

Sustainability strategy

Our Commitment

Croda is committed to becoming the most sustainable supplier of innovative ingredients. We will create, make and sell solutions to tackle some of the biggest challenges the world is facing. By 2030 we will be Climate, Land and People Positive.

We launched our Commitment in 2020, externally benchmarking our targets with the support of CISL to ensure our ambitions aligned with expectations of a sustainability leader in our industry. We have a restorative strategy, designed to ensure that planet and society are better off as a result of our activities, and we are not only mitigating against negative impacts.

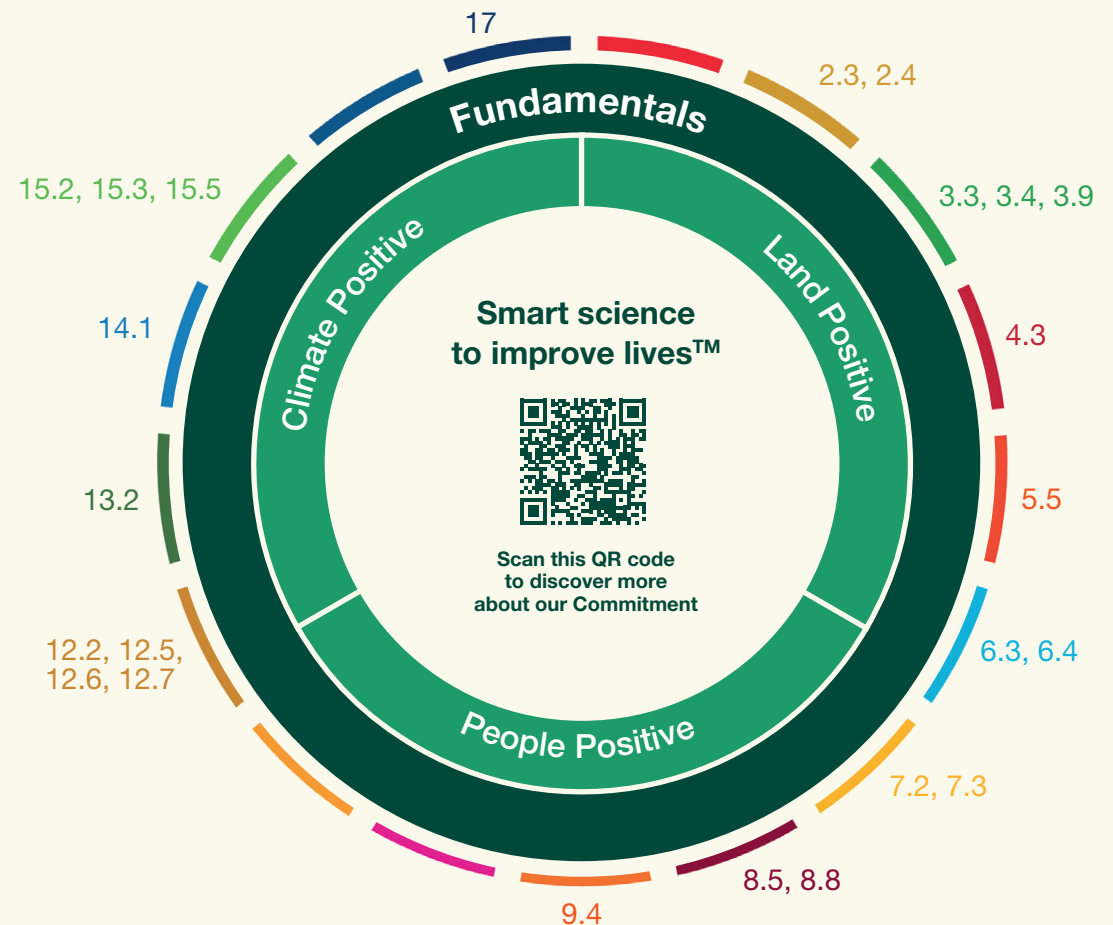
We also have important performance indicators outside Climate, Land and People; we believe these Fundamentals are crucial to our success. Our Fundamental targets represent the social licence required for a multinational manufacturing company, such as Croda, to operate in 2030.

Aligning with the UN SDGs

The SDGs underpin our Commitment. Twenty-three out of the 169 targets that sit below the SDGs are drivers of our strategy; those where we must reduce our negative impacts and where we can make the biggest positive contributions. The targets are grouped around the themes of climate, nature and society, hence our Commitment to be Climate, Land and People Positive.

Beyond these 23 drivers, the remaining SDGs and their targets are similarly important; while they do not drive our strategy, we are contributing to them through our Fundamental objectives (p39) and Croda Foundation (p35), and we depend on wider progress across society towards many of them as enablers to achieve our Commitment.

Just as partnerships are critical to the success of the UN Sustainable Development Agenda through SDG 17, achieving our 2030 Commitment is dependent on productive partnerships with all our stakeholders (see p8 business model). In 2022 we joined the WBCSD, the global CEO-led community of more than 200 leading sustainable businesses working together to accelerate the transformations needed for a net zero, nature positive, more equitable future.



Sustainability strategy continued

Global Action Award: Croda Shanghai and Croda Poland



The Croda Shanghai team was recognised for delivering emergency food packages during COVID-19 lockdowns within local communities. Croda Poland employees were recognised for the Sunflower Project: colleagues provided homes for refugees from the war in Ukraine together with food, clothes and schooling opportunities.



For more information on our Purpose In Action (PIA) Awards
See page 5

A 'living' strategy continually tested and updated

Continuing our relationship, 2022 saw Cisl complete an evaluation of Croda's progress towards becoming a Purpose-led company with sustainability at the core of our business strategy. The review of our sustainability journey to 2020 acts as an external benchmark for our continued evolution, and pleasingly, as shown throughout this report, we are making steps that encompass Cisl's recommendations, which include:

- Stepping up efforts to increase supply chain transparency, designing and implementing targets and strategies for biodiversity; and increasing diversity and inclusion across all levels of the business
- Further developing the sustainability skills of all employees, embedding sustainable innovation across our whole portfolio
- Using our leadership position in sustainability to inspire and support customers as well as peers and suppliers to adopt sustainable solutions

Informed by this, and the full strategy review completed with our Executive Committee in November 2021, we have further evolved our sustainability strategy.

Following a Cisl workshop in 2021 which developed our understanding of initiatives relating to nature for business, during 2022 we were excited to announce our aspiration to become Net Nature Positive by 2030 (see p30 Land Positive). The primary aim of our WBCSD membership is to help develop guidance and regulations for future business-focused nature and biodiversity actions. To this end, we are also a Corporate Engagement partner with the Science Based Targets Network (SBTN). In 2022, we became an early adopter of the updated United Nations Global Compact Annual Communication of Progress approach, using the more rigorous standard as a further tool to measure our progress and identify gaps for improvement.

Our evolving business portfolio creates new opportunities and challenges

In June 2022, we announced our transition to a Life Sciences and Consumer Care focused business, following the divestment of a majority of our PTIC businesses (see ARA2022 p80). As part of our due diligence, we re-baselined all relevant sustainability metrics back to our baseline year of 2018, and reviewed our 2030 targets for Croda moving forward. In every case, we chose to maintain or increase the level of ambition against our targets.

For example, following the GHG Protocol and SBTi framework, we re-baselined our GHG emissions and retained our SBT at the same percentage reduction as previously. The proportion of bio-based organic raw materials reduced to 57%¹ due to the disposal (2021: 69%) but we have retained our original target to achieve 75% by 2030. (see p27 Sustainable innovation). The data and progress in this report relates to Croda post divestment only, please refer to our performance table (p40) for reconciliation with the previous data.

“Our approach to providing resources to meet our 2030 targets follows the Croda model of decentralising wherever possible to be close to the point of need and action.”

Targeted resources to accelerate sustainability performance

Our approach to providing resources to meet our 2030 targets follows the Croda model of decentralising wherever possible to be close to the point of need and action. Our central Group Sustainability and Sustainable Sourcing functions provide subject matter and ESG reporting expertise and manage third-party relationships.

2022 saw the development of a global Sustainability Professionals Network, comprised of those employees with a primary focus on sustainability, within the business and outside our central Group function. Pleasingly, these employees now outnumber our Group sustainability team. This network has been set up to facilitate best practice sharing and allows us to have a much greater reach and impact across the Croda world, building longer-term customer and industry relationships founded on sustainability.

We have allocated more resources to supplier engagement, and to reporting more accurately on sustainable sourcing at product level. We have recruited our first sustainability analyst in Group Finance to roll out our Product Carbon Footprinting programme to all locations (see p25 Climate Positive).

1. The value of 57% quoted in the above is the restated 2021 value minus PTIC.

Sustainability strategy continued

Measuring our growth against the SDGs

Having previously identified the SDG targets that directly connect with our Commitment (see p11 SR2020), we have mapped out how those SDG targets can be impacted through the use of our products in the markets in which we operate, considering our product offering into those markets and the primary supply chains and operations that provide them.

We plan to continue this assessment in the coming years to develop a means of assessing our revenues and profitability by SDG target. The table below presents a summary of the SDG targets our activities impact, broken down by sector and business unit.

	Value chain				Operations								Products and services						
	SDGs	8 ECONOMIC GROWTH	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	15 LIFE ON LAND	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 ECONOMIC GROWTH	9 INDUSTRIAL INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND
Consumer Care																			
Beauty Care		8.5	12.2 12.7	13.2	15.2 15.5	3.9			6.4	7.2		9.4	12.5		3.4	7.3		14.1	
Beauty Actives		8.5	12.2 12.7		15.5	3.9		5.5				9.4	12.5					14.1	
Home Care		8.5	12.2 12.7		15.2 15.5	3.9			6.3 6.4	7.2		9.4	12.5			7.3	13.2	14.1	
Fragrances and Flavours		8.5	12.6 12.7		15.2 15.5	3.9	4.3	5.5	6.4		8.8	9.4	12.5						
Life Sciences																			
Seed Enhancement			12.2 12.7			3.9			6.3	7.2		9.4	12.5	2.3 2.4		7.3	13.2	14.1	15.3
Crop Protection			12.2 12.7	13.2	15.2 15.5	3.9			6.3 6.4	7.2		9.4	12.5	2.3 2.4		7.3	13.2	14.1	15.3
Pharma			12.7		15.2	3.9				7.2		9.4	12.5		3.3 3.4	7.3	13.2		

Governance

Sustainability governance and management oversight

Our Commitment is to be Climate, Land and People Positive by 2030, and we have built robust governance mechanisms at all levels to hold ourselves accountable for successful delivery of our ambitious 2030 targets.

Board leadership

Our Board comprises Non-Executive Directors plus the Group Chief Executive and Chief Financial Officer. It has ultimate responsibility for reviewing, monitoring and guiding our strategy, providing constructive challenge and specialist advice. The Board has overall accountability for the management and guidance of risks and opportunities, including those relating to Climate, Land and People, and for the delivery of our financial and non-financial performance.

Phil Ruxton, Chief Sustainability Officer, provides the Board with a quarterly update on progress on behalf of the Sustainability Committee.

In 2022, sustainability was given significant focus at the Board-level Audit Committee and Executive-level Risk Committee. This included a review of corporate level risks and opportunities associated with sustainability, future compliance with the rapidly changing reporting framework requirements, and assessing the processes and controls around preparing non-financial data as we plan to seek selective external assurance in 2023.

The full Board also conducted a review of progress against delivery of our Commitment in December 2022.

Outcomes of these discussions included sustainability considerations for Non-Executive Director appointments and plans for Board-level sustainability competence development in 2023.

Executive Committee ownership

Formed in 2020, the Sustainability Committee is chaired by our Chief Sustainability Officer, and is a subcommittee of the Executive Committee. It has delegated authority to oversee the development, measurement and delivery of our KPIs across the three pillars of our sustainability strategy: Climate, Land and People, supported by our Fundamentals. It comprises members of the Executive Committee and senior leaders from across Croda, with each member responsible for delivering specific 2030 targets. Expert advice and support are provided by the Group sustainability team and third-party partners. The Sustainability Committee met six times in 2022.

Sustainability is also built into our long-term incentive plans through the inclusion of key non-financial metrics relating to 15% of the plan for senior leaders (see ARA2022 p112).

Embedding ownership across the business

The Sustainability Committee is responsible for global Group-wide engagement with our sustainability targets and provides guidance and support to sites, regions and sectors to develop plans to deliver our goals.

Together award:
Alban Muller, Croda France,
Sederma



This initiative saw new employees at Alban Muller, Croda France and Sederma coming together for a morning of team building in the Forest of Rambouillet. Introducing them to the Company, activities included a group breakfast and showing teamwork by building a dry hedge together: an incredible biodiversity reservoir.



For more information on our Purpose In Action (PIA) Awards

See page 5



Scan this QR code to find out more about our Sustainability Committee

Governance continued

Organised to deliver our Commitment

We aspire to embed sustainability across Croda; engaging all employees; connecting our strategy with their roles; and enabling decisions at all levels to take into account sustainability-related impacts.

Employees across Croda's sectors, regions and functions work together to deliver our Commitment.

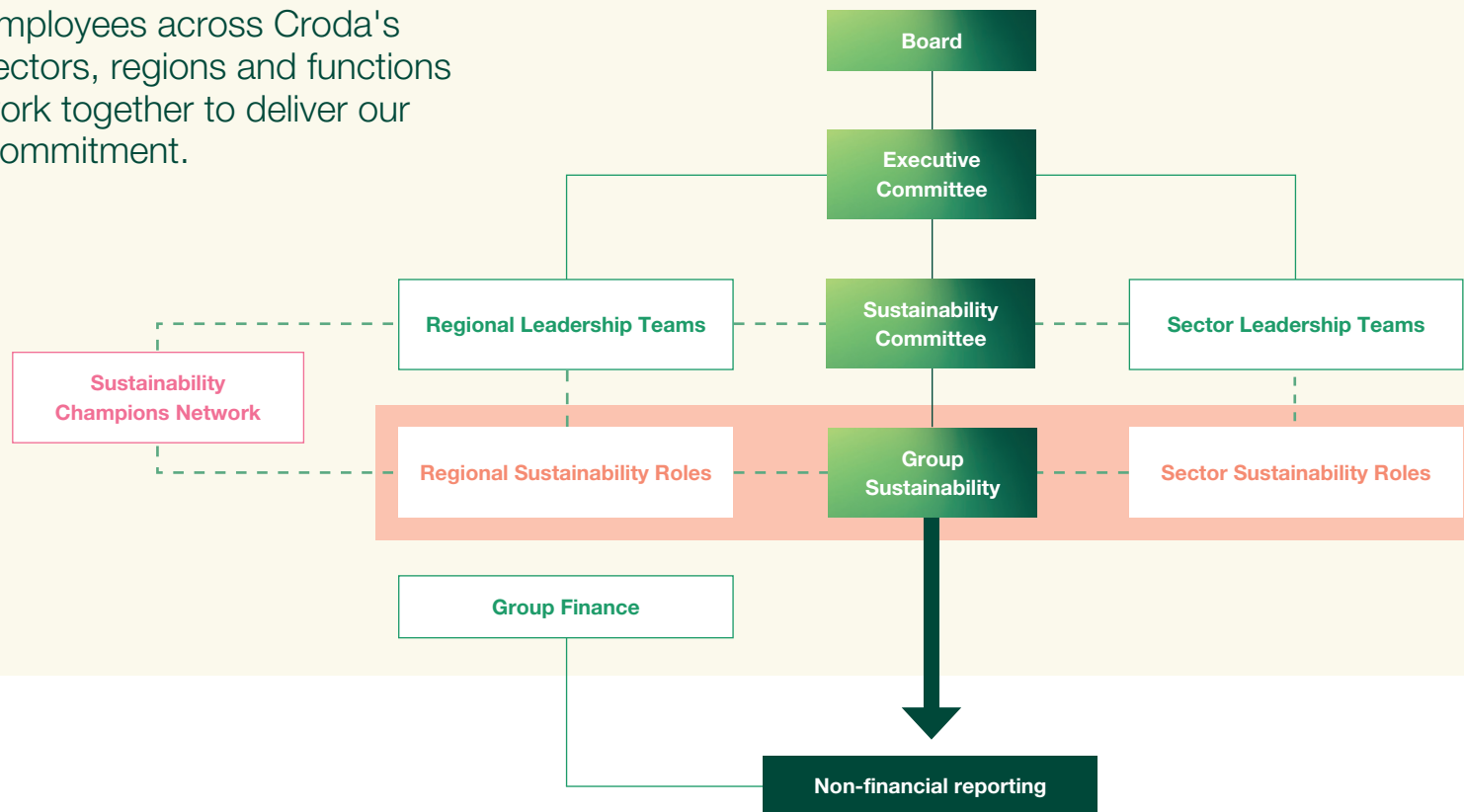
Our sustainability networks

Sustainability Champions Network:

Employee-led initiative made up of passionate individuals around the Croda world who take time from their day job to help embed sustainability across Croda (see p12).

Sustainability Professionals Network:

Employees with a primary focus on sustainability in their roles in the business, sat outside of our Group Sustainability function (see p14).



Governance continued

Risk and opportunity management

Our robust risk management system provides the framework for capturing, assessing and monitoring all risks and opportunities in the organisation across the short, medium and long term, including sustainability-related risks and opportunities (see p52 ARA2022). Oversight of all risks is provided by the Risk Committee, a subcommittee of the Executive Committee, which meets quarterly and provides reports to the Board. The framework means risks are owned at the correct point in the organisation responsible for their management and mitigation. Sustainability-related risks are identified across all of our generic risk areas, with key risks relating to:

1. Those owned and managed by the Sustainability Committee covering the entire Group, with skills and knowledge centralised in the Group sustainability team. Key risks identified include:
 - a. Senior leaders providing enough focus and resources locally to support the work required to deliver our 2030 sustainability strategy.
 - b. Confidence in the quality and provenance of product specific sustainability data (e.g. product carbon or water footprint) to support external assurance.
 - c. Ability of third parties, such as customers and suppliers, to align with our sustainability ambitions and provide the relevant data.
 - d. The ability to keep abreast of changing regulatory reporting requirements.
2. Climate scenario related risks that are owned and managed at sites. Specific risks are identified associated with the Task Force on Climate-related Financial Disclosures (TCFD) climate scenario assessments (see p63 ARA2022) we have conducted. These are incorporated into the risk management system at the correct point to ensure local ownership and control.
3. Existing local known risks. These are already included in the risk management system by local leadership teams and cover many aspects of the sustainability agenda. A recent assessment identified more than 50 specific risks already captured that are being mitigated and monitored. The assessment also identified best practice and potential gaps in this decentralised approach, which are being addressed.

Our Grievance Policy for the palm derivatives sector helps create a deforestation-free palm derivatives supply chain, respecting human rights and supporting local livelihoods, supported by our partnership with ASD to promote transparency, risk management and engagement.

Monitoring and control, metrics and targets

We have developed the detailed metrics and reporting methodologies behind our 2030 targets, and applied the principle of placing responsibility to collect and approve data as close to source as possible. This includes a dashboard of key metrics that are reviewed on a quarterly basis by the Sustainability Committee and Executive Committee.

Assurance

Since 2019, our GHG emissions have been independently verified to a reasonable level by Avieco, now part of Accenture.

Recognising the increasing importance of the accuracy and integrity of non-financial data for all stakeholders, in 2022 we conducted an internal audit of the methodologies and responsibilities for collecting the data associated with all our 2030 non-financial KPIs. In 2023 we will be seeking limited assurance of climate KPIs, the first step in our roadmap to reasonable assurance of all non-financial data.

2022 reporting parameters

This report covers the sustainability performance of Croda International Plc for the period 1 January 2022 to 31 December 2022. The scope of this report, and data within it, is all operations wholly owned for the full 12-month period, plus those operations where we have significant management influence due to a majority shareholding.

During 2022, Croda divested a significant portion of our global business. The business post-divestment is considered throughout this report as stated above; please refer to p40 performance table for full year actual data and the reconciliation. All relevant non-financial data and KPIs have been re-baselined back to 2018 without the divested business; please refer to the non-financial data pack for details of the reconciliation. Targets and milestones have remained as previously defined, except where mentioned in the relevant section of the report (see p36 performance update).

As of 31 December 2022, Croda employed 5,825 people across 92 locations in 39 countries.

Group employees

5,825

Group locations

92

Countries operated in

39

Governance continued

Our approach to non-financial reporting

To ensure we can provide our internal and external stakeholders with a level of non-financial information upon which to base decisions, we are increasing our focus on ESG reporting.

During 2022 we recruited into a newly created role of Group ESG Reporting Manager, to lead our work in this area as we move towards assurance of all our non-financial data.

TCFD

Responding to the TCFD recommendations has helped us to understand and quantify the risks and opportunities associated with a changing climate. We have responded to the TCFD recommendations since 2020, before the regulatory requirement to do so, and are looking to continually improve our response, ensuring the outputs are embedded within our climate strategy.

Our 2021 response was selected at random to form part of the UK Financial Reporting Council (FRC) 'limited scope' review of compliance with TCFD disclosures and climate in company financial statements.

The FRC did not have any questions or queries following their review, however, they did identify three areas where Croda's existing disclosures could be improved for 2022, connected with climate-related risks and opportunities. These were:

- A description of Croda's short-, medium- and long-term time horizons
- A description of why certain risks were chosen for climate scenario analysis over others
- A description of our risks and opportunities by sector and/or geography

These improvements are incorporated into our 2022 disclosure to ensure continual improvement.

The FRC provides no assurance that the annual report and accounts are correct in all material respects. The FRC's role is to consider compliance with reporting requirements, not to verify the information provided. The FRC accepts no liability for reliance on this review by the company or any third party, including but not limited to investors and shareholders.



Please see the TCFD section in our ARA2022 for our full disclosure.

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Upcoming regulations

We recognise the need to keep abreast of regulatory changes to ensure compliance, meet our reporting obligations and to be able to demonstrate leadership in reporting progress against our non-financial KPIs. This applies not only to UK reporting requirements, but also those outside the UK where we may have eligible subsidiaries.

Examples of upcoming frameworks are:

ISSB: In 2022 we responded to the International Sustainability Standards Board consultation on their proposed non-financial reporting standards, along with 1,300 other letters. The ISSB board is now in place and proposing changes based on this feedback, with the release of final standards expected Q1 2023.

TNFD: The Taskforce on Nature-related Financial Disclosures recommendations are due in September 2023; the work we are doing to understand our impacts and dependencies on nature will be important as we move to disclose against this framework.



Scan this QR code to download our non-financial data pack

All our non-financial data can be found in our non-financial data pack on croda.com. This details our alignment to both the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) reporting frameworks.

Group ESG Reporting Manager



"In my role I work closely with pillar owners across the business to drive continual improvement across all aspects of ESG reporting. Through developing a non-financial reporting framework, I will ensure alignment to global standards and upcoming regulations and reporting requirements. My role will allow us to demonstrate our sustainability leadership through external ratings and rankings indices."

Zoë Law

Group ESG Reporting Manager