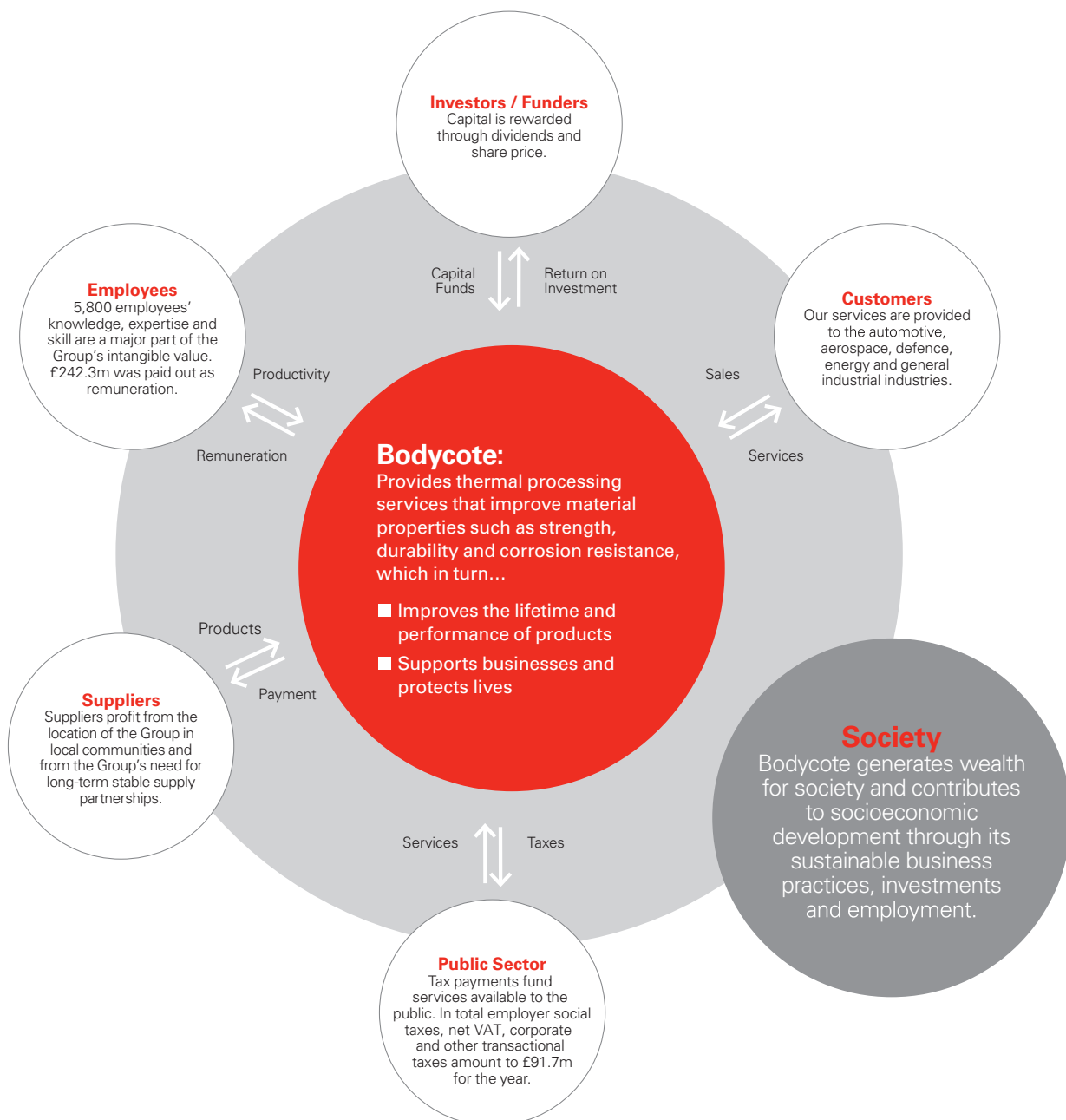


Corporate responsibility and sustainability



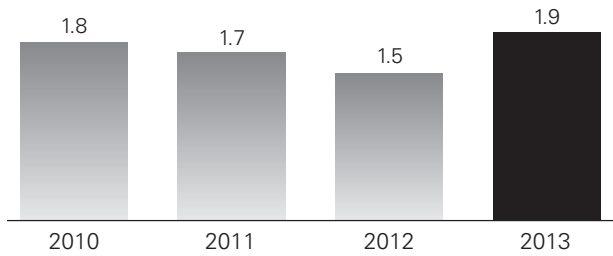
As a Group, Bodycote is committed to acting responsibly as a good corporate citizen, to reducing the environmental impact of the Group's activities and to providing our employees with a safe working environment.

Bodycote's stakeholder model shows how its interactions on various levels contribute towards socioeconomic growth and development. These exchanges, based on mutually beneficial relationships, provide the basis for the Company's growth and sustainability, which in return provides benefits to employees, investors, suppliers, customers, the public sector and wider society.



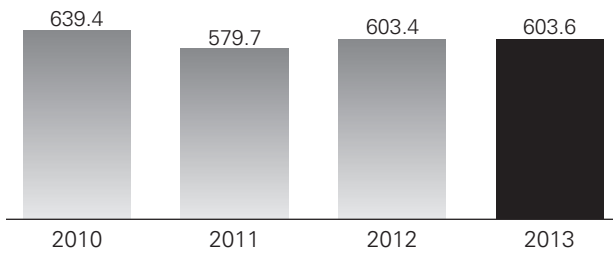
Corporate responsibility and sustainability continued

Accident frequency¹



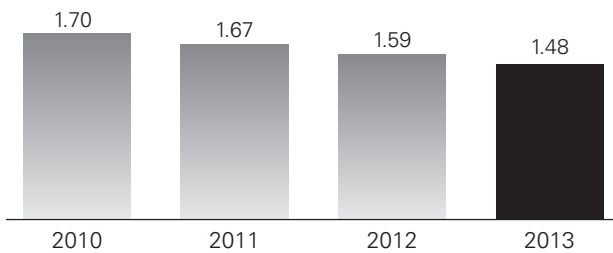
Carbon footprint²

(tonne CO₂e/£m sales)



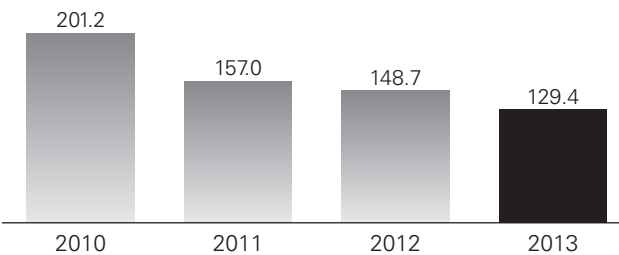
Water consumption

(thousand m³/£m sales)



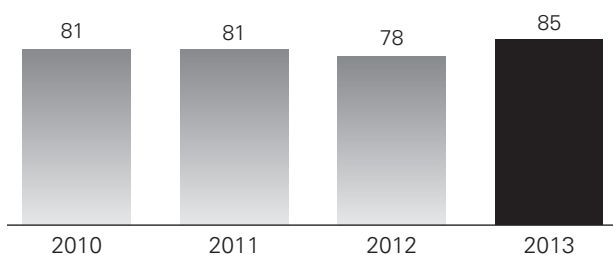
Chlorinated solvents

(kg/£m sales)



ISO 14001 accredited facilities

(%)



¹ Accident frequency is defined as the number of lost time accidents per 200,000 hours worked.

² CO₂e is carbon dioxide equivalent, which represents the CO₂ release due to our energy usage.

Our approach

Bodycote's objective is to create superior shareholder returns through the provision of selected thermal processing services that are highly valued by our customers and to achieve this in a safe working environment, while continually seeking to minimise the impact on the environment.

Bodycote is dedicated to improving the management of corporate responsibility issues and is implementing policies and initiatives to achieve this goal. The future success and growth of the Group is intrinsically linked to our ability to ensure the Group's operations are sustainable and that we can nurture and develop our talent.

Our people

The strength of the Group primarily rests in its people and one of the key challenges for management is to ensure availability of appropriately qualified people to support its continued growth. Bodycote is fortunate to have a competent and committed international team that is well-respected in technical and business circles.

Bodycote invests in the training and development of its people both at local and Group level. At a local level the Company is committed to providing the appropriate skills and technical training which will allow its employees to operate effectively and safely in their roles and deliver excellent customer service. At Group level a number of initiatives are currently being rolled out to drive excellence in management.

A tool to develop further understanding and skill in the area of performance management is in place and is being used globally through the management population. Through communication of clear messages coupled with skills development, the organisation aims to raise the capability of its management population in driving performance. This initiative is backed by a performance management IS system which supports the process.

Bodycote's employment policies are non-discriminatory, complying with all current legislation to engender equal opportunity irrespective of race, gender, religion, disability, sexual orientation or nationality. Harassment is not tolerated.

Female representation on our Board is currently 17% (2012: 14%) and at manager level it is 23% (2012: 23%). We will increase female representation on the Board if appropriate candidates are available when Board vacancies arise. Females represent 17% (2012: 16%) of our total workforce.

Core values

It is not just important what we do but how we do it and how we behave in our company. How we operate as a Group and the behaviours that we expect from all our employees are expressed in our core values. Our values represent Bodycote and its people and our commitment to the company and the business.

Our core values are straightforward and are summarised as follows:

Honesty and Transparency

We are honest and act with integrity. This is not something we take for granted. Bodycote lives by a culture of honest and transparent behaviour, which is at the core of all our business relationships.

Respect and Responsibility

We manage our business with respect, applying an ethical approach to our dealings with those we interact with. We believe in taking ownership and being mindful of the impact of our actions.

Creating Value

Creating value is the very essence of our business and needs to be the focus of our endeavours. We create value for our customers, our employees and our shareholders.

Human rights

Bodycote's human rights policy is consistent with the Universal Declaration of Human Rights and the UN Global Compact's ten principles.

We prohibit forced, compulsory and underage labour and any form of discrimination based on race, gender, religion, age, disability or political affiliation. Appropriate mechanisms are in place to support any contraventions of these rules.

Customers and suppliers

Bodycote has no significant suppliers who are wholly dependent upon the Group's business. Suppliers are paid in line with contractual and legal obligations.

We endeavour to respond quickly to changing customer demand, to identify emerging needs and to improve service availability and quality. We stay close to our current and potential customers, building long-term relationships.

Bodycote seeks to play a positive role in the local communities in which it operates by providing employment opportunities, building goodwill and a reputation as a good neighbour and employer.

Responsible business ethics

All Bodycote personnel are expected to apply a high ethical standard, consistent with an international UK-listed company. Directors and employees are expected to ensure that their personal interests do not at any time conflict with those of Bodycote. Shareholder employees are advised of and comply with share dealing codes.

Bodycote has systems in place designed to ensure compliance with all applicable laws and regulations and conformity with all relevant codes of business practice. Further, Bodycote does not make political donations.

With regard to competition, Bodycote aims to win business in a differentiated high-value manner. The Group does not employ unfair trading methods and it competes vigorously but fairly within the requirements of the applicable laws. Employees are prohibited from either giving or receiving any inducements.

Our Open Door Policy has been translated into all languages used throughout the Group. The policy allows employees to report their concern verbally or in writing and in confidence to an independent third party provider to ensure anonymity. Reports are transcribed and sent to the Group Head of Risk, who then passes the matter to the appropriate individual in the business to be addressed.

Bribery and Competition Law online training courses have been put in place, translated into the major languages used throughout the Group, and relevant employees have completed the interactive courses.

Operational SHE performance

Bodycote is committed to building and maintaining a high reliability organisation; one that delivers consistently high performance across all aspects of safety, health and environmental (SHE) management. Its objective is to be known for the excellence of its SHE performance in all of its business activities and at all of its sites.

Safety and health

The nature of the Group's operations is such that employees are regularly exposed to hazards in the workplace. Bodycote aims to manage these hazards and thereby minimise risks to employees through the deployment of a robust safety management system which includes appropriate policies and procedures.

Although Bodycote has reported a reduction in accident rate over recent years, a review of operational activities and processes towards the end of 2011 suggested a high likelihood of under-reporting due to a number of factors. A three-year global improvement strategy began in 2012, and one aspect of this was to address the incident reporting and investigation processes. Although regrettable and not acceptable, accidents represent learning opportunities, and so accurate reporting is an essential part of building a robust safety management system.

A number of specific actions were taken to encourage the reporting of incidents, including the introduction in 2013 of a new global incident reporting system and a common near-miss/unsafe condition reporting system at every operational site. As a result, the number of near-misses and unsafe conditions reported at the end of 2013 was over three thousand, compared with just 58 at the end of 2011.

The reported number of accidents leading to lost time has also shown an increase, from 1.5 (per 200,000 hours worked) in 2012 to 1.9 (per 200,000 hours worked) in 2013. Whilst it cannot be proven that this increase is due to better reporting, it is highly likely that this is the principal reason, given the emphasis that has been placed on incident reporting and the simultaneous safety improvement activities.

Environment

A proactive approach to improving energy efficiency means that Bodycote has implemented a variety of systems to reduce water and gas consumption and re-use energy. The continuing focus on lessening its impact on the environment has resulted in Bodycote seeking accreditation to ISO 14001 at all of its facilities.

At every stage where Bodycote is involved in the manufacturing cycle, our operational aim is to reduce the overall impact on the environment, not just in our own operations, but also those of our customers. Bodycote operates modern, efficient equipment, which is operated around the clock so as to optimise thermal processing cycles. Without Bodycote, many companies would be using older in-house technology and running their equipment at reduced capacity, both of which are a drain on energy resources. Working with Bodycote enables our customers to commit more easily to carbon reduction initiatives.

Bodycote also reduces the carbon footprint of its customers' activities by increasing the lifespan of their products, by improving metallurgical properties and by enhancing corrosion resistance. For example, surface treatment technology is widely used in the reclamation of damaged and worn components, offering a cost-effective and energy-efficient alternative to the need to manufacture new replacement parts, and treated parts often last up to twenty times longer than the original.

So, whilst thermal processing is an energy-intensive business, it is a vital part of the manufacturing chain and its use saves the energy it consumes many times over.

Corporate responsibility and sustainability continued

Greenhouse gas emissions

Scope 1 emissions in the year amounted to 154,069 tCO₂e (2012: 143,576 tCO₂e). The intensity ratio¹ amounted to 248.7 (2012: 244.3). Scope 1 emissions are direct emissions resulting from fuel usage and the operation of facilities.

Scope 2 emissions in the year amounted to 219,912 tCO₂e (2012: 211,123 tCO₂e). The intensity ratio¹ amounted to 354.9 (2012: 359.1). Scope 2 emissions are indirect energy emissions resulting from purchased electricity, heat, steam or cooling for own use.

The sum of both Scope 1 and Scope 2 emissions in the year amounted to 373,981 tCO₂e (2012: 354,699 tCO₂e). The combined intensity ratio¹ amounted to 603.6 (2012: 603.4).

The financial control consolidation approach has been used to report the above data. This method aligns with the reporting scope in the financial statements.

The Group collects electricity and natural gas usage information from each facility on a monthly basis. The Group then applies Department for Environment, Food and Rural Affairs (DEFRA) published national carbon conversion factors to calculate the total tonnage of CO₂e produced.

Group operational management actively monitors their monthly CO₂e emissions reported and the Group's Executive Committee reviews the level of CO₂e emissions on a monthly basis.

All entities and facilities under financial control are included within the disclosure. Emissions <1% of the Group's total CO₂e relating to fugitive emissions and owned vehicles are not material and are excluded. As such there are no material omissions from this disclosure.

KPI – ISO 14001 accredited facilities

Reducing the environmental impact of the Group's activities is taken very seriously. Compliance with the requirements of ISO 14001 helps to minimise the risk of adverse environmental effects at Bodycote's locations. At the end of 2013, 85% of our operating facilities had achieved ISO 14001 accreditation. Operational plants which have not yet received accreditation to the standard are working towards it, including several of the facilities acquired in 2012 and 2013. The fall in percentage in 2012 was due to the facilities acquired in 2012 which had not obtained accreditation. A number of the acquired plants have obtained the ISO 14001 accreditation during the year.

Carbon footprint and water consumption

The absolute energy usage increased by 5%, in line with the increase in sales.

When normalised, the total CO₂e emissions per £m sales in 2013 were 603.6 tCO₂e, unchanged from 2012. However, factors affecting this normalised value are the effect of foreign exchange rates and acquisitions. If these are ignored, then the normalised value for carbon emissions shows a reduction of 6%.

The Group's total CO₂ emission data is based on Scope 1 and Scope 2 emissions, as defined by the UK Government's DEFRA, and data relating to this has been calculated to include country-specific electricity conversion factors.

Water usage per £m sales decreased by 7%.

Chlorinated solvent use

The use of chlorinated solvents in Bodycote's thermal processing activities has been reduced in recent years as aqueous degreasing facilities have been introduced. In 2013 the overall solvent use decreased by 13% compared with the previous year.

A greener, cleaner environment

Reducing any detrimental impact on the environment has become a growing focus of industry worldwide and Bodycote can assist with the drive towards carbon reduction and environmentally friendly approaches in a number of ways. For example, certain heat treatment and thermally sprayed surface treatments are leading the way in the replacement of older, less environmentally friendly processes such as chrome plating.

Future restrictions that will be placed on chrome plating due to health and environmental issues have led many businesses, including the major aerospace companies, to embark on initiatives to replace it. These companies have highlighted thermal spray coatings as the preferred replacement for chrome plating.

Bodycote has been involved in a number of initiatives to replace chrome plate and results have shown that, in addition to the environmental benefits, thermally sprayed tungsten carbide outperforms hard chrome plate for both wear and corrosion protection.

Modern thermal processing techniques have allowed designers and manufacturers to use much lighter materials, such as aluminium and titanium, and have significantly prolonged component lifetimes. Through the effective use of thermal processing, parts can now be lighter and overall component weight reduced, leading to improved efficiency and reduced fuel consumption of products in service.

Cautionary statement

The Strategic report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed.

The Strategic report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Approval

The Group Strategic report of Bodycote plc was approved by the Board of Directors and signed on its behalf by:

S.C. Harris

Group Chief Executive
27 February 2014

¹ Emissions per £m of turnover