

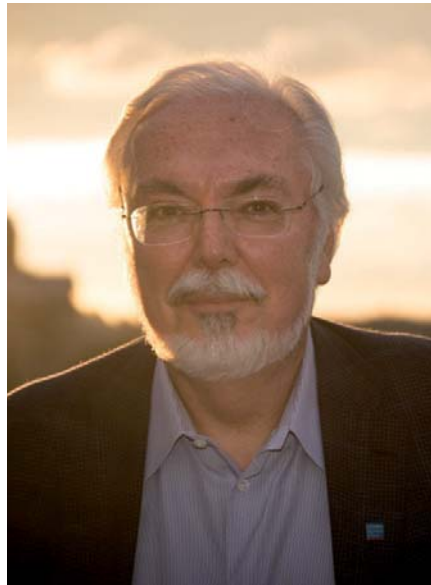
A conversation with Kevin F. Gallagher,

President, Personal Care & Actives, Croda International Plc

EURO COSMETICS: *Could you tell us something about your interesting background and what inspired you to want to become President of Croda's Global Personal Care business?*

Kevin F. Gallagher: Well firstly, I'm not sure that there was an "inspiration" to want this position. My background, including 37 years of experience with Croda, relative to my peer group, is more heavily weighted to Personal Care. I believe that my experience was an important factor in why I was asked by our CEO, Steve Foots, to take on this responsibility. The transition occurred when we changed our organizational structure about one year ago. I'm certainly grateful for the opportunity. I've always considered it an honor and privilege to work for Croda, and to be the first person to run the global Personal Care business is a very special honor indeed. In our previous structure, I had chaired our Personal Care Steering Group from its inception over a decade ago. As a result of this experience I had developed very constructive working relationships with many of the senior executives around the world who work in Personal Care. I believe that they are the best team on the planet, but it's important for all of us to remember that the best can always get better. We have some of the most successful and demanding customers in the world. Every day is an important challenge for us to do a better job in making our customers more successful. Some of the ways we do this include supplying them with exciting, cost-effective, innovative and performance enhancing ingredients. We also help them to increase not only their revenue with consumers, but to also add to the value of their brand equity by doing all this in a sustainable way.

EURO COSMETICS: *In the cosmetic business we often notice friction between the technical and business aspect sectors. Since you began your career in the technical zone and then moved into the business area, how would you describe the impact of this*



Kevin F. Gallagher, President, Personal Care & Actives, Croda International Plc

background on your ability to effectively manage Croda on its path to success?

Kevin F. Gallagher: All of us need to have an internal compass in order to be successful. If we keep in mind which direction is North, we'll probably arrive at our destination, or at least not get lost along the way! At Croda, our emphasis has always been on how we deliver innovation in a sustainable way that will add value for our customers. I'm very fortunate to work for an organization that has these values, along with honesty and integrity, to help guide my efforts. That's our "true North". As a result of our focus, we've been able to minimize potential conflicts between the technical and business areas by keeping customers supplied with sustainable innovation as our top priority. Conflicts can happen, of course, but we have a really great team of people focused on the right things. Our team is great at coming up with approaches that work for everyone, especially customers!

EURO COSMETICS: *We understand that supporting innovation is a key aspect of your leadership at Croda. Could you please give us some examples of interesting ways you encourage it?*

Kevin F. Gallagher: Sure, I'm happy to discuss encouraging innovation. It's among the most important things that I do. First, it is important to just remind ourselves how fortunate we are to work in an industry that not only encourages innovation, but absolutely requires innovation to survive and thrive. For Croda, this establishes innovation as an absolute business necessity. It is something we always need to build into our approach.

We need to try things. We need to do things and try them out and see if they work. They're not all going to work, so this requires that we have tolerance for things that don't work. We always learn something no matter what we do. Sometimes, we learn more from what didn't work, than from the things that did. We constantly reinforce this approach and we always need our team to understand that we need to move forward, do things differently, and learn by the things that don't work.

This commitment also means that we need to "put our money where our mouth is" regarding investment. Some examples include: investments in new lab equipment (to measure performance and make new claims), improving plant equipment and processes (to make everybody safer), and making talent resources available to work on enhancing value for our customers and their brands. In today's world, this also means investing in sustainability as a priority, so that the generations that follow us can continue to survive and thrive and enjoy this beautiful planet.

EURO COSMETICS: *Croda has made the "first of its kind in North America" investment by manufacturing non-ionic surfactants from bio-ethanol. Could you please describe why you have taken this step and how this ties in with your commitment to Sustainability?*

Kevin F. Gallagher: Croda has indeed announced the "first of its kind in North America" manufacturing investment to make non-ionic surfactants from bioethanol. These non-ionic surfactants, ethoxylates,

have previously only been available from petrochemical sourcing. So, Croda has taken the most important category of non-ionic surfactants and we'll be making these available from fully renewable sourcing, in early 2017 when our facility in Atlas Point, DE goes on-line.

Previously, our customers had to choose between performance and sustainability, but they don't have to choose anymore. Croda is giving them both advantages, at competitive costs. We've done a lot of R&D work on alternative non-ionic chemistry. By using bio-ethanol, Croda will move away from traditional petrochemical derived ingredients, taking yet another step to meet the growing needs of customers for sustainable options that perform as well as non-sustainable options. Our investment turns the search for alternatives "on its head" by supplying 100% sustainable non-ionic surfactants instead. This fits perfectly with the Croda ethos of supplying sustainable innovation.

EURO COSMETICS: *What are the benefits of your new surfactant manufacturing process to your customers and what do you mean that now, unlike in the past, you can provide them with surfactants that are both sustainable and perform well?*

Kevin F. Gallagher: The benefit is in making available the best non-ionic surfactants, in terms of both performance and cost, and beyond this objective we now make these available from fully renewable sources. Now, our customers don't have to choose between performance and sustainability, they can have both!

EURO COSMETICS: *We have heard that Croda has a unique approach to innovation. Could you please describe the role of your Technology Investment Group both within your company and outside of it and how has it been successful in new product innovation outside the surfactant area.*

Kevin F. Gallagher: Well, we understand that even with the best personal care ingredient innovation team in the world, we cannot invent everything. We purchased some class-leading technology in anti-aging active ingredients when we purchased Sederma in 1997. We again purchased some class-leading

technology in emulsifiers and sunscreens when we bought Uniqema from ICI in 2006. Our Technology Investment Group is represented at the Main Board of Directors level by Dr. Keith Layden, our Chief Technology Officer. The mission of this group is to identify, purchase, or license class-leading technology for the industries and markets in which we operate. Many of these are in Personal Care and we recently acquired class-leading emollient technology through our purchase of Innovachem, and class-leading oil gellant technology through our purchase of the specialty gellants business from Arizona Chemical.

Our Technology Investment Group gathers ideas for investments based on needs that are generated not only from within Croda, but also from our most important customers. We also have a number of 3-way agreements with customers and universities to conduct R&D. We believe this approach has the potential to expand our access to class-leading technology. At Croda, we recognize that this kind of open innovation is the way of the future.

EURO COSMETICS: *You are now supplying more than 60% of your energy consumption at your largest plant (Atlas Point, DE) using renewable energy (landfill gas and a ground based solar array). Do your customers see any benefits from this?*

Kevin F. Gallagher: Our commitment to sustainability doesn't begin and end with product design. The same manufacturing plant where these sustainable non-ionics will be made is largely powered through non-fossil fuel alternatives. Between our ground-based solar panel array, and our use of landfill gas piped over 3 miles from the local landfill, we are able to supply roughly 2/3 of our energy needs from renewable sources. This has helped us to globally reduce our dependence on fossil fuel, so that over 25% of our energy needs are from non-fossil sources. This eliminates over 40 thousand tons of CO₂ emissions yearly!

We purchase the landfill gas at a discount to natural gas, so this project not only greatly improves our environmental footprint by eliminating 2/3 of the manufacturing carbon footprint, but also enhances our competi-

tiveness by lowering our energy costs and allowing us to share all these benefits with customers.

EURO COSMETICS: *You supply many products to European companies. Could you discuss the types of these materials and their application areas. Please include some comments about your very robust program of supplying ingredients made from RSPO certified "Mass Balance" palm kernel derivatives; and how these materials support your commitment to sustainability.*

Kevin F. Gallagher: We've been engaged in supplying sustainable ingredients to our customers for a long time; most recently by offering "mass balance" versions of Certified Sustainable Palm and Palm Kernel Oil derivatives. We are now certified by the Roundtable on Sustainable Palm Oil (RSPO) and all of our major personal care plants have received this certification. This commitment has become an important part of our strategy to supply sustainable innovation to our customers. In this case, Croda helps our customers meet their goals on the use of sustainable ingredients.

We're supplying these RSPO certified derivatives to many global customers, not just those in Europe. Since Croda is actually headquartered in the UK, we feel it does make us more sensitive to issues like sustainability. While these issues may be of greater priority to European customers today, they don't have an exclusive. We don't think it will take long for companies in other regions, including North America, to do the right thing. Make no mistake about it. Sourcing sustainably is the right thing to do.

Many of these derivatives use fatty alcohols or fatty acids as part of the feedstock, and these come from Palm Kernel or Palm Oil. There are dozens of these ingredients, including many of the non-ionic surfactants mentioned earlier, and as well as many other emulsifiers and emollients.

EURO COSMETICS: *Thank you for talking with us.* ■