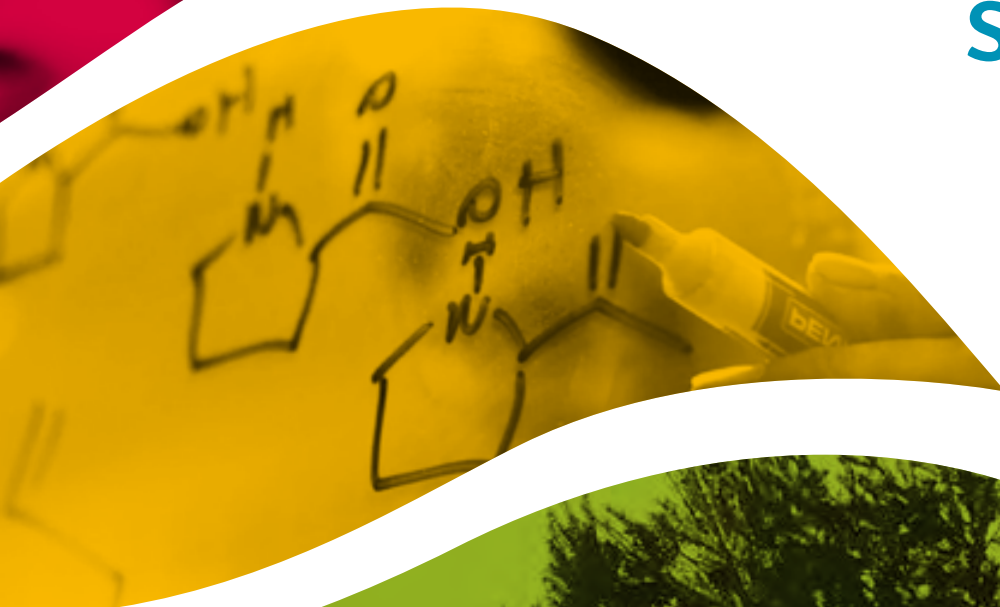


Sustainability Report
January - December 2017

TO INSPIRE AND DELIVER SUSTAINABLE CHEMISTRY



Thomas Swan
Chemical manufacturing since 1926

Welcome

to the second edition of the Thomas Swan Sustainability Report



Welcome to Thomas Swan's second Sustainability Report. We are always searching for ways to maintain our business for the long term while reducing our impact on the environment and looking after our people. In the year that the world saw the USA pull out of the Paris Agreement on climate change, I am heartened by the response of many companies, organisations and countries to double their efforts to reduce their impact on the environment and curb climate change.

This year, we have decided to highlight the United Nation's Sustainable Development Goals (on the opposite page), which provide an excellent template for individuals and organisations to consider what they can do to improve their sustainability. Even addressing just one of these goals makes a difference and Thomas Swan is pushing hard to adapt our activities and operations accordingly.

Sustainability is a journey and we recognise that we will sometimes make progress in one area while occasionally falling behind in another. What matters is that we are open and realistic about our goals and results. This report does not seek to hide from our missed targets and therefore strengthens our resolve to do more over the coming year. We also have much to celebrate, for example the reduction of our utility use with gas down 15.5%, electricity down 12% and water use down by 18% per product tonne since 2016.

Over the past year we have received encouraging feedback from our customers over our approach to sustainability and I was particularly thrilled to achieve Gold Status in our most recent

EcoVadis sustainability audit. This was a welcome recognition of all the hard work that we have put into improving our sustainability. I am also heartened to hear our employees talk about sustainability and make their own suggestions on how we can improve our processes or plant to save costs and reduce our impact on the environment. We recently installed an electronic suggestion system to capture these ideas and have achieved our target of implementing over 20% of new ideas every year. It is through these ideas and incremental improvements that we will eventually achieve our goal of having a positive effect on our environment.

HARRY SWAN
MANAGING DIRECTOR



“We are a family firm and every member of the Thomas Swan team is a member of that family.”

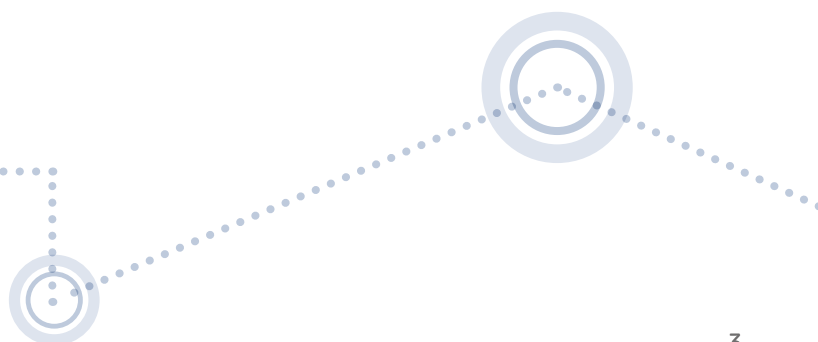


Sustainable development 17 goals to transform our world

In 2015, the United Nations established 17 key global sustainability goals that provide developmental targets for businesses and individuals alike to work together to end poverty, protect the planet and ensure prosperity for all.

At Thomas Swan, we aim to ensure that our sustainability targets correlate with many of the UN goals and play our part in protecting our planet (www.un.org/sustainabledevelopment/sustainable-development-goals).

Where one of our targets aligns with a UN goal, you will see the UN symbol displayed alongside it.



Developing our people

Helping us to grow through continuing personal development and improved communications



Our targets for 2017 were to:



..... Achieve an improved communication score on HIVE HR

Improved internal communications are one of our recurring strategic targets. We believe good communication is essential for any organisation working to change, improve and grow.

One of the ways we measure the success of our communications is by using the Hive HR survey tool.

In November 2016 we asked all our employees how they rated communications. At this stage we were awarded a score of 5.3 out of 10.

In May 2017 we asked the question again, allowing us to measure the impact of our various initiatives.

This time around we were given an improved rating of **7.7 out of 10**. This question will be asked again in June 2018 and we hope to have improved further.

..... **7.7/10**



Achieve a target of two hours a month training per employee

Providing ongoing support and training, to continually improve the skills and knowledge of our people, is essential to their development and the company's success. We are proud to say that we achieved our training target in 2017 with 2.3 training hours per month per employee.





“Our people are an essential element in creating a sustainable future for our company. Not just by engaging them in our ‘green’ initiatives but also in developing their skills and job satisfaction.”

Introduce Personal Development Reviews for everyone



In 2016 we committed to ensure that all employees have a constructive conversation with their line manager on their personal development and their aspirations for their role – and to hear feedback on how they are doing. Our target for 2017 was to achieve 80% return on Personal Development

Reviews (PDRs) and we are pleased to say we exceeded this target, achieving **86% return** on PDRs.

86%

Introduce apprenticeships in all areas of the business

A vital component in any sustainable business is the nurturing of skills for the long term and apprenticeships are a natural way to achieve this. Thomas Swan has developed an excellent relationship with Consett-based Derwentside College, who provide most of our apprentices. Both 2015 and 2016 saw three individuals begin their apprenticeships with Thomas Swan; our target for 2017 was to enrol two new apprentices within

the business, and this was achieved, with two engineering apprenticeships being engaged. Discussions are taking place for additional apprenticeships in other departments in the near future.

Apprentices



Achieving operational excellence

Setting world-class standards within our everyday operations



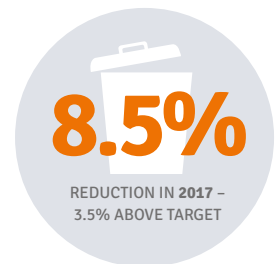
Our targets for 2017 were to:

**Achieve 5% reduction in waste across the site
(top three products by waste cost to be reviewed in 2017/18)**



Reducing waste is a key priority for us. Last year, we fell short of our target, but we are proud to say this year an 8.5% reduction in waste produced per tonne of product was achieved, which is 3.5% over target.

As well as this target being met, new technology is currently being assessed which would potentially allow us to treat some waste on site, rather than shipping it off site for disposal.

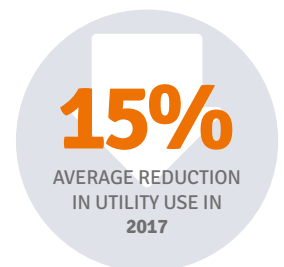


**Achieve 5% reduction in utilities across the site
(gas, water, electricity and air)**



Our complex operations require a range of utilities, with variable consumption depending on the products being manufactured. 2017 results were good, with gas consumption being

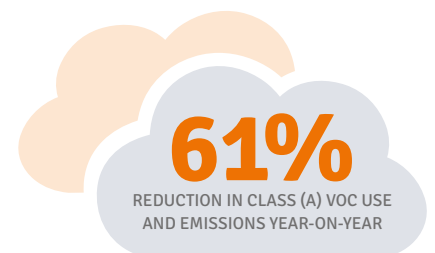
reduced by 15.5% compared with a 2.4% rise in 2016. Our electricity consumption was reduced by 12% compared with a 13.6% rise in 2016 and our water consumption also saw a reduction of 18%.



Achieve year-on-year reduction in Volatile Organic Compounds (VOCs) use and emissions



We are committed to year-on-year reduction of VOC emissions. In 2017, our class (A) VOC emissions reduced from 0.018kg/Te to 0.007kg/Te. Our class (B) VOC emissions did see a marginal increase, from 1.98kg/Te to 2kg/Te.





“Sustainability reaches into every aspect of how we work, from reducing waste and resource usage throughout our processes and systems, to the way we train and encourage our people, and how we ensure that they work in a safe and productive environment.”

Achieve zero injuries

A key aspect of sustainability is our belief that all employees, contractors and visitors should leave the company in the same condition in which they arrived. This means we must aim for zero accidents and incidents. As a family business, we take this responsibility very seriously.

Unfortunately, 2017 saw a rise in accidents from three to four. While this result is clearly disappointing, we will continue to work hard to reduce accidents and strive for our target of zero injuries.



3 > 4

Achieve zero incidents

We classify an incident as any event that has a detrimental impact on health, safety or the environment. Our established near-miss reporting scheme continues to highlight issues before they become an accident or incident. In 2017, there was a small decrease

in the number of incidents on site from the previous year from three to two. As we continue to integrate Lean Sigma practices into the company, we hope the number of incidents will drop further.



3 > 2

Identify suitable benchmark or criteria for world-class assessment

We have realised that it is very challenging to find a world-class benchmark to assess our operations as it is difficult to find a similar company to Thomas Swan. We have therefore decided to assess ourselves against our own performance to ensure continuous improvement. Last year the target we set was to install Gemba Boards in all areas, achieve 5S in all office and communal areas and achieve 5S in 50% of all operational areas.

Gemba Boards have now been installed in all areas and a timetable for meetings has been published. All employees are encouraged to visit Gemba Boards in other areas of the business to encourage inter-departmental interaction and communication flow. The 5S principle is gradually being adopted site-wide with noticeable results.



Embracing sustainability

Setting targets that exceed industry standards



Our targets for 2017 were to:

Maintain sustainability awards

In 2016, we launched internal sustainability awards which recognise, encourage and reward ideas from employees that improve the sustainability of the company. The awards were a

success and winners were presented with certificates and prizes at the 2017 company summer BBQ. The 2018 awards will once again be handed out at the summer BBQ.



Ensure financial leveraging remains below 25%

During 2017 we maintained our zero-debt position. This is likely to change in 2018 as we are planning to invest significantly in our Consett site to modernise key

plants and ensure continued high-quality production.

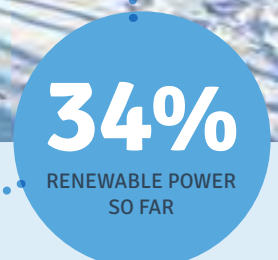


Achieve 100% renewable electricity on site



While we increased the amount of renewable electricity used on site from 25% in 2016 to 34% in 2017, technical problems with the Anaerobic Digestion (AD) facility prevented us from achieving our 100% target. The AD plant is owned and operated by a separate company, so we

have no control over its operation and management. However, we are hopeful that once at full operational capacity, the plant will be able to meet all of our electricity requirements. We will therefore continue to target 100% renewable electricity on site.





“Setting targets and measuring results against those targets will help us stay on course with our sustainability journey. Ultimately, we want to be a company that lasts for many more decades and has a positive impact on the environment. These initiatives are designed to help us achieve our goals.”

Maintain sustainability criteria and improve score for top 10 products from 380 to 400



Unfortunately, in 2017 the score for our top 10 products was not improved. However, improvements have been made to the assessment tool used in this

process and we will continue to work towards meeting this target over the coming year.

Generate second annual sustainability report



Complete! We are pleased to issue our second sustainability report following very positive feedback on our first report last year. We have once again

taken care to report both positive and negative results to ensure we can focus our efforts over the coming year accordingly.

Commence a community project

Thomas Swan is currently exploring the possibility of sponsoring a sustainability module for primary schools through the Centre for Industry Education Collaboration (CIEC). CIEC works closely with the chemical sector to ensure that its science and related careers are easily understood by teachers and primary school children. The project will aim to develop a teaching pack that can be

used by teachers to explain the importance of sustainability, and the role that industry can play to improve its impact on the environment and drive positive changes throughout the supply chain. The pack will include case studies from industry to bring to life real-world examples.



Strategically targeting markets

Developing our business and profile through our sustainability credentials



Our targets for 2017 were to:

1

..... Secure new business due to our sustainability credentials

PIECE OF
NEW BUSINESS
GAINED AS A
RESULT OF OUR
SUSTAINABILITY
POLICY



We have received very positive feedback from multiple customers since publishing our first sustainability report last year, with some companies confirming that our sustainability credentials have now

positioned Thomas Swan as a preferred supplier. It is clear that sustainability is becoming increasingly important to a wide range of companies and organisations, so we will continue to strive to improve our credentials and communicate this to our customers.

Achieve sustainable company approved status

Given our significant progress, we decided to combine our target for achieving the sustainable company approved status with that of improving our EcoVadis score. The results from our most recent audit saw us reaching this milestone.

Despite this, we also believe this is a never-ending journey of continuous improvement and we will continue to strive for improvements in our sustainability status.





“We want Thomas Swan to be the supplier of choice for customers who share our commitment to sustainability. This means promoting and enhancing our credentials as well as developing innovative new products and solutions.”

Improve EcoVadis sustainability score



In 2017 we were awarded gold status from EcoVadis, moving up from the silver that we achieved in 2016.

This is an excellent achievement and demonstrates the company’s commitment to sustainability, and is a welcome recognition of the hard work we have put into improving our sustainability across the business.

Impressively, Thomas Swan came out in the top 1%, not only in the relevant category ‘Manufacture of other chemical products’, but also in the top 1% of all organisations that have been assessed by EcoVadis.

However, we realise that this is a never-ending challenge and we will continue to improve our sustainability to ensure the long-term survival of our business while reducing the impact of our activities on our planet.



Identify one new plant-derived product and deliver business case

Despite our best efforts, a new plant-derived product has not been identified during 2017. We will continue to look for a new product that is either bio-derived or from plant raw materials over the coming year as part of our new product development programme. We would also welcome any suggestions from our customers on opportunities to manufacture such products on their behalf.



Developing an innovation-driven culture

Adding value through innovation



Our targets for 2017 were to:

Maintain innovation awards

Following the success of last year's innovation awards, the 2018 awards will once again be handed out at the summer BBQ.

The awards are designed to celebrate success and to show our employees that we are listening to and implementing their ideas.

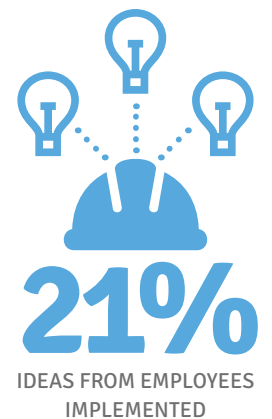


Achieve successful implementation of 20% of approved new ideas from employees

We believe that our employees are best placed to identify improvements that could be made both in their work areas and across the entire company.

In 2016 we designed and introduced a new

suggestion management system to capture and implement 22.5% of their approved ideas. This system continues to work well, and in 2017 we met our target by approving 21% of new ideas.





“At Thomas Swan we define innovation as any new idea, no matter how small, that adds value to the company. Innovation is not limited to new product development but can happen in any of our departments and we encourage this through the annual innovation awards. We also continue to put the excellent ideas submitted to us through the new suggestion management system from our employees into action – our people, and their input on how we work, are an invaluable resource for Thomas Swan. We’re continuing our journey to develop a culture where innovation is encouraged, recognised and celebrated.”

Current performance data

Showing progress being made towards greater sustainability in usage of utilities



GAS

15.5%

REDUCTION IN GAS USAGE PER
PRODUCT TONNE SINCE 2016



ELECTRICITY

12%

REDUCTION IN ELECTRICITY USAGE
PER PRODUCT TONNE SINCE 2016



WATER

18%

REDUCTION IN WATER CONSUMPTION
PER PRODUCT TONNE SINCE 2016

Playing to our strengths

Promoting the values that underline our drive for sustainability

Our targets for 2017 were to:

Improve communication on our existing sustainability credentials

As well as publishing a press release around our EcoVadis gold status, as part of our customer satisfaction survey, we recently asked some of our customers the question “Are you aware of Thomas Swan’s

sustainability policy and practices?” 78% of respondents said they were either fully or partially aware.



Switch five employees to electric car usage



Despite the significant savings on offer by using electricity instead of petrol or diesel, only one employee is currently using an electric hybrid car. The company continues to maintain two electric cars and we will continue to promote the benefits of

going electric! We have also ensured that the new car park which was recently opened includes multiple electric vehicle charging points, and is fully future proofed to enable all the 97 parking bays to be converted to electric charging points.



Install bike racks in the new car park

Construction of the new car park has now been completed, and new bike racks are installed and are available for use.



Introduce “Made in UK” packaging where appropriate

We are proud of the fact that we manufacture products in the United Kingdom. The UK brand is synonymous with quality, reliability and good service.

Where appropriate, products shipped from our Consett site now include “Made in the UK” stickers on the packaging.



Continuing our actions

As targeted at the start of our journey, we will be focusing on the six areas outlined in the report over five years, monitoring and assessing them from a sustainability perspective, and reporting back to you each year.

1. Develop our people

- Achieve year-on-year improvement in communication score on Hive HR
- Achieve the target of two hours per month training per employee
- Ensure all employees have job/role descriptions, and achieve 90% return of PDRs by September 2018
- Introduce apprenticeships in all relevant areas of the business, recruiting two new apprentices in 2018/19

2. Operational excellence

- Achieve year-on-year 5% reduction in waste produced across the site
- Achieve year-on-year 5% reduction in utilities across the site (gas, water, electricity and air)
- Achieve year-on-year reduction in VOC use and emissions
- Establish and improve housekeeping and 5S:
 - i. All employees encouraged to attend Gemba Board meetings across the business
 - ii. 5S in active use in all office and communal areas
 - iii. 5S in active use in all operational areas

3. Embracing sustainability

- Maintain sustainability awards
- Ensure financial leverage remains below 25%
- Maintain year-on-year improvement in renewable electricity use on site
- Maintain sustainability criteria and improve the sustainability of the top three products by an average 5% on the process measure (TSCL control)
- Create a team to promote recycling by employees at Thomas Swan (from the suggestion scheme)

4. Strategically target markets

- Secure new business as a result of our sustainability credentials
- Maintain EcoVadis gold status
- Identify one new plant-derived product and deliver business case

5. Innovation-driven culture

- Maintain innovation awards
- Achieve successful implementation of 20% of approved ideas from employees

6. Play to our strengths

- Promote our existing sustainability credentials
- Increased employees to switch to electric vehicles
- Encourage and facilitate work experience student visits to Thomas Swan
- Promote careers in STEM to the local community (schools, colleges etc)





Thomas Swan
Chemical manufacturing since 1926

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