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# Passionate about Private Label

McBride is Europe's leading provider of Private Label Household and Personal Care products. We develop, produce and sell our products to the major grocery retailers throughout Europe and beyond.



# Chief Executive Officer's review



**Chris Bull** Chief Executive Officer

This is the ninth McBride Sustainability report and the second in which we have aligned the report with the Global Reporting Initiative (GRI) guidelines. These guidelines are demanding and we continue to develop our sustainability reporting in line with the GRI principles.

The weak economic environment in Western Europe has continued to impact consumer spending. Whilst total retail sales volumes in our core Household category have declined year-on-year in a number of markets, we have started to see consumers move into Private Label as they seek better value. This difficult environment applies right across Europe, combining high levels of unemployment and increasing pressure on consumer spending. It means that we have to work harder to ensure that we provide best value in the Private Label products we develop and produce for our customers. These difficult times have, however, resulted in lower production volumes this year and this has had an impact on our environmental performance.

Last year we embarked on a review of the Group's strategy, through the Refresh programme aimed at improving the focus, prioritisation and execution of the Group's strategy. The resulting actions encompassed organisational change, a category review, improved competitiveness and new opportunities. Making our business more sustainable is an intrinsic element of Project Refresh. Improving efficiencies, reducing complexity, streamlining our operations and eliminating waste are key functions of both our sustainability and Refresh agendas and provide the link with the Group's sustainability activities. As part of our drive for improved competitiveness and the organisational focus on improved efficiencies I announced on 1 July, the Group was re-organised with the principal aim of removing the divisional structures. This is a logical progression from the organisational changes we have implemented under Project Refresh over the last 18 months, aimed at better exploiting our scale and capabilities.

The resulting leaner organisation is focused around Group Commercial, Operations and R&D functions. They are tasked collectively with fully exploiting the Group's scale by targeting the most profitable investment and growth opportunities, whilst striving for ever lower costs. We have moved to a single end to end Supply Chain under one leadership, from buying through manufacturing through to delivery. This function will build on the great work carried out so far and is focused on driving towards the lowest possible total cost for our supply chain, driving out waste and inefficiencies, whilst most effectively serving our customers. I am confident that our new organisation is now well positioned to exploit the opportunity for sustainable Private Label growth and to improve our performance in the areas reviewed in this report.

But we are doing more than this, we are building sustainability into our product development programme with lighter weight packaging, more concentrated products and developing laundry products designed to work at lower temperatures, which not only reduces our carbon footprint, but helps consumers use less energy as well.

The Sustainability Steering Group, established last year, and the energy and packaging development groups, both put in place this year, are helping to share best practice on energy savings and reducing packaging complexity, both key contributors to sustainability. Our Sustainability Steering Group oversees activities to reduce resource consumption and emissions, reviews our policies on Sustainability and the environment and considers the risks and opportunities facing the business from wider issues such as climate change. We continue to meet the requirements of the FTSE4Good Index and report on our emissions performance through the Carbon Disclosure Project.

I am particularly pleased to report that once again our accident statistics have shown further improvement with LTIs (Accidents requiring more than 3 days off work) down to 97, (2010/11: 99). The accident rate measured in frequency per 100,000 hours worked remained stable at 1.0 (2010/11: 1.0) but with fewer hours lost overall. These figures are the best safety performance ever for the Group. People are the key differentiator of an organisation, our aim is to recruit, retain and develop the best people available. We achieve this by actively developing our staff through a number of Group-wide programmes, promoting from within where possible, but not hesitating to recruit external expertise to fill important skill gaps.

I would like to thank all our employees for their contribution and commitment over the last 12 months, particularly in the light of the challenges we have faced. I believe the new organisation we are putting in place is a further platform for building a more sustainable business.

**Chris Bull**  
Chief Executive Officer  
24 September 2012

# Executive summary

Having closed two manufacturing sites during the year, we are continuing to focus our operations on larger more efficient manufacturing facilities and today we now operate from 18 manufacturing sites in eleven countries, and deliver products to many more. Our environmental performance is impacted to some extent by this changing environment.

## Health & Safety

In the year ended 30 June 2012, the number of >3 day lost time accidents fell to 97, a 2% improvement on last year and the lowest the company has recorded. Frequency per 100,000 hours worked at 1.0, rate of seriousness at 0.21 and risk rate at 0.46 were maintained at the same as last year but number of hours lost fell by 4%. This is the best H&S performance the Group has reported.

## Environment

The Group's total energy use increased by 2% to 692,316 G Joules (2011: 677,094 G Joules). Scope 1 emissions from direct energy use were 11% higher, impacted by the protracted cold spell in Continental Europe increasing demand for gas for heating buildings and warehouses. Scope 2 emissions from electricity consumption were down 1%. The combination of Scope 1 and 2 resulted in overall emissions of 61,542 tonnes CO<sub>2</sub>e up just 1% (2011: 60,924 tonnes CO<sub>2</sub>e). Taking into account the Group's green energy sources which account for 20%, the net CO<sub>2</sub> emissions were 51,822 tonnes CO<sub>2</sub>e (2011: 50,913 tonnes CO<sub>2</sub>e). We are not yet reporting on Scope 3.

The Group's water usage decreased by 8% to 1,024,602m<sup>3</sup> (2011: 1,116,434m<sup>3</sup>) due to the combined impact of more concentrated product in the mix and lower production volumes.

Effluent discharged was up less than 1% to 217,629m<sup>3</sup> (2011: 216,281m<sup>3</sup>), mainly resulting from changing product mix in the business.

Waste as a percentage of total production increased slightly to 1.6% (2011: 1.3%) due to the impact of two factory closures in the year and the associated decommissioning and recommissioning of filling lines and blow moulding machines. The level of waste reused, recycled and recovered continues to increase and was up 1% to 78% of all waste generated (2011: 77%).

Eco-efficiency performance was impacted by the combination of higher concentrated products in the mix and lower product volumes.

- Energy efficiency fell 7% to 1,493kg/G Joule (2011: 1,608kg/GJ)
- CO<sub>2</sub> efficiency fell 6% to 16,800kg/tonne CO<sub>2</sub> (19,851kg/t CO<sub>2</sub> after green energy impact)
- Water efficiency improved 4% to (1009kg production per m<sup>3</sup> water used (2011: 975kg/m<sup>3</sup>))
- Effluent efficiency fell by 6% to 4,751kg production/m<sup>3</sup> effluent discharged (2011: 5,033kg/m<sup>3</sup>)

Comparison of performance with targets					
	2008/09 Base line	2009/10	2010/11	2011/12	Target 2020
Kg production/GJ (including green)	1,608	1,615	1,608	1,493	1,930
Kg production/TCO <sub>2</sub> Total	18,364	18,383	17,868	16,800	22,037
Kg production/TCO <sub>2</sub> minus green energy	20,271	22,311	21,577	19,951	24,325
% Energy from renewable sources	11	21	21	20	20%
% waste sustainably treated	67	70	77	78	1% increase per annum
Waste as % of production	1.15	1.10	1.25	1.57	1.0

# Financial report

## Economic impact

McBride closely monitors those factors which influence consumer spending and the way in which consumers are reacting to the current economic climate.

The level of economic activity in Europe remains weak as the economic crisis continues to impact many of the markets of Western Europe, in particular the countries of Southern Europe. Families remain concerned over the combination of weak economic growth and continuing record high levels of unemployment across Europe. Currently there are almost 25 million people unemployed across Europe or almost 11% of the population.

The worries over job security coupled with increasing pressures on disposable income continue to influence consumer confidence. This has resulted in significant changes to spending patterns of consumers who are trying to manage their weekly budgets. Consumers continue to seek 'value for money' in their weekly shop and today 'good value' does not refer just to the price point of a particular product. Many consumers consider themselves to be savvy shoppers, seeking out the best deals and value to help them manage the weekly shop and today Private Label products are increasingly considered as providing excellent 'value for money'.

Our sales in 2012 grew 1% on a constant currency basis to £813.9 million (2011: £812.4m) despite the ongoing weakness of the European economies and declining consumer demand. McBride needs a continuous flow of new products ideas, and new packaging concepts, keeping products fresh and attractive in the eye of the consumer to stay at the forefront of Private Label development in our chosen categories.

McBride has a significant impact on the communities where it operates; we employ over 5,100 people in the UK, Europe and the Far East, and contributed £127.7 million in salaries and benefits to our employees, thereby supporting the local communities where we have factories and offices.

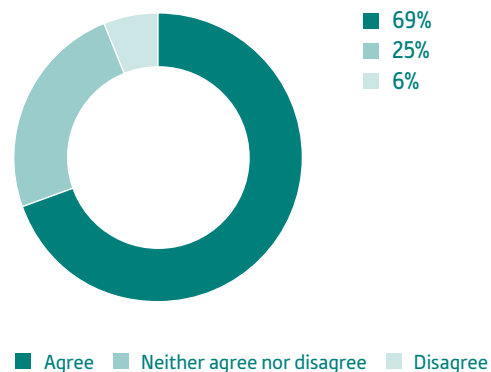
Our economic impact also extends to our many suppliers with whom we spent £548.4 million on raw materials, energy packaging, and distribution.

Our spend on Energy in 2012 was £12.1 million (2011: £11.6m) impacted by higher oil and energy related costs increases during the year as well as the impact of the colder winter across Europe which increased our usage of oil and gas, in part offset by energy efficiency initiatives in the business.

The market environment remains challenging but McBride believes the Group's focus on Private Label products and the actions it is taking will position the Group to benefit from the increasing demand and confidence in Private Label products going forward.

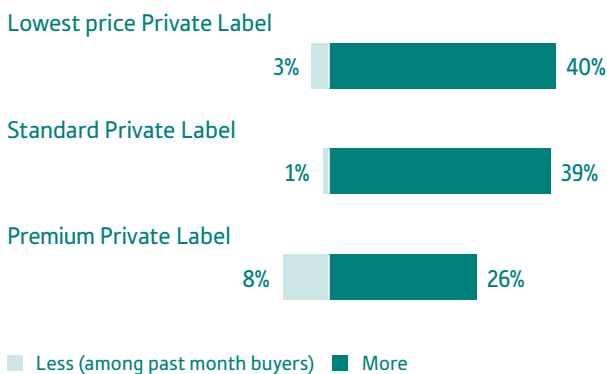
Consumers are expecting to purchase more Private Labels in the next 12 months and Private Labels have gained consumer trust.

### Supermarket Private Label products tend to provide better value for money than alternative brands



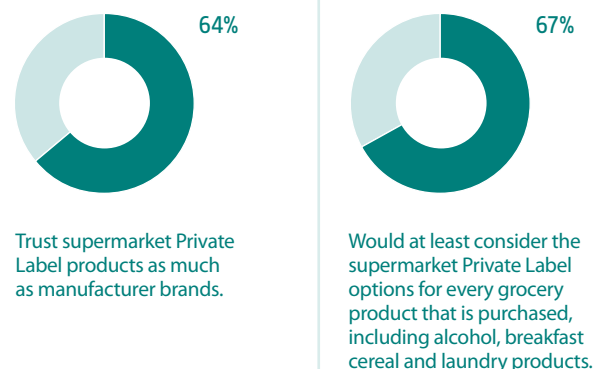
Source: IGD Shopper Vista shopper attitudes to Private Label and brands

### Expected change to Private Label purchasing in the next 12 months



Source: IGD Shopper Vista Survey June 2012

### Private Labels have captured shopper trust



Source: IGD Shopper Vista shopper attitudes to Private Label and brands

## Financial report continued

### Economic performance

The McBride business comprises three European business units and a developing Asia business. The regional sales performance of the Business unit's on a reported and constant currency basis is provided below. Whilst the mature markets of Western Europe were impacted by the weakening spending patterns of consumers in particular in the countries of Southern Europe due to the continuing difficult trading conditions in the countries such as Spain Greece and Portugal.

McBride saw strong growth in particular in Poland with sales up 23% on the back of growing demand for Private Label products but this was offset by the termination of contract manufacturing volume for the German market reducing the overall level of sales for the Central and Eastern European business unit.

#### Regional sales performance 2011/12

	Reported			Constant currency	
	2011/12 £m	2010/11 £m	Year on year % change	2011/12 £m	Year on year % change
UK	315.2	310.7	+1%	310.7	+1%
Western Continental Europe	405.9	405.7	+0%	399.8	+2%
Central and Eastern Europe	135.6	139.7	-3%	135.1	+0%
Asia	10.3	9.3	+11%	9.4	+10%
Sub-total	867.0	865.4	+0%	855.0	+1%
Eliminations/intercompany	(53.1)	(53.0)	n/a	(52.3)	n/a
<b>Total Group</b>	<b>813.9</b>	<b>812.4</b>	<b>+0%</b>	<b>802.7</b>	<b>+1%</b>

In Asia we saw strong growth in Vietnam up 32% and Malaysia up 9% as the benefits of McBride manufacturing competencies are being increasingly recognised in the region.

Sales in developing and emerging markets grew from 8.8% to 9.1% of total revenue as the company looks to increase in weighting of business in higher growth markets.

Group profitability for the year to June 2012, was impacted by the significant rise in material input costs experienced during the year in part offset by efficiency improvements, selling price increases to our customers and continuing focus on our cost base.

#### Five year financial summary (unaudited)

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Revenue	813.9	812.4	812.2	792.4	700.9
Adjusted profit before tax <sup>(1)</sup>	23.7	22.5	44.4	31.0	21.3
Adjusted profit after tax <sup>(1)</sup>	17.6	16.9	33.2	23.2	15.6
Profit before tax	12.1	7.1	29.6	22.2	15.7
Profit after tax	9.1	5.3	22.1	16.6	11.5
Earnings					
Adjusted diluted earnings per share <sup>(1)</sup>	9.7	9.3	18.1	12.8	8.6
Shareholder payments per share <sup>(2)</sup>	5.0	6.8	6.8	6.0	5.6

<sup>(1)</sup> Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of discount on initial recognition of contingent consideration and any related tax.

<sup>(2)</sup> Interim and proposed shareholder payments for the year.

# Overview of sustainability activities



**Mario Morisiani** Chairman of the McBride Sustainability Steering Group

The Sustainability Steering Group, established in 2011, met eight times during 2011/12, four times in person and four times by conference call to mitigate travel impacts. Composition of the Steering Group changed slightly through the year, with a replacement Product Development representative and an HR appointment which strengthened the team.

The focus has been on identifying Group sustainability issues and encouraging and sharing of best practice. Group Sustainability Policies were revised and republished and can be found on our website at [www.mcbride.co.uk](http://www.mcbride.co.uk). Roles and responsibilities were developed for each team member, environmental sustainability risks were added to the full business risk assessment and sustainability performance was communicated to every colleague throughout the Group. Whilst we had agreed a short term strategic direction, we were aware that a longer term vision was needed. During the year we have worked with consultants on developing a process to identify our longer term vision and strategy, aligning it with the overall business strategy, especially in the light of the new Group organisation. This will form the focus for our efforts in the coming year.

Through this process we are building the foundations for making progress in sustainability going forward. Our Energy Champions team was established during the year under the leadership of Patrick Vanderstichele and started the work of sharing best practice in this important area. Work began on developing a Group wide action plan and process for both New Product Development and supplier approval to cover sustainability issues in greater depth and will continue in the coming year.

Our performance in terms of health and safety has improved again. On environmental parameters, we have made progress on water use and recovered, recycled and reused waste, but will not made the progress we hoped this year on other Sustainability KPIs. There are several potential reasons for this. We have been actively reducing our cost base resulting in the closure and re-ordering of factories which has made it more difficult to deliver significant improvements during times of change when products and machinery are being moved between sites. The business focus on lean methods, whilst improving sustainability in the longer term, has also contributed to more waste being generated in the short term as old and redundant items have been cleared away to improve production flows.

We also have a changing product mix. Much work has been undertaken to concentrate products, particularly in the laundry, cleaner and auto dish wash categories. While this has recognised benefits for manufacturing, transportation and for the consumer, it impacts the metrics we use to express our eco efficiencies (kg product per unit of resource use or emission). We have looked at moving to a metric that involves product dose rather than total tonnage in order to reflect the changing market. Work is in progress to record the numbers of doses with sufficient accuracy for us to evaluate whether this is a suitable long term measure of eco-efficiency.

We have been active on many fronts to make our business more sustainable, and although not yet reflected in our eco-efficiencies, we are confident that we have the foundations for improved performance going forward. A first step will be to align the Steering team to reflect the new Group organisation. This, along with our other activities will help to drive improvements for McBride in both sustainability and the overall business objectives and direction of the Group.

**Mario Morisiani**  
Chairman of the McBride Sustainability Steering Group  
24 September 2012



## Overview of sustainability activities continued

### Energy

All sites have appointed an Energy Champion to the Group Energy Team. The role of the Energy Champion is to share knowledge and best practice between sites thus enabling McBride to realise its objectives on improved energy efficiency, not just on technical aspects but also human elements such as training, awareness and motivation. The 20 members of the team met twice over the last year with quarterly meetings planned to exchange best practices. Each two day meeting is hosted by a different site so colleagues can discuss live examples, different each time. The members have different functions on their sites, HSE, Engineering, and Management, all contributing to the cross fertilisation objective of the team. Other parties, including suppliers and consultants, are invited to present solutions and ideas which may be valid for our business.

Topics presented and discussed include the obvious ones such as lighting, heating and cooling, air leaks, but also new ideas that are innovative, even outside our business. How best to measure the effect of an investment and heat recovery from compressors are examples of topics already reviewed. These discussions allow the participants to prepare future investments in a faster, better and more efficient way, assisting prioritisation of the most beneficial projects. As well as new investments for improving energy consumption, energy aspects of other projects are discussed. One such example was the recent investment in blow moulding in Etain, France, where energy was considered from the engineering phase with measurement of consumption on each line, best layout, compressor efficiency and other factors. Site delegates present projects completed, being implemented and those planned or studied for the coming years. In addition to the direct exchanges during the Energy Team meetings, there is the added benefit in the team members meeting face to face, making communications outside the meetings easier and more effective.

The Energy Team is piloting a website for the implementation of SharePoint, the Group's new intranet, as a vehicle for further sharing and exchanging ideas. As the Energy Team members often work alone on the subject of energy on their respective sites SharePoint is already proving useful and will become a key factor for fast efficient communication and further reducing the need for travel.

Projects already finished or being implemented include:

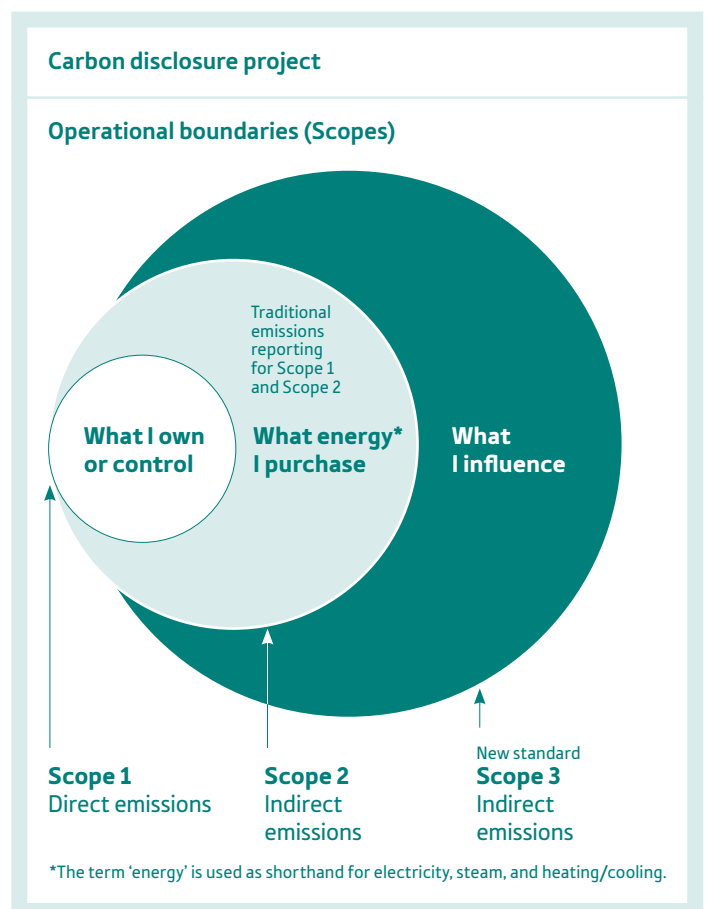
- Compressors with variable speed and with compressor control system
- Improved lighting with T5 long life fluorescent tubes or LED, dimming, presence detection
- Air leak tracking and solving/adapting
- Free cooling
- Insulation
- More precise temperature control
- Motor replacement
- Pump replacement, pump control
- Voltage optimisation

The Sustainability Steering Group also monitors, through our purchasing colleagues, the availability of green energy contracts. We also continue to assess viability of other sources of green energy across our sites.

### Carbon Disclosure Project (CDP)

McBride along with over 3,700 companies' world wide, reports its energy usage and emissions into the CDP database. Last year 655 institutions with over \$78 trillion of assets signed up to access the data in the system. 61% of the FTSE 350 companies, 90% of the Euro 300 and over 80% of the Global 500 companies reported via CDP.

The mission of the CDP is 'to accelerate solutions to climate change and water management by putting relevant information at the heart of business, policy and investment decisions'. By agreeing to sign up to CDP, McBride has been able to compare our own performance with that of other companies and learn how they embed and integrate climate change and energy efficiency into their operations.



We have made good progress but there is still more to do. In May 2012 we reported our Scope 1 emissions created from burning gas and oil and Scope 2 emissions, from the electricity we buy. Last year we achieved a rating of 47 out of the maximum 100, a credible rating with many of our larger retail customers being rated lower than McBride, but we aim to improve this rating in 2012. Our new score will be known later in the year.

# Cleaning products with clean energy at McBride

McBride is an active member of the Tesco Knowledge Hub, an online community created by Tesco and managed by 2degrees, to facilitate knowledge share and collaboration for their suppliers to advance in their sustainability journeys. The Solar panel project in Ieper (realised two years ago) was chosen by the Knowledge Hub as a great example for renewable energy application and it was featured in the weekly newsletter of the 'Renewable Power for Business' group.

In 2008, McBride installed over 7,000 solar panels at their site in Ypres, Belgium, in a joint-venture with the energy solutions provider Enfinity. The project was expected to produce 1.2 MWh/year, but now yields 1.5 MWh/year.

## Cleaning products with clean energy at McBride


**McBride Challenge:** McBride has set goals of increasing their eco-efficiency by 20% by 2020, including obtaining 20% of their energy from renewable sources.

This article is helpful for: Energy and sustainability managers, those interested in renewable energy and solar energy in particular. It gives details of:

- the technologies used
- installation details
- the benefits
- advice for those considering similar projects


The case study is now visible and accessible on the public group on 2degrees at **Renewable Power for Business**.

[www.2degreesnetwork.com/groups/renewable-power-for-business/resources/cleaning-products-with-clean-energy-at-mcbride\\_2/](http://www.2degreesnetwork.com/groups/renewable-power-for-business/resources/cleaning-products-with-clean-energy-at-mcbride_2/)



### Cleaning Products with Clean Energy

**The Challenge**  
The motivation was simple: reduce their environmental impact and consumption of non-renewable resources. In line with European Union objectives, McBride set goals of delivering 20% improvements in eco-efficiency (reducing carbon emissions in kg/GJ energy consumed by 2020) and obtaining 20% of their total energy consumed from renewable sources, also by 2020. The targets are proportional ones, as their sites are expanding.



**The Project**  
An opportunity arose for McBride's site at Ypres, Belgium, in the form of a joint-project with the utility company [Enfinity](#). Enfinity would fund, install and operate a solar panel array and McBride would have exclusive rights to buy the energy produced in its entirety. In 2008, 7,277 solar panels were installed in a 1.2 MW project, covering a roof area of 8,503 m<sup>2</sup>.

**The Implementation**  
The solar panel technologies used were Solarfun, Suntech, and Trina. The panels own energy usage amount to 5% of the total produced. Their inclination varies between 20° and 35°, depending on the characteristics of the building they are mounted on. The exact placement of the panels on the rooftops was done according to calculations by an external construction expert. The total installation time was of around 18 months.

## Overview of sustainability activities continued

### Product Responsibility

#### AISE Charter for Sustainable Cleaning

McBride has been an active participant in the AISE Charter for Sustainable Cleaning since its inception. The Charter is a voluntary initiative from the detergent and cleaning products manufacturers which promotes and facilitates a common approach to sustainability practices and reporting. McBride was the first Private Label Company to achieve Charter status in 2005 and has undergone the re-verification process in 2008 and again in 2011.

In 2010 the Charter was extended to go beyond the manufacturing process and include a product element. McBride was again involved in the development of the criteria for product certification. As a major Private Label manufacturer, we are taking a leading role in informing European retailers of this initiative as well as implementing the concept in our product range.

#### Product Safety

All new/alternative raw materials, perfumes and product categories manufactured by McBride are fully assessed by the Product Safety Team for safety in use and compliance with legislation. In addition, the team conducts detailed preliminary assessments in the early stages of NPD. These assessments are designed to provide guidance to development on any potential issues with the NPD project.

#### New Product Development (NPD)

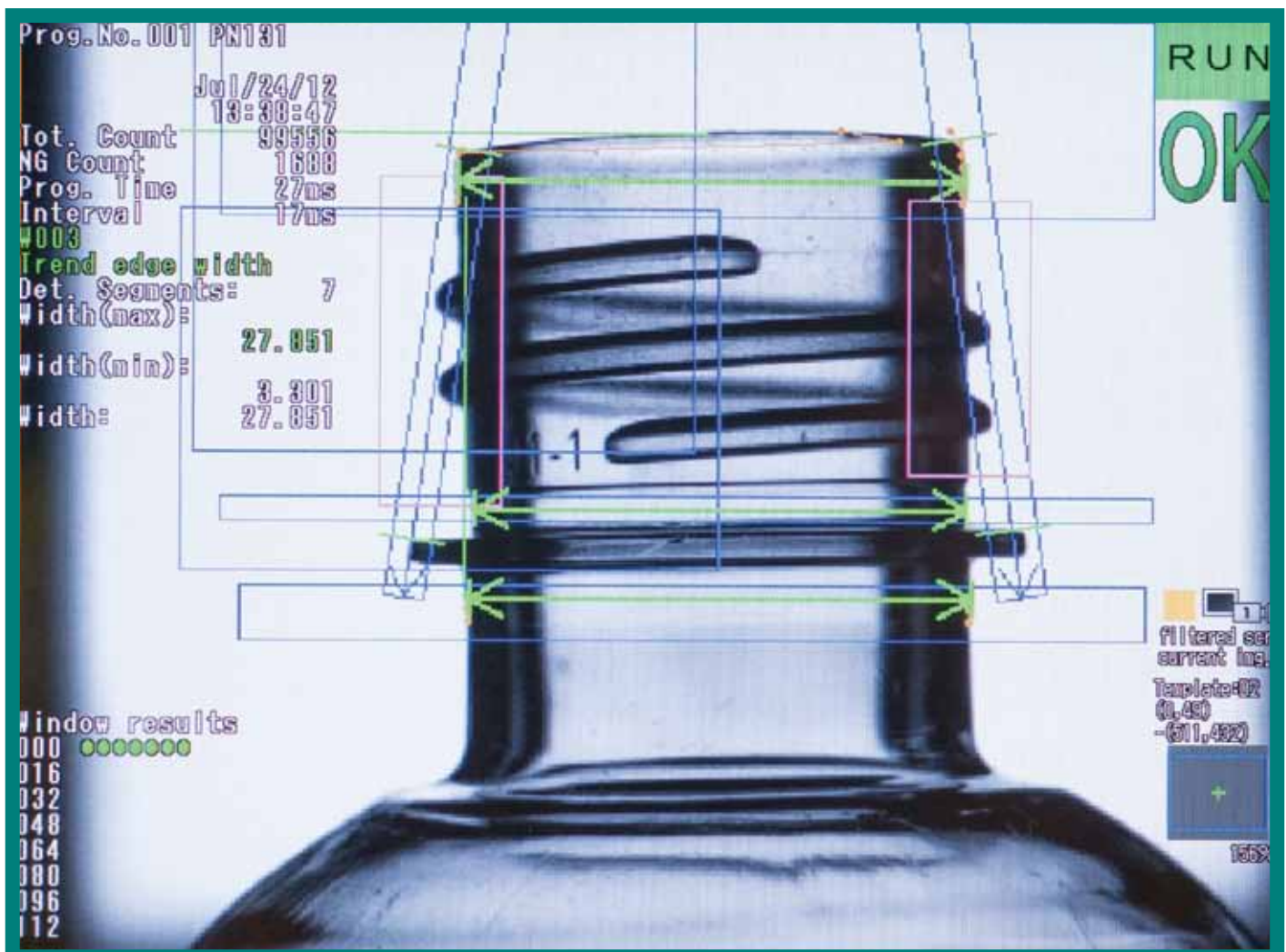
The focus for NPD during the year was the development of a new, Group wide process, for development of new products to introduce consistency across all development categories and ensure a standardised consideration of sustainability factors to be taken into account. Following the Group re-organisation, that process will now be implemented in all Group development laboratories over the coming year.

Palm oil and the impact of plantations on the habitat of the Orang Utan has been widely publicised. McBride has joined GreenPalm and started to buy Palm Oil and Palm Kernel Oil certificates for the derivatives that we use. We are also actively working with our suppliers on removing or finding sustainable replacements for these derivatives.

#### Product examples

A major element of our NPD activity is a focus on sustainability. This means that the reduction of consumption of resources involved in the production and use of our products is vital. Some examples of the many different products and developments which have been made during the year are illustrated in this report.

On-line control of PET bottle production is designed to identify potential leakage problems at source.



# Delivering sustainability in New Product Development

Our laundry developments all incorporate the need to wash at lower temperatures, helping to save energy and cost for the consumer. Laundry liquids have been concentrated over the past year in line with the AISE LSPL project and launched as agreements with retailers were reached. This voluntary industry saves water, packaging and transport impacts. To the end of June, in northern Europe alone, four million bottles of concentrated wash were produced, the equivalent of 104,000,000 washes.

### Less plastic usage

The standard format was a 3L bottle for 27 washes using 3.7g plastic per wash. The concentrated product is sold in a 2L bottle which contains the same number of washes resulting in the use of 2.6g plastic per wash, saving 1.1g per wash, a saving of 114 tonnes of polyethylene in the past year.

### Less water usage

Water content of the product was reduced by 50%. 44mls water are saved for each wash making a total of 4.6 million litres of water saved last year.



### Fewer trucks on roads

For the standard product a full truck is 7,920 bottles on 33 pallets. The 2l bottle can be loaded onto trucks on 33 pallets containing 11,880 bottles, which is 3,960 more bottles per truck. This is estimated to have saved 168 trucks on the roads last year.

Similar initiatives in Italy saved 4 tonnes of plastic and 150,000 litres of water for Laundry Liquid products and 30 tonnes of plastic and almost 1 million litres of water for fabric conditioners last year with a combined total of nearly 60 trucks less on Italian roads.

Almost 230 fewer truck movements reduce our impact on the environment and reduce emissions.

In February 2012 we launched a new automatic dish wash sachet with water soluble film was launched in UK and Germany giving a 25% reduction of chemicals per wash compared with typical dish washer tablets. The sachet dissolves quickly at lower temperatures and works effectively on shorter cycles – saving time and money for the consumer.

The water soluble film will save on average 20 tonnes of plastic flow wrap packaging per year and the new primary packaging weighs 60% less than the previous packaging.



Other key NPD initiatives include development of products meeting EU Eco-label requirements when requested by customers, for example, removing phosphate from auto dish washer

gel and reducing dosage from 45ml to 20ml, and reducing Volatile Organic Chemical emissions by further launches of aerosol air fresheners using nitrogen as propellant.

## Overview of sustainability activities continued

### Packaging

Packaging is an area of great activity in the development of more sustainable formats. We have major developments of new bottles made with recycled PET, including from post consumer waste. Restricting bottles and caps to single plastics helps improve recyclability after use.

In UK, a new cap for fabric conditioner bottles was introduced in spring 2012, gradually replacing the current closure. The cap includes a dosing feature and weighs 0.4g less than the current closure. As McBride produces more than 20 million units of fabric conditioner per annum this move will save approx. 10,500kg plastic per year.

Also in UK, changes to toothpaste tubes mean that each tube does not need to be contained in an individual carton, saving around 1.4 tonnes of carton board each year, a figure which will increase as the format is rolled out to more customers.

### Purchasing

Our sustainability responsibilities also extend upstream to our suppliers and we constantly search for new materials and sources of materials providing sustainability as well as performance benefits. Some of the work providing benefits already or currently being evaluated includes:

1. Moving to higher concentration raw materials to reduce volume and therefore deliveries.
2. Use of recycled materials – Purchase of recycled polyethylene and PET bottle preforms containing recycled material. We also aim to maximise the use of materials that can be recycled such as polyethylene, PET, Tinplate, Aluminium, and Board. We attempt to minimise use of non recyclable materials – for example by discouraging customers from specifying polyethylene terephthalate glycol modified (PETG) and we improve recyclability by procuring components made of single source materials.
3. We continue to examine plastics from non-oil sources looking for materials which address concerns around product compatibility, availability and price.
4. We continue to make great progress in light weighting of board, bottles and preforms, caps and film which along with product concentration reduces the amount of packaging we use.
5. In-house blow moulding of bottles from PE resin or PET preforms reduces environmental impact by eliminating vehicle trips to deliver bottles bought from third parties. Although this strategy does increase our own energy use, the overall impact on the environment is reduced.

### Stakeholder Engagement – community, social, employees

A full stakeholder review was completed by the Sustainability Steering Group in 2010/11 and we have plans for more in depth engagement with some stakeholders in the coming year.

Our colleagues within McBride are key stakeholders and we engage with them and seek their views collectively on a regular basis via an Employee Opinion Survey (EOS) which was repeated during the year. In the 9th McBride EOS we achieved a 91% response rate (3,677 returned from 4,061 sent). We have used the survey to review the progress that we have been making with the establishment of our Principles as defined by our Mission Vision & Principles (MVP); and to establish a MVP Index; Engage our People, Focus on our customers and Drive our performance. Details of EOS are provided in the Appendix on page 23.



### Communication

Effective communication is a key principle which is measured under our EOS. To this end it is recognised that communicating our aims as a Sustainability Steering Committee is vital in raising awareness with colleagues at every level. The first step in raising awareness involved distribution of a Sustainability leaflet to all colleagues across the Group which provided information on the Committee members and the Group's aims and performance. The Committee is currently exploring how all colleagues across the Group can be further engaged in working towards achieving our targets.

The Western Continental Europe divisional newsletter 'Live' is published four times per year and in each edition, an article relating to sustainability is included. The leaflet formed the basis of one such article; others have covered topics such as Energy, Carbon Disclosure and Packaging.

### Data Collection

Data within the Human Resources community has typically been collated at a local level. Over the past 12 months the HR teams across the Group have been working together to collate data at regular intervals in a consistent and standardised manner which is understood by all cultures. This is a step change and further work is still needed. The area of Human Rights is recognised as a development area for formalisation and standardisation of our practices and procedures.

### Community Activities

Over the past year there have been numerous site based initiatives in the local communities in which we operate and a few of the many examples are given below. Colleagues across the Group have donated time and money to numerous causes and organisations about which they feel strongly. Many funding activities have been matched by company donations.

# Supporting community and charitable organisations across the globe

## IN KIND DIRECT **K** MATCHING SURPLUS TO NEED

In addition to these site level activities, in 2011 McBride contributed £152,000 worth of product to In Kind Direct, an organisation which redistributes goods to charities in UK and overseas. Donated products included laundry products, cleaning products and toiletries and over 450 charities benefited, almost a quarter being in the child/youth care category. An example is

the Dial-a-Dream charity which organises holidays for children suffering from life-threatening or life-limiting illness. Our products are used to clean and to stock the Dream Villas used to house the children and their families while on holiday. More than £5,000 was raised at the UK Christmas Charity Ball and donated to McMillan Cancer Care.

Two colleagues from Rosporden participated in a special event called 'la nuit de l'eau' which is organised in all swimming pools in France. The meters

swum were converted in euro and donated to UNICEF to help improve the management of water in TOGO.



In Malaysia, Azila Abdullah, Production Manager, helped build community relations by visiting a local school to talk to children about the importance of hygiene and cleanliness in the home.



In Lubumbashi in the Democratic Republic of the Congo, Sister Annie Devos takes care of street children. For a number of years, McBride has supplied on a regular basis, cleaning products via a local private charity initiative based in Flanders, Belgium. Sister

Annie is proud that not only is she keeping the children clean and tidy and improving hygiene and cleanliness in the village but by taking care to use the minimum necessary quantity of washing products to help with sustainability in the African Continent.

# Supporting local charities

A charity motorbike ride, including representatives from all the UK sites, raised £1,800 for the 'Chernobyl

Children's Life Line'. The motor bikers covered England, Scotland and Wales on a 14 hour journey.



McBride sites actively support local charitable causes. In May 2012, McBride personnel from the Bradford site took part in the Martin House Dragon Boat race in Roundhay Park, Leeds to

support the site's nominated charity. McBride Marauders came in a credible 13th place from 38 entries and raised several hundred pounds for Martin House along the way.



## Adam's story

Pam Whitely, Customer Logistics Manager based at Middleton Central offices, has been fundraising on behalf of Adam Kutereba. Adam was born prematurely in July 2002 and as a result of lung and brain haemorrhages when only a few days old leaving him with cerebral palsy, unable to walk more than a few steps.

In January 2012, a campaign was started to raise £60,000 to send Adam to America for surgery which aims to ease muscle spasticity and improve mobility. McBride

colleagues were involved in several fundraising activities. Stephen Seaton, Dave Gavin, Dan O'Keefe, Hilda Tabas and Joanne Brown abseiled 200ft down the Municipal Offices in Rochdale and a 'Fun Day for Adam' was held in the Sales Suite at Middleton where £1,202 was raised. Overall, McBride colleagues have contributed more than £2,000 towards the appeal which currently stands at £85,000 allowing Adam to have his operation in August 2012. We were pleased to be able to help towards making Adam's dream of kicking a football become a reality.



# Performance

## Health and Safety

There was a further (2%) reduction of accidents involving more than three days lost time. Frequency of these accidents and seriousness were essentially static, meaning that we have maintained the good results of the previous year. Number of hours lost through injury decreased by 4%. Significantly lower rates of accidents in the UK were offset to some extent by increased numbers in Eastern Europe, some of which is accounted for by better reporting. We are pleased with this performance especially as during the year two factories were closed and many lines moved to other sites – work which can carry increased risk of accidents.

Fig 1. Number of >3 day lost time injuries

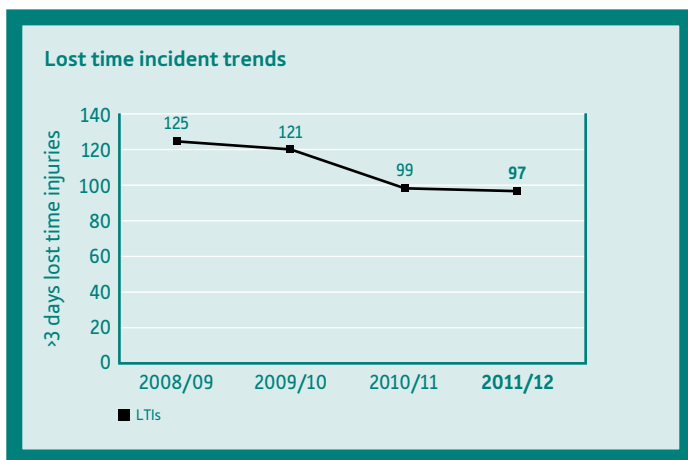
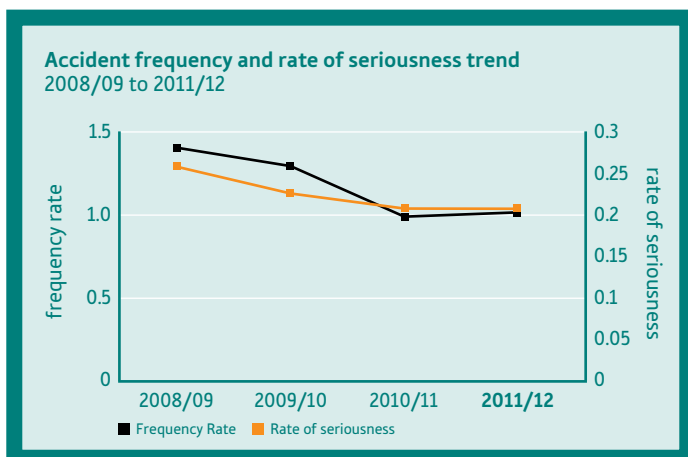


Fig 2. >3 day accident frequency and rate of seriousness



(Rate of seriousness: total number of days lost due to LTI x 1,000 man-hours worked. Frequency rate: number of accidents x 1,000 man-hours worked.)

Good progress has been made throughout the Group with better management engagement with H&S, checking and follow up of legal compliance and implementation of improved procedural controls. In Western Continental sites work on A risks (the priority risks to tackle) continued with good progress being made and more than 50% of identified risks being eliminated. In UK progress was made with regular internal auditing and external independent audits showing improvements at all sites.

In line with the new organisation, we are increasingly working as a single team, rather than divisional safety groups and a more formal organisation, reporting and meeting structure will be put in place as a priority in the coming year. Already, agreeing common standards is a key activity, and a Group standard for leasing of fork lift and reach trucks has been established and implemented. Other Group standards, for example for blow mould machines, are in development.



In July, the Barrow site in the UK demonstrated its commitment to safety by achieving a full year without a lost time injury.

At our Ieper Distribution Centre in Belgium, 55 colleagues recorded an impressive two years without an accident. To mark this achievement the fork lift truck (FLT) drivers were offered individual training with an expert FLT trainer who followed their activity and gave advice on how to improve safety still further, for example on mounting and demounting the truck, and on raising pallet loads from the floor to avoid collision with ankles. The trainer was impressed by the safety record and culture in the Centre, a real compliment to our colleagues.





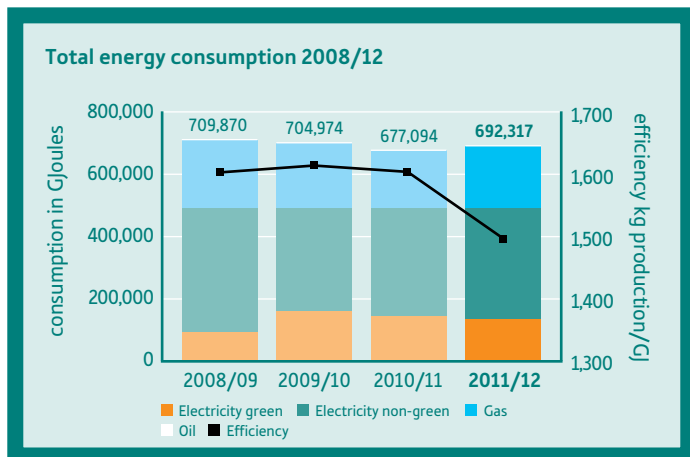
# Performance continued

## Energy

Absolute energy consumption increased 2% during the year despite a fall in production, meaning energy efficiency fell by 7%. Behind these figures, electricity consumption was very similar to the previous year but gas and oil consumption increased considerably due to the prolonged cold winter across Europe. All electricity used by the 3 factories in Belgium is 'Green', either from solar panels in Ieper or purchased on Green contracts from the supplier. This green electricity accounts for 20% of the total energy consumption of the Group.

	2008/09	2009/10	2010/11	2011/12
% of green energy as % of total energy of Group	11.2	21.4	21.4	<b>20.3</b>
% of solar energy as % of total energy of Group	0.2	0.5	0.7	<b>0.7</b>

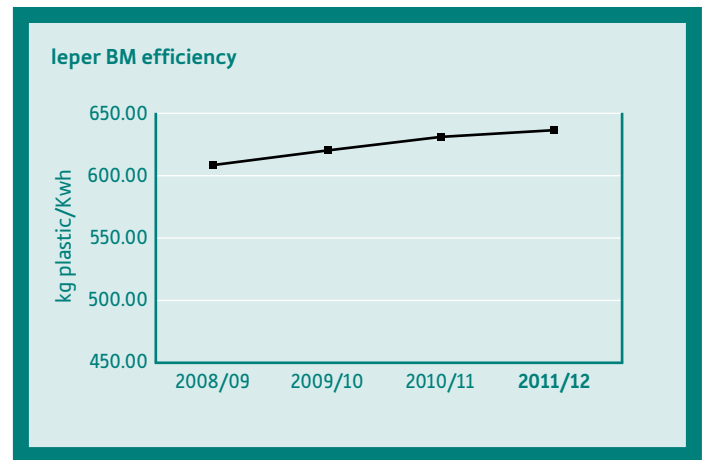
Fig 3. Energy consumption by source



A major part of our electricity consumption is related to our in-house bottle blowing facilities. Consumption therefore varies depending on the relative proportions of bottles blown in house and bought in. This year a greater proportion (86%) was blown in house.

In Ieper, improvements have been made in the blow moulding department resulting in improved efficiency in terms of kg plastic blown per kWh blow mould energy used. The improvement is 3% on the previous year and 19% when compared with 2008/09. The improvements made at Ieper will be implemented across the Group wherever possible. The work in Ieper clearly demonstrates that progress towards energy efficiency targets in specific areas is being made although these are not fully reflected in the overall Group performance.

Fig 4. Blow Mould Efficiency in Ieper

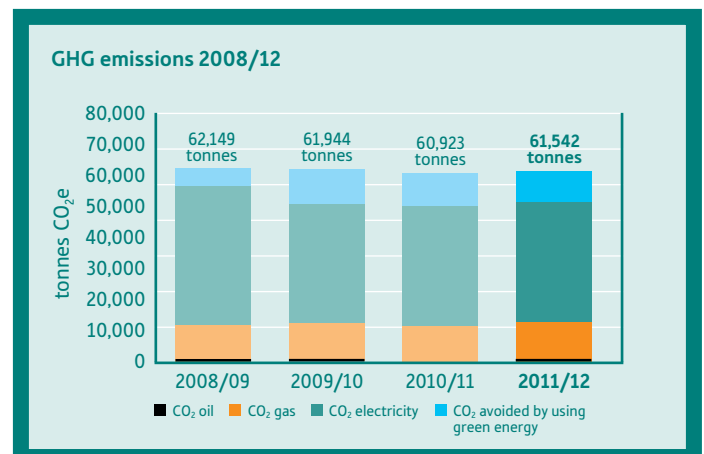


At Ieper, a lighting project was completed in filling, blow molding and mixing departments. Approximately 800 lights were replaced by T5 neon lights with individual light sensors, not only giving a more optimal light distribution at the work point, but also reduced energy consumption from over 600,000kwh to less than 200,000 kwh/year. At Middleton, a trial narrow aisle in the Finished Goods Warehouse was fitted with twin 5ft T5 light fittings. The lights have movement detectors, whilst keeping the end-of-aisle lights on for safety and daylight sensors to maximise the use of natural light. After the successful trial, approximately 200 fittings, currently 400W Halogen lamps, will be replaced with twin 55W fluorescents, maintaining light levels at minimum energy cost.

### Greenhouse gas emissions

Total emissions increased (1%) in line with increased energy consumption, the proportion due to electricity is slightly lower while that due to gas and oil is slightly increased.

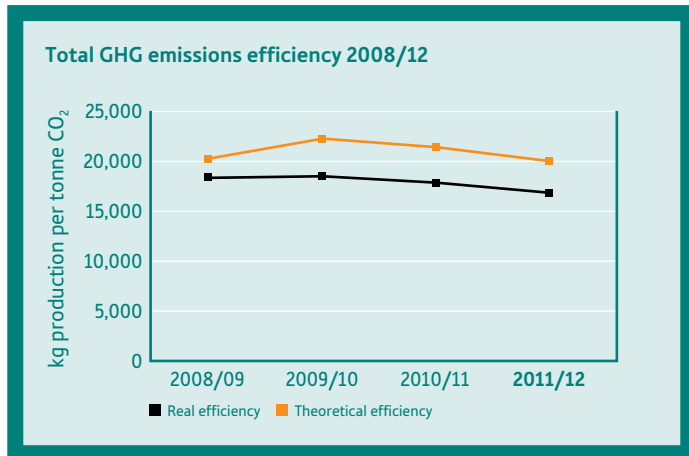
Fig 5. Sources of GHG emissions



Our GHG emissions were reported through the CDP again for the third year. Scope 2 electricity use was lower but gas and oil (Scope 1) use was higher than in previous years. Belgian energy use represents a smaller fraction of the Group total than in previous years, in part due to the energy saving measures that were put in place, mainly in blow moulding in Ieper. This also resulted in a small reduction in the proportion of green energy this year. Further details are provided in the Appendix on pages 21 and 22.

## Performance continued

Fig 6. GHG emission showing real efficiency when green energy is excluded



CO<sub>2</sub> efficiency has also decreased gradually over the past four years, both total and taking account of green energy saved.

Efficiency is falling due to several factors already mentioned;

- lower production volumes and more concentrated products directly impact efficiency
- a greater proportion of bottles blown in house increases McBride energy consumption although reducing emissions from third party transport
- higher consumption of gas and oil in the exceptionally cold conditions
- smaller fraction of green energy due to smaller overall contribution of Belgian sites to the Group total

The only other Greenhouse Gases in the Group are refrigerant gases which are gradually being replaced. Emissions from these closed systems are not being measured.

Although we have yet to start work in a systematic way on Scope 3, some local initiatives for example below on (transport) emissions are underway in Belgium and Italy.



### Cleaner car fleet

When procuring cars for company car fleets, fuel-efficiency should be a top priority. Not just because of environmental concerns, but also common business sense. The European Union has an objective that new cars will have no more than 95 CO<sub>2</sub> emissions by 2020. The car leasing sector has developed a way to accelerate progress toward this long term objective by promoting a smaller, more immediate reduction of CO<sub>2</sub> emissions. Cleaner Car Contracts is a simple pledge to purchase ambitiously fuel-efficient fleets in 2012, emitting no more than 120 CO<sub>2</sub>/km on average.

In Belgium, a Cleaner Car Contract was signed to provide 40 cars to McBride. While this is a small step, it fits with McBride's objective to reduce CO<sub>2</sub> emissions. As a result of signing the contract we can use the Gold Fleet Logo.



### Replacing road with rail

178 full truck loads of goods from Bagnatica in Italy were swapped from road to rail. As a result the site was awarded an Eco certificate by Ambrogio Trasporte SpA confirming that this move has saved 183 tonnes CO<sub>2</sub> – a 63% saving over road transport.



### Ik Kyoto in action

Every year McBride leper participates in a national campaign to motivate the workforce to come to work in a sustainable way. The 'Ik Kyoto' workgroup encourages colleagues, by a variety of means including giving breakfast packs, plants and cakes, to leave the car at home and come to work by bicycle, or at least to carpool between 26 March and 21 June. On 5 June a special event was held in the leper market place and lunch provided for all participants. The event was a real success again with 269 people participating, and a total of 6,084 days of sustainable 'home-work travel' recorded. This is equivalent to a saving of 14.6 tonnes CO<sub>2</sub>. Prizes are awarded by the federal authorities in September.

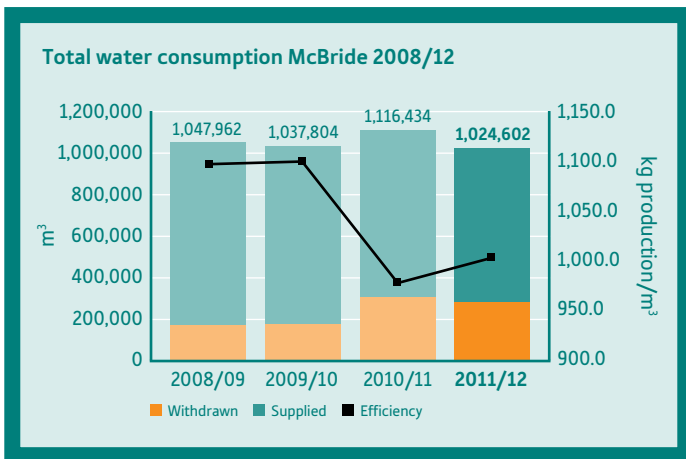
# Performance continued

## Water consumption

Water consumption fell in absolute terms, mainly due to lower production levels but also to continued moves to more concentrated products to reduce volume and packaging. Efficiency improved 3% compared with last year but in 2010/11 we reported higher consumption and lower efficiency than previously due to capturing a previously unrecorded source of water.

Much of the water used by the Group is for cleaning purposes, a necessity due to the large product portfolio which requires many small production runs with clean downs in between. Improved cleaning systems have been adopted but this still entails significant volumes of water and resulting effluent.

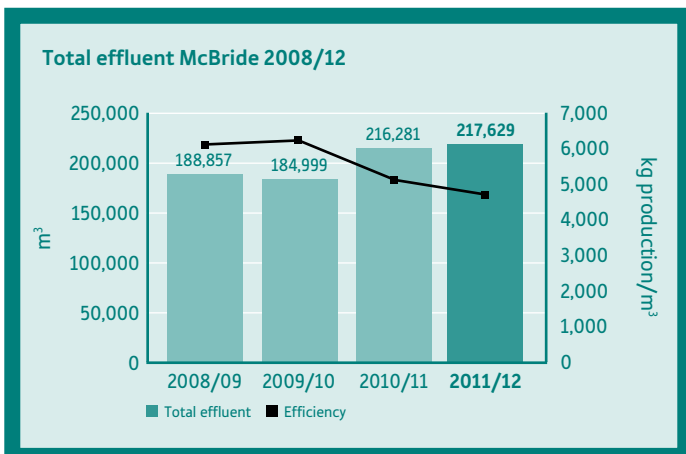
Figure 7. Total Water consumption and efficiency



For some years, our leper site in Belgium has been investigating whether it is possible to extract canal water and treat it to be used as production water. This work is concluded and the project is ready to start once the contract is finalised in an agreement that will last for 10 years. The public water company will install equipment to extract and treat the canal water for McBride and another major user in the industrial area of Ieper. All water used by the leper site, approx 220,000m³, will be supplied from the canal and delivered at drinking water quality.

## Effluent emissions

Figure 8. Total effluent generated and efficiency



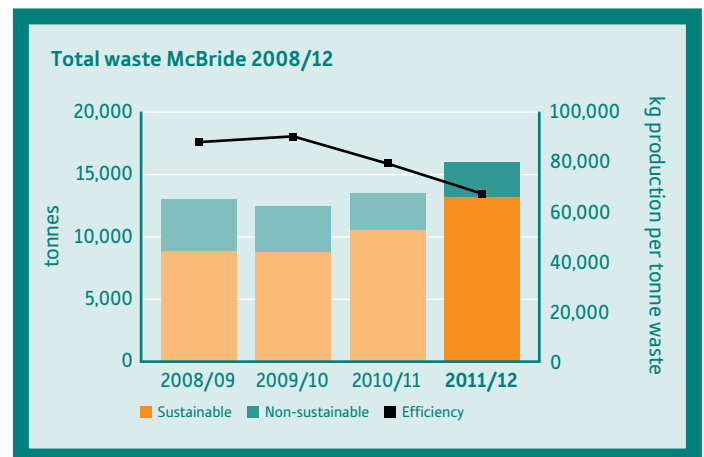
Effluent generated was up by 0.6% compared with last year, the efficiency was 6% down, again, due to the combination of increased hygiene requirements from smaller batch sizes which require more cleaning, but also due to lower production volumes.

## Waste

Total amount of waste generated as a percentage of production was higher, equivalent to 1.6% of production. However the amount of sustainably treated waste (reused, recycled or recovered) has also increased and is now 78% of total waste, up from 77% last year.

The increase in the level of waste generated is due to a combination of factors. The closure and clearance of two sites contributes to a greater than normal amount of waste. In addition, it would seem that the very focus of attention on waste through greater control and accounting for waste has increased the level of reporting. A third significant potential factor is our lean activities which identifies stored, redundant items and improves housekeeping, all of which contribute to waste generation in the short term whilst providing a platform for long term efficiency gains.

Figure 9 Total waste generation and efficiency



In other areas, we have continued to work on development of a new software system for the collation of environmental data from all sites. The system already contains data from the past three years and will be fully operational in the new financial year.

We have revised the Group emergency and crisis preparedness plans and maintained ISO 14001 and OHSAS 18001 status at all sites which had achieved it – details on page 26. Permits for sites closed during the year were successfully surrendered with all necessary actions completed.

Work on COMAH/SEVESO sites also continued to ensure continued compliance with the stringent requirements imposed by the legislation. Safety studies were undertaken for new Seveso sites (as a consequence of sodium hypochloride reclassification) and the process for obtaining permits was completed successfully.

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# Appendix

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# Appendix continued

## 1. Overview

### Management and governance of the Group's CSR and sustainability activities

The Board has overall responsibility for maintaining and enhancing the Group's CSR policies, guidelines and code of conduct which are available from the Group's website at [www.mcbride.co.uk](http://www.mcbride.co.uk). The Chief Executive Officer is accountable for ensuring that the Group operates in accordance with these policies. The Group monitors its performance through rigorous management systems and key performance indicators. Detailed reports are prepared by the Chief HR Officer every six months and submitted to the Group's Executive Directors who report any issues of major significance to the Board.

As a minimum, the Group seeks to comply with existing laws, regulations and best practice guidelines governing its activities in each of the markets in which it operates, and in many areas standards exceed minimum compliance requirements. We have senior management representation on various trade associations and we adhere to industry association guidelines. Our policies and principles apply to every director, manager and employee in all our businesses across our global operations; they also extend to our supply chain. For example, suppliers are selected not only on the basis of specification, quality, service and economic factors but also, where possible, on their commitments to minimise the impact of their operations on the environment and to CSR more generally. Our approach to the environment, product safety and health and safety in our operations, to how we treat our people, our customers, our suppliers, our local communities and other key stakeholders is embedded in our culture and values and outlined in the following policies which are available from the Group's website at [www.mcbride.co.uk](http://www.mcbride.co.uk).

- Policy on Business Sustainability
- Policy on Business Ethics
- Policy on Health and Safety
- Policy on Environmental Sustainability
- Policy on Product Responsibility
- Policy on Animal Testing
- Policy on Product Packaging
- Policy on Enzyme Management

### CSR principles

Our aim is to build a long-term successful and sustainable business based on strong, positive relationships with all our stakeholders. We recognise the importance of social responsibility in our business and the contribution it makes to our success.

### Sustainability Reporting

This is the 9th Sustainability Report and the second which is aligned to GRI reporting principles. Data given in the report have not been independently audited, although discussions have been held with potential assurance partners and plans are being developed for data review in the coming year when our new software for data collection is fully operational.

The report covers all 19 manufacturing sites in operation during 2011/12 as well as office locations and separate warehouse facilities.

### Stakeholder Engagement – community, social, employees

A full stakeholder review was completed by the Sustainability Steering Group in 2010/11 and we have plans for more in depth engagement with some stakeholders in the coming year.

### Employees

Our employees are the lifeblood of our business. We depend on their commitment and we recognise that the effective management of people is critical to achieving our business objectives.

We continue to invest in the resources necessary to maintain a competitive advantage in the markets in which we operate. Our code of ethics aims to promote a culture where all employees behave with honesty, discretion and respect when dealing with all stakeholders.

Details of our engagement with employees are given in section 4 of this appendix.

### Community/Social

McBride seeks to play an active role in the local communities in which it operates. As well as providing significant employment opportunities, we aim to make positive contributions to these communities, building goodwill and a reputation as a good neighbour and employer.

This year there has been no single Group activity addressing our social and community responsibilities but there have been hundreds of small site-based activities all geared at helping local organisations and people in a variety of different ways. A small number are recorded in the report.

### Customers

Our business is built on our customer relationships and we strive at all times to be the chosen provider of Private Label Household and Personal Care products to the leading grocery retailers around the world. By working closely with our customers at all levels of the business we can understand and meet their needs through consumer focused product and category development, excellent customer service and a joint focus on minimising cost. Our ability to respond to our customers' needs in a timely and effective way is key to our success and we have continued to work on strengthening the depth and breadth of our relationships with them during the past year. Top-to-top meetings have been held with senior executive teams from major European retailers, and also with a number of the leading retailers in Asia. We are continuing to seek to forge strategic partnerships based on deep category understanding and a responsiveness that is second to none in our Private Label categories of Household and Personal Care. International customer teams have been established for multinational customers and we continue to roll out a leading category management programme to work more closely with retailers to drive the growth of the Private Label business.

## Appendix continued

Customer service is the Group's main operational priority and is a highly visible benchmark that directly influences our ability to maintain commercial leadership, and supports the Group's overall growth strategy. Success is measured in this area by reference to the ability to deliver products ordered by customers in the correct volumes and within agreed timescales.

We treat our customers' Private Label product offerings as brands in their own right. We support our customers with guidance in product and category development and undertake regular consumer panels. Ongoing product testing ensures our products are delivered to the highest consistent quality.

McBride regularly wins awards from our customers for our product innovation and service. The most recent was the Best Own Label Supplier of the Year 2012 from J Sainsbury. The official citation quoted: Outstanding leadership in bringing together technical, commercial and manufacturing capabilities to deliver on time 130 relaunched Laundry and Cleaning products into the 'By Sainsbury' sub brand. A great example of a category focused Joint Business Plan delivering sustained year on year volume growth.



## 2. Economic

Summary data is provided on pages 2 to 5 of this report. More detail can be found in our Annual Report and Accounts, available on the company website.

## 3. Environment

The Group is committed to making continuing progress in minimising the environmental impact of its operations and building a business which is sustainable in the long term. We endeavour to comply with and surpass all relevant legislative requirements and industry standards and use the best practicable means to continually improve our environmental performance. This is supported by comprehensive internal environmental management systems, the use of KPIs and targets achieving external environmental accreditation for our operations. Eleven sites now hold the ISO 14001 accreditation and we are working towards accreditation for all our manufacturing sites.

There have been no significant spills or environmental incidents and no sanctions or fines for non-compliance with environmental regulations or requirements.

None of our facilities are in or near areas of high diversity, natural habitats or special scientific interest. This is checked when permits to operate are granted by national or local authorities. None of our products impact diversity or protected areas.

The major source of our direct energy consumption is gas which is used for facilities heating and so varies by season. The recent very cold winter resulted in an increase in gas consumption. Our fuel oil and LPG consumption is also showing an increase which is primarily due to better recording of these sources of energy and emissions.

Indirect energy consumption is entirely from mains electricity except in Belgium. All three Belgian sites (Estaimpuis and both leper sites) have contracts for the supply of energy with Green Certificates confirming that energy consumed is without CO<sub>2</sub> emissions (hydrogenerated). In addition, the two leper sites have installed solar panels on the roof which generate a small but important proportion of electricity.

### Proportion of Green and Solar energy 2011/12

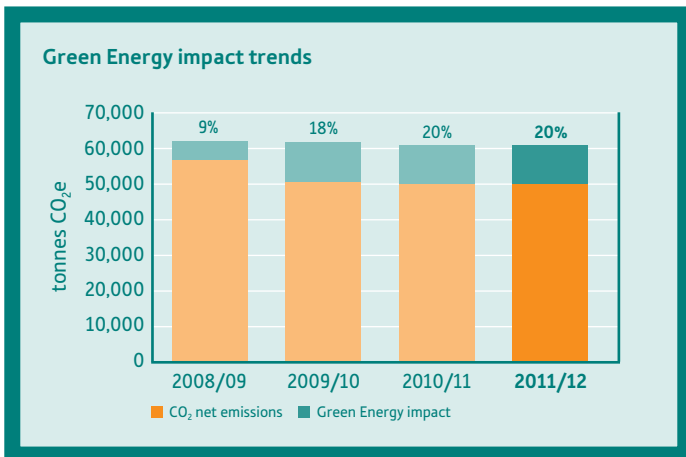
	kwh
leper sites solar energy use	1,431,497
leper sites electricity use – non solar	19,468,916
Belgian electricity use (100% green)	39,041,281
Group electricity use	132,604,935
Group energy use	192,325,572

	Green electricity	Solar energy
% of leper's site electricity use	92.6	7.4
% of Belgian electricity use	96.4	3.6
% of Group electricity use	29.4	10.8
% of Group energy use	20.3	0.74

Although we have many different initiatives at sites to reduce indirect energy consumption, these are mostly still in progress of implementation. We are still working on how best to record and collate results achieved from our efforts.

## Appendix continued

CO<sub>2</sub> emissions were 12,232t from direct Scope 1 sources and 49,311t from indirect Scope 2 sources making a total of 61,543 tonnes in total. Of this total, 9,721t are theoretical emissions which were avoided by sourcing Belgian energy through green contracts or from solar power, leaving a total of 51,822t CO<sub>2</sub> actually emitted. We do not yet report on Scope 3 emissions and will be looking at identifying practical Scope 3 boundaries in the coming year.



No GHG emissions other than CO<sub>2</sub> are reported currently, nor do we measure and report on ozone depleting substances. These are only found in closed cooling systems and are gradually being replaced.

Of the 1,024,602m<sup>3</sup> water used during the year, 27% was abstracted and the remainder taken from mains supplies. Work is in progress to reduce the amount abstracted as well as to use canal water in leper as already noted in this report. We do not currently record volumes of water recycled and reused within all of our facilities. Neither do we fully record destination of water discharged.

A total of 16,240 tonnes waste were generated during the year. Waste treated sustainably increased to 78%. Non sustainably treated waste goes to landfill and incineration without energy recovery. The amount being land filled, 2,422 tonnes, is up 7% on last year in line with our increase in total waste.

For the first time we recorded our raw material usage. 363,833 tonnes chemicals were used during the year in all European sites (Far East sites of China, Vietnam and Malaysia not included).

Studies have shown that the environmental impact of most of our products is greatest during use so efforts have focused on developing laundry and cleaning products that work well without high temperatures. Other efforts on product concentration not only reduce water and packaging content but also reduce transportation impacts.

## 4. Labour practices

We endeavour to create a culture whereby employees are recognised as a valuable asset. The Company is continuing to implement initiatives to engage employees with the business and to ensure they feel valued in an environment where they can make a positive contribution. There is a focus on helping employees to give of their best at work and to achieve their full career potential through the provision of training and development opportunities and to enhance individual performance we have a coaching programme as an element of our training resource.

We recognise that to be successful the business must recruit, retain and develop its people and help them to achieve their full potential. We provide equal opportunities for all in recruitment, selection, promotion, employee development, training and reward policies and procedures. We are committed to adherence to international human rights standards. We have no involvement in the use of child labour or forced labour in our business and check the status of our overseas suppliers in this respect. We do not tolerate unfair discrimination of any kind. We also comply with applicable national laws and industry standards on working hours and insist on high standards of personal behaviour from our employees.

There are a number of initiatives in place to recruit and retain people within the McBride organisation:

- The annual Personal Development Review scheme reviews individuals' performance and assesses development opportunities, which could include secondments to other sites. The review provides a forum where an individual's needs and aspirations can be discussed.
- A talent management and succession planning process allows for the most capable to be identified and considered for appropriate development within the Group. The outcomes are re-assessed every year and the process is used to obtain peer group feedback and draw up tailored personal development plans.
- We have 45 McBride accredited coaches in the business whose role is to support and encourage other colleagues to improve their performance and development. Our Shaping Our Coaching Culture programme helps to develop a coaching culture within the business.
- Training (both internally and externally facilitated) is available to all employees and everyone is encouraged to participate and be involved in courses that will maximise their potential. A number of courses are run with participants from across different functions, sites and divisions which help employees develop an understanding of our global operations, and behaviours and principles of colleagues across the Group.

McBride plc employs 5,117 colleagues across 17 factories, 14 of which are in Europe and three in the Far East.

## Appendix continued

Our McBride Development Programme (MDP) (which extends across the Group) is highly successful and innovative and in the UK we also operate a First-Line Operating Management programme. The UK business is a recognised Investors in People; bronze accreditation. Regular opinion surveys are undertaken of all staff to measure and monitor employee satisfaction. These surveys provide an opportunity for employees around the world to express their views and feed back to management their opinions on issues which affect both them and the business. The results are used to develop action plans to improve communication and engagement. The last employee opinion survey was carried out in March 2012 with the support of an external body, ORC International.

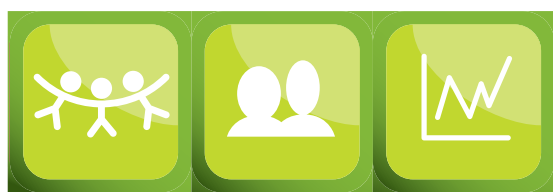
Our MVP programme is aimed at building on our cultural strengths, better engaging our people and driving alignment of purpose. The programme is helping to build a workforce that has behaviours and a culture aligned to the Company's strategy and objectives. Communication is central to MVP and this is supported around the Group by site visits by senior management, open discussions and briefings, listening groups and Q&A sessions at each site. Regular information bulletins are cascaded down through the business and a management conference is held twice a year to publicise the Group's strategy and performance, and assess how local site objectives support the Group objectives.

We also have local activities such as suggestion schemes and the Passionate about Our People (POP) Award, a UK-wide Colleague Recognition Scheme. The scheme was introduced in January 2012 and MVP Teams at each site are responsible for agreeing the winner(s) each month. The award aims to recognise and reward colleagues for exceptional performance in line with the principles of MVP and Operational Excellence (OPEX):

- Great Quality
- Customer Satisfaction
- Lowest Cost
- Involving all of our Colleagues
- Elimination of Waste

### Employee Opinion Survey

Our colleagues within McBride are key stakeholders and we engage with them and seek their views collectively on a regular basis via an Employee Opinion Survey (EOS) which was repeated during the year. In the 9th McBride EOS we achieved a 91% response rate. We have used the survey to review the progress that we have been making with the establishment of our Principles as defined by our MVP; Mission Vision & Principles and to establish a MVP Index; Engage our People, Focus on our customers and Drive our performance.



Our MVP index score was 60%. In conjunction with our EOS partner, the Executive Management Team has now confirmed the MVP target to be 65%.

Our colleagues have told us that:

### Drive our performance – 64% positive response

The direction is right:

- 81% are clear on what is expected
- 79% have a clear understanding of their purpose and objectives (+7% from 2009)
- 70% feel committed to the company's goals

### Focus on our customers – 71% positive response

Customer focus is clear:

- 82% think we're committed to the customer
- 72% believe we regularly look for ways to serve customers better

### Engage our People – 54% Positive response

We need to do better in utilising our colleagues potential.

Our reputation is high:

- 69% feel part of a team (+6% from 2009)
- 75% think Health & Safety is taken seriously (+5% from 2009)
- 70% think we do all we can to protect the environment (+6% from 2009)
- 77% would recommend our products
- 78% said that they would like to work with us in 12 months time

The desire to contribute is there, we have to tap into this better! Work has already started on making changes. All colleagues have been briefed and each team, including the EMT, have identified improvement actions. These actions are being reviewed on a regular basis. With the EOS we have laid some further foundations in Engaging our People for the achievement of our Corporate Plan.

We have collected data from our UK and European operations, the findings are presented below excluding the Far East operations as full data collection is not yet available.

64% of employees are male; ratio of basic salary male:female is 1.2:1. Data on ethnic minorities is not collected routinely. Where it is collected, percentage varies from <1% to 21% in UK.

Just over 30% of employees are members of trades unions in UK, 10% in Eastern Europe. In other countries it is not allowed to ask for this information.

18% of employees in UK are covered by collective bargaining agreement, 100% in other countries.

Minimum notice periods vary by country – we comply with local laws.

In the UK 100% of employees are covered by regular performance and career development reviews. In other areas, all management staff have reviews but not all operational staff are covered at this point. An average of 27 hours of training per year is provided to each employee (ranging from 6 in UK to 60 in Western Europe).



## Appendix continued

### Health and safety

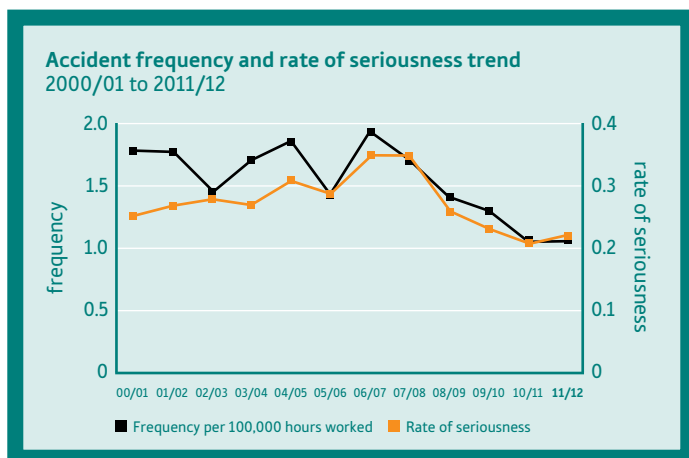
McBride strives to maintain a safe workplace at all locations in which it operates. We continue to ensure that our business activities are undertaken in a responsible manner and in accordance with relevant statutory legislation and that all employees participate in the development, promotion and maintenance of a safe and healthy working environment for employees, visitors and the public. Health and safety is driven by risk assessments, regularly updated, which drive site improvement plans.

No statutory infringements, prosecutions, fines or major incidents were recorded during the year.

### Injury and Illness

No fatalities, major injuries or occupational illnesses were recorded. All accidents and major incidents are reported internally and are investigated fully to determine appropriate corrective and preventative measures. Incidents that result in more than three days lost time are monitored. This year the number of >3 day lost time accidents fell by 2 to 97, the lowest on record. Hours lost through these accidents fell by 4%.

Year	Lost time incidents >3 days	Frequency per 100,000 hours worked	Rate of seriousness	Risk rate	Hours lost through accidents
2000/01	148	1.79	0.25	0.67	16,500
2001/02	144	1.78	0.27	0.70	17,846
2002/03	117	1.47	0.28	0.64	17,586
2003/04	149	1.72	0.27	0.68	18,881
2004/05	158	1.88	0.31	0.76	21,165
2005/06	117	1.44	0.29	0.65	18,824
2006/07	162	1.96	0.35	0.83	23,252
2007/08	160	1.72	0.36	0.79	27,201
2008/09	125	1.42	0.26	0.61	18,376
2009/10	121	1.31	0.23	0.55	17,324
2010/11	99	0.99	0.21	0.46	16,498
2011/12	97	1.01	0.21	0.46	15,780



(Seriousness = days lost through accidents x 1,000, divided by hours worked. Risk Rate = square root of seriousness x frequency.)

Our major risk of illness is occupational asthma and we continue to monitor exposure to airborne enzymes and to record incidence and prevalence of sensitisation. This information is fed into procedural control and risk assessment. Training on risks from all hazardous chemicals is provided regularly to all employees with potential for contact and also to visitors and contractors who might be exposed.

## 5. Human rights

McBride takes very seriously the issue of human rights, which becomes more and more important as our interests, our own facilities and our supply chain, extends beyond Europe. Currently we do not have any issues concerning forced/compulsory labour and child labour, we recognise these are important issues and will continue to strengthen our policies and management systems in this area. There have been no incidents of discrimination or violations of the rights of indigenous people.

## 6. Society

We have in place strong business principles which apply to all employees and set a minimum standard for their behaviour in all their business dealings. Failure to comply with our core business principles is a matter for disciplinary action.

Policies covering business ethics and risks (covering conflicts of interest and compliance with all relevant laws and regulations, including competition, anti-bribery and dealing with sensitive information) were formalised with a group approach and implemented in 2011. They were reviewed in the past year and can be found on the website [www.mcbride.co.uk](http://www.mcbride.co.uk). These policies include a clear statement that donations to political parties or causes will not be made.

Lobbying is undertaken only via trade associations on issues of interest to the whole industry such as regulatory proposals and texts.

All business units have been assessed for risks relating to corruption. All directors, senior executives and colleagues in commercial, purchasing and other 'at risk' functions have been trained in anti-corruption policies and procedures. There have been no incidents of corruption in the past year, no legal action taken in relation to anti-competitive behaviour or anti-trust or monopoly practices and no fines for non-compliance with regulations.

All sites (except Bagnatica and Guesnain warehouse) have undergone ethical audits by external consultants and any non conformances and observations are addressed. Those sites supplying into the UK have their audit reports loaded onto the SEDEX web site so that they can be viewed by participating customers.

## Appendix continued

### 7. Product responsibility

McBride is committed to understanding safety issues related to its products and for ensuring that all products are suitable and safe for their intended use. Our product responsibility policy is supported by comprehensive management systems that reflect legal and regulatory compliance as a minimum standard and cover raw material use and product assessments, labelling and packaging requirements. McBride contributes to voluntary initiatives on product safety by industry associations such as AISE (International Association for Soaps, Detergents and Maintenance Products). Product safety evaluations are made in our operations without tests on animals. Our animal testing policy statement is available from the Group's website at [www.mcbride.co.uk](http://www.mcbride.co.uk). We support the development and acceptance of alternative product safety evaluation methods that reduce or replace the use of animals.

There have been no fines or non-compliances to any laws of voluntary codes relating to our products, safety impacts, labelling, claims, advertising etc.

All products are subject to EU legal requirements with respect to safety and labelling.

Systems are in place at all sites for the recording of, and responding to, complaints about products from consumers.

Products are continually assessed for potential for improvements to impacts at all stages of the life cycle. Improvements are undertaken both as a company e.g. bottle light weighting, packaging reduction, and on an industry basis e.g. product concentration of Laundry Liquids and Fabric Conditioners.

#### Legislation

We continue to be actively involved in the key National and European Trade Associations of relevance to McBride's product portfolio. This activity is especially important as implementation deadlines for new legislation approach.

#### Biocidal Products Regulation

We are working to rationalise product types that McBride will to support in future through the biocidal authorisation process. To date the only active substance of interest to McBride to obtain Annex 1 approval is Hydrochloric Acid and dossiers for products containing this active are being prepared.

Other activities include monitoring of developments on potential dual regulation of cosmetics with secondary biocidal claims and on the proposed EU Biocidal Product Regulation.

#### Classification, Labelling and Packaging Regulations 2008 (CLP)

Work continues to determine new product classifications on the basis of the information available and identify opportunities to reformulate products where appropriate. CLP information documentation has been developed to explain and to manage consistent implementation of the changes. Documentation has also been developed to standardise the environmental claims that can be made for products and the technical support that is needed for each claim. McBride maintains involvement in all aspects of the CLP work being undertaken in AISE; CLP Strategy Steering Group; Classification Network Process development, in vitro test methodology evaluation and the CLP Technical Task Force. The work aims to develop and promote science-based, consistent and appropriate classification of detergent & cleaning products under CLP.

#### Cosmetics Regulation

McBride began notification of cosmetic products in line with the new regulation in March 2012. New Cosmetic Product Safety Report requirements for safety assessments and updated tools for compliance with Product Information Dossiers have also been implemented.

#### Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

McBride is predominantly a downstream user of chemicals, supplied mostly by companies within the EU. McBride advised all of its suppliers of its uses of substances supplied in time to meet the 2013 registration requirements. McBride is obligated to confirm that it handles/uses substances in accordance with the requirements detailed in the extended safety data sheet (eSDS) provided by the supplier. A process has been agreed/partially implemented between Regulatory Affairs/Development/Health & Safety to ensure that the required evaluations are conducted on received substance eSDS to remain compliant. A project team is currently working to implement software to generate SDS automatically from SAP formulation database.

The European Chemicals Agency, ECHA, has continued to add to its Candidate List of Substances of Very High Concern. McBride monitors substances affected and impact on the chemicals supplied to the business. This is essential in order to be able to respond promptly to inquiries from customers or consumers.

#### Transport

We now have an additional qualified 'Safety Advisor for the Carriage of Dangerous Goods', covering carriage linked activities on Belgian sites.

# Accreditations

## Site Certification 2012

We are gradually moving from the ISO 9001 Quality Standard towards the BRC/IFS standards required by our customers.

Site	BRC	IFS	ISO 14001 Environment	OHSAS 18001 Occ H&S	Ethical Audits
Barrow	Yes	No	No	No	Yes
Bradford	Yes	No	Yes	No	Yes
Hull	Yes	No	Yes	No	Yes
Middleton	Yes	No	Yes	No	Yes
Bagnatica	No	No	End 2012	June 2014	No
Estaimpuis	Yes	No	Yes	December 2012	Yes
Etain	No	No	Yes	No	No
Ieper	PC: NO HH: September 2012	Yes	Yes	Yes	Yes
Moyaux	Yes	No	Yes	Yes	Yes
Rosporden	HH: YES PC: September 2012	Yes	Yes	Yes	Yes
Sallent	No	Yes	October 12	Yes	Yes
Brno	No	Yes	No	No	Yes
Foetz	Yes	No	Yes	Yes	Yes
Intersilesia	Yes	No	Yes	Yes	Yes
China	Yes	No	No	No	Yes
Malaysia	GMP	No	No	Mid 2014	Yes
Vietnam	GMP	No	Mid 2014	No	Yes



FTSE4Good

McBride has been accepted into the FTSE4Good Index Series of leading companies which meet globally recognised corporate responsibility standards.



McBride has been a leading contributor in the development of the AISE Charter for sustainable cleaning and was the first Private Label company to achieve Charter status.

# Abbreviations

<b>AISE</b>	European Federation of Trade Associations for the Detergent & Cleaning Product Industry
<b>CDP</b>	Carbon Disclosure Project
<b>CLP</b>	Classification, Labelling & Packaging Regulations 2008
<b>CSR</b>	Corporate Social Responsibility
<b>CO<sub>2</sub>e</b>	green house gases expressed as carbon dioxide equivalents
<b>EOS</b>	Employee Opinion Survey
<b>FLT</b>	Fork Lift Truck
<b>FTSE4Good</b>	System for objective measurement of performance of companies that meet globally recognised standards of corporate social responsibility.
<b>GHG</b>	Greenhouse Gas
<b>GRI</b>	Global Reporting Index for socially responsible reporting of sustainability performance
<b>HSE</b>	Health, Safety & Environment
<b>KPI</b>	Key Performance Indicator
<b>LED</b>	Light Emitting Diode lamps – lower energy consumption lighting
<b>LPG</b>	Liquid Petroleum Gas
<b>LSPL</b>	Laundry Sustainability Project – Liquids, developed by the industry via AISE
<b>MVP</b>	Mission, Vision & Principles programme
<b>NPD</b>	New Product Development
<b>R&amp;D</b>	Research & Development
<b>REACH</b>	Registration, Evaluation and Authorisation of Chemicals Regulation 1999
<b>eSDS</b>	extended Safety Data Sheet
<b>SCOPE 1</b>	Emissions from the burning of primary fuels such as gas, oil, coal
<b>SCOPE 2</b>	Emissions from use of secondary fuel, electricity, which vary depending on the manner of generation of the electricity
<b>SCOPE 3</b>	Emissions not arising within the boundary of the facilities e.g. transportation and product use.

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McBride communicates its financial and sustainability performance as well as providing additional information about the Group at its website:  
**[www.mcbride.co.uk](http://www.mcbride.co.uk)**.

McBride's Sustainability Reports are available to view online or to download from:  
**[www.mcbride.co.uk/our-responsibilities/reports](http://www.mcbride.co.uk/our-responsibilities/reports)**.

McBride's Annual Report and Accounts are available to view online or to download from:  
**[www.mcbride.co.uk/investors](http://www.mcbride.co.uk/investors)**.

Latest announcements can be found at the McBride online media centre at: **[www.mcbride.co.uk/media-centre/regulatory-news](http://www.mcbride.co.uk/media-centre/regulatory-news)**.

