

Corporate Social Responsibility Report

We take our social responsibility obligations very seriously, with our intentions reflected in our group policies. Those on Health and Safety, the Environment, and Quality were reviewed in depth during 2008. To achieve this, the Chief Executive held meetings with managers, safety committees and trade union and employee representatives, and the updated policies were then endorsed by the Board at the end of 2008. They are available on our website (www.devro.plc.uk), together with our Human Resources Policy.

Safety

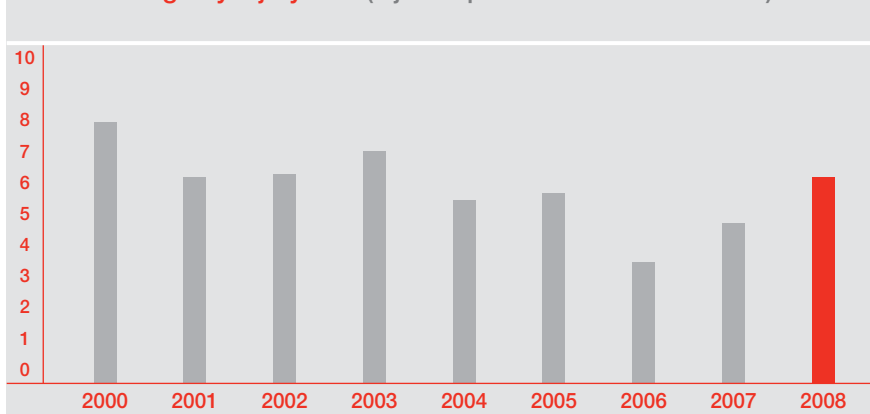
Safety continues to have a very high priority within Devro and is a regular item on every Board Meeting agenda. All group companies conduct regular formal safety reviews at plant level. Managers and employees review policies, processes and procedures in order that risks may be properly assessed and appropriate action taken to protect the safety of employees. All accidents and incidents are fully investigated so that remedial or avoidance action may be initiated and subsequently monitored. Formal reporting procedures are in place at each plant so that we can monitor safety performance at both group and local level.

Despite this attention to safety, our performance during 2008 was worse than that in the previous year. Particularly concerning was a major injury in our Czech operation, when an operator almost lost a hand. This was extremely regrettable, and highlighted the serious risks inherent in what had been thought to be a safe process. We are carrying out an extensive review of the risks throughout the Jilemnice factory, although the Czech authorities have not held the company responsible for the incident.

For the first time, the group carried out internal surveys during 2008; a safety climate survey was used to hear the views of our staff, while an audit by safety managers looked at procedures and processes. Results from both were encouraging and they will be repeated early in 2009.

The key measure of group safety performance is the rate of lost working day injuries, which increased in 2008. Despite that, our performance is still better than that of our UK peers. Worldwide, there were 17 accidents in Devro which would have fallen into the category of UK reportable; the Accident Incident Rate this represents was half that of the average of the UK Food and Drink industry.

Lost working day injury rate (injuries per million hours worked)



The number of working days lost as a consequence of injuries showed an increase as well, due to a large extent to serious injuries in the main Czech factory.

Year	Lost working days per million hours worked
2004	198
2005	156
2006	183
2007	143
2008	246

We are disappointed with this performance, and have engaged DuPont Safety Resources to carry out a review of the group's safety activities during the first half of 2009. This will involve audits of all our factories to compare what we do with best practice in other companies, and will culminate in a workshop for the Executive Committee and a report back to the regional management teams to draw up action plans for improvement.

Key achievements from around the group were:

- The US plant received the following from the South Carolina Occupational Safety Council:
 - The Palmetto Safety Performance Certificate was awarded as the plant had an OSHA recordable accident rate that is below the State average for companies in the same category.
 - The Safety Achievement Plan recognised five Sandy Run departments which had worked 5 or more years and at least 50,000 hours without an OSHA recordable injury or illness.

→ Product services and warehouse manager Susan Rish was awarded the Life Saving Award. As a result of training recently given to her by the company, she was able to perform Cardiopulmonary Resuscitation (CPR) for 15 minutes on a spectator who collapsed at a community football game, before an ambulance arrived.

- The Australian plant continued to focus both on reducing the number of accidents and on an early return to work and rehabilitation following injury. In 2008, there was an increase to eight lost working day injuries, though only three of these resulted in more than two days lost time.
- Safety performance in our Czech factories was disappointing in 2008. Following the major incident referred to earlier, we have made improvements in health and safety training and commenced a major exercise to update risk assessments. An extra safety specialist has been recruited to support this work.
- Safety performance in the Scottish operation was much improved in 2008. Of particular note was our success in winning the Food and Drink Sector Award from RoSPA, beating 80 other companies in the process. The business was also awarded the International Safety Award by the British Safety Council for the seventh consecutive year.

Fire risk

One of the company's aims is to reduce the risk of business interruption due to fire at its major sites, and we have been assisted in this by our insurer, F M Global. During 2008, a further three factories were awarded their HPR (Highly Protected Risk) award for actions to reduce fire risk.

Business continuity planning

The company is developing Business Continuity Plans for its sites. Two are complete and tested and two more are currently being developed. The process will be finished during 2009.

Occupational health

Occupational health issues have been more significant during 2008 than in previous years. Notably, in Scotland, a number of occupational dermatitis cases came to light, and the company worked closely with the Health and Safety Executive (HSE) and the country's leading industrial dermatologist to identify areas of concern and put appropriate control measures in place. Our actions were commended by the HSE as an excellent example of a response to this type of issue.

REACH

The EU REACH regulation on the registration, evaluation, and authorisation of chemicals (1907/2006/EC) required pre-registration of uses of chemicals during the second half of 2008. The European Chemicals Agency became operational during the year and the UK and Czech businesses asked suppliers to pre-register the chemicals that are used throughout the factories. Our products are exempt as they are foodstuffs, which are explicitly excluded from the regulation.

Environmental policy

The group has always recognised that environmental protection is of fundamental importance to a successful and responsible business strategy. We take pride in our business activities and are committed to achieving compliance with regulations, permits and consent limits in our various activities, minimising our environmental impact in the countries in which we operate and the communities we serve.

Group operations around the world are subject to a variety of regulatory regimes and cultures. As a consequence, environmental issues are dealt with through a network of specialists operating within the business units. To ensure consistency of approach, all group companies operate within an agreed corporate framework which promotes exchange of information and best practice.

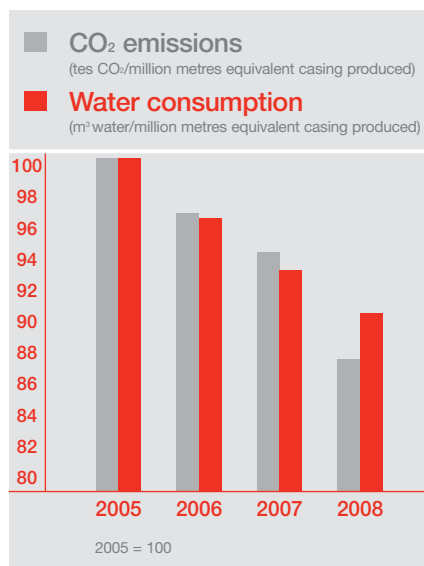
It is a group objective to minimise the impact on the environment of its products, processes and operations. Recognising that teamwork and co-operation are key to success, training arrangements are in place to raise employee awareness of environmental issues and develop support for future initiatives.

During 2008 we have started to focus on two measures:

- carbon dioxide (CO₂) emissions from the use of fuels and electricity in our factories
- water consumption

We have chosen to focus on fuel and electricity related CO₂ emissions as the impact on our carbon footprint of our use of refrigerant gases and business travel is not significant.

The data is encouraging, as not only have we achieved a reduction in the emissions per kilometre equivalent product, but also absolute emissions of carbon dioxide were reduced in 2008 when compared with 2007.



Environmental update

The group's operating plants continue to make improvements to their operations with respect to the environment and some of the key projects undertaken this year are outlined below:

Scotland

The programme of energy saving projects continued during 2008. These included an upgrade of the energy monitoring system, heat recovery projects, and some new lighting controls. A new insulation upgrade programme was also initiated. The 2008

climate change levy milestone, a 13.1% reduction in energy use over the base year, 1999, was achieved, though output at one factory was lower than target.

A pilot borehole was drilled to establish whether water could be used direct from a local aquifer.

The Scottish plants recycled 38 tonnes of cardboard, paper and polythene during 2008, a 25% increase on 2007. In addition a further 220 tonnes of cardboard, steel, plastic and wood were processed by a recycling company.

United States

Investments made over the last four years to upgrade the boiler control systems and pollution control equipment, along with continuous in-house improvements in control technology, continued to deliver results. In 2008, emissions from the wood boiler were more than 40% below the regulatory limits.

Work continued with a local treatment facility to economically treat some of the liquid wastes that previously had to be incinerated. This allowed an increase in the use of wood, a renewable fuel, and a reduction in the consumption of natural gas. A programme has been set up with the University of South Carolina to find new ways to recover or reduce this waste stream.

Focused efforts to control and reduce liquid and solid wastes have resulted in a reduction of 7% in the amount of solid waste land-filled per tonne of collagen processed.

The continuing programme with a major fertiliser manufacturer resulted in the recycling of a further 1,300 tonnes of liquid ammonium sulphate for fertiliser feedstock in 2008. In addition, waste reduction efforts allowed a 37% reduction in the amount of excess ammonium sulphate produced.

Australia

A number of energy saving proposals continue to be developed. Stage 1 of a lighting upgrade was implemented in 2008, with stage 2 planned for 2009. It is hoped that a current investigation into compressed air use may lead to further energy savings.

Work on a co-generation plant has continued, with the consultant carrying out further engineering investigations which will enable a proper evaluation of risks and sensitivities. The final report is due soon, and will be sufficiently detailed to support a grant application should funding be available during 2009.

There has been more progress with the effluent improvement plan. Having completed one project in 2007, the second, a new effluent screen at the Vale Road factory, was installed during 2008. The next projects planned involve significant development work, and having completed designs during 2008, trials will begin in 2009, allowing full scale equipment to be installed in 2010.

Czech Republic

The heat recovery projects carried out in 2007 resulted in a 7% reduction in carbon dioxide emissions from the boilers, enabling the main factory to meet its emissions target in 2008.

Water consumption and chloride emissions in liquid effluent were both reduced by approximately 2% during 2008.

Work has continued on upgrading the main effluent treatment plant to bring its performance into line with changes to EU standards which will apply in the future. This is a significant project which will not be completed until 2009.

Regulatory compliance

With its worldwide trading, the group is conscious of the need to ensure compliance with national and international legislation. European food safety legislation is the benchmark for the worldwide group. As previously, we have complied with EU Regulation 2002/178/EC, which lays down the general principles and requirements of food law. In particular, for European markets, we have ensured full compliance with EU Regulation 2004/853/EC including Section XV, which sets out specific hygiene rules and requirements for collagen for human consumption. We also remain in full compliance with EU Regulation 2005/2073/EC (as amended) on microbiological criteria for foodstuffs. Imports of products into the EU from the US continue under an equivalence agreement described in EU Commission Decision 2003/863/EC.

The outbreak of foot and mouth disease in England in August 2007 resulted in some limited disruption to trade with one country outside the EU early in 2008, as it took some time to agree new wording for an export health certificate. These sales were regained later in the year.

The widely reported problem with dioxin-contaminated feed in Ireland had no impact on operations; traceability systems confirmed the absence of porcine hides

from Ireland, and there was no recall of bovine material.

Quality

We aspire to achieve high levels of food quality and food safety, supported by general registration to ISO 9001:2000 by all of our manufacturing facilities and routine audits by appropriate local authorities. Our Scottish plants are further accredited to the 2005 BRC/EFSIS Global Standard for Food Safety.

2008 saw the continuation of rigorous internal quality audits against ISO 9001:2000 supplemented by the ISO 15161 Guidelines on the application of ISO 9001:2000 for the food and drink industry. All four of our manufacturing companies have now been audited twice, and have demonstrated satisfactory improvement. The learning has been shared to provide a platform for improvement. A review of this activity carried out early in 2009 confirmed its value; audits will continue to be carried out every two years.

Work continues in the Czech Republic to bring our factories up to date with the latest EU regulations for food hygiene.

Three of our businesses are certified for the manufacture of Halal casings, while the production of Kosher casings is approved in Australia.

During the year, our Australian medical business received:

- ISO 13485 accreditation from BSI for the Quality Management System for the manufacture of bovine biomedical collagen.
- Certificate of suitability from the European Directorate for the Quality of Medicines and Healthcare (EDQM).
- JPAL (Japan's Pharmaceutical Affairs Law) accreditation, which means that Devro is an approved foreign medical device manufacturer.

Social, environmental and ethical risks

Each year, the Board carries out a broad review of business risks which includes social, environmental and ethical ("SEE") matters. This review is aimed at identifying and assessing significant risks to the group's value, as well as providing the Board with an opportunity to manage such risks by way of an appropriate response.

To ensure the Board receives adequate information to make this assessment, the review is co-ordinated globally by the Head

of Risk Assurance, and requires regional management committee input and Executive Committee participation before the process reaches the Board.

The Board believes that this system is sufficiently comprehensive to effectively manage significant SEE risks, and to date has not felt it necessary to incorporate remuneration incentives into the system.

Suppliers

We recognise that our corporate social responsibility also reflects in the way we behave towards our suppliers. We strive to be open, honest and consistent in all our dealings with suppliers. The group agrees terms and conditions with suppliers before business takes place. The group's policy is to pay agreed invoices in accordance with the terms of payment. At 31 December 2008, the amount owed to trade creditors by the group was equivalent to 33 days of purchases from suppliers.

Trade associations

The Collagen Casings Trade Association, which was created in 2006, met twice in 2008 under our chairmanship. The objectives of the group are:

- To represent the industry in its relations with legislators and administrations.
- To better understand the market as a whole.
- To maintain and increase food safety.
- To encourage market growth and promote collagen casings.

Our individual businesses are also members of local associations. For example, the Scottish business is a member of the Food and Drink Federation, and our Australian operation participates in a Food Industry Focus Group established in New South Wales.

Employees

The group aims to attract and retain employees of high calibre in order to achieve improvements in its performance. The development and motivation of our employees is a high priority.

The group provides equal opportunities for employment, training, career development and promotion regardless of age, sex, colour, race, religion, ethnic origin or other criteria.

Our Scottish operation has an apprenticeship programme, and continues to offer two engineering apprenticeships each year, working in partnership with the



East Kilbride Group Training Association. In addition to the six apprentices currently being trained, a further nine former apprentices are employed by the group.

Our American company continued with its 'steps to a healthier you' programme and incorporated on-site medical screening again, along with launching a tennis ladder to encourage exercise. It also held an employee recognition lunch for employees, where managers cooked and served the food.

The Czech business provided influenza vaccines for employees. It also aims to support staff in need, and has made loans to employees with disabled children and provided support for three retired employees to enable them to find better living accommodation,

A flexible approach is adopted when considering employees' individual family requirements, offering flexible start and finish times where practicable to assist them in managing a successful work/life balance. With the launch of an employee support programme by the Scottish business, this is now a service available to all permanent employees at major sites.

Enabling employees to derive the maximum possible benefit from their employment with Devro is a key principle. In line with this, channels for employee involvement have been established, including a European Works Council.

Given the geographical spread of our operations, it would be inappropriate and impractical to apply uniform procedures group-wide. Each company is therefore

responsible for achieving and maintaining appropriate consultation and communication with its employees. Examples of the employee involvement programme during 2008 included:-

- Disclosure of financial information by means of employee briefings and the distribution of the Interim and Annual Reports and Accounts.
- Communication with employees via newsletters; in the Scottish operation a new Intranet site has also been established.
- Joint management and employee committee meetings on Health and Safety.
- Meetings with employees and union representatives to discuss the issues affecting them.

Communities

All our factories are situated in relatively small communities, and we work with them where possible. This includes small but regular donations to support local institutions such as schools and hospitals.

The group encourages the employment of disabled people whenever suitable vacancies are available. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Examples of our activities were:

- Our Australian operation continues to be a major supporter of the 'Try a Trade' initiative which attempts to address the skills shortage in the Central Western Region of New South Wales. It is a major sponsor of the Bathurst Junior Sports Awards, and also supports local charities and other independent local events such as school fêtes and fundraising actions.

Disabled people are actively supported by using a local company specifically created to cater for people with disabilities for the laundering of uniforms.

- Despite tightening legislation, the Czech business continues to support the local community by exceeding its legal obligations for the employment of disabled people. In 2008 it had 17 disabled employees and supported a further 32 via its purchasing policy. The total of 49 was 20% higher than the legal requirement.

Donations were also made to support programmes in local schools and other local institutions.

- The Scottish company continued its involvement with schools by offering work experience placements to senior secondary school pupils, including children of employees.

Teams from the Scottish business took part in Ladies' and Men's 10k runs. The sponsorship money raised was donated to The Beatson Institute for Cancer Research in Glasgow. The business also supported local institutions and charities with small donations.

- Nine local community programmes were supported by our US business with small donations. It also received the School and Business Service Award for partnership with the Calhoun County School District.

Corporate ethics

We are committed to working with customers, suppliers, communities and competitors in an ethical manner. All Devro employees are expected to behave ethically in their work and our expectations of them are set out in a detailed Business Conduct Policy, available on our website. Annually, senior management are required to sign a certificate confirming compliance of both themselves and their staff with this policy. This has been completed for 2008.

Verification

This report has been reviewed by the Head of Risk Assurance, whose role involves risk management co-ordination on a global basis and regular contact with all group locations worldwide.

Summary

As a truly global business, we are fully aware of our global responsibilities. These responsibilities are extensive, from protecting the environment throughout the continents in which we work, to safeguarding the health and safety of our employees and to ensuring integrity and honesty in our business dealings. In taking action in these and many other ways, Devro largely achieves its objective of operating worldwide in a safe and responsible manner.