cosmetics to absorb the sun's ultraviolet rays. They are also used in medicated skin balms.

Contribution **7%**



Environmental services

Novacap is positioned in the environmental services market.

Sodium bicarbonate is used to treat acid emissions from incinerators. Ferric chloride has uses in waste water treatment.

Calcium chloride is used for defrosting devices and de-icing roads.

Contribution **4%**

NOVACAP FOLLOWS A DUAL GOVERNANCE MODEL

Oversight and executive powers are split between the Supervisory and Management Boards.

The Supervisory Board includes four representatives of the controlling shareholder Ardian and three external independent members. It has set up three specialist committees: human resources, audit and strategy.

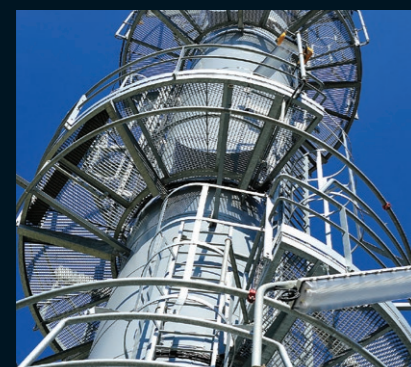
The Supervisory Board oversees and controls the activities of the Management Board and Chairman, including implementation of the sustainable development policy.

RESPECT, RESPONSIBILITY AND EXEMPLARY BEHAVIOUR ARE THE BASIS FOR WORKING WELL TOGETHER

Personal development and respect for human rights are fundamental principles for Novacap. The Group ensures that its employees work in conditions that encourage professional development and the achievement of their career aims.

The Group also makes sure there is no use of child or forced labour, no discrimination in employment and is committed to acting against corruption in all its forms.

We have implemented a Code of Conduct to avoid the serious risks that would follow any failure to comply with human rights, competition law or our anti-corruption policy. The Code is signed by general management and by each manager and commits employees to forge, in their day-to-day relationships, fair and sustainable relationships with their stakeholders based on leadership and trust.



HISTORY OF THE GROUP

2003-2011

Organisation of the Group and organic development

2003

Creation of the Novacap group with its 3 activities:

- Novacarb (carbonate subsidiary),
- Novapex (phenol subsidiary),
- Novacid (hydrochloric acid subsidiary),

Bain Capital is the Group's controlling shareholder.

2004

Introduction of the SAP system.

Improved scission technology for the **phenol** unit (Novapex).

Launch of a new **sodium bicarbonate** unit (Novacarb).

Major investment in the **reduction of gas effluents** (Novapex).

2005

Refinancing of bank debt.

Investments in modulation ponds (Novacarb).

2006

New head office opens in Lyon.

Start-up of the **calcium chloride** unit in Pont-de-Claix – France (Novacid).

2007

Direct operation and control of Novacap's activities in Pont-de-Claix.

Launch of modernisation plan for control systems (Novapex).

2008

Start-up of the second **sodium bicarbonate** unit (Novacarb).

Major investment in the reduction of dust emissions (Novacarb).

2009

Construction of section 3 of the **phenol** unit in Roussillon – France (Novapex).

2010

Second refinancing of bank debt.

Start-up of the **isopropanol** unit (50 kt/year) in Roussillon – France (Novapex).

Since 2011

Accelerated growth and internationalisation

2011

Acquisition of Novacap by **Ardian** (formerly Axa Private Equity).

Start-up of the Bianca unit (**sodium bicarbonate**, 50 kt/year) in La Madeleine – France (Novacarb).

Start-up of the **ferric chloride** unit (50 kt/year in Pont-de-Claix and creation of a joint venture with Feralco – France (Novacid).

Acquisition of **Novacyl**, a new business unit operating in the pharmaceuticals and cosmetics sector.

Acquisition of a 90 MW **cogeneration** unit (2 gas turbines) at Novacarb's site – France.

2012

Investment in a new **methyl salicylate** unit, 6 kt/year, in Roussillon – France (Novacyl).

Expansion of alpha methyl styrene capacity at Roussillon – France (Novapex).

Successful FDA and ANSM inspections of pharmaceutical plants (Novacyl).

2013

Acquisition of controlling stake in **Yangzi Pharm Chemical**, a world leader in **para-aminophenol** (the raw material for paracetamol): 35 kt/year.

30 kt/year increase in **sodium bicarbonate** production, raising total capacity to 140 kt/year and making it the second biggest unit in Europe.



SUSTAINABLE DEVELOPMENT, A PRIORITY EMBEDDED IN THE COMPANY CULTURE

“ Being a leader in sustainable development means committing to concrete actions: evaluating our processes and operations, mounting ambitious projects and monitoring progress day-to-day, making commitments to local authorities. An ambitious strategy that has proved itself in practice and in results. ”

PIERRE LUZEAU

➤ A VOLUNTARY STRUCTURED APPROACH FOCUSED ON PROGRESS AND TRANSPARENCY, A COMMITMENT TO RESULTS

Wherever it operates, Novacap's responsibility is to develop sustainably, in harmony with the local ecosystem. This is why the Group has voluntarily set ambitious targets for sustainable development.

Sustainable development strategy is designed centrally by general management and implemented by each business based on specifically tailored priorities and targets.

There are three strategic principles: environmental protection, social responsibility and economic performance. Starting from these three principles, we have laid down 11 ambitious and dynamic targets which are summarised in a road map of 40 action points. Each year certain action points are selected and these determine the shared priorities for the Group. The road map is evaluated throughout the year by operational teams under the supervision of the Industrial and Operational Excellence Directors, using appropriate reporting tools.

A clear framework and a process to roll out our policy

- **3 COMMITMENTS**
- **11 TARGETS**
- **40 ACTION POINTS**
- **16 SHARED PRIORITIES**
- **Specific action plans for each entity based on pre-defined priorities**



Limestone quarry at Pagny-sur-Meuse (France) (Novacarb – Mineral Specialties division)

➤ A PROGRAMME THAT IS AUDITED AND EVALUATED EACH YEAR

Novacap Group's sustainable development policy was analysed over the last three years by the ExFi Partners consultancy, specialised in ESG (Environment, Social, Governance), which was hired by controlling shareholder Ardian.

In 2013, ExFi Partners noted that Novacap had made progress for the third consecutive year, particularly in five key areas: CSR (corporate social responsibility) strategy and risk management, human resources management, employee dialogue, purchasing process and responsibility in dealing with suppliers, responsibility toward customers.

The Group's commitments under the Global Compact and Responsible Care Initiative underline its voluntary drive toward progress and transparency on an international scale.



Responsible Care is a voluntary global initiative developed independently by the chemicals industry for the chemicals industry. Companies that sign up commit to incrementally improve their performance on environmental protection, health and safety, plant security, product management and logistics. They also undertake to continuously improve dialogue with their partners.



The UN Global Compact is an initiative designed to bring together companies, UN agencies, global labour and civil society around ten universal principles addressing four areas: human rights, rights at work, the environment and anti-corruption. It encourages companies worldwide to adopt environmentally sustainable and socially responsible policies and to report their progress.

➤ KEY RESULTS

The Group has invested **€14 million** in QHSE (quality, health, safety and environmental management) since 2010 and continues to pursue excellence. We have logged real achievements over the last five years:

- **93% REDUCTION** in coal dust (Novacarb);
- **80% REDUCTION** in VOCs (volatile organic compounds) (Novapex);
- **90% REDUCTION** in unintentional aqueous emissions (Novapex);
- **FREQUENCY OF CATEGORY 1 ACCIDENTS = 1.4** cut by two-thirds in 4 years;
- **14,620 HOURS** of training given in France in 2013;
- **25%** of employees are women;
- **A SHARED SUSTAINABLE DEVELOPMENT CHARTER** published in four languages.



La Madeleine (France) (Novacarb – Mineral Specialties division)



It is our responsibility to make environmental protection part of our everyday work.

COMMITMENT NO. 1: PROTECT THE ENVIRONMENT

This commitment embodies our determination to **make environmental protection part of our everyday work**, to reduce the environmental impact of our business, to make sure products are produced and transported safely and to protect natural resources.

➤ INTEGRATE ENVIRONMENTAL PROTECTION INTO EVERYTHING WE DO

➤ ACHIEVEMENTS 2013

Capture of acetone gas emissions, VOCs from the Roussillon plant.

Implementation of a special environmental plan to bring the Yangzi site up to Novacap standards. The unit at the Taixing plant has been recognised for its good practice and environmental benefits. The local authorities have cited it as a model for, among other features:

- **Installation of a scrubbing tower** to treat gas emissions in Yangzi.

- **Replacement of raw material reservoirs:** para-nitrochloro benzene (PNCB), hydrochloric acid (HCL), sodium hydroxide (NaOH).

- **Renovation of retention ponds.**

- **Installation of ion exchange towers** for the manufacture of para-nitrophenol that reduces the need for organic chemicals in effluents.

➤ MEDIUM-TERM AIMS

Integrate environmental protection into our R&D from conception to processes and products.

Maintain and spread best practice and obtain ISO 14001 certification for all plants.

Novacap has put in place a procedure that identifies and manages significant impacts. It also sets quantitative and qualitative environmental targets for each activity and assigns responsibilities for meeting these.

ISO 14001 is a standard for environmental management designed to address consumers' environmental concerns.

ISO 14001 defines the elements of effective and environmentally friendly company management. Participating organisations can use these to evaluate and manage the impact of their business on the environment in which they work.



Novapex – Roussillon (France)

➤ CONTINUOUSLY REDUCE OUR ENVIRONMENTAL IMPACT

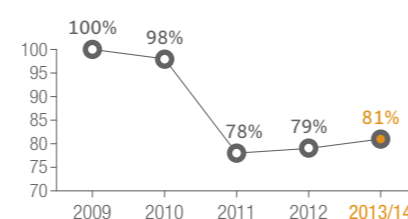
As an energy-intensive manufacturer the Group inevitably emits greenhouse gases. It has therefore taken action to **improve the energy efficiency of its units.**

The Group owns and operates a number of gas-fired cogeneration units. The Company has also set up a number of energy generation units that exploit renewable resources. A biomass cogeneration plant is in place

at Roussillon (France) and studies are under way for a methanisation unit at La Madeleine (France).

Other ways being explored to cut atmospheric and water emissions include prevention at source, improved processes, optimised effluent treatment, analysis, development of environmentally responsible logistics (train, river, pipeline, etc.). The same process is applied when selecting suppliers.

ENERGY CONSUMPTION



Base 100 in 2009.

➤ ACHIEVEMENTS 2013

Further reductions in aqueous waste and atmospheric emissions at the plants.

Studies for the installation of renewable energy generators and methanisation units at the Novacarb plant (Mineral Specialties division).

➤ MEDIUM-TERM AIMS

Reach benchmark in terms of consumption of natural resources and environmental effluents.

Novacarb methanisation project (Mineral Specialties), local sourcing

The methanisation unit being planned by Novacarb (Mineral Specialties division) would use raw materials taken from neighbouring farms such as livestock effluent (manure, etc.) and agricultural by-products (straw, etc.). Energy can then be generated in the form of biogas, a mix of methane and carbon dioxide. This biosourced methane would then go through the gas transport networks to feed the Novacarb plant as a partial substitute for imported gas. The carbon dioxide could be reclaimed through use in the sodium bicarbonate process. Finally, fermentation residues, which enhance the fertilising properties of organic effluents, would be returned to the partner farms.



Novacid Pont-de-Claix (France)

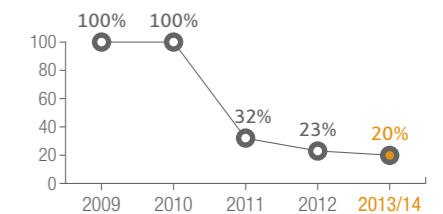
Isocontainer transport for products from Pont-de-Claix – France (Novacid, Performance Chemicals division).

Upgraded loading bays at Novacid (Performance Chemicals division)

This project improves the loading gantries so that they can fill any type of tanker: trucks and isocontainers. It will allow them to meet customer demands/needs and encourage multimodal transport (road plus rail).

This gives Novacid access to a wider range of transport options while simultaneously reducing its environmental impact by cutting the number of tankers on the road and replacing them with rail-hauled isocontainers. The initiative has also cut health and safety risks to people.

EMISSIONS OF VOLATILE ORGANIC COMPOUNDS (VOCs) (NOVAPEX FRANCE)



Base 100 in 2009.

- All VOC flows are collected and channelled to a treatment unit for destruction. The resulting VOC destruction rate is 98%.
- Novacarb's site has 2 electro-filters that strip dust from the fumes from its 6 coal-fired boilers.
- Novacarb also uses a decanting and pond management system to manage salt effluents into the Meurthe.



Novacid Pont-de-Claix (France)

➤ ENSURE THE INDUSTRIAL SAFETY OF OUR PLANTS AND TRANSPORT MODES

We prioritise the prevention of industrial risks by early identification. Regular safety inspections are carried out at all SEVESO sites in France. High-priority risks are remedied either physically, instrumentally or organisationally with the accompanying procedures and training.

Experts required by our insurers make regular site visits. Their recommendations are included in remedy reports.

In addition, Novacap carries out regular crisis management exercises in partnership with the local authorities. Each site has internal operational plans to manage any industrial accident.

We also seek to manage risks arising on the transport of our products by choosing the safest modes: pipe, barge, train or truck.

Creation of a rapid reaction pumping unit for use on-site or on the road by Novacid (Performance Chemicals division)

This project is being run in partnership with haulier GLV (Novacid's exclusive supplier of hazardous materials transportation services). The mobile pumping station has been designed to be deployable immediately in the event of an accident during transit or a storage leak and can transfer the product from a malfunctioning tanker or storage facility to another safe container. It can also work as a drainage pump and holding tank.

Its introduction means that Novacid is better equipped to manage the risks to people and the environment arising from its products.



Novapex – Roussillon (France)

➤ ACHIEVEMENTS 2013

OHSAS 18001 certification for Novapex.

Preparing the Bangpoo-Novacyl site for OHSAS 18001.

Introduction of an operational risk management system including drafting and application of action plans.

Internal Operation Plan exercises carried out at all Novacap sites. Review of Novacarb's associated procedures.

Review of the mapping of areas posing industrial risk (EXplosive AT-mospheres) at Novapex.

Continued expansion of 44 tonne transport whenever rail or sea transport is inappropriate.

➤ MEDIUM-TERM AIMS

Have no major industrial accidents either on our sites or during transport of products by taking preventative action and the general roll-out of our risk management system. Implementation of a rigorous selection process for subcontractors.

Manage risks at all sites in compliance with OHSAS 18001.

Update safety studies regularly and deal with major risks quickly and systematically.

BS OHSAS 18001 (British Standard Occupational Health and Safety Assessment Series) seeks to prevent risks at work.

➤ PRESERVE NATURAL RESOURCES

The Group seeks to preserve biodiversity and better understand the ecosystems in and around our plants.

Operating teams work constantly to reduce the consumption of raw materials by improving yields from reactions and recovery. Teams also work to manage water consumption, mainly used for cooling, by developing closed loop cooling systems.

We also focus on cutting materials used and packaging, strict management of waste and effluents and prioritise recovery of recyclables.

WATER CONSUMPTION AT NOVAPEX



Base 100 en 2009.



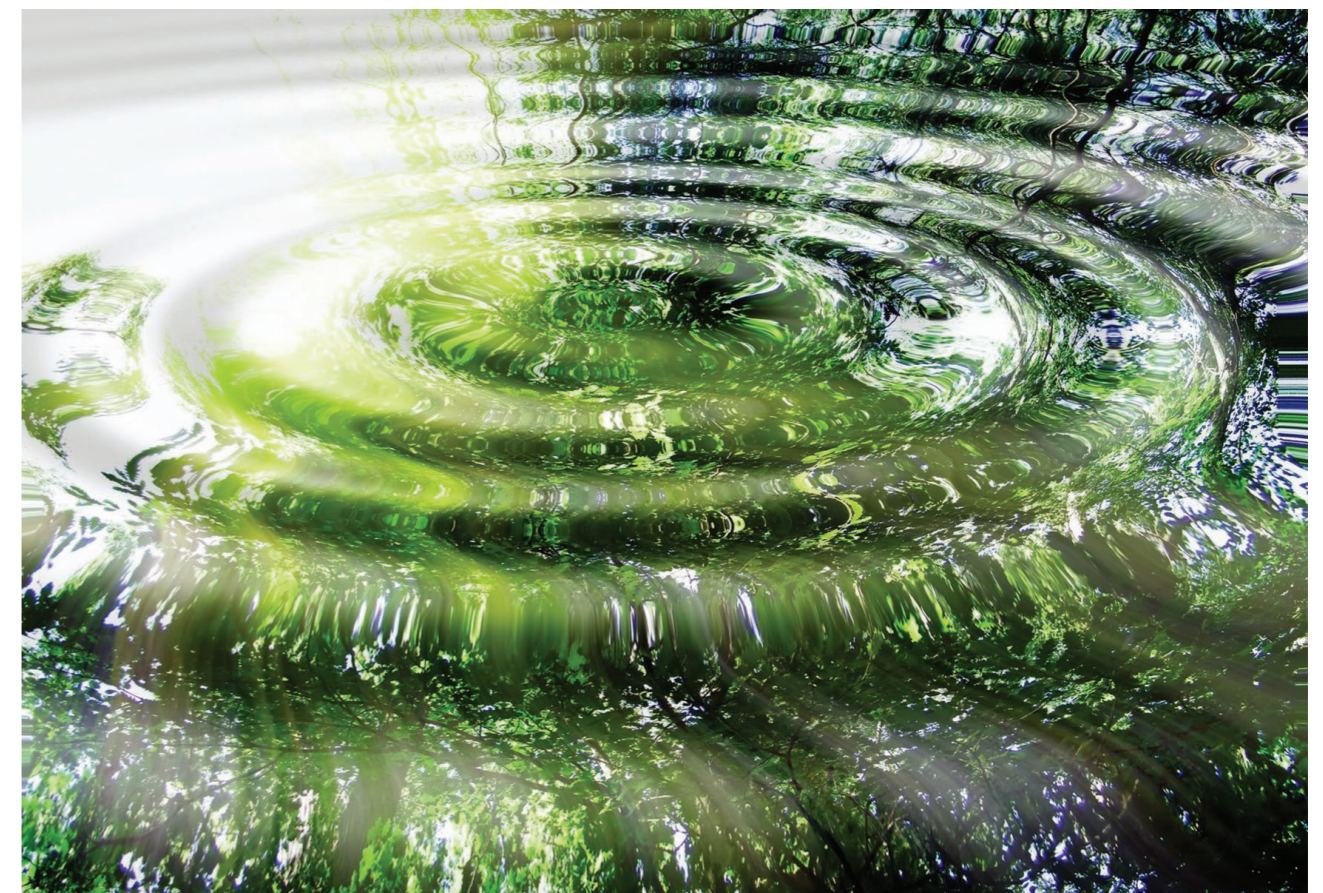
➤ ACHIEVEMENTS 2013

Reduction of water consumption at sites in France.

Continuing efforts to **cut energy consumption** at manufacturing plants.

➤ MEDIUM-TERM AIMS

ISO 50001 certification for all energy-intensive plants.





Sustainable development
means « living well together ».

COMMITMENT NO. 2:

ACT RESPONSIBLY AS AN EMPLOYER AND IN WIDER SOCIETY

The health and safety of our employees and partners is an absolute priority that we treat with the utmost seriousness. We maintain good communications with our employees, harmonious human resources management, promote and respect everyone's human rights, take steps to combat corruption and continuously seek to better integrate our manufacturing activities within the local community.

➤ GUARANTEEING HEALTH AND SAFETY FOR EMPLOYEES AND SUBCONTRACTORS

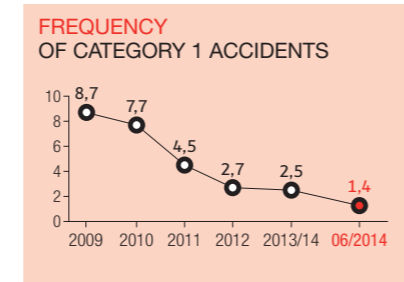
Our ambition is that none of our employees or subcontractors should suffer an accident in our plants or transporting our products.

Particular attention is paid to prevention of accidents at work, and the identification, management and reduction of risks. We also learn from experience, thoroughly analysing

any accidents and incidents that do happen to prevent any recurrence. Causal tree analysis is always applied after any injury to draw lessons, and involves all stakeholders.

The key methods used are training, encouraging safe behaviour and respecting processes and procedures, requiring the wearing of appropriate protective clothing and controlling and checking these basic rules are being applied properly by management safety visits.

By mobilising everyone, the division has cut accidents at work by three-quarters in 4 years.



➤ ACHIEVEMENTS 2013

Specific training programmes on safe behaviour.

Critical task analysis at Novapex and Novacid.

Review of works and maintenance procedures at Novacarb.

Introduction of QHSE visits by Novacyl's management.

Training in legal responsibilities for incidents and accidents affecting persons or property: 50 people trained at Novacarb.

Rollout of the 5S method for analysing dysfunctions using a "causal tree" at many of Novacap's sites.

Publication of a safety manual (raising awareness of best practice and health and safety rules) to meet Novacap's standards at the Yangzi site and accompanying staff training.

Safety studies of procedures at the Yangzi site.

➤ MEDIUM-TERM AIMS

Ambition to achieve zero accidents at work, whether or not they result in time off work.

Ensure all employees are engaged with the HSE culture and continue to deploy shared management processes at all sites across the world.

OHSAS 18001 for all production plants.

In 2013 Novacap invested €4.6 million in QHSE. The same year, more than €16 million went into maintaining units and infrastructure.

GROUP SAFETY PLAN

The Group drew up a plan to implement the safety culture and shared processes with a focus on:

- Active participation by the global HSE network with Group-wide action plans;
- Pooling and implementation of best practice and tools;
- Safe behaviour, at individual and collective levels, and leadership on management safety visits;
- Improved understanding of safety issues through training for new employees, operational managers etc.;
- Communication of Health, Safety and Environment best practice and events (monthly reports, safety tips, sustainable development awards, etc.).



Yangzi site

➤ INTERVIEW



Anne Champel
QHSE coordinator
Novapex Roussillon - France

Instilling the right behaviour at Novapex: Encourage leadership with managers leading by example and develop safe behaviour among employees.

Despite the management system now in place, the existence of procedures, satisfactory levels of equipment maintenance and a varied and appropriate range of personal protection equipment, at the end of 2012 it was found that the number of minor injuries requiring treatment (category 3 accidents) had risen and that human factors were involved in two out of three cases.

We therefore decided that we needed to raise our teams' awareness that their behaviour could have consequences for their own and others' safety.

The first action was a training/awareness programme developed in-house and taken by all staff. In the course of this programme, "critical" tasks were identified by employees. This was followed up by small groups which analysed these tasks on the ground and

identified risky operations and determined how they could be done safely. Conclusions were formalised in a standard operating procedure illustrated with photographs or in some cases video clips.

We backed up this process with a communication campaign: a logo, mugs bearing the logo, a quiz game and a poster.

The frequency rate of category 3 accidents halved in two years.

These actions continue and have helped embed the process in the working culture so that all employees now look out for their own safety and that of their colleagues.



➤ INTERVIEW



Simon Maget
Head of Operations at
Novacid in Pont-de-
Claix - France

Leadership training in the prevention of risks linked to physical activities (PRPA).

Training as a PRAP leader equips employees to help prevent risks arising from physical activities and encourages safe behaviour by employees.

Participating employees can improve working conditions in ways that reduce the risks of accidents at work or work-related illness. Employees take a leadership role in this initiative and, when trained, must be able to suggest ways to improve safety in their job. They must be pro-active in bringing forward proposals.

The interactive training programme was developed in coordination with the workplace medical teams. Employees learn to analyse working situations and identify the dangers and risks that relate to their job, understand how and why they come about and what we can do to remedy them. Training is a two-stage process: one day concentrating on theory that introduces basic concepts on the human body (anatomy, illness, physical strain, stress, etc.) and a second day spent studying their role at work.

Novacid's aim is to have all employees trained by the end of 2015.



Bangpoo site in Thailand

Thailand's Bangpoo site, which manufactures aspirin, has adopted the 5S system first used in Japan and based on the Japanese words: **seiri** (tidiness), **seiton** (orderliness), **seiso** (cleanliness), **seiketsu** (standardisation), and **shitsuke** (discipline). The system has improved working conditions to create a clean and orderly workplace, reducing the amount of time and energy wasted and the risk of accidents or ill health. It has also improved the quality and management of production.

In the 27 years since the system was introduced there has not been a single reported accident at work.

➤ ENSURE HIGH QUALITY DIALOGUE WITH EMPLOYEES

We seek to promote and develop constructive relationships with unions and employee representatives in every country where the Group operates.

We encourage transparent communications with our employees through regular meetings and briefings on mandatory issues but also through the intranet and emails.

We are careful to meet all applicable obligations in each country.

In France, Novacap has put in place bodies for dialogue with employees that go beyond its legal obligations. There are employee representatives and committees in all entities, including those with fewer than 50 staff. Novacap has also signed collective agreements wherever required by law, e.g. on prospective management of jobs and skills and arduous work. The company also conducts the mandatory annual negotiations with unions.

➤ ACHIEVEMENTS 2013

Agreement on arduous work in France signed with unions.

➤ MEDIUM-TERM AIMS

High quality dialogue with social partners.

Action plans to avoid the need for arduous work.

Regular versions of the internal HSE/sustainable development awards first launched in 2014.

➤ HARMONIOUS AND VISIONARY APPROACH TO HUMAN RESOURCES MANAGEMENT

Our past and future success is built on the professionalism and entrepreneurial spirit of our teams.

The development of a human resources policy that is shared by the whole Group is a key plank of Novacap's transformation, particularly following international expansion.

We want to be a committed and attractive employer in every country where we work.

ENCOURAGE WELL-BEING TOGETHER

Career development for our employees and efficient organisation are the key to meeting our strategic aims and ensuring the company's long-term survival.

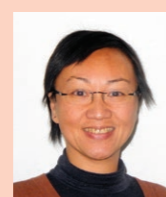
For this reason, in 2013 we introduced a handbook of skills within the Group that allows us to standardise the skills base across all operating countries.

We also identified a pool of talent whose professional development we are supporting.

PROMOTING DIVERSITY

We encourage the hiring of women and men from a variety of geographical origins and cultures with diverse previous career paths.

➤ INTERVIEW



Jun Mao
HSE/Support Engineer
Public relations
Novacap Asia

I joined the Group on 1 September 2013 with a brief to help with the integration of Yangzi, deal with the company's technical issues and support the public relations effort in China. I have also carried out cross-Group missions in China.

My motivation is that I want to contribute to the Group's development in China, where my dual Franco-Chinese culture is useful, and to work with professional colleagues in a healthy atmosphere.

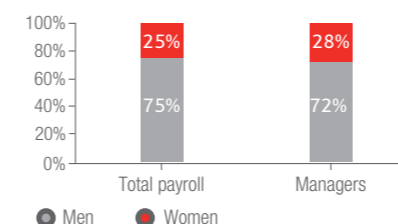
Novacap has put in place a number of action plans to encourage the hiring of older workers, gender equality and the employment of people with disabilities, in compliance with recent French law.

Two further agreements were signed centrally in France with employee representatives: the generation contract, designed to promote sustainable jobs for young people, keeping on older employees and the transmission of knowledge and skills, as well as the arduous work agreement, designed to avoid the need for arduous work and improve working conditions.

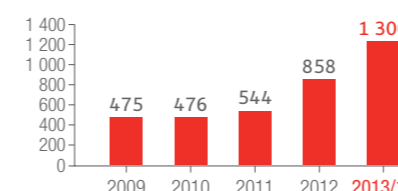
Our management of equal opportunities is in line with French regulations.

The proportion of women on the payroll and among Company managers is similar to the average in the chemicals industry.

GENDER DISTRIBUTION (2013/14)



RECRUITMENT AND CAREER SUPPORT



97 PEOPLE WERE RECRUITED IN 2013

Novacyl's integration in 2011 resulted in a big jump in the number of employees (+58% in 2012).

In 2013, the integration of Yangzi Pharma Chemical led to another increase of 43%.

The Group's main priorities are to attract and retain talented employees, in a complex and a highly competitive sector, into a company in a full-blown process of transformation including via international mergers and acquisitions.

The human resources department is therefore diligent in providing visibility on the Group's development to reassure and inspire confidence and to keep the teams motivated. The Group concentrates on career prospects while still retaining a good level of skills for each role. Skills are gauged at annual reviews, which also assess and set targets.

Novacap makes training a priority, allocating substantial budgets to it each year. Novacap offers all its employees training programmes (in safety, technical issues, management and languages).

In France, the Novacap Group delivered 14,620 hours of personal development training in 2013, with courses attended by 5.37% of the French payroll.

ENCOURAGING ENTREPRENEURIAL SPIRIT

Historically, Novacap has enjoyed a unique company culture and cultivated an entrepreneurial spirit that makes it attractive to many professionals who want to work in an environment of quick-moving projects with light-touch management. Innovation in products and procedures is key to our future. This is why we seek to attract and develop talented employees who are able to rise to the challenges we face.



Novacap at the Mondial des Métiers careers fair in Lyon (France)

Novacap exhibits each year at the Mondial des Métiers careers fair as a way to promote the Group, its businesses and the careers it offers. The exhibition is an opportunity to highlight the different companies and careers that operate within the Group, to interact with the students attending – potential future recruits – and to share skills and experiences with other players in the global chemicals industry.

All our representatives are happy to share their experience and talk about the careers on offer at Novacap and the training paths that lead to them. Inspiring people to get involved in the chemicals industry and in a dynamic mid-sized company is Novacap's main aim in attending the fair, which welcomes 110,000 visitors over its four days. We also collect a large amount of CVs.

WOMEN MAKE UP

25%

OF THE PAYROLL

AND 28%

OF MANAGERS



➤ ACHIEVEMENTS 2013

The overhaul of human resources practices continued on several fronts in 2013 to support Novacap's international expansion and a career development approach for employees.

Today, the Group has a harmonised HR policy in terms of organisation, process, tools and indicators (recruitment, mobility, training, etc.) while still respecting the varied cultures of particular professions and countries.

Novacap has also implemented a **forward-looking jobs and skills management system**. An online jobs exchange has been in place since 2013.

➤ MEDIUM-TERM AIMS

Increasing diversity.

Developing people's skills.

Developing Group-wide HR indicators and setting targets.

➤ BETTER INTEGRATE OUR ACTIVITIES WITHIN THEIR COMMUNITIES

Transparency, openness and dialogue are the basis for the constructive conversations we engage in wherever we operate in the world, with neighbours, local authorities and associations.

We conduct visits to several of our sites, take part in local events on encouraging sustainable development and careers in the chemicals industry with representatives of local communities.

In China, Yangzi Management has built up a close relationship with the environmental authorities based on transparency and frequent contacts to share technical information (e.g. on industrial projects). The Taixing site where Yangzi operates is recognised as a leader in this field and complies with all environmental law.

Sustainable Development day in Roussillon - France

Each year since 2001, the Roches Roussillon chemicals platform has held a Sustainable Development day. This is a big event, recognised throughout the region as an opportunity for those working on the site to present their safety-environmental results as well as recent and planned projects. All stakeholders (local politicians, environmental groups, administrative professionals, media) are welcome to take part in the discussions.

In December 2013 the Rhône-Alpes Chemicals Industries Union gave the Roussillon plant its Responsible Care award in the Employer-Social category in recognition of their organisation and the success of these Sustainable Development days.

Works at the limestone quarry at Pagny-sur-Meuse (France) (Mineral Specialties division)

Work to bring the Pagny-sur-Meuse quarry into compliance with regulations lasted for nine months in 2013. The main aims were to secure the site and reduce dust emissions:

- the quarry was fenced in to secure the site and avoid risks of serious injury;
- a reservoir was built to collect quarry water that would be available to fire services;
- quarry roads were resurfaced to prevent dust emissions;
- a cleaning station for truck wheels was built to keep the local road clean.

➤ RESULTS

BETTER CONTROL OF ACCESS BY UNAUTHORISED TRUCKS, 8 km of fencing erected;

50% REDUCTION IN DUST generated by trucks, improving visibility and driving conditions;

90% REDUCTION in mud spread on local roads;

EMPLOYEES TAKE GREATER PRIDE in their work.



Pagny-sur-Meuse quarry (France) (Novacarb)

➤ ACHIEVEMENTS 2013

Novapex and Novacyl took part in the Roussillon site's annual Sustainable Development day with all stakeholders present (politicians, administration, environmental groups, etc.).

Input to the revised technological risk prevention plan for the Roussillon chemical plant.

The Novacid team took part in the Rhône-Alpes jobs day.

No complaints from local communities were recorded in 2012 or 2013.

➤ MEDIUM-TERM AIMS

Annual participation in local events to promote sustainable development, jobs, support for young people and training.

Support for officially recognised charitable bodies.

Ongoing active participation in regional and national consultative bodies.

Project to treat and recycle salt effluents at the Yangzi site. The project should become a benchmark for other companies in the province.



Novapex site - Roussillon (France)

➤ PROMOTE AND RESPECT HUMAN RIGHTS

In 2013, Novacap strengthened its control and internal audit service to better manage its risks (ethical, legal, financial, employer, reputational, etc.) in a way that would command the long-term confidence of stakeholders.

The department's role is to ensure effective control over the Group's processes, operations and risks, protecting against error, fraud, inefficiency, etc. and to support continuous improvement of our management processes (purchasing, cash management, sales, etc.).

Risk mapping identifies, assesses and ranks the main risks by their potential impact and frequency. They can then be managed to mitigate their impact and/or reduce their frequency and monitored over time by raising awareness among all those involved.

Risk management policy and action plans are presented to the Supervisory Board at the Audit Committee several times a year.

Internal control also helps to formalise Group rules and standardise working methods by spreading best practice to different manufacturing sites.

➤ MEDIUM-TERM AIMS

Application of the Code of Conduct in all our activities.

Zero errors detected by internal audit.



Deriving long-term value from our activities is essential to the company's sustainability.

COMMITMENT NO. 3: ENSURE THE GROUP'S ECONOMIC PERFORMANCE

Novacap's economic performance is based on two themes: a strong customer-centric focus and operational excellence to improve reliability and cut long-term costs.

➤ PURSUE SUSTAINABLE CUSTOMER SATISFACTION AND PROMOTE KNOWLEDGE OF OUR PRODUCTS

Sustainable customer satisfaction is a key aim for the Group. We want to partner our customers as they grow their business, offering them innovative and high-performance products and solutions that also respect the environment.

We are committed to continuously improving the quality of our products and services and providing real-time data on product quality and environmental impacts. In this way we can meet the most stringent demands of our customers and develop relationships of trust.

We are working to systematise and improve quality processes using the performance and process efficiency measures set out in ISO 9001, in which all our plants are certified. We apply all the required product safety measures in regulated markets (pharmaceutical, food, feed, etc.). We can therefore be sure that our products comply with international regulations (REACH, FDS, etc.) and focus on developing environmentally friendly products.

21 NOVACAP PRODUCTS

are REACH registered.

THE AIMS OF REACH

REACH is a set of rules governing the registration, evaluation, authorisation & restriction of chemicals. It came into force on 1 June 2007.

REACH's main aims are to provide a high level of protection for human health and the environment against chemical risks, promote alternative methods for the assessment of hazards, ensure free circulation of chemicals in the internal market and strengthen competitiveness and innovation.

REACH makes the industry responsible for evaluating and managing the risks posed by chemical products and for providing adequate safety information to users.

➤ INTERVIEW



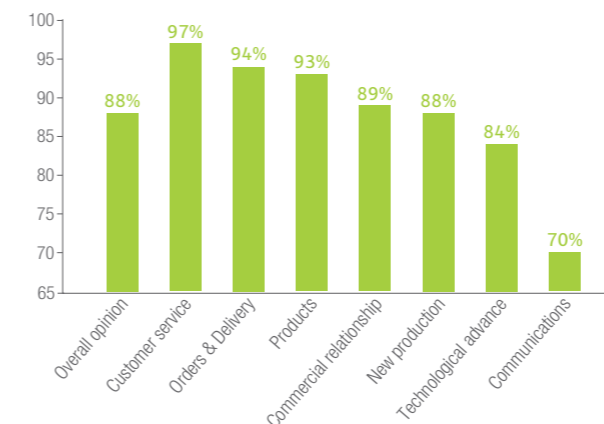
Olivier Ladeit, Industrial Director, Novacyl

What advantages does Novacyl have when it comes to delivering top quality products on the pharmaceuticals and cosmetics markets?

Our unique vertical integration model means we can control the quality of our inputs (produced within the Group) and follow this up to the final product. This also gives us optimal traceability on products and tight control over our production chain. We have also developed technologies that give us the cleanest possible production process.

By limiting impurities at source we get both higher quality products and a substantial reduction in our environmental impact and energy needs. We are also compliant with the most stringent standards set by health and safety agencies (FDA – ANSM). One instance of our commitment is that we recently developed a range of paraben-free products, a healthier option for our customers and end-consumers.

NOVACARB CUSTOMER SATISFACTION SURVEY
(Mineral Specialties division)



Novacarb recently used the Praxis Institut to survey 200 European customers.

Our average score was higher than the average for the leading players in the industry.

Novacarb has nonetheless drawn up an operational action plan to further improve customer satisfaction.

➤ ACHIEVEMENTS 2013

ISO 9001 certification for all sites and GMP certification for the pharmaceutical plants.

Start of the GMP evaluation and certification process at Novacarb's site using the skills of Novacyl.

Optimisation of the production process for Bicarbonate HD110 at Novacarb.

Start of colourless cumene hydroperoxide (CHP) and DIPB isomers production at Novapex.

FDA and ANSM inspection of Novacyl sites (Asia, Europe, Brazil).

Review of marketing technical leaflets for Novacyl products.

➤ MEDIUM-TERM AIMS

Implementation of a high-performance CRM system.

Continuing progress toward zero product returns for quality and/or service faults.

Systematic and regular measures of customer satisfaction to optimise the offering.

Optimisation of the organisation and R&D resources to deliver optimal and sustainable responses to customer needs.



➤ READ MORE...

ISO 9001 defines the criteria for a quality management system.

The standard is based on a number of quality management principles. These include a strong customer focus, motivated and committed management, a process-based approach and the quest for continuous improvement. **ISO 9001** helps guarantee that customers receive consistent and high-quality products and services.

HACCP Hazard Analysis Critical Control Point

HACCP is a management system that identifies, evaluates and manages significant dangers affecting food safety (NF V 01-002).

Based on seven principles, HACCP is implemented via a logical 12-stage sequence, in which dangers are analysed and the critical points to address them are identified.

HACCP looks at three types of food hygiene threat: biological (viruses, bacteria, etc.), chemical (pesticides, additives, etc.) and physical (wood, glass, etc.).

GMP (Good Manufacturing Practices)

GMPs are those required to comply with guidelines laid down by the authorities that licence the manufacture and sale of food, medicines and active pharmaceutical ingredients. These guidelines set minimal requirements designed to ensure a pharmaceutical product is of high quality and poses no risk to the end-consumer.

➤ EXTRACT SUSTAINABLE VALUE FROM OUR ACTIVITIES

We seek continuously to improve the **reliability of our production units** while maintaining budgets, yields and production costs and to **recover value from the by-products** of our activities.

We are also a committed participant in chemical industry platforms.

Recovery of para-aminophenol (PAP) at the Yangzi plant (China)

The factory has implemented measures that recover the PAP left in the residue from the distillation process and reduces the amount sent for waste treatment.

The process recovers 720 tonnes of PAP each year with major savings on treatment costs.

At the same time, we have increased production yields and reduced inputs.

**TOTAL EARNINGS ARE
€1.55 MILLION.**



Energy savings at Wuxi (China)

The aim was to cut vapour consumption in the paracetamol manufacturing process at Wuxi from 12 t/t to 9 t/t, which would save a target €400,000 in energy costs for each 6,500 tonnes of paracetamol produced.

We invested €720,000 in a multiple effect evaporator and replaced several concentrators with the support of the Chinese authorities. This innovative technology is used in processes that require the evaporation of large water volumes.

**RESULTS:
ANNUAL SAVINGS OF €500,000.**

An additional indirect effect was to reduce coal consumption by 3,300 tonnes/year and CO₂ emissions by 8,000 tonnes/year.



➤ ACHIEVEMENTS 2013

Development of the AM-DEC software (analysis of fault modes, effects and critical points) which was implemented in Novacyl's salicylic acid workshop to improve reliability.

Launch of the Lean Six Sigma programme at Novapex.

Preparation of a Group Operational Excellence programme including roll-out of Lean Six Sigma.

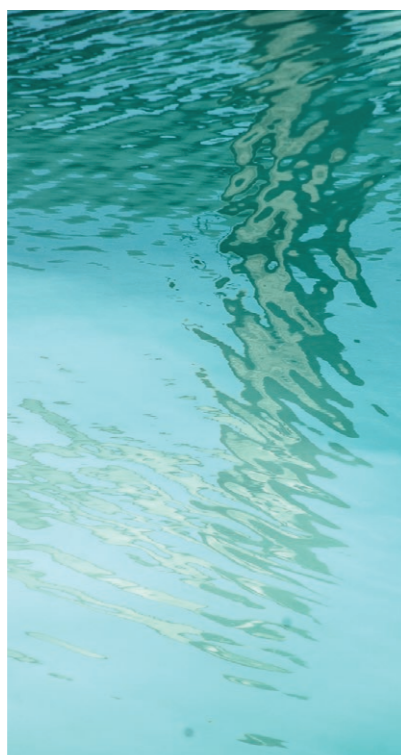
Improved production yields from all activities.

Improved recovery of PAP from waste water at Yangzi.

Launch of purchasing productivity plans and Lean Six Sigma projects delivering economic benefits in 2013.

➤ MEDIUM-TERM AIMS

Turn all employees into "drivers" of continuous change, waste hunters and leaders of actions and/or projects to improve operational excellence and organisational efficiency for the benefit of all our stakeholders: customers, employees, suppliers, shareholders, community and the environment.



➤ DEVELOP OPERATIONAL EXCELLENCE AS A PILLAR OF GROWTH AND SUSTAINABLE DEVELOPMENT

Novacap's operational excellence programme is based on three areas.

- 1 introduction and optimisation of the management system for our organisations – and the associated structuring, formalisation and optimisation processes – through which the Group deploys its resources to manage and optimise operations and ultimately meet its pre-determined shared targets;
- 2 implementation of continuous improvement plans targeting the efficiency of our units and their procedures by continuously reducing waste and increasing value;
- 3 development of the skills and behaviours needed for individual and collective management of our organisations and processes and the application of Novacap's excellence culture to methods, tools and training.

Action plans have been identified in each area for each entity following a cooperative multi-stage process involving the general management, directors of manufacturing, heads of department, plant managers and operational teams.

The methodology used, called "operational excellence loop" can be summarised as follows:

- identification of performance and management criteria for entities;
- evaluation of performance and competitiveness and quality targets against the benchmark and best-in-class competitors;

- identification of the gap to reach our competitiveness target;
- identification of the root causes of these gaps;
- identification and selection of projects to deal with underlying causes;
- realisation of projects using appropriate resources and tools;
- result monitoring and measures to ensure sustainability.

➤ INTERVIEW



Marc Labeille,
Director of Operational Excellence

Competitiveness, stability, reliability and progress – the keys to achieving operational excellence with one sole aim: to maximise performance at all production levels.

To sustain this process, Novacap has set up an Operational Excellence department with a brief to:

- improve competitiveness and process efficiency;
- oversee continuous improvement and/or transformation plans at each entity;
- motivate, support and challenge operational teams on their entrepreneurial application of Operational Excellence;
- instil a culture of continuous progress on the ground (setting up working groups – Kaizen);

- develop the skills of our human resources through training that exploits proven tools and methods, such as LEAN-Six Sigma;
- organise and manage the network of Operational Excellence leaders;
- facilitate the identification, exchange and transfer of best practice between entities.

