Smart science to improve lives™

CRODA

Annual Report and Accounts **2020**

Contents

Highlights

Sales

£1,390.3m

2019: £1,377.7m

Core Business sales growth (constant currency)

+2.3%

2019: -2.3%

IFRS profit before tax (PBT)

£269.5m

2019: £302.3m

Adjusted PBT growth (constant currency)

-4.8%

2019: -3.7%

Ordinary dividend (proposed full year)

+1.1%

2019: +3.4%

NPP % Group sales (constant currency)

27.4%

2019: 28.1%

Energy from non-fossil fuels

25.0%

2019: 22.7%

Safety (Total Recordable Injury Rate*)

0.54

2019: 0.55

* excluding acquisitions and COVID-19.

Croda employees who feature on our front cover:

Siau Hoong Chiew, Lead Quality Control Analyst, Croda Singapore
Marta Dobrowolska-Haywood, Head of Research and Technology, Incotec
Thaddeus Anim-Somuah, Engineering Manager – Projects, Croda Gouda

Some photography used within this report was taken prior to the COVID-19 pandemic.

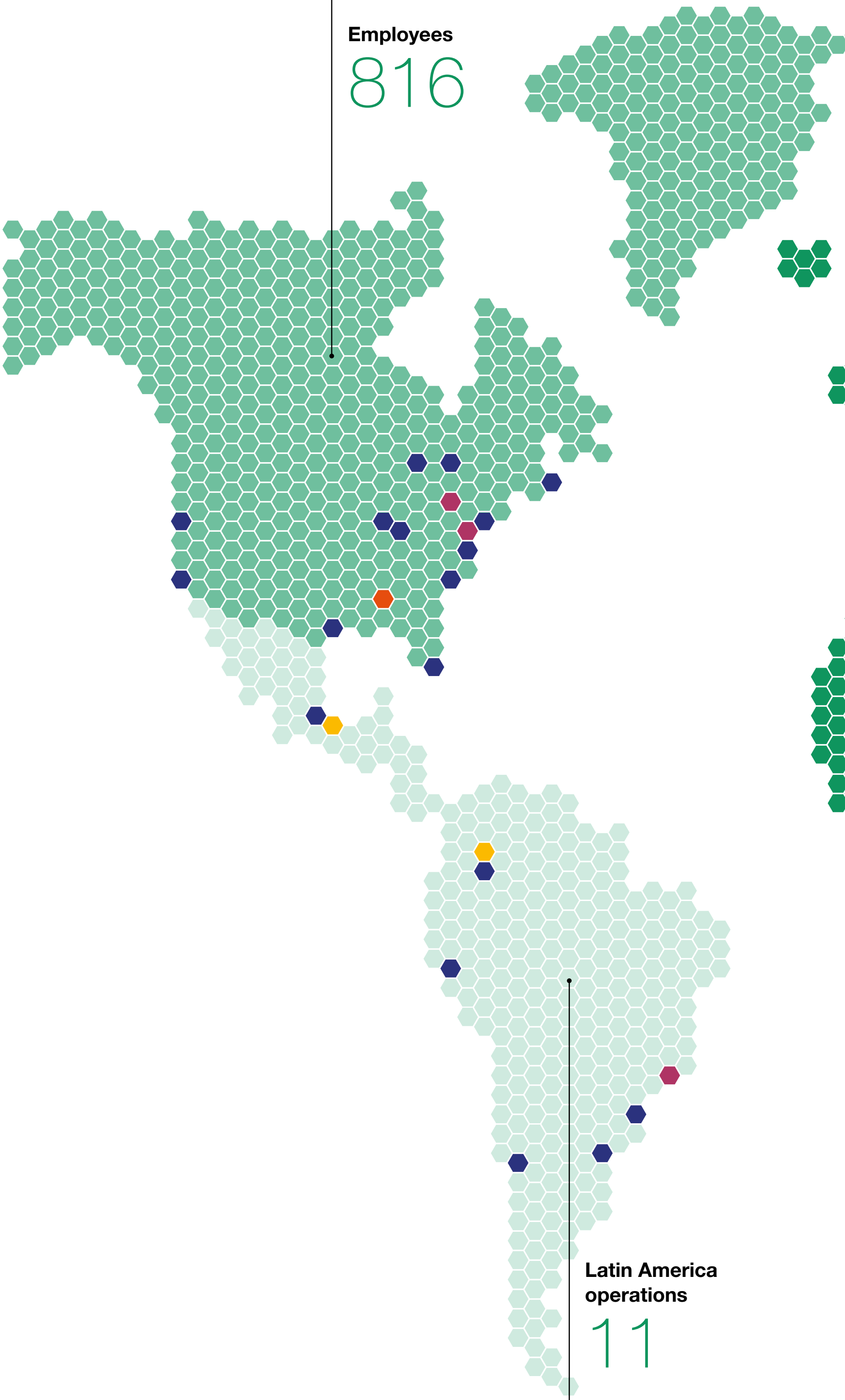
Our global operations

North America operations

10

Employees

816



Latin America operations

11

Employees

381

Sales by sector

Personal Care*	£475.9m
Life Sciences	£401.6m
Performance Technologies	£416.4m
Industrial Chemicals	£96.4m

* Consumer Care from 2021 onwards

Sales by region

Europe, Middle East & Africa	£562.4m
North America	£387.0m
Asia	£309.3m
Latin America	£131.6m

Western Europe operations

27

Employees

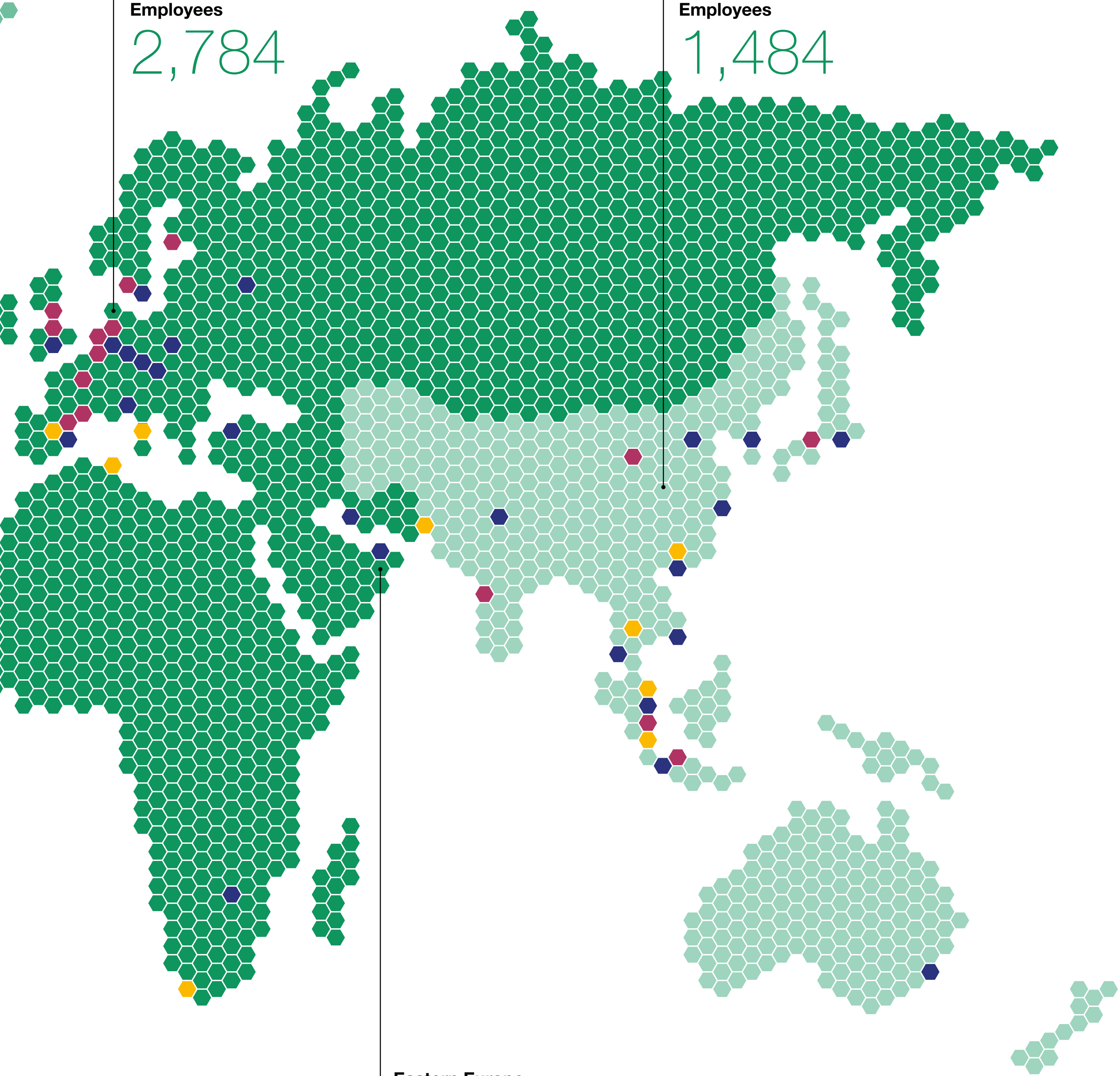
2,784

Asia operations

27

Employees

1,484



Eastern Europe, Middle East & Africa operations

10

Employees

219

Key

- Croda R&D centres and offices
- Croda principal manufacturing sites
- Iberchem manufacturing sites
- Avanti location

Note: some hexagons may represent multiple site locations. Operation and employee numbers include Iberchem and Avanti.

At Croda, we have made it our Purpose to use our Smart science to improve lives™. This has been a tough year for everyone, but this clarity of Purpose has been our guide, ensuring our commitment to our customers and to one another. We have kept our people safe, while maintaining supplies for our customers and delivering key components for the world's first approved COVID-19 vaccine.

This year, more than ever, we felt the value of working closely with partners and supporting every one of the stakeholders in our ecosystem. Our continued success and positive impact on the world is driven by the strength of these relationships with others.

Smart science

At Croda our Purpose is to use Smart science to improve lives™, enabled by our distinctive values-led culture that governs how we work with one another and guides our relationships with all of our partners. We combine our knowledge, passion and entrepreneurial spirit to create, make and sell speciality ingredients that are relied on by industries and consumers everywhere.

Through our strategy

Our corporate strategy sets out the high-level themes that will help us to deliver our Purpose. A focus on growth, innovation and sustainability means that our smart science can help our customers to deliver both their consumer and sustainability commitments, while we achieve our own, creating sustainable value for our shareholders.

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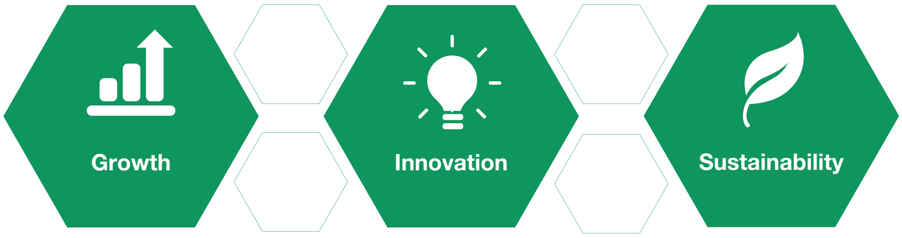

Consistent top and bottom-line growth, with profit growing ahead of sales, ahead of volume.

The lifeblood of our business, we seek to increase the proportion of NPP (New & Protected Products) that we sell.

Aligning our business with our Purpose and accelerating our customers' transition to sustainable ingredients.

Through the markets we serve

Our market focus targets Consumer Care, Life Sciences and Performance Technologies as we look to extend the reach of our smart science to consumers everywhere. From sun protection to pharmaceuticals, crop and battery technologies, these markets touch our lives every day.

Consumer Care

From 1 January 2021, Personal Care, Home Care and Iberchem were combined to create our new Consumer Care sector.

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Our smart science is helping our customers, large and small to create formulations with improved environmental profiles for thousands of personal and home care products while delivering clear benefits to consumers.

* Reported as Personal Care for 2020.

We reach customers worldwide with our ingredients to deliver health care solutions, protect crops and enhance seeds. From our vaccine technologies to microplastic-free seed coatings, we are using our smart science to improve lives everywhere.

Our innovative, low-carbon, sustainable and technology-rich additives and materials enable the transition of industrial markets to new sustainability-driven solutions. We work with our customers to help them to deliver superior performance, lower carbon, and greater circularity in materials, mobility, energy, and water industries.

Delivered by our shared values

Our distinctive values-led culture governs how we work and guides our relationships with others. Our shared values of 'Responsible', 'Innovative' and 'Together' focus our work to ensure our smart science helps to improve lives. For more information on our values see p16.

to improve lives™

Croda was founded on the principle of using smart science to turn bio-based raw materials into innovative ingredients that help to improve lives. Our Commitment is to be Climate, Land and People Positive by 2030. Through this, and by being the most sustainable supplier of innovative ingredients, we will help provide solutions to some of the world's biggest challenges. The United Nations Sustainable Development Goals (SDGs) are the foundation of our approach.

Our priority SDGs

By 2030 we will be...

...Climate Positive

We will help our customers to avoid carbon emissions through the benefits in use of our innovative ingredients, whilst continually reducing our carbon footprint. We will increase our use of bio-based raw materials, which absorb carbon from the atmosphere. By combining these efforts, we will enable four times more carbon emissions to be avoided than we emit through our operations and supply chain.

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...Land Positive

The use of our agrochemical technologies helps farmers to increase yields and improve crop resilience while protecting biodiversity. Our continual innovation will help customers to mitigate the impact of climate change and land degradation, increasing the availability of land suitable for growing crops. The use of our products will enable more land to be saved than is used to grow our bio-based raw materials.

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...People Positive

We use our smart science to improve the lives of our own employees and people all around the world. We will contribute to SDG 3, developing ingredients to improve health and wellbeing, provide access to our smart science through our foundation, and encourage and promote diversity within our organisation. We will continue to innovate to increase our positive impact on society.

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How we measure the success of our Purpose

Creating Smart science to improve lives™ drives us all but we do not take this for granted. For details of the ways we measure the success of our Purpose, and the link to our executive remuneration, see our strategy on p22, our KPIs on p38 and our Remuneration Report on p76 and 80.

Chair's statement

2020 will be remembered as the year of the global COVID-19 pandemic. In everything we have done we have endeavoured to treat all our stakeholders fairly. Compassion and the agility to respond have been essential.

Anita Frew
Chair

> "We recognise that we operate in an ecosystem where our success and our positive impact on the world are dependent on others."

Delivering for all of our stakeholders

2020 will be remembered as the year of the global COVID-19 pandemic which has left its mark on us all. On behalf of the Board, I would like to thank all our employees around the world for their continued commitment to one another and to our customers, which has been remarkable amidst these challenges.

I am particularly proud of the role we are playing delivering critical components of the first approved COVID-19 vaccine that is helping to pull us through this crisis. More generally, the pandemic has demonstrated the resilience of Croda's culture and business model.

I am sure I am not alone in feeling deep sympathy for everyone touched by the terrible impact of the virus. In everything we have done this year we have endeavoured to treat our stakeholders fairly and live up to our Purpose of using Smart science to improve lives™.

A resilient performance

In the first few months of the pandemic, the Board met weekly to consider Croda's response to the crisis, which has been both rigorous and compassionate. In line with investor focus on business continuity, we undertook extensive scenario testing which confirmed Croda would remain profitable, cash generative and have sufficient liquidity to absorb extended uncertainty.

Croda's business model has proved to be even more resilient than the scenarios we tested. Core Business sales for the year increased by 2.2% to £1,293.9m (2019: £1,265.9m). Adjusted profit before tax reduced by 6.7% to £300.6m (2019: £322.1m). Life Sciences delivered an outstanding performance through organic growth and acquisition, most notably in the Health Care business. Personal Care and Performance Technologies were both significantly affected by lockdowns in response to COVID-19 but sales recovered well during the second half year. The benefits of recovery, together with the full-year impact of recent acquisitions and the COVID-19 vaccine contract, are expected to support profitable growth across the business.

COVID-19 has been the focus of 2020 but we also recognise that the other big crises facing the planet have not gone away. At the beginning of this year we outlined our Commitment to be Climate, Land and People Positive by 2030. Despite the pandemic, we have made a strong start on the journey to become the most sustainable supplier of innovative ingredients, helping to provide solutions to some of the world's biggest challenges.

A year for compassion, fairness and flexibility

We have confidence in our ability to deliver our Purpose and Commitment because of the team we have and the way we work. The Board has an important role to play in promoting a culture that ensures Croda's long-term success. This year, in addition to the relentless focus on the safety of our colleagues and promoting diversity across the business, we have focused on defining the values that make us different as a company. Our distinctive values-led culture governs how we work with one another and guides our relationship with others. We recognise that we operate in an ecosystem where our success and our positive impact on the world are dependent on how we work with all of our stakeholders.

This year we knew that the COVID-19 crisis would create challenges for stakeholders across our entire ecosystem, from our employee colleagues to small suppliers, large customers and the local communities where we operate. Among other efforts, we have ensured that our colleagues can work from home or in COVID-secure workplaces. None of our colleagues was put on furlough and we moved quickly to provide reassurance that we had no plans to reduce numbers or reduce pay and benefits as a result of the pandemic. We also recognised that some employees needed to balance caring responsibilities and work, so encouraged everyone to work flexibly.

We worked with our colleagues to support their local communities and offered struggling customers and suppliers more flexible payment terms to help them weather the financial impacts. We also continued to pay dividends to shareholders in line with the Board's commitment to treat all stakeholders fairly. This has been a year when compassion, fairness and agility to respond have all been essential.

Driving value through our Purpose and strategy

Our agile approach and resilient business model also allowed us to look beyond the immediate pandemic and plan for the long term. Over the summer, the Board and Executive defined Group strategic priorities that will deliver longer-term growth. Alongside sustainability, the disruptive impact of digital and the opportunities in emerging markets are driving our thinking, and, whilst our long-term strategy has not changed, we have accelerated the delivery of some immediate priorities.

Our strong balance sheet, low leverage and robust liquidity allowed us to invest with confidence to accelerate delivery of our strategy of enhancing future sales and profit in consumer-facing markets. We invested over £120m in organic capital expansion, with a particular focus in growing Health Care and innovation, and over £850m in two acquisitions into key market adjacencies. Firstly, in support of our near-term priority to scale drug delivery, we acquired Avanti Polar Lipids, whose lipid-based technologies are key to new patient health applications including mRNA-based vaccines and drugs to fight COVID-19. Then, in November, we acquired Iberchem, a global flavours and fragrances business, in line with our priority to deliver fast growth in emerging markets, particularly China. This acquisition was part-funded by an equity placing, 75% of which was taken up by existing shareholders, whom we would like to thank for their ongoing support.

By reinforcing Croda's leading position in high-growth niches, such as consumer care and patient health, we are targeting more consistent organic revenue growth. This will complement our world-class margins and strong cash generation as part of our compelling proposition to shareholders. This year, our resilient performance, combined with prudent leverage and dividend distribution over many years, enabled us to pay dividends to shareholders and propose a full year dividend of 91.0p (2019: 90.0p).

Refreshing the Board

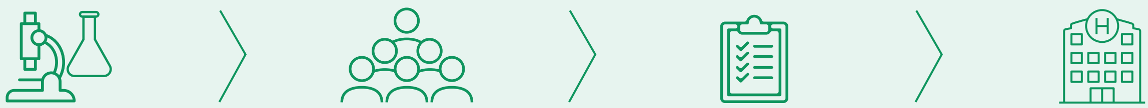
Following the retirement of Alan Ferguson at the Annual General Meeting last April, John Ramsay has taken over as Chair of the Audit Committee and Helena Ganczakowski has become Senior Independent Director. I would like to thank Alan for his excellent insight and unfailing support during my time as Chair, and my fellow Board members for their ongoing commitment, energy and experience under extraordinary circumstances in 2020.

Difficult times often cause us to step back and look again at our priorities. This year, when I step back and consider our performance, I am inspired by the strength of the Croda culture, the commitment of our employees pulling in the same direction and our ecosystem of supportive stakeholders. I am excited by the potential this promises for the future.

Anita Frew
Chair

Playing a critical role in the Pfizer-BioNTech COVID-19 vaccine

Steve Burgess, Chief Scientific Officer at Avanti Polar Lipids said: "We are delighted to be playing a critical role in the scale-up of the Pfizer-BioNTech COVID-19 vaccine, achieved in unprecedented time and now being delivered at pace. It's an exciting moment in the development of lipid drug delivery systems for next-generation pharmaceuticals. It's also a great example of the benefits of Avanti and Croda coming together, combining our expertise in lipids that enable drug products to be delivered into the body with Croda's ability to refine the complex processes to produce the volumes necessary for roll out worldwide. We are proud to be on the Pfizer-BioNTech team and playing our part in this pioneering science."



Drug discovery and research | **Phase I to IV clinical trials** | **Regulatory review and approval** | **Commercialisation and scale-up**

1. Before the COVID-19 outbreak, Avanti supplied R&D quantities of lipid-based drug delivery technologies to pharmaceutical companies developing mRNA drugs

2. With the COVID-19 outbreak, mRNA vaccine candidates were fast-tracked to phase II clinical trials. Avanti became a key supplier of lipid-based delivery components to the highest quality and pharmaceutical regulatory standards known as GMP or Good Manufacturing Practice

3. Prior to Croda's acquisition of Avanti in August 2020, Avanti needed a scale-up partner and engaged Croda to access health care R&D capability and lipid production capacity

4. Croda rapidly re-designed the component production process and scaled-up GMP-compliant production in four months to support phase III trials. This drew on our experience of manufacturing drug delivery systems and involved redeploying R&D and engineering capability as well as fast-tracking £10m of capital expenditure

5. Croda/Avanti secured a contract to supply delivery system components to Pfizer-BioNTech for the COVID-19 vaccine

6. Pfizer-BioNTech COVID-19 vaccine approved by regulators initially in the UK and USA; Croda/Avanti playing critical role in scale-up of the vaccine that has been achieved in unprecedented time and is now being delivered at pace

Chief Executive's review

During a year in which we have faced unprecedented challenges, the response and commitment of all our employees to maintain business continuity and serve our customers has been outstanding. The strength and quality of Croda's business model has been further demonstrated.

Steve Foots
Group Chief Executive

> "There is no better example to demonstrate how we are using smart science to improve lives than our involvement with COVID-19 vaccines and drugs."

Living our Purpose through our response to COVID-19

Croda's Purpose is Smart science to improve lives™. This sits at the heart of everything we do, not least in the way we responded to the COVID-19 crisis.

Our priorities during the pandemic have been to protect the health and safety of our employees and balance the needs of all our stakeholders fairly. Almost all our employees have been able to work effectively, either onsite, with strict social distancing measures in place, or from home. We have not furloughed any employees, reduced pay or utilised government liquidity facilities. We have supported our customers and suppliers; made supplies of free materials available for hand sanitiser production, COVID-19 vaccine research and PPE provision; and have given financial assistance to the communities closest to our sites. We paid final and interim dividends to shareholders in full during 2020.

The response and commitment of all our employees to maintain business continuity and serve our customers has been outstanding. Everyone has shown remarkable fortitude in the face of an unprecedented challenge and I am grateful to all Croda colleagues around the world. All but two of our 19 principal manufacturing sites have operated without material disruption, our research and development (R&D) teams have had significant laboratory time, protecting our customers' innovation pipelines, and our sales teams have developed even stronger bonds with customers, supported by investment to enhance our digital presence.

There is no better example to demonstrate how we are using Smart science to improve lives™ than our involvement with the COVID-19 vaccines and drugs. My proudest moment in more than 30 years at Croda came with our support for the Pfizer-BioNTech vaccine. We are involved in over 60 projects to deliver COVID-19 vaccines and therapeutic drugs, putting us at the forefront of the fight against this devastating virus.

Delivering our strategy

The strength and quality of Croda's business model has been further demonstrated this year. Whilst customer demand in certain end markets has inevitably been impacted by the crisis, the strength and breadth of our product portfolio across consumer and industrial markets, our global footprint and customer intimacy, together with our flexible manufacturing model, have all helped to reduce its impact on financial performance. This has allowed us to make almost £1bn of organic and inorganic investments in fast growth markets of the future, capitalising on emerging trends in existing and adjacent markets.

2020 saw the full launch of our sustainability strategy, as part of our Purpose. By 2030 we will be Climate, Land and People Positive, delivering our part in a global commitment to limit the planetary temperature rise to 1.5ºC. The need for sustainable solutions is disrupting markets, creating significant opportunities for Croda to create market-leading products whilst ensuring that we have a positive effect on the environment and society.

Our strong balance sheet, low leverage and robust liquidity allowed us to invest with confidence to accelerate delivery of our strategy of enhancing future sales and profit in life science and consumer markets. We invested over £120m in organic capital expansion, with a particular focus in growing Health Care and innovation, and over £850m on two acquisitions into key market adjacencies. In Life Sciences, Avanti Polar

The Strategic Report was approved by the Board on 1 March 2021 and signed on its behalf by Steve Foots.

Steve Foots
Group Chief Executive

Definitions are in the Finance review on page 43: alternative performance measures, constant currency results, underlying results, adjusted results, Core Business, return on sales, net debt, leverage ratio and free cash flow. Adjusted results are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. Constant currency results reflect current year performance for existing business translated at the prior year's average exchange rates.

Lipids adds market-leading lipid technology to Croda's existing patient health capability, opening the door to supporting not only COVID-19 projects but a wide variety of future mRNA and gene therapy drug and vaccine applications, a journey which starts with the Pfizer-BioNTech vaccine. We are combining our Personal Care and Home Care businesses with our acquisition of Iberchem in fragrances to create a Consumer Care leader. Iberchem opens up significant synergies as we are able to service medium-size and smaller customers with a 'one-stop-shop' combining Croda's critical ingredients and Iberchem's on-trend fragrances in stable formulations. As a result of these investments, life science and consumer markets now represent over 80% of Croda's profit generation.

A resilient financial performance

Against the backdrop of the extreme circumstances experienced globally in 2020, Croda's financial performance was resilient. We experienced only a 2.7% decline in underlying sales, supplemented by acquisition sales adding 3.8%, to grow overall by 1.1% in constant currency. In reported currency, sales increased by 0.9% to £1,390.3m (2019: £1,377.7m) with the proportion of sales from NPP products falling slightly to 27.4% (2019: 28.1%). Sales in the second quarter were hard hit by the first round of global lockdowns, with Group constant currency sales almost 12% lower year-on-year. However, the second half saw a steady month-on-month improvement in both consumer and industrial markets, with encouraging exit sales rates, as underlying fourth quarter sales recovered to be in line with prior year in Personal Care and returned to growth in Performance Technologies. Life Sciences also returned to strong underlying double-digit growth in the second half year and both in-year acquisitions performed well.

The challenging conditions saw adjusted operating profit 4.0% lower in constant currency and 5.9% down in reported currency at £319.6m (2019: £339.7m). This reflected an adverse mix in both Personal Care and Performance Technologies, where demand for higher value-add products was most impacted by the pandemic. Return on sales was 23.0% (2019: 24.7%). Adjusted profit before tax was £300.6m (2019: £322.1m) and adjusted basic earnings per share (EPS) were 175.5p (2019: 185.0p). This was a creditable performance in challenging market conditions.

Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition increased to £31.1m (2019: £19.8m), primarily reflecting the acquisition activity during the year. Profit before tax on an IFRS basis was £269.5m (2019: £302.3m).

Robust cash generation supporting continued investment and increased dividend

In 2020 we delivered robust free cash flow of £176.9m (2019: £201.7m). This was after investing in not only our regular capital programme but also in three key areas where we have accelerated our organic investment; innovation; fast growing our China presence; and scaling our drug delivery platform. Although many innovation projects were temporarily paused during lockdown, we ensured that our R&D teams were able to access laboratories, protecting our future innovation pipeline. Adding to over 40 existing customer innovation centres, we invested in new centres in the US, in biotechnology in the UK and in Shanghai.

China offers significant growth opportunities as part of our 'fast grow' strategy. During 2020, we added over 15% to resourcing of the Croda China team, and delivered a major upgrade to our digital presence, including a locally hosted China website. We are also introducing our successful French botanical ingredients business to the China market, where consumers have long been focused on plant-based beauty and health products.

Drug delivery offers our strongest global opportunity for growth and we are investing in new manufacturing capacity to serve these patient health care markets. We are currently commissioning a doubling of our US speciality excipient plant, serving a market growing by double-digit percentage annually. We also reprioritised £10m of investment in 2020 to support the Pfizer contract and other opportunities from our Avanti acquisition. Much of this capacity will come on stream this year to serve growth in 2021 and beyond.

We have supported this organic investment with our two key acquisitions in 2020; Avanti, for an initial consideration of US$185m, and Iberchem, for a total consideration of €820m. Supporting acquisition debt financing, Iberchem was part-funded by an equity placing, which raised gross proceeds of £627m and was well supported by existing institutional shareholders which represented 75% of the placing. Our employees and private shareholders also participated through the PrimaryBid platform.

Net debt closed the year just above £800m, with a leverage ratio of 1.8 times EBITDA. Coupled with resilient earnings in 2020 and the prudent leverage and dividend policies we have adopted for many years, we have weathered the truly challenging conditions of 2020 and the Board has proposed an increase in the full year ordinary dividend to 91.0p (2019: 90.0p).

Another record year for Life Sciences; challenges for Personal Care and Performance Technologies

The standout performance in 2020 was again in Life Sciences, with record sales and profit, driven by a strong performance in both Health Care and Seed Enhancement. With no discernible negative impact from COVID-19, sales grew by nearly 15% to £401.6m (2019: £350.5m) and adjusted operating profit increased over 20% to £129.4m (2019: £107.1m), both in reported currency. With continued growth in higher value-added niches, return on sales increased by 160 basis points to 32.2% (2019: 30.6%), in line with our strategy. In Health Care, continued growth in speciality excipients and vaccine adjuvants was complemented by the acquisition of Avanti, with its pipeline of development and synergistic scale-up opportunities, beginning with our contract to supply vaccine delivery components for COVID-19. Crop Protection continued to grow sales, excluding the impact of planned product withdrawals, and Seed Enhancement returned to double-digit revenue growth. Life Sciences is now well established as a fast-growth, high-value business in Croda's model.

Personal Care was significantly affected by lockdowns in response to COVID-19. This negatively impacted sales by reducing consumer demand for products associated with 'going out' and by interrupting sales channels, particularly for prestige products. Sales were 1.9% lower at £475.9m (2019: £485.2m) and 6% lower in underlying terms pre-Iberchem. However, from a low point in May, sales recovered month-on-month and were in line with prior year in the fourth quarter. With a higher proportion of sales of 'at home' use Beauty Formulation products and a greater sales reduction in the higher margin Beauty Actives and Beauty Effects businesses, the adverse mix saw adjusted operating profit reduced to £136.5m (2019: £162.1m) and return on sales of 28.7% (2019: 33.4%). We expect sales and profit to improve when lockdowns lift, luxury channels re-open and with the significant cross-selling opportunities provided by the Iberchem acquisition.

In Performance Technologies, sales were only 3% lower than prior year at £416.4m (2019: £430.2m) in challenging industrial markets globally but profitability reduced significantly. After a good start to the year, sales progressively weakened during the second quarter alongside temporary closures of automotive and industrial plants. The second half saw a steady recovery, with fourth quarter sales encouragingly ahead of prior year. However, adjusted operating profit reduced by over 20% to £54.0m (2019: £69.4m) and return on sales was 13.0% (2019: 16.1%), due to the sector's higher operating leverage, lower production at European sites and adverse profit mix, as volume was more resilient in lower margin parts of the business. With a recovery accompanied by growth in renewable technologies and sustainable solutions, the sector should become less cyclical as sales growth and better margin return.

Regional growth in North America offset by slower Europe and Asia markets

Sales in all regions were impacted in the second quarter by governments' initial COVID-19 responses. North America and Latin America returned to underlying sales growth in the second half of 2020, with North America also achieving growth across 2020 as a whole. Lockdowns were more extensive and impactful in Asia and Europe but both regions achieved flat underlying sales in the second half year, compared to 2019. In Asia, China growth rebounded quickly but the key manufacturing markets of Japan and Korea remained soft due to the reduction in foreign tourists.

The North American biosurfactant plant came online early in 2020. Following a successful commissioning phase, the plant produced the majority of our US feedstock demand, allowing replacement of traditional petrochemical surfactants with our ECO range of bio-based products, which deliver identical performance from sustainable ingredients for the first time. COVID-19 has adversely impacted short-term economics, with sanitiser-grade bioethanol in short supply, resulting in a high raw material price. In addition, the plant was unable to operate from September 2020 after the local regulator raised a number of deficiencies with regard to air permit limits, which have tightened over the last few years in line with lower emissions at the site (p36). As a result, the operating loss on the plant increased by £7m on 2019. We expect the plant to be operational again during the first half of 2021, allowing progressive development of the sustainable product pipeline, a move to a cheaper feedstock and a steady improvement in profitability.

Our Purpose

At Croda, we believe that delivering a strong financial performance is only a part of having a clear, shared purpose; shared with our employees, our customers and all our stakeholders. Our Purpose builds deeper connections throughout the business and improves our competitiveness, driving the long-term success of our Company. Our Purpose is to use Smart science to improve lives™ and to deliver this we combine our knowledge, passion and entrepreneurial spirit to create, make and sell speciality ingredients that are relied upon by industries and consumers everywhere.

Croda was built on a foundation of using smart science to turn renewable raw materials into innovative ingredients. This sustainability focus still sits at the core of what we do, driving innovation to create market-leading products and ensuring that we have a positive effect on the environment and society. By aligning our smart science with the United Nations Sustainable Development Goals (SDGs), our sustainability Commitment is to be Climate, Land and People Positive by 2030. The impact that Croda has in these three key areas of sustainability will be net positive for the planet. Our commitment is to become the most sustainable supplier of innovative ingredients. It is the right thing to do, but it is also what our customers want and what their consumers are increasingly demanding. COVID-19 may have been the challenge of 2020 but creating a sustainable future remains our biggest long-term challenge.

In 2020, we have continued to drive our sustainability agenda, establishing interim goals against which we measure our progress towards achieving our Commitment. We have developed decarbonisation roadmaps for our top ten carbon-emitting sites. In recognition of Croda's leading position, we were awarded a 'Triple A' ESG rating by stock market agency, MSCI. We were again recognised as one of Britain's top five 'Most Admired Companies' and the most admired British chemical company by Management Today. Since 2015, we have driven a 33.9% reduction in waste-to-landfill, a 15.4% reduction in our Green House Gas emissions, and a 25.0% improvement in our energy mix. We sustained our process safety performance in 2020, with no serious incidents or any with major accident potential. Personal injury performance also continued to improve, ahead of our target of 0.6 per 200,000 hours, with a Total Recordable Injury Rate (TRIR) of 0.54 (excluding recent acquisitions and COVID-19 cases).

Our bio-based raw material content is now 67% (2019: 63%). Leveraging our position in renewable raw materials, Croda enables our customers to meet their sustainability commitments, driven by consumer demand as well as regulatory change. In consumer care markets, we deliver this through ethical sourcing, sustainable manufacture, focusing more of our innovation on sustainable ingredients and through our ingredient transparency project. This project is responding to growing consumer demand for sustainable ingredients and the 'clean beauty' trend, where consumers want to know what is in the products they use, as well as how well they perform. Our ECO biosurfactant plant enables us to produce sustainable ingredients that deliver identical performance to their petrochemical peers, with customers in both the home care and personal care markets adopting these bio-based surfactants during 2020.

A purpose-led consumer-facing ingredients company

Our overall strategy continues to be to drive:

- Growth – consistent top and bottom line growth, with profit growing ahead of sales, ahead of volume;
- Innovation – the lifeblood of our business, we seek to increase the proportion of New and Protected Products (NPP) that we sell and formulate into customers' products; and
- Sustainability – aligning our business with our Purpose and accelerating our customers' transition to sustainable ingredients.

Our strategies for each sector are described below.

Expand to Grow Life Sciences

With its growing margin and exciting technologies aligned to global health and crop sustainability trends, we continue to build our Life Sciences brand as a high value-add solution provider to our pharmaceutical and crop customers. We are deploying more capital in this sector, having accelerated investment in Life Sciences with organic expansion of our speciality excipients business and the acquisition of adjacent technologies to build a broad drug delivery business of global scale. Through the acquisition of Avanti, we added proprietary lipid technology to Croda's capabilities in drug delivery systems. Alongside urgent demand to respond to the COVID-19 pandemic, this unlocks a major pipeline of other opportunities, including mRNA and gene therapy drug and vaccine technologies. To rapidly develop this, 2021 will see us invest a further £40m to expand the Avanti and UK scale-up facilities. Alongside improving sales from our recent vaccine adjuvant acquisition, Biosector, and strong R&D relationships in Crop Care, we expect to deliver mid to high single-digit percentage sales growth at increased margins over the medium term.

Strengthen to Grow Consumer Care

Already recognised as the leading market innovator, we will strengthen growth in our Personal Care business. With the acquisition of Iberchem, together with unlocking the high-growth potential of our Home Care business in hygiene and fabric applications, 2021 will see these three legs consolidated into a Consumer Care sector. This combination will enable the cross-selling of our industry-leading Beauty Actives, Beauty Effects and heritage Beauty Formulation high performance ingredients with Iberchem's on-trend fragrances to both sets of customers. Iberchem expands Croda's access into emerging markets, while Croda provides Iberchem access to much of Europe and North America for the first time. We will be able to offer improved, stable formulations containing fragrance and a greater range of sustainable solutions, including our ECO range of biosurfactants across Beauty Formulation and Home Care. Consumer Care offers the opportunity to selectively deploy more capital, through organic growth, geographic expansion and bolt-on acquisition. With a recovery in prestige consumer markets when lockdowns are lifted, Iberchem's consistent record of growth and new revenue synergies, we expect over the medium term to achieve mid single-digit percentage top-line growth and high margins that reflect the blend of the three businesses.

Refine to Grow Performance Technologies

We are refining Performance Technologies to focus on high-tech markets and reduce exposure to cyclical business. 2020 saw progress in meeting demands for sustainable solutions in advanced technologies, focusing on fast-growth markets in circular plastics, electric vehicles and other renewable technologies, such as wind turbines, and a continued reduction in oil and gas and some traditional automotive applications. We are also expanding our geographic footprint, creating a new innovation centre to drive our China growth, in the world's biggest and fastest-growing industrial market. We expect to progressively reduce the cyclical nature of this business, with sales growth targeting global GDP and steady margin improvement towards our 20% target over the medium term.

Alongside our three sector strategies, we are pursuing key strategic targets across Croda, to deliver fast growth in China, through increased investment in sales, innovation and manufacturing, as set out above; scaling our biotechnology investment to drive disruptive technologies and greater sustainability; increasing the robustness of our global supply chain to meet customers' future needs; and developing the Croda brand as an employer of choice to continue to recruit and retain the best entrepreneurs and innovators.

We are also building our digital capability to continue to improve customer intimacy and experience, while improving process efficiency. Our digital transformation programme extends across our Create, Make and Sell model. In Create, we are investing in knowledge management, to further leverage our global innovation expertise. In Make, we have introduced real-time monitoring of production plant performance and are rolling out a supply chain programme which will improve stock availability local to the customer while reducing working capital. In Sell, with few in-person customer visits possible during lockdown, we prioritised the use of digital for customer engagement and rolled out our Live Chat functionality in 35 countries. This resulted in a third more website visitors and leads generated from digital channels, compared to 2019.

Accelerating strategic delivery through acquisition

We are also continuing to pro-actively search for M&A opportunities to accelerate our strategic delivery in the life science and consumer markets. 2020 saw two key milestones in delivering this programme. In August, we completed the acquisition of Avanti, a US-headquartered business which makes lipid-based delivery systems for drugs and vaccines. The latest technology, lipid nanoparticle (LNP) systems, are increasingly attractive for the delivery of complex therapeutic drugs and in next-generation mRNA vaccines. The acquisition combined Avanti's leading position in early-stage pharma research with Croda's manufacturing scale-up expertise. Previously, Avanti's scale had not been able to take clinical trial quantities of successful drug systems into commercial manufacture. Despite this, Avanti delivered double-digit percentage CAGR sales growth between 2016 and 2019, and the synergistic combination of Avanti and Croda should unlock this growth considerably. The acquisition also more than doubled our Health Care R&D capability, with 100 scientists joining with Avanti.

During 2020, Avanti saw a dramatic increase in its project pipeline, driven by potential COVID-19 treatments; in one of these projects, pre-acquisition, Avanti and Croda worked together to develop and scale-up an LNP delivery system for a vaccine candidate. This development work led to a five-year non-exclusive contract to supply lipid components into the Pfizer-BioNTech COVID-19 vaccine, which we initially estimated would generate approximately US$100m of sales in 2021 if the customers' publicly indicated volumes were required. Based on contractual commitments received to date, we now expect a minimum of US$125m sales in 2021 for this vaccine. While this was a proud moment for all at Croda, the vaccine marks an early use of innovative mRNA technology which is expected to drive future excipient growth well beyond COVID-19 in the prevention of other infectious diseases and treatments, including cancer. The acquisition also cements the position of Health Care and the wider Life Sciences business as a high growth, high-value part of Croda's future success.

The second milestone was achieved in November, when we completed the acquisition of Iberchem, a global fragrance and flavour business. Strategically, Iberchem further increases our exposure to faster growing consumer care markets and geographies, with Iberchem having grown at 14% sales CAGR between 2016 and 2020. With a highly commercial approach to R&D and its focus on delivering tailor-made products at speed, Iberchem is strong in customer niches such as own-brand, regional and independent brands, a customer profile that is similar to much of Croda's own Personal Care business. It also has over 80% of its sales in high-growth emerging markets, a combination with Croda which creates significant cross-selling opportunities which are expected to generate nearly €50m of annualised revenue synergies within five years. With our leading position in sustainability, we are also well placed to help transition Iberchem's raw material profile onto a more sustainable platform, a potential differentiator in the market.

Outlook

While continued COVID-19 restrictions make the near-term outlook for elements of our Consumer Care and Performance Technologies sectors difficult to predict, 2020 sales exit rates were encouraging with consumer and industrial end markets showing signs of recovery. Life Sciences is expected to remain strong. The benefits of recovery, together with the full year impact of Avanti, Iberchem and our Pfizer-BioNTech COVID-19 vaccine contract, are expected to support profitable growth across the business.

Through our Purpose, Smart science to improve lives™, we will continue to increase the positive impact our products deliver for our customers and their consumers, whilst also reducing the negative impact our activities have on our fragile world. The combination of our differentiated business model, healthy innovation pipeline and recent investments is expected to underpin performance and generate value for all our stakeholders.

Steve Foots
Group Chief Executive

Megatrends

Of the megatrends which will drive growth across Croda, three common themes are sustainability, emerging markets and digital.

Sustainability

COVID-19 has been the focus of 2020 but the other big crises facing the planet have not gone away: population growth, the use of limited resources, the rise of inequality, the loss of biodiversity, and climate change. According to experts,[1] 2010-2020 was the hottest decade on record, average temperatures were 1% higher than the previous ten years and are likely to be 4% higher by 2050.

These urgent challenges cannot be addressed without support from business. It is becoming widely acknowledged that businesses must serve the interests of all stakeholders; if they do, they will make an important contribution to tackling global challenges.

Sustainability makes good commercial sense. Consumers want products sourced from natural ingredients that make a positive contribution to the environment and local economies. They want to buy goods and services from purpose-driven companies. Growing regulation is also forcing businesses to be more sustainable to maintain compliance, which is in turn driving innovation.

How we are responding

With our clear Purpose, we are committed to serving the interests of all stakeholders.

We have used the United Nations (UN) Sustainable Development Goals (SDGs) as a practical framework to evaluate where we can make a meaningful contribution, and to provide a common language for discussions with customers and suppliers. Non-financial metrics are now monitored alongside financial ones and are linked to the UN's specific targets that sit below the SDGs. By 2030 we are committed to being the most sustainable supplier of innovative ingredients and to being climate net zero by 2050.

Sustainability underpins the way we think commercially, technically and operationally and is the biggest driver of our strategy, which recognises that long-term value creation will be driven by the intersection of innovation and sustainability. We are supporting this strategy by investing in sustainability through acquisitions and partnerships, as well as organic investment.

> "There is no doubt that we will use carbon-based emissions as the final decision-making criteria… as we typically would have done with the price, the quality, the reliability as factors that would have informed purchasing decisions. Carbon track record is becoming a real currency."

Thomas Udesen
Chief Procurement Officer, Bayer, speaking at Croda's investor seminar on sustainability, 20 October 2020

Emerging markets

In terms of economic importance, emerging markets are starting from a lower base but are catching up rapidly. The 20-plus countries that constitute the MSCI Emerging Market (EM) index are a diverse group, but all boast high per capita GDP growth, in addition to growing populations. This economic growth is enabled by technology and an opening up of markets, including to foreign capital.

Growing consumption and an expanding middle class are increasing demand for consumer goods and health care in these countries, particularly for products that improve living standards. This has been a notable trend in beauty and personal care markets, particularly in Asia Pacific which is now almost 40% of the global beauty market.[2] Premium beauty products are also growing more quickly than the mass market, with consumers 'trading up' to buy higher-quality and more sustainable products.

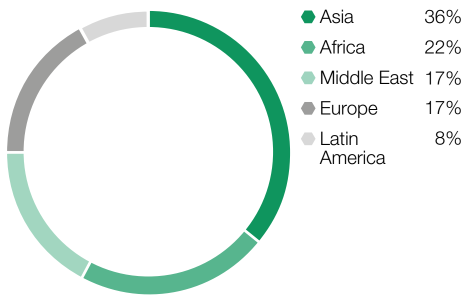
How we are responding

Faster EM growth is resulting in a growing need for consumer products that use our ingredients. We are seeing increasing demand for anti-ageing, beauty and health products as incomes rise and consumers' expectations change. Croda is well-placed to respond due to our global network of local market teams who are close to customers and understand their needs. We also put a particular emphasis on governance, sustainability and business ethics in emerging markets, in recognition that market structures are still developing.

We are investing in local research and development laboratories in growing regions, as well as manufacturing assets to reduce supply chain length and bring supply closer to our customers. A strategic priority for the Group is to deliver fast growth in Asia where we are expanding our sales, marketing, technical and digital resource, investing in manufacturing capacity for health and personal care in Japan, and opening a new innovation and technical centre in Shanghai.

In November 2020, we announced the acquisition of Iberchem, a global Flavours and Fragrances business with a strong EM presence. 83% of Iberchem's sales are to EMs, including 25% to China, 22% to Africa and 17% to the Middle East. Prior to the acquisition, Croda generated less than 5% of sales in the Middle East and Africa, so the combination significantly increases our EM footprint and creates new revenue synergy opportunities to leverage respective customer networks.

Iberchem 2019 sales by region



Digital

Digital is a massive disruptor, driving efficiency and reshaping customer experience. Almost 60%[3] of the world's population now have access to the internet and they are generating more data than ever, which can be turned into information and knowledge. More than four billion people worldwide now use social media each month with two million new users joining them every day. This is increasing the speed at which new trends are adopted and enabling the creation of new, often independent brands.

Consumers, empowered by digitalisation, have changing expectations. They expect greater choice and want to know more about the products they use and the companies they purchase from. This supports the sustainability agenda, favouring companies that innovate responsibly, are transparent and demonstrate their purpose in their actions. Digital technologies are also driving continued globalisation, enabling organisations to engage directly with people anywhere, particularly the young and affluent who are more likely to be digitally savvy.

Digital advancements provide a great opportunity to reach customers in a personalised and targeted way. In China, for example, the significant growth of livestreaming on social media has created a whole new purchase channel. COVID-19 has accelerated the drive to digital, with online sophistication being a clear differentiating factor in company performance.

How we are responding

Croda's digital transformation programme recognises that digital touches every part of our business – from R&D to operations and sales and marketing. Our objective is to improve the customer experience by ensuring that we are both well connected with our customers and easy to do business with.

Intensified use of digital is driving our innovation programme with data science and artificial intelligence shortening product development life cycles. This year we have focused on the digitalisation of our UK synthesis labs and investment in knowledge management so we can leverage our global R&D expertise.

> "Suppliers who provide outstanding digital experiences to their buyers are more than twice as likely to be chosen as a primary B2B supplier."
>
> McKinsey – B2B Digital Inflection Point[4]

Digital also has a wide range of applications across operations, supply chain and procurement. We are using digital to provide real-time monitoring of plant performance, predicting and resolving issues to optimise site operations. The data generated is then translated into valuable information for our customers. In this way digital is supporting our sustainability agenda, by driving transparency, minimising waste and ensuring more efficient supply chains.

Our digital sales and marketing activity is allowing us to target new and existing customers. Through digital we are delivering a more personalised customer experience, giving them instant access to our expertise through multiple channels, including Live Chat and eCommerce.

1. IPCC Special Report on Global Warming. https://www.ipcc.ch/sr15/.
2. HSBC Global Beauty Spotlight December 2020.
3. https://www.statista.com/statistics/617136/digital-population-worldwide.
4. https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-b2b-digital-inflection-point-how-sales-have-changed-during-covid-19.

c.60%
of global population with internet access

> "I believe digital technology will continue to shape the way we work and interact with our customers at Croda."

New digital path to China

"I'm excited to be leading the biggest project of my career, the .CN website transformation project, creating a totally new web experience for the Chinese market," said Aung Phyoe Lynn, Digital Marketing Lead from Croda Singapore.

"This project is so important to Croda's digital programme. It's a great example of us improving the customer experience by giving them personalised content through local, relevant channels. We have already started to deliver new websites, within the .CN domain. Our first metrics are really positive; we're seeing lots of new leads from new and existing customers, encouraging conversions and a real buzz from our sales teams as to what will come next."

"I am particularly pleased by the level of investment Croda has committed to digital marketing in China. We are investing in the latest digital technologies and exploring China-based platforms, to enhance our visibility and engagement with new prospects. For example, we are investing heavily in social media campaigns on WeChat, which operates quite differently from those platforms elsewhere. We have also built new expertise locally to adapt our terminology, language and content to resonate with the Chinese audience."

The new website, which started roll out towards the end of 2020, allows Chinese customers to self-serve, requesting product information and samples easily online by themselves. With this website as a foundation, we will enhance other digital applications, improve efficiency further and stay ahead of competition. We can also collect data from our Chinese target audience so that we can share targeted messages and help them with a smooth user journey.

Phyoe added "We have high aspirations for our digital marketing programme. The new websites and supporting campaigns bring many opportunities to generate leads from some of our customers in tier three cities in China which salespeople would find difficult to visit. With this in mind, I believe digital technology will continue to shape the way we work and interact with our customers at Croda."

Business model

We generate long-term value by engaging with customers, creating, making and selling sustainable and innovative speciality ingredients, in line with our Purpose.

Smart science to improve lives™

Our value chain

Consumer demand
Population growth, changing demographics, our fragile planet and innovations in digital technologies continually influence consumer demands.

Customer needs
Our customers seek innovative and sustainable ingredients that meet consumer demands.

Our sustainable business model

Engage (E)
Working closely with our customers and supply chain partners, we identify consumer needs around the world.

Create (C)
We create sustainable and innovative ingredients that meet consumer needs.

Make (M)
Our manufacturing sites all run flexible operations to consistently high standards and our suppliers share our ethical approach.

Sell (S)
We have a direct selling model with sales, technical resource and warehousing local to our customers.

Customer product
Customers use our innovative and sustainable ingredients to enhance their products to meet their sustainability commitments and consumers' needs.

Consumer benefit
Through our customers' products, our ingredients improve consumers' lives including addressing their needs in sustainable ways.

Value from people and Purpose

What makes us different	How we create value
ALL **Purpose-led culture and our people**	• We improve lives worldwide • Attract and retain talent
ALL **Ambitious Commitment to be Climate, Land and People Positive by 2030**	• Doing the right thing for our planet is part of delivering our Purpose • We respond to increasing customer demand for sustainably created ingredients providing sustainable benefits in use • We provide our customers with reliable sustainability data on our products
E **Extensive Open Innovation and Smart Partnering**	• Collaboration accelerates and enhances sustainable product development
C **Valuable protected intellectual property know-how and innovation pipeline**	• New and protected products grow valuable revenue streams • Products with intellectual property and unique characteristics have higher value-add
C **Exceptional product performance, claims validation, quality testing and regulatory insight**	• Reliable, high-quality and high-value ingredients build and maintain customer trust • Identification of regulatory issues and opportunities during product development maintains customer loyalty and trust • Ingredient transparency (what is in the product) is increasingly key for consumers
M **Flexible manufacturing model providing resilience**	• Production focused on local flexible manufacture rather than continuous operation, ensuring profitability at lower utilisation and higher margins than peers
M **Selective acquisitions and capital investments, guided by our Purpose**	• Growing position in high-growth niches augmented by acquisition of knowledge-based businesses
M **Supply chain transparency and traceability**	• Reassurance that our supply chain is ethical, responsible and sustainable maintains customer trust
S **Intimate customer relationships**	• Direct-to-customer selling model provides insight to improve product innovation and positioning
S **Agile local sales and R&D teams**	• Local market insight and ability to respond quickly to changing customer needs help us to deliver for our customers every time

Our business model enables delivery of our strategic objectives of growth, innovation and sustainability. See page 22

"I know what Croda's Purpose is and how it applies to my role"
92%
of R&D colleagues, 2020 pulse survey

Over
100
current innovation projects with increased sustainability focus

531
innovation partnerships since 2010

NPP sales as a % of total sales
27.4%
(2019: 28.1%)

Invested in acquisition of Avanti and Iberchem
>£850m

Global online Live Chat use increased by
314%
2019-2020

Winner: Best supplier award
2020
from Syngenta

Our stakeholder ecosystem

This year, more than ever, we felt the value of working closely with partners and supporting every one of our stakeholders in our ecosystem. Our continued success and positive impact on the world will be driven by the strength of these relationships with others.

“…our success and our positive impact on the world are dependent on how we work with all of our stakeholders.”

Anita Frew
Chair

250
attendees – virtual investor event on sustainability

Our shareholders

Our shareholders

We maintain a two-way dialogue with our shareholders, so that they understand and support our strategy and can assess our Environmental, Social and Governance (ESG) performance.

See page 21

£200k
Croda Acts of Kindness fund

Our communities

Our communities

Employees at our sites worldwide are active members of their local communities. Understandably, our neighbours expect us to act responsibly, safely and sustainably. We take our commitment to our communities seriously, going further to make a positive difference and support them at times of need.

See page 20

CRODA

Our customers

We work in partnership with our customers to provide our innovative and sustainable ingredients in a way that meets their commercial and sustainability goals whilst delivering on our Purpose. Selling around 7,000 ingredients to over 17,000 customers gives us significant exposure to customers ranging from multinational companies to regional and independent brands.

See page 17

Our customers

c7,000
speciality chemical ingredients

c17,000
customers worldwide

75%
average pulse survey response rate

Our people

Our people

We have over 5,600 employees across 30 manufacturing sites and many more offices and laboratories worldwide. Our mix of scientists, engineers, sales, customer services, production and support function experts work together with a clear, shared Purpose, to use Smart science to improve lives™. The Croda culture and our values of ‘Responsible’, ‘Innovative’ and ‘Together’ focus and enable our work.

See page 16

Our ecosystem

Manufacturing sites processing 99% of our palm oil derivatives are RSPO certified

Non-Governmental Organisations (NGOs)

Non-Governmental Organisations

NGOs rightly engage with businesses to encourage them to take responsibility for their impacts. Understanding their perspective helps us support our consumer-facing customers, maximise our positive sustainability impact and protect our reputation.

220 active memberships of industry associations

Regulators and Trade Associations

Regulators and Trade Associations

The Regulators and Trade Associations we work with are an essential part of our ecosystem. We collaborate and share expertise to ensure that our ingredients are compliant and aligned with regulations worldwide while providing a true and sustainable benefit to consumers.

Section 172(1) Statement

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

a. the likely consequences of any decision in the long term
b. the interests of the Company's employees
c. the need to foster the Company's business relationships with suppliers, customers and others
d. the impact of the Company's operations on the community and the environment
e. the desirability of the Company maintaining a reputation for high standards of business conduct
f. the need to act fairly between members of the Company

The information on pages 14 to 21 in the Strategic report should be read in conjunction with the information provided in the Corporate governance report on pages 50 to 105. The content on these pages constitutes our s.172 Statement, as required under the Companies (Miscellaneous Reporting) Regulations 2018.

Our suppliers

199 suppliers completed EcoVadis survey

Photo courtesy of Karène Volpato / UEBT

Our suppliers

Supply chain integrity is critical to delivering a sustainable business. In addition to the usual criteria of quality and reliability, we choose suppliers who share our standards for ethics, labour and human rights, the environment and sustainable sourcing. We work closely to help them understand and align with our values and standards, providing them with best practice guidance and tools to measure, improve and promote their sustainability efforts.

See page 18

Our innovation partners

531 innovation partners

Our innovation partners

Our R&D advances are increasingly driven by our innovation partnerships. These partners include leading international universities, SMEs, biotechnology companies, research institutes and our customers. Our Smart Partnerships and Open Innovation projects enable collaborations that focus on our Commitment to sustainability so that we can improve lives together.

See page 19

Our people: We have over 5,600 employees across 30 manufacturing sites and many more offices and laboratories worldwide. Our mix of scientists, engineers, sales, customer services, production and support function experts work together with a clear, shared Purpose, to use Smart science to improve lives™.

Our people, culture and values

At Croda, we share a clear sense of Purpose and are motivated by our Commitment to be the most sustainable supplier of innovative ingredients. Our distinctive 'One Croda' culture guides the way we work and helps us to attract and retain the first-class people we need, by enabling collaboration and skills development. To ensure our long-term success, we have defined the values that make us different as a Company, encouraging our people to be 'Responsible', 'Innovative' and to work 'Together.'

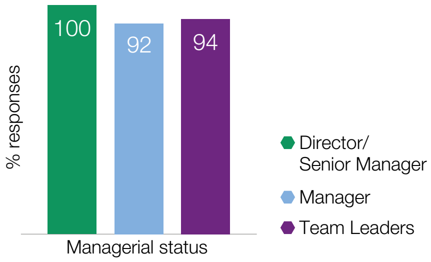
Working together

During the pandemic, our people have been outstanding. Whether as part of a socially distanced onsite manufacturing team or from home while juggling caring commitments, they have kept delivering for our customers. We have supported and listened to our people in many ways including pulse surveys, newsletters, webcasts, video team meetings, listening groups and social networks.

Despite the challenges, close to 100% of our people completed some form of training this year. We have also added 2,000 online courses to our learning management system and introduced a new secondment scheme to accelerate career development.

In 2020 we ran 11 pulse surveys; five related to COVID-19, four related to the roll out of our Purpose and two focused on engagement. The engagement pulse surveys achieved an average 75% response rate.

Croda Purpose and application to role



Percentage of managers in Global R&T who answered "agree" or "strongly agree" to the statement "I know what Croda's Purpose is and how it applies to my role".

Facing the COVID-19 challenge

During the global pandemic, our people were affected by uncertainty and practical impacts. They were naturally concerned for their safety, for the health of their loved ones and for their financial security. To support them we:

- set out early in the pandemic that we would not be furloughing staff or making people redundant;
- applied strict safety protocols for people working on our sites including PPE, hand sanitiser, remote handovers and social distancing procedures;
- supported staff working at home;
- protected pay and benefits so that those self-isolating, unwell or with caring responsibilities were supported; and
- provided wellbeing programmes.

Our people and our sustainability Commitment

As part of our Commitment to be People Positive by 2030, we are encouraging and promoting diversity. This year we have established a programme to understand our diverse representation in terms of race/ ethnicity, sexuality and disability. We published flexible working guidance globally and are running a mentoring programme, as part of a continued drive to improve gender diversity, with the aim of doubling the number of women in senior decision-making roles by 2025 and achieving overall gender balance by 2030.

For more information on the progress we are making see the People Positive update see p35.

75%
average pulse survey response rate

Keeping our colleagues safe and feeling supported through COVID-19

The health and wellbeing of our employees throughout the COVID-19 pandemic is our primary concern. We had to swiftly respond to changing needs to keep employees safe whilst working and continuing to manufacture our ingredients, many of which are used in items critical to combating the virus.

Our CEO and leaders at every level of the Company globally gave regular updates, held town hall meetings, recorded videos and sent out written communications. We also published short pulse surveys to provide employees with a way of sharing anonymous feedback about how they were feeling and how the Company was managing the crisis from their perspective. Local managers also encouraged feedback and maintained contact with staff working remotely through online quizzes, digital coffee breaks and even virtual cocktail hours.

Early in the pandemic, we assured all employees that there were no plans to reduce employee numbers or reduce regular salaries and benefits as a result of COVID-19. We understood some employees needed to balance caring responsibilities and work, so encouraged people to work flexibly as required.

For those employees working onsite, we focused on making life as easy and as safe as possible – with remote handovers, provision of PPE including hand sanitiser, and training in new procedures to keep everyone safe.

Where employees, especially those working shifts, reported that they were struggling to access essential food items, which were in short supply at points during the first wave of the pandemic, we arranged for food and cleaning items to be made available for home use.

There was an important focus on mental health in all our regions and we increased the provision of Employee Assistance Programmes in some countries and provided direct access to doctors and medical teams. We delivered online training courses aimed at the management of safety and health during the pandemic including mental health. In addition, our employees recorded podcasts sharing specific tips and information about safety and wellbeing.

We continued to operate as close to normal as possible during the pandemic, offering support and flexibility to our employees whose commitment has been outstanding in such difficult circumstances. They continued to work hard for our customers despite the challenges they faced.

Our customers: We work in partnership with our customers to provide our innovative and sustainable ingredients in a way that meets their commercial and sustainability goals whilst delivering on our Purpose. Selling around 7,000 ingredients to over 17,000 customers gives us significant exposure to customers ranging from multinational companies to regional and independent brands.

Our customers, insight and excellence

We work in partnership with over 17,000 customers, large and small, to provide our innovative and sustainable ingredients in a way which meets their commercial and sustainability goals while delivering on our Purpose. By selling direct to customers and collaborating with them at our 46 innovation centres around the globe, we gain a detailed insight into their current and future needs, helping us to identify new opportunities.

With regulations an increasingly important driver of customer requirements, we also work closely with Regulators and Trade Associations to gather intelligence, ensure that our ingredients are compliant with regulatory frameworks worldwide, and advocate for more stringent targets to improve the sustainability of our industry as a whole (see p15 of this document or p39 of our Sustainability Report for more).

Working together

2020 tested and confirmed our levels of customer intimacy as we were able to continue delivering for our customers through our focus on health and safety.

Despite the pandemic, we enhanced our customer relationships in emerging markets, more than doubling our footprint in the Middle East and Africa when we acquired Iberchem, and enhancing our network in Asia through investment in sales, digital, technical and production capabilities.

To help increase our focus on consumer ingredients for our Home Care and Personal Care customers, we have created a new Consumer Care sector. Through the Iberchem acquisition, we also extended our full-service offering to customers by adding fragrances to our range and formulation capabilities.

314%
increase in online Live Chat since 2019

Nicole Schumacher
Global Account Manager

syngenta

Recognition for supporting customers with their sustainability goals and good service

This year the Crop Protection team within our Life Sciences sector were delighted to win the Syngenta Supplier Partnership Award at their 2020 Virtual Syngenta Supplier Conference. The event, held every two years, is an opportunity for Syngenta to speak directly to its suppliers about their strategy and direction, and for them to recognise and celebrate those suppliers who make the most significant contributions.

In presenting the Supplier Partnership Award to Croda, Marie-Odile Zink, Head of Co-Formulants Procurement at Syngenta, highlighted Croda's great customer service and responsiveness, our innovation and support on multiple projects around the world, and especially our support of Syngenta's sustainability goals.

Nicole Schumacher, Croda's Global Account Manager for Syngenta also said: "It is encouraging to see the degree of alignment between both companies around innovation and sustainability. It is great to see our hard work and commitment being acknowledged in this way."

Facing the COVID-19 challenge

Across our business, our direct-selling model and unique level of customer intimacy were maintained as everyone transitioned into the 'virtual world' due to COVID-19. Attendance numbers for our regular webinars and use of our Live Chat facility increased. Our continued investments in our digital capabilities helped our global selling network to continue to provide unrivalled customer contact through instant access to our expertise and a more personalised digital experience.

With multiple touch points located close to our customers locally, and our digital capabilities, we have worked in partnership to understand changing customer needs and product demands during this pandemic. We have also supported customers with flexible payment terms and have prioritised manufacture and supply of our ingredients for applications that are combating COVID-19. These range from sanitisers to PPE and crucially our pharmaceutical excipients now established in a global COVID-19 vaccine.

Our customers and our sustainability Commitment

The strength of our customer partnerships provides immediate insights and fuels our continuous innovation. This drives the creation of ingredients to help these customers to meet their own sustainability goals by providing a benefit in use with reduced environmental impact. In parallel we are able to continue to align our business with the United Nations Sustainable Development Goals (SDGs) and meet our own Commitment.

Our suppliers: Supply chain integrity is critical to deliver a sustainable business. In addition to the usual criteria of quality and reliability, we choose suppliers who share our standards for ethics, labour and human rights, the environment and sustainable sourcing. Our partnership with our suppliers goes beyond acquiring products and services. We work closely to help them understand and align with our values and standards, providing them with best practice guidance and tools to measure, improve and promote their sustainability efforts.

Our suppliers and shared values

Our suppliers play an integral role in our ability to create, make and sell our diverse range of innovative ingredients and, in return, we are committed to sharing benefits equitably across the supply chain. Our partnership with suppliers goes beyond acquiring their products and services. We source from those who share our values and help them to measure and improve their sustainability credentials. We partner with EcoVadis, a global supplier audit firm, to ensure suppliers are operating safely, ethically and responsibly, and to drive improved practices.

Most of our carbon emissions lie within our supply chain. To achieve our Science Based Targets, we collaborate with suppliers and work with CDP Supply Chain, a not-for-profit global disclosure charity, to collate data about their environmental impact.

Working together

In 2020 we appointed a Global Head of Sustainable Sourcing to strengthen supplier relationships and to improve product composition data, enabling us to meet our commitment to deliver ingredient transparency to our customers. We issued a new Code of Conduct to ensure clear communication of our sustainability standards to suppliers globally.

We also work closely with Non-Governmental Organisations representing consumer interests on issues such as the sustainable sourcing of palm oil derivatives. Understanding their perspective on supply chain management helps us support our customers, maximise our positive sustainability impact and protect our reputation (see p38 of our Sustainability Report for more).

Facing the COVID-19 challenge

Supply chains have been tested during 2020. Our strong supplier partnerships enabled us to maintain the supply of raw materials and services to our sites with minimal disruption. In return, we have offered flexible payment terms to suppliers, so that they can benefit from the strength of the Croda business model.

Our suppliers and our sustainability Commitment

Supply chain integrity is critical to deliver a sustainable business. Our choice of suppliers will continue to be fundamental in helping us achieve our 2030 targets. We did not let the challenges of 2020 distract us from our Commitment and have continued supplier engagements through RSPO Certification, CDP Supply Chain and EcoVadis assessments. This work will continue into 2021 and beyond until we have full transparency in all aspects of our supply chains.

Photo courtesy of Karène Volpato / UEBT

UNION FOR ETHICAL BIOTRADE MEMBER
SOURCING® WITH RESPECT

The Union for Ethical BioTrade (UEBT) is a non-profit association that promotes sourcing with respect. This year, Sederma, our skin actives business, became a fully accredited member of the UEBT. This means Sederma commits to continuously develop and integrate ethical sourcing practices in plant collection areas, respecting traditional know-how, improving the living conditions of local populations, and mastering traceability of raw materials of natural origin.

199
suppliers completed EcoVadis survey

Our innovation partners: Our R&D advances are increasingly driven by our innovation partnerships. These partners include leading international universities, SMEs, biotechnology companies, research institutes and our customers. Our Smart Partnerships and Open Innovation projects enable collaborations that focus on our Commitment to sustainability so that we can improve lives together.

Our innovation partners and NPP

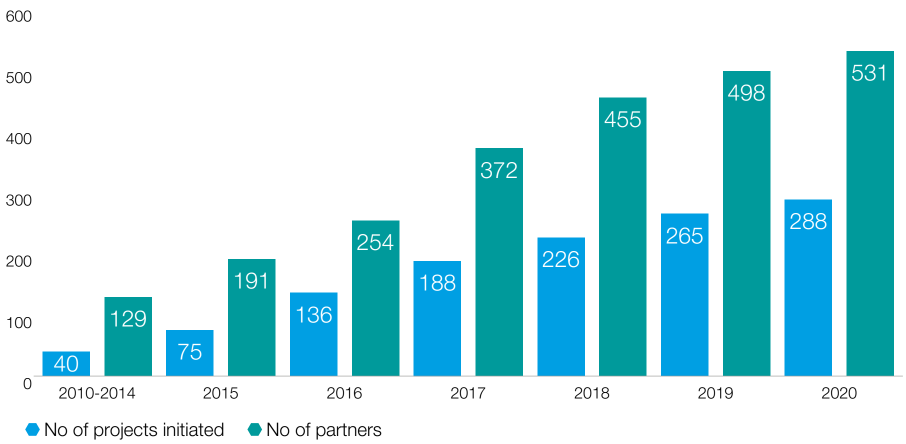
Our innovation strategy combines internal R&D with external technology investments and Open Innovation partnerships, which create unique opportunities to collaborate with leading scientists in universities and SMEs. These partnerships enable us to access world-class expertise and facilities to drive innovation whilst reducing time-to-market. They also allow us to share our know-how about formulations and the commercial application of science with our partners.

Together we are finding new ways to develop ingredients and manufacturing processes that deliver better results for our customers with less impact on the planet. Over the last ten years, the strategic importance of Open Innovation partnerships has grown significantly, as has the number of partnerships we enter and projects we create. Our partners contribute to the high proportion of New and Protected Products we sell and the continued differentiation of our ingredient portfolio.

Working together

The technology investments we made in 2020 are aligned with our sustainability strategy, allowing us to offer innovative metal oxides for sun protection, cellulose powders made from by-products of the Canadian forestry industry for skin care, and probiotic cleaning agents for home care. We currently run over 100 active Open Innovation projects, involving our top Croda scientists working alongside our partners, from world-leading academics to major international customers, to develop new products and processes.

Open Innovation partners and initiated projects



Facing the COVID-19 challenge

One third of the 46 innovation centres that we operate globally remained open throughout the pandemic and all returned to operation during the year, providing access to our R&D teams and protecting our future innovation pipeline.

Although many of our sponsored PhD students were sent home as universities closed, we held meetings online, reviewing progress and setting priorities, so that work could continue. We also extended funding arrangements for PhD students where necessary.

Our innovation partners and our sustainability Commitment

Many of our Open Innovation partnerships focus on improving processes and ingredients as part of our Commitment to be Climate, Land and People Positive by 2030. For example, we work with partners to help access the latest scientific advances in biotechnology. Each project aims to either improve the sustainability of the way we manufacture our ingredients or create new ingredients that deliver sustainability benefits for our customers and their consumers.

531
innovation partners

Our communities: Employees at our sites worldwide are active members of their local communities. Understandably, our neighbours expect us to act responsibly, safely and sustainably. We take our commitment to these communities seriously, going further to make a positive difference and support them in their times of need.

Our communities and why they matter

We rely on the trust of people in our local communities to operate effectively and deliver for our customers. Understandably, our neighbours expect us to act responsibly, safely and sustainably, but we go further and aim to make a positive difference. Our 1% Club, launched over 15 years ago, enables all employees to give 1% of their working time to charitable activities, targeting local communities. We also aim to create educational opportunities for local students, particularly those studying "STEM" subjects: Science, Technology, Engineering and Maths.

We have paid a living wage to all UK employees since 2018. Through our partnership with the Fair Wage Network, and commitment to pay the living wage to all regularly employed contractors as well as employees by the end of 2024, we are helping to provide financial security across our communities globally.

Working together

This year more than ever we have reached out to support our local communities in their time of need. Through our Acts of Kindness initiative, established to support our local communities during the COVID-19 pandemic, our employees nominated local charities and causes where we could make a difference.

For the longer term we have incorporated the Croda Foundation, to deliver our People Positive Commitment of applying our innovation to increase the positive impact we make on society. The Foundation is an independent charitable trust, solely funded by Croda, but with its own Board of Trustees and a global reach. Its role is to oversee the delivery of philanthropic projects sponsored by Croda, prioritising those that use our smart science and technologies to improve the lives of people in the communities where we operate.

Facing the COVID-19 challenge

Many of our communities worldwide have been impacted by the pandemic, with concerns for safety, virus control and financial insecurity. We have responded through our Acts of Kindness initiative, providing acute relief and support to those facing hardships. Our popular STEM programme has proved particularly useful during this time of increased home-schooling for children. Our sites have kept local communities informed about our response and used their smart science to make items such as hand sanitisers available to local schools, nurseries and residential homes for the elderly.

Our communities and our sustainability Commitment

During 2020 we incorporated the Croda Foundation. We aim to improve the lives of one million people in the communities in which we operate by 2030, a key pillar of our Commitment to be People Positive.

Our Acts of Kindness initiative helped the Kayapo tribe in the forests of the Amazon to fight COVID-19

Acts of Kindness fund

£200k

Adriana Nobre
Operations Head for Latin America

Acts of Kindness reach the Kayapo tribe in the Amazon forest

In April we offered our employees the opportunity to nominate local causes and charities to receive a £10,000 of support from their Croda location. In total, we set aside a fund of £200,000 for this Acts of Kindness activity and our teams reacted immediately, nominating a wide variety of worthwhile causes and vulnerable groups to help.

In Brazil, our Campinas-based team used their fund to support several local groups. They donated personal hygiene items to a local nursing home for the elderly and provided food boxes for residents of a favela, helping 200 of the most vulnerable local families. The food boxes supplied a month's worth of food and each family received these boxes for four months.

The Brazilian team also gifted 100,000 soap bars to the Kayapo, an indigenous tribe living in the Capoto-Jarina reservation in the Amazon forest.

Increased hand washing with soap is an effective way to help prevent the spread of COVID-19 and this donation is helping indigenous peoples in the region to protect themselves from the pandemic.

Access to soap is difficult for these tribes as they do not live in a cash economy and together with the absence of medical assistance, this leaves them extremely vulnerable to the pandemic and to other health issues. They often live in remote villages where access is challenging and resources are limited.

Adriana Nobre, Director and Operations Head for Latin America said "This is a cause that is very close to the hearts of my team and they were particularly proud and happy to be able to step forward and help with a Croda Acts of Kindness donation. The whole team was excited to provide this support which made a difference to the vulnerable but important Kayapo communities who play a key role in the protection of our environment."

Our shareholders: We maintain a two-way dialogue with our shareholders so that they understand and support our strategy and can assess our Environmental, Social and Governance (ESG) performance.

£627m
of new equity to part-fund the acquisition of Iberchem

Our shareholders and open dialogue

We are committed to considering shareholder interests and maintaining open and regular dialogue with them as the owners of our Company and main source of long-term funding.

Working together
In November we raised gross proceeds of £627m new equity to part-fund the acquisition of Iberchem, the largest M&A-related placing on the London Stock Exchange in 2020. We followed the principle of pre-emption, ensuring existing institutional shareholders received at least their pro-rata allocation. We also allocated the maximum permitted number of shares to smaller shareholders and employees through a separate retail offer.

Facing the COVID-19 challenge
At the start of the outbreak, in line with investor focus on business continuity, we undertook extensive scenario testing which confirmed Croda had sufficient liquidity to absorb extended uncertainty.

We provided more regular and detailed disclosure during the COVID-19 crisis, publishing trading updates and more detailed information about our employees and other stakeholders. We also embraced digital communications to engage investors at virtual conferences and events.

Croda's business model has proven resilient with all but two of our 19 principal manufacturing sites operating without material disruption throughout the pandemic. This resilient performance, combined with prudent leverage and dividend distribution over many years, enabled us to pay dividends to shareholders in line with the Board's commitment to treat all stakeholders fairly.

Our shareholders and our sustainability Commitment
We continue to increase engagement on ESG topics with both non-holders and long-standing shareholders and see an increasing proportion of specialist investors on our register.

As well as hosting an investor seminar on sustainability in October which attracted 250 participants, we created a single "sign-posting" website page and a data pack collating non-financial information for investors. Priorities for 2021 are continued assessment of the carbon benefits of Croda's products in use and the application of the EU taxonomy to Croda.

For more information on our communication with shareholders see page 60.

Equity placing
- £627m (gross proceeds) raised through institutional and retail offers
- Institutional offer c4x oversubscribed
- Over 100 institutions supported the institutional offer
- c75% placing allocated to existing shareholders
- Retail offer c2x oversubscribed
- Maximum retail allocation permitted under UK regulations

A strategy for a changing world

Our corporate strategy and our sector priorities are clearly linked to our Purpose, to use our Smart science to improve lives™. They are enabled by our business model and powered by our people and strong relationships across our entire stakeholder ecosystem. This long-established strategy delivers value for shareholders, even in years of change and challenge worldwide.

Group strategic objective	We achieve this through	What we have done in 2020	Our priorities in 2021
Growth **Consistent top and bottom-line growth, with profit growing ahead of sales, ahead of volume.**	• Sharing a clear Purpose • Applying a strong and resilient business model (p12) • Using our unrivalled local selling capability, with local, direct and digital selling • Creating a balanced global manufacturing footprint • Following a proactive and targeted M&A programme, investing in high-return opportunities • Applying a disciplined approach to capital allocation	• Acquired Avanti Polar Lipids LLC, a US-based business creating delivery systems for pharmaceutical products, expanding our portfolio in Life Sciences (p26) • Acquired Iberchem, a global Fragrances and Flavours business, strengthening our presence in consumer care markets (p24) • Delivered increased sales despite the pandemic, driven by second half recovery and acquisitions • Invested over £120m in further manufacturing capability, including speciality excipients, and opportunities that leverage Avanti's expertise	• Increase capability in sales, marketing, R&D, digital expertise and skills in Asia • Realise the value of a new full-service offering for Personal Care and Home Care through our new Consumer Care sector • Continue to scale our drug delivery business • Integrate our acquisitions
Innovation **The lifeblood of our business, we seek to increase the proportion of NPP (New & Protected Products) that we sell.**	• Investing in our own R&D application and regional innovation centres • Working closely with customers to better understand their needs • Identifying disruptive technologies • Working with Open Innovation partners	• Enabled our R&D teams to access laboratories safely during COVID-19 restrictions, protecting our future innovation pipeline • Added proprietary lipid technology to our capabilities in drug delivery systems through the acquisition of Avanti • Upgraded innovation centres in Shanghai, the UK and USA enabling us to work more closely with local and global customers • Continued to invest in our digital programme across the create, make and sell areas of our business model (p12)	• Scale our biotechnology expertise, increasing investment and smart partnerships to scale up, in line with sector and sustainability goals • Continue to build our digital capability in knowledge management
Sustainability **Aligning our business with our Purpose and accelerating our customers' transition to sustainable ingredients**	• Creating ingredients that provide a benefit in use with reduced environmental impact • Aligning our business with the United Nations Sustainable Development Goals (SDGs) • Identifying the short, medium, and long-term time horizons and specific climate-related risks and opportunities which could have a material financial impact on us	• Established interim goals against which we are measuring our progress towards meeting our 2030 sustainability Commitment • Developed decarbonisation roadmaps for our top ten carbon-emitting sites • Continued to increase the positive impact of our actions and deliver benefits for our customers and consumers • Started to replace traditional petrochemical surfactants with our ECO range of bio-based products • Identified impacts to products and our supply/value chain under various climate-related scenarios. Identified adaptation and mitigation activities and invested in R&D and operations to increase resilience	• Continue assessment of the carbon benefits of Croda's products in use • Begin implementation of decarbonisation roadmaps for our top ten sites • Develop decarbonisation roadmaps for our other sites • Continue to monitor where our strategies may be affected by climate-related risks and opportunities, extending work already done for recent acquisitions

KPIs	Risks
• Core Business sales growth % • Return on sales % • Adjusted basic earnings per share (EPS) • Operating profit, earnings per share growth as well as relative Total Shareholder Return are metrics used for executive remuneration (p80)	• Revenue generation in established and emerging markets • Our people — culture, wellbeing, talent development and retention
• New and Protected Products (NPP) % of Group sales • An NPP metric is used for executive remuneration (p80)	• Product and technology innovation and protection • Digital technology innovation • Our people — culture, wellbeing, talent development and retention
• Total Recordable Injury Rate • Absolute scope 1 and 2 emissions and scope 1 and 2 emissions intensity • Land area saved • Number of lives improved (through the use of Croda ingredients) • KPIs aligned to the delivery of our Climate and Land Positive Commitments are used for executive remuneration (p80)	• Delivering sustainable solutions — Climate Positive • Product quality/liability claims • Loss of significant manufacturing site • Suppliers and raw material security • Product stewardship and chemical regulatory compliance • Ethics and compliance

See page 38

See page 46

Strategic priorities

By sectors

Strengthen to Grow Consumer Care*

Already recognised as the leading market innovator, we will strengthen growth in our Personal Care business. With the acquisition of Iberchem, together with unlocking the high growth potential of our Home Care business, 2021 will see these three legs consolidated into a Consumer Care sector.

* Reported as Personal Care in 2020.

See page 24

Expand to Grow Life Sciences

With its growing margin and exciting technologies aligned to global health and crop sustainability trends, we continue to build our Life Sciences brand as a high value-add solution provider to our pharmaceutical and crop customers.

See page 26

Refine to Grow Performance Technologies

We are refining Performance Technologies to focus on high-tech markets and reduce exposure to cyclical business.

See page 28

Across sectors

- More proactive M&A
- Deliver fast growth in China
- Scale biotechnology
- Build our digital capability
- Robust global supply chain
- Employer of choice

Personal Care: Our smart science is helping our customers, large and small to create formulations with improved environmental profiles for thousands of personal and home care products while delivering clear benefits to consumers.

Sector President: Maarten Heybroek

The performance of the Personal Care sector was significantly affected by lockdowns initiated in response to COVID-19

Second half sales recovery but profit mix impacted by consumer lockdowns

The performance of the Personal Care sector was significantly affected by lockdowns initiated in response to COVID-19. This negatively impacted sales by reducing consumer demand for products associated with 'going out' and by interrupting sales channels, particularly for prestige products. In this environment, consumer products sold in supermarkets or online performed best. For Croda, this mix change had a negative impact on the return on sales, with a higher proportion of sales of 'at home' use Beauty Formulation products and a greater sales reduction in the higher-margin Beauty Actives and Beauty Effects businesses.

In Asia, China rebounded quickly during the first half of the year, but sales remained subdued in the key regional manufacturing markets of Japan and South Korea due to less tourism, as well as in South Asia which experienced extended periods of lockdown. Europe was also negatively impacted by lockdowns, with the near-closure of the French cosmetic industry and luxury shopping channels for several weeks during the second quarter. By contrast, sales in North America remained robust throughout the year and Latin America also improved in the second half year.

Sales declined by 1.8% and adjusted operating profit by 15.3%, both in constant currency. The profit reduction reflected a sales price/mix decline of 5%, reflecting the weaker business mix, while volume was just 1% lower and acquisitions added 4%. In reported currency, sales were 1.9% lower at £475.9m (2019: £485.2m) and adjusted operating profit was £136.5m (2019: £162.1m). Return on sales reduced to 28.7% (2019: 33.4%). This lower profitability reflected the adverse mix effect, an increased share of the ECO plant loss and the diluting effect of the Iberchem acquisition. IFRS operating profit was £123.0m (2019: £158.2m).

Excluding the Iberchem acquisition, underlying sales in Personal Care were 6% lower than prior year. Sales in Beauty Formulation, with its portfolio of heritage ingredients, declined by less than 5%. Sales in Beauty Actives and Beauty Effects were each down by around 10%, with Beauty Effects impacted through its exposure to social and travel categories, such as sun protection and colour cosmetics, and Beauty Actives by the disruption to consumer distribution channels for prestige products, particularly in France and North Asia, where consumer brands were more impacted by store closures, having less well developed on-line presence.

Our performance since lockdowns began has been consistent with broader published consumer sales data for Personal Care and Beauty, which reported declines of 3% in the US and 8% in Europe. During the year, our sales reached a low in May, down almost 20% on the prior year, but then enjoyed month-on-month recovery, with underlying fourth quarter sales encouragingly returning to prior year levels and a relative improvement in Beauty Actives and Beauty Effects.

'Strengthen to Grow' strategy

The drivers behind Personal Care's 'Strengthen to Grow' strategy remain unchanged – the continued rise in disposable income especially in emerging markets, coupled with a desire for improved wellbeing, an ageing population, greater use of digitalisation, continued market fragmentation amongst our customers and accelerating demand for sustainable consumer products. As the leading innovator in our sector, we are well placed to capitalise on these trends through our presence in every major market, strong innovation pipeline and sector-leading margin.

In Personal Care our strategy is to:

- Continue to scale our industry-leading Beauty Actives business which creates our most valuable claims-based skincare ingredients. Beauty Actives has continued its industry-leading innovation, expanding in biotechnology to create greener active ingredients. 2020 saw the launch of Synchrolife™ from Sederma, which counteracts the harmful effects of digital pollution, the development of Silverfree™, a biologically active ingredient to combat the greying of hair, and expansion of botanical ingredients from Crodarom. With its sales more weighted towards 'masstige' markets and toiletries, Crodarom continued to grow in 2020 and we are developing growth plans for Asia and market adjacencies. We have recently agreed to acquire botanicals specialist Alban Muller to expand our portfolio of natural active ingredients for a total consideration of €25m;
- Broaden the product portfolio in Beauty Effects, which offers similar growth and innovation potential to Beauty Actives, through organic innovation and partnerships. Despite its exposure to 'going out' products, Beauty Effects delivered new product launches in 2020, increasing NPP to 80% of sales and meeting consumers' sustainability and lifestyle needs. New products included Keramatch™ V, a vegan alternative to keratin to improve damaged hair; and
- Continue to reinvent Beauty Formulation, through greater product differentiation and unmatched formulation expertise for our customers. 2020 saw our first waterless formulations and new opportunities for our ECO range of bio-based ingredients.

As we broaden our Consumer Care strategy, we are targeting enhanced top-line growth through:

- The acquisition of Iberchem, a strong regional player in mid-sized and smaller customers. This accesses a new high-growth adjacency and creates a 'one-stop-shop' for those customers, combining Croda's critical ingredients with Iberchem's on-trend fragrances in stable formulations. With over 50% of its sales in Africa and Asia, including 25% in China, Iberchem has a strong emerging market presence, providing significant opportunities for revenue synergies as we leverage the respective Croda and Iberchem customer networks. We will further differentiate Iberchem's position by driving a transition to more sustainable fragrance materials; and
- The integration of Croda's Home Care business, which is expected to continue to grow from a strong 2020 performance, driven by greater hygiene demand, our ECO household cleaners, and our innovative fabric conditioner protein technology. This won a 'Brilliance' award from Unilever as part of its Clean Future programme to replace fossil-based ingredients in its home care products.

This strategy is supported by a robust innovation pipeline. NPP products represented 41% (2019: 43%) of 2020 sector sales, the slight decline reflecting the business mix impact. To respond to growing consumer demand for sustainable ingredients and the 'clean beauty' trend, where consumers want to know what is in the products they use, as well as how well they perform, we are developing our ingredient transparency platform and helping our customers deliver their sustainability objectives. Croda's R&D investment and capital investment have established our leadership in helping customers move away from traditional petrochemical ingredients. This is complemented by 36 Open Innovation projects with partners; these include natural cellulose powders for skin texture application produced from sustainably harvested pulp, and first sales of innovative metal oxides for sun protection.

We are also investing in digital to meet customer needs more quickly and effectively. 2020 saw a focus on customer webinars, roll out of Live Chat globally and the launch of a locally hosted and designed website for Chinese customers resulting in a 350% increase in website traffic in China.

> "The Croda sustainability Commitment to become Climate, Land and People Positive by 2030 was a key consideration in Croda's acquisition of Iberchem. We both share a drive to advance the sustainability of practices in this sector as well as improving people practices more widely."
>
> **Guillaume Audy**
> Director of Sustainability at Iberchem

Iberchem acquisition: stepping into the fragrance and flavours market

In November 2020, we announced our acquisition of Iberchem, an international fragrances and flavours business headquartered in Spain. The deal represents the largest acquisition in our long history and a well-timed step into this strongly aligned market.

At the crossroads of science and creativity, Iberchem brings a new range of fragrance and flavour products to our portfolio, creating a 'one-stop-shop' for personal care and home care customers. An agile and fast-growing company, Iberchem generates over 80% of its revenue in emerging markets and has delivered a steady double-digit growth track record of more than twice the average of its sector.

Iberchem and Croda management teams have known each other for many years and there is a great level of commitment and understanding between both teams. When Iberchem began a search for a long-term partner that would preserve the identity of the company, while supporting growth ambitions over the long term, Croda was a perfect fit. Iberchem will also benefit from Croda's leadership position in sustainability, transitioning its raw material portfolio, a potential differentiator in the market.

Fragrances and flavours embody very well Croda's Purpose of using Smart science to improve lives™. As sensory considerations become more important to consumers, fragrances have been reported as the primary purchase driver in various personal care and household products. They are also an emotional trigger with the power to boost wellbeing.

Guillaume Audy, newly appointed Director of Sustainability at Iberchem, said "The Croda sustainability Commitment to become Climate, Land and People Positive by 2030 was a key consideration in this acquisition. We both share a drive to advance the sustainability of practices in this sector as well as improving people practices more widely."

An encouraging starting point on sustainability

- 100% of the water used in the Iberchem production plant in Murcia, Spain, is recycled by an Authorised Waste Management Company.
- In November 2020, a photovoltaic system was installed that will avoid the emission of 171.74 tonnes of CO_2 annually.
- In its commitment to protecting the health and safety of its employees, Iberchem's head office received ISO 45001 certification in 2020. This is a first step in our ambition to certify each of the Iberchem production centres.

Life Sciences: We reach customers worldwide with our ingredients to deliver health care solutions, protect crops and enhance seeds. From our vaccine technologies to microplastic-free seed coatings, we are using our smart science to improve lives everywhere.

Sector President: Nick Challoner

2020 marked another record year for sales and profit in Life Sciences, with COVID-19 creating new Health Care opportunities as the year developed

Sales

£401.6m

2019: £350.5m

Adjusted operating profit

£129.4m

2019: £107.1m

Record performance driven by move to patient health care

2020 marked another record year for sales and profit in Life Sciences, with COVID-19 creating new Health Care opportunities as the year developed. In Health Care, continued growth in speciality excipients and vaccine adjuvants was complemented by the acquisition of Avanti Polar Lipids, LLC and a contract to supply Pfizer with components for their COVID-19 vaccine. Crop Protection continued to grow sales, net of planned product withdrawals, and Seed Enhancement delivered double-digit revenue growth. Life Sciences is now well established as a fast-growth, high-value leg of Croda's business model.

Sales increased by 14.8% and adjusted operating profit grew by 25.4%, in constant currency. This was driven by volume growth of 7% and unchanged price/mix, whilst acquisition added 8%. In reported currency, sales were up 14.6% at £401.6m (2019: £350.5m), with adjusted operating profit 20.8% higher at £129.4m (2019: £107.1m). Return on sales strengthened to 32.2% (2019: 30.6%), reflecting the sector's continued migration to higher value-add technologies. IFRS operating profit was £117.2m (2019: £97.7m).

The Health Care business saw constant currency sales increase by almost 30%, with an expanded number of technology platforms in drug and vaccine delivery systems. Speciality excipients again delivered strong sales growth, driven by the expansion in parenteral drugs using biologic actives, with their complex stabilisation needs. We continued to build on our leading position in this niche market by launching new excipients, expanding our sales and technical capability globally, and through organic investment to double manufacturing capacity in the US. Following the acquisition of Biosector in 2018, we are also a leading supplier of vaccine adjuvants which help trigger the body's immune response to vaccines. Our vaccine adjuvant business delivered strong sales and profit growth in 2020, benefiting from synergies with the Croda selling network.

In August we completed the acquisition of Avanti for an initial consideration of US$185m. Avanti adds a new drug and vaccine delivery technology through its industry leadership in lipid-based systems. In addition to an established business supporting pharmaceutical drug development, Avanti's lipid nanoparticle (LNP) system is increasingly attractive for use in complex therapeutic drugs and next-generation mRNA vaccines, expected to become a fast-growing part of the market. The acquisition combines Avanti's leading position in early-stage pharmaceutical research with Croda's expertise in commercial scale-up, a market in which Avanti could not previously participate.

Avanti had already been working on COVID-19 vaccine development at the time of acquisition, with Croda working as its scale-up partner. We redirected significant resource away from other projects to focus on supporting this vital global need. This development work led to a five-year non-exclusive contract to supply lipid components into the Pfizer-BioNTech COVID-19 vaccine, which we initially estimated would generate approximately US$100m of sales in 2021 if the customers' publicly indicated volumes were required. Based on contractual commitments received to date, we now expect a minimum of US$125m sales in 2021 for this vaccine. Croda is also supporting over 60 other COVID-19 vaccine and therapeutic drug development projects.

Crop Protection revenue was broadly flat, despite the headwind from our voluntary withdrawal from products with a negative environmental footprint. After a weaker first half year, sales recovered in the second half, reflecting phasing because of a later planting season in Latin America. Sales in North America recovered from the impact of the 2019 China trade dispute and Asia grew strongly, thanks to new resource investment in the key crop markets of China, part of our 'fast grow' strategy, and India. We reinforced our position as innovation partner to the four largest agriculture multinationals, providing increasingly sustainable delivery systems. Syngenta awarded Croda its Supplier Partnership Award for 2020. New product innovation included Hydravance™ 200, which retains moisture in the soil, and Atplus™ DRT-EPS, to reduce pesticide drift. Beyond the crop majors, sales grew double-digit percentage with smaller customers. The Plant Impact biostimulant technology, acquired in 2018, is now fully integrated into the crop business, and significantly improved its profit performance in 2020.

Our Seed Enhancement business delivered double-digit percentage revenue growth in 2020, following some short-term insourcing by customers which had adversely impacted 2019. North America sales were resilient, despite reduced demand for vegetable crops associated with restaurant closures due to COVID-19. Europe, Asia and Latin America all drove the strong growth. Sustainability remains a key driver of future opportunity and, in 2020, we launched our novel patented technology to create coatings that are free of microplastics for vegetable and field crop seed treatment. The business is also working with Plant Impact to incorporate biostimulants into its seed treatments.

'Expand to Grow' strategy

The Life Sciences 'Expand to Grow' strategy is being delivered both organically and through acquisition. This reflects the trends for more valuable patient health treatments and the environmental and social needs for increased crop yields delivered sustainably. Our strategic priorities are to:

- Build the Croda brand in Life Sciences, becoming the leading solution provider to global pharma and crop markets, whilst expanding geographically, particularly in emerging markets;
- Enhance our product portfolio organically and create more value by extending our drug and vaccine delivery and crop adjuvant technologies; and
- Acquire adjacent businesses and technologies in health and crop care with strong growth prospects.

This strategy is driven by innovation and investment. In 2020, NPP sales accounted for 27% of total sales (2019: 27%). The R&D pipeline is robust, supported by greater partnering, particularly in health care. We are deploying more capital to grow, investing £30m over three years in the expansion of our speciality excipient plants in the US and Japan. We reprioritised £10m of investment in the UK and US in 2020 to deliver vaccine scale-up requirements, with a further £40m expected to be invested in 2021 to more than double our GMP capacity in lipid technology for COVID-19 and other pipeline products. Across Life Sciences we are investing in digital capabilities, including the use of artificial intelligence to automate processes and improve customer service in Seed Enhancement.

Global sunflower seeds market value[1]

$1.3bn

"We are proud to say that we have already succeeded in developing the first new microplastic-free seed coatings for key crops including sunflower, corn and vegetable seeds. We will also ensure that our full portfolio of seed coatings is microplastic free well before restrictions are in place in Europe."

Marta Dobrowolska-Haywood
Head of Research and Technology, Incotec

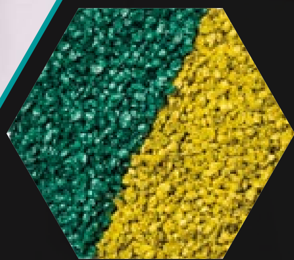
Helping customers reduce the level of microplastics in the environment and get ahead of impending regulations
Our multinational customers in the agricultural sector are facing a challenge from customers and regulators alike. The call is both a threat and an opportunity; to restrict the use of microplastics in seed coatings by 2027.

The use of coatings on seeds is common practice among growers worldwide as it retains crop protection chemicals on the seed and reduces dust that can lead to unintended exposure of farmers and the environment. Coatings also make seeds easier to sow. However, there is growing global concern about microplastics accumulating in the environment as they are resistant to normal environmental degradation. While Europe may be acting on this area first, our multinational customers are convinced that it is likely that similar restrictions will be adopted elsewhere too.

EU legislation banning intentionally added microplastics in seed coatings is expected to become effective around 2027. For a few years now, the team at our Seed Enhancement business Incotec has been leading the industry response and working on creating microplastic-free seed coatings to help their customers to adapt ahead of this legislation.

Marta Dobrowolska-Haywood, Head of Research and Technology, Incotec, said "This has been such a rewarding project for our whole team. The initial challenge was daunting as developing microplastic-free treatments is easier said than done. A film coating must not interfere with seed health, shelf life or germination and different crops and plant protection products react differently to any coating.

"We are proud to say that we have already succeeded in developing the first new microplastic-free seed coatings for key crops including sunflower, corn and vegetable seeds. We will also ensure that our full portfolio of seed coatings is microplastic free well before restrictions are in place in Europe, helping our customers get ahead of a major regulatory impact. Helping to see this project through to delivery with such exciting outcomes for our environment is a personal career highlight for me."



Global maize/corn seed market 2018[2]

$24.5bn

1. Market Data Forecast Feb 2020.
2. Global maize/corn seed market report MarketWatch Oct 2020.

Performance Technologies: Our innovative, low-carbon, sustainable and technology-rich additives and materials enable the transition of industrial markets to new sustainability-driven solutions. We work with our customers to help them to deliver superior performance, lower carbon, and greater circularity in materials, mobility, energy, and water industries.

Sector President: Anthony Fitzpatrick

Sales in Performance Technologies were resilient in challenging industrial markets globally but profitability reduced significantly

Sales

£416.4m

2019: £430.2m

Adjusted operating profit

£54.0m

2019: £69.4m

Resilient sales in challenging markets

Sales in Performance Technologies were resilient in challenging industrial markets globally but profitability reduced significantly. After a good start to the year as customers initially secured inventory in the supply chain when COVID-19 took hold, sales progressively weakened during the second quarter alongside temporary closures of automotive and industrial plants, with sales in June almost 20% below prior year. The second half saw a steady recovery, with fourth quarter sales encouragingly 5% higher than prior year.

Sales declined by 3.2% and adjusted operating profit by 21.3%, in constant currency. Overall volume ended the year unchanged on the prior year but with a negative price/mix of 3%, reflecting a more competitive pricing environment in difficult market conditions. There were no acquisitions. In reported currency, sales also declined by 3.2% to £416.4m (2019: £430.2m) and adjusted operating profit reduced by 22.2% to £54.0m (2019: £69.4m). Return on sales was 13.0% (2019: 16.1%), with the reduction due to the higher operating leverage in this sector and lower production in European sites, a change in profit mix due to a sharp decline in sales in the higher margin Energy Technologies business and the sector's share of the ECO plant loss in the US. IFRS operating profit was £50.4m (2019: £63.8m).

There was a marked variation in the performance of the different businesses. Smart Materials was resilient, with sales ending slightly up on prior year, driven by record sales in packaging and hygiene markets from the need for greater protection of products from contamination and the use of polymer additives as a key component in many COVID-19 applications, including PPE and medical supplies. Within the Home, Fabric and Water business, hygiene and household care applications saw strong demand, reflecting both COVID-19 stimulated demand and increased sales of our ECO sustainable solutions. By contrast, the Energy Technologies business saw sales down over 15% in constant currency, impacted by sharply lower lubricant demand in automotive and reduced flow control additive sales for oil and gas as underlying production levels fell. By quarter four, demand had returned to some industrial and automotive markets, with Energy Technologies sales back to 2019 exit levels and Smart Materials remaining in growth, with a stronger order book by year end.

'Refine to Grow' strategy

The strategy for Performance Technologies is to 'Refine to Grow'. The last two years have shown that the sector remains exposed to the industrial cycle. By redeploying capital selectively within the business, we will reduce exposure to older cyclical technologies and focus more on technology-rich markets, to:

- Focus on higher-growth and more valuable markets where we have technical expertise and digital capabilities, thereby increasing the 'knowledge intensity' of the portfolio and reducing its capital intensity and operating leverage;
- Develop the sector's geographic footprint beyond its traditional European and US markets, especially in Asia; and
- Leverage the sector's strong sustainability credentials to meet customers' product needs and help them deliver their 'green' targets.

The Smart Materials business offers sustainable, low-carbon solutions and speciality effects primarily to global polymer and adhesive markets. Global use of polymers continues to grow but, by refining our portfolio, we are helping to move away from a linear plastics economy to a circular one, creating biodegradable and recyclable polymer solutions. In 2021 we will complete a £30m expansion project in the UK, allowing us to offer customers new technologies in high-value polymers for lightweight and durable applications. In Energy Technologies, whilst the internal combustion engine will remain important for many years to come, we are using our distinctive technologies to align to the sustainability-driven transition of industrial markets, such as renewable energy and mobility. This focus will see us move up the value chain and closer to Original Equipment Manufacturers (OEMs). In the automotive market we are working with global manufacturers to enhance drivetrain lubrication of electric vehicles and in 2020 we launched Hypermer Volt 4000™, a conductive carbon dispersant that improves battery capacity to meet electrification challenges across a range of industries. In Home Care we secured new sales to customers for our ECO sustainable surfactants, and delivered significant growth in Coltide Radiance™, a protein-based fabric conditioner technology that extends the life of fabrics, saving on textile waste.

Across Performance Technologies, we are shifting sales and innovation resources towards higher-growth regions, with encouraging sales progress in Asia and EEMEA in 2020. We established a new state-of-the-art applications laboratory in Shanghai to provide innovation and technical support to customers in China. Our innovation pipeline continues to improve, with NPP as a proportion of sector sales stable at 19% (2019: 19%). We are building on recent acquisitions and investments which support our R&D. In Smart Materials, Ionphase, a market-leading technology in permanent anti-static additives acquired in 2017, has a strong pipeline of opportunities in electronics, automotive and household applications. This follows a record year for revenue, profit and new applications in 2020, including the launch of an additive which controls static to avoid contamination of transparent plastic products. In Energy Technologies, Rewitec, which we acquired in 2019 and whose lubricant additives repair damage and extend the life of wind turbines, has completed several successful trials positioning it well for growth in 2021. In Home, Fabric and Water, as part of our innovation in biotechnology, a smart innovation partnership developed new probiotic ingredients for the home care market, using application-specific bacteria strains to degrade organic matter, delivering superior cleaning and odour neutralisation as well as sustainability benefits.

Continued portfolio development in Industrial Chemicals

Industrial Chemicals activities continue to support the overall efficiency of Croda's Core Business and operating sites.

2020 saw a significant reduction in global demand for industrial chemicals, coupled with continued progress to reduce low-value co-product and tolling business. As a result, constant currency sales declined by 13.4%. In reported currency, sales were £96.4m (2019: £111.8m) with a small operating loss of £0.3m (2019: £1.1m profit). IFRS operating loss was £0.6m (2019: £0.2m profit).

Sales of sustainably packaged consumer goods grew

7.1x

faster than those of conventionally marketed goods[1]

“It feels good to see that our team and business can put our Smart science to improve lives™ Purpose into action by adapting so quickly to meet our customers’ needs, even in the most challenging circumstances.”

Ducky Tan
Sales Manager for Croda China

Responding to growing customer demand with bio-based polymer additives

Polymers feature in every aspect of our lives, from food packaging to medical devices and household appliances to Personal Protection Equipment (PPE). This is an industry which is evolving quickly to respond to the emerging sustainability demands of consumers. At Croda we have a long history of creating bio-based polymer additives for this diverse range of polymer applications and this year we have been particularly agile in responding to our customers’ needs.

An unprecedented growth in sales in polymer additives has been driven by changes in consumer and customer requirements. Increasing demand for our sustainable, bio-based polymer additives and a growing focus on consumer wellbeing as well as pandemic-driven medical needs have combined to drive this growth. From smart packaging solutions for medicines and vaccines to hygienic PPE materials, we have been able to supply high-quality ingredients to help our customers to improve lives worldwide.

Ducky Tan, Sales Manager for Croda China said “The pace of change at Croda this year has been so exciting. 2020 was tough on everyone but I have been astounded and really proud of how we have responded at Croda. For the last eight years my work has focused on our polymer additives business and it feels good to see that our team and business can put our Smart science to improve lives™ Purpose into action by adapting so quickly to meet our customers’ needs, even in the most challenging circumstances. Together we have adapted the way we work, as have our customers. We are engaging with customers regularly through our digital capabilities including WeChat and productive customer webinars.”

Ducky added “Here in China, the significant growth we have seen this year is partly due to the pandemic but also to broader consumer trends in health, hygiene, wellbeing and of course, sustainability. We have been able to respond to these new needs and shifts in customer demand by offering safe and durable packaging ingredients for transporting hygienic solutions such as hand sanitisers. Our Ionphase acquisition in 2017 has also proven to be an excellent addition to the portfolio, enabling us to offer permanent anti-static solutions. Our customers are reassured by our local manufacturing capabilities which are supported by my excellent sales colleagues. I am proud to be part of this business offering Smart science to improve lives™.”

1. 2020 Sustainable Share Market Index.

Sustainability: our 2030 Commitment
We will be 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.

> "Our strategy is restorative – we aim to put back more than we take – and it is balanced across the needs of climate, nature and society."

Stuart Arnott
President Sustainability

We believe the launch of this ambitious and public commitment to use our Smart science to improve lives™ in 2020 will both inspire and encourage changes in employee behaviour, uniting them in delivering a more sustainable future. We also have important KPIs outside these three categories, which we have classified as Fundamental to the success of our business. These give us our social licence to operate and include critical areas such as environment, labour and human rights, ethics and sustainable procurement.

We believe that our planet and society will be a better place in 2030 when we achieve our sustainability targets. This positive vision drives us to do more and faster in this, the United Nations' Decade of Action, and we can imagine exactly how we will have improved the world if we achieve our targets across Climate, Land and People Positive.

Our Commitment and 2030 sustainability targets form part of our long-term approach to protect and improve the environment and society by setting demanding SHE improvement targets. This is set out in our Group SHE Policy owned by Steve Foots, CEO, who regularly reviews and updates statements relating to this policy. Progress towards our 2030 targets is monitored by the Sustainability Committee, a formal sub-committee of the Executive Committee.

While we are enthusiastic about, and committed to, our 2030 targets, we recognise there are still nine years to this deadline, and we need to ensure we deliver and monitor progress over this time. During 2020 we developed and approved the intermediate milestones for most of our 2030 targets.

These are recognised as challenging and industry-leading in their own right, and we believe they demonstrate our commitment to the action and investment needed in the short term to ensure we are well on the path to meeting our 2030 targets.

We have achieved so much already in 2020. The following pages summarise this progress and the milestones we have set. **You can find more detailed information, including governance, methodologies, case studies, impacts and the statistics behind our targets, in our 2020 Sustainability Report.**

> "We end 2020 with even greater optimism and confidence and, above all, collective pride in our business, our Purpose and Commitment to continue to make a positive impact."

Steve Foots
Group Chief Executive

By 2030

- we will be saving 100,000 tonnes CO_2e scope 1 and 2 emissions per year, equivalent to removing over 21,500 vehicles from the road
- the Croda Foundation will have improved the lives of 1 million people by funding philanthropic projects connected to our smart science
- each day our crop technologies will deliver land area savings equivalent to 1,000 football pitches
- the use of our products will be avoiding 3.8 million tonnes CO_2e per year, equivalent to removing the emissions associated with one coal-fired power plant for the whole year

For each 2030 Commitment target we have identified the primary SDG to which we are contributing, as well as the specific SDG target references relating to the KPI and where in our value chain they will be impacted: suppliers, our own operations or through use of our products and services. We have then identified the additional SDGs significantly impacted by our work to meet this target. This evaluation aligns with the approach taken by the United Nations Global Compact, with their SDG Ambition initiative for business*.

Material area	SDG impact: Primary	SDG impact: Additional	SDG targets by scope: Value chain	SDG targets by scope: Operations	SDG targets by scope: Products & services
Climate Positive					
Carbon Cover	7		13.2	7.2	7.3
Reducing Emissions	13		13.2	7.2, 9.4, 13.2	
Sustainable Innovation	12		12.2		
Land Positive					
Land Use	2		15.2, 15.5, 12.2		2.3, 2.4
Crop Science Innovation	15				15.2, 15.3, 13.1
People Positive					
Health and Wellbeing	3				3.3, 3.4
Improving More Lives	SUSTAINABLE DEVELOPMENT GOALS				
Gender Balance	5			5.5	
Fundamentals					
Health, Safety & Wellbeing	3			3.4, 3.9, 8.8	
Process Safety	3			3.9, 8.8	
Environmental Stewardship	6			6.3, 6.4, 12.5	
Fair Income	8		8.5	8.5	
Supplier Partnership	12		12.6, 12.7		
Knowledge Management	4			4.3	
Quality Assurance	12			12.2, 12.5	
Product Stewardship	3		12.2	3.9	3.9, 14.1
Responsible Business	SUSTAINABLE DEVELOPMENT GOALS				

Strengthen the means of implementation and revitalize the global partnership for sustainable development.
The partnerships that form our ecosystem are vital in supporting us to achieve our 2030 Commitment.

* https://unglobalcompact.org/take-action/sdg-ambition.

Climate Positive

We will continue to reduce our carbon footprint and increase our use of bio-based raw materials, whilst the benefits in use of our ingredients will enable more carbon to be saved than we emit through our operations and supply chain.

Tackling the climate crisis is our biggest challenge, but, through decarbonisation, innovation and customer collaboration, it also offers us our greatest opportunities.

Reducing emissions

Milestones

- 25% reduction in absolute scope 1 and scope 2 emissions by the end of 2024
- All Croda locations to have a decarbonisation roadmap by the end of 2022

We are committed to reducing emissions in line with the science required to limit global warming to 1.5°C above pre-industrial levels, and are signed up to the UN Global Compact's Business Ambition for 1.5°C. Early in 2021 we will have our Science Based Targets validated — to be on track to achieve our targets, our manufacturing sites need to reduce emissions by 46.2% by 2030 (using 2018 as the baseline).

In 2020, manufacturing sites representing 90% of our total emissions developed decarbonisation roadmaps to 2030. This involved understanding current energy requirements, identifying opportunities to reduce and re-use energy, as well as exploring the feasibility of switching to renewable sources. These roadmaps have been collated and the global position quantified from both financial and carbon-reduction impact perspectives. This outstanding work gives us confidence that our Climate Positive commitment is achievable.

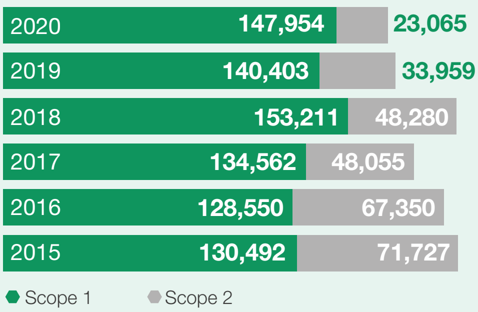
2020 also saw us confirm and start to implement an internal carbon price of £50/ tonne CO_2e for all capital expenditure applications. We believe this will continue to drive the right investment decisions for us to meet the challenging targets we have set.

The majority of our emissions lie within our supply chain, embedded in our raw materials. To reduce these emissions, we will also set a scope 3 Science Based Target during 2021. Collaboration, engagement and encouraging suppliers to set their own emissions reduction targets will be key to us making progress. As many of our key customers have also committed to Science Based Targets, our Climate Positive commitments will support them in achieving their own scope 3 reductions, with the cradle-to-gate carbon footprint of our products significantly reducing over this critical decade for climate action.

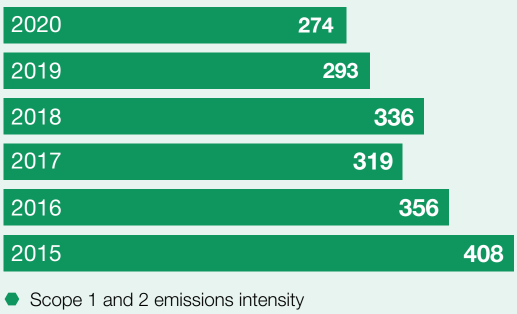
> "It is an exciting and valuable experience to be involved in creating the roadmap, where we can improve current processes and explore novel technologies which may very soon become the norm for us."

Shu Ying Tan
Graduate Trainee, Croda Singapore

GHG emissions ($TeCO_2e$)[1]



GHG emissions intensity ($TeCO_2e$/£m)



Since 2015, our baseline year, our total scope 1 and 2 GHG emissions have reduced by 15.4%. Within this, our scope 1 emissions have increased by 13.3%, whilst we have seen a greater than 67% reduction in scope 2 emissions. Since 2017 we have been reporting market-based scope 2 emissions, which better reflect our purchasing of renewable electricity at greater levels than the national averages in the countries where we operate.

Scope 1 and 2 GHG emissions from our UK operations were 35,277 $TeCO_2e$ in 2020 (2019: 34,932 $TeCO_2e$) representing approximately 20% of our global GHG emissions.

Our chosen measure of GHG emission intensity divides our GHG emissions (market-based scope 2 emissions) by value added[2], a measure of our business activity. Our 2015 baseline year, along with 2016, were calculated using location-based scope 2 emissions as a proxy. Since 2015, our GHG emissions intensity has improved by 33%, illustrating how we are decoupling growth from our environmental impact.

Our scope 1, 2 and 3 GHG emissions are verified by Avieco. Their formal independent verification statement is available at: www.croda.com/carbonverification.

Energy consumption and efficiency improvements

In 2020 we consumed 1,113,064,125 kWh (2019: 1,026,316,451 kWh) of energy across our global operations. This included 223,177,222 kWh (2019: 223,465,355 kWh) consumed by UK operations. As part of our strategy to improve the efficiency of energy consumption, 27 projects were implemented globally, realising 31,642,487 kWh of annualised efficiency improvements, equivalent to 18,500 $TeCO_2e$ avoided emissions.

1. Scope 1 emissions are calculated using Defra Government emission conversion factors for greenhouse gas company reporting. Scope 2 emissions are market-based (location-based by proxy for 2015 and 2016).
2. Value added is defined as operating profit before depreciation and employee costs at 2015 constant currency.

Carbon cover

Milestones
- 2 million tonnes of CO_2e emission savings delivered through use of our products by the end of 2024
- 100% of our product portfolio evaluated for downstream scope 3 impact by the end of 2024

Our ingredients offer many sustainability benefits in use, including helping our customers and their consumers reduce or avoid greenhouse gas emissions. Our aim is that, by 2030, the use of our products will avoid four times the carbon emissions associated with our business, a Carbon Cover of 4:1. By achieving this target, in 2030 the use of our products will be avoiding 3.8 million tonnes CO_2e per year, equivalent to removing the emissions associated with one coal-fired power plant for the whole year.

In 2020 we identified several case studies for existing ingredients, quantifying the avoided emissions associated with their use. Our methodology for quantifying and reporting these avoided emissions is externally verified by Avieco, a market-leading sustainability consultancy.

The total avoided emissions in 2020 associated with sales of ingredients attached to these case studies as well as those attached to previously verified case studies was 839,220 $TeCo_2$e. This leads to a carbon cover ratio of 0.8:1, similar to 2019. Avoided emissions associated with our sales of our case studies from 2019 fell, primarily due to a slowdown in the automotive market, where our polymeric friction modifiers in engine oils provide significant emissions avoidance. Our Carbon Cover working group is building our case studies to develop a methodology for us to identify avoided emissions for larger product/application areas.

Sustainable innovation

Milestones
- 71% (rolling three-year average) of our organic raw materials to be bio-based by the end of 2024

In 2020, our use of bio-based organic raw materials increased to 67% (2019: 63%) as we commissioned our bio-surfactants plant in North America. Our 2030 target is for this to reach 75% which is three times the target of the European chemical industry. Bio-based raw materials sequester carbon from the atmosphere as they grow, so using them to displace fossil-based materials has a positive impact on the climate.

Over the past year significant progress has been made aligning the work of our global Research and Development (R&D) teams with the SDGs. Sustainability is now considered first during new product development and our R&D teams are challenged to assess the impact of their projects against our Commitment to become Climate, Land, and People Positive. This new approach was integrated throughout our global R&D function through 2020. In order to progress further towards this target, our global R&D team have begun to build a database of bio-based raw materials, which will broaden the range that can be selected during new product development.

> "To improve the impact of our products, sustainability needs to be built-in during the design and development of new products, so we need to ensure our scientists have the skills and knowledge to incorporate sustainability into the innovation process."

Sarah Davidson
recently promoted to Global R&D Sustainability Co-ordinator

Find more information on our progress against our Climate Positive strategy, including our detailed 2030 targets in our Sustainability Report 2020, p12-17 and p40-41.

Task Force on Climate-related Financial Disclosures (TCFD)

Governance	Our Board is responsible for dealing with risks and opportunities associated with climate change.	See p57 & p63
	All management positions share the responsibility of assessing and managing relevant climate-related risks and opportunities.	
Strategy	We have identified a range of short, medium and long-term climate-related risks and opportunities.	See p22
	Climate-related risks and opportunities are taken into account within our business, strategy and financial planning.	
	We look at a 1.5°C scenario alongside our business strategy and are committed to bold emissions reduction targets.	
Risk Management	Climate-related risks are integrated into our risk assessment process and are assessed using our risk framework.	See p45-48
	Climate-related risks are reviewed by the Board and monitored regularly through our SHEQ committee.	
	We have thorough processes in place for assessing and managing climate-related risks, which are integrated into our overall risk management framework.	
Metrics and Targets	We have several climate-related targets in line with a 1.5°C scenario, which have a range of metrics to ensure we are meeting our targets.	See p30-35, p39 & p76
	We monitor our scope 1, scope 2 and scope 3 GHG emissions, and the related risks.	
	We have a range of stretching KPIs to help us manage climate-related risks and opportunities and performance against targets.	

Land Positive

Our products will enable more land to be saved than is used to grow our bio-based raw materials. Our innovation will help customers to mitigate the impact of climate change and land degradation, increasing the availability of land suitable for growing crops.

At Croda, our commitment to be Land Positive by 2030 means that we save more land than we use. We will do this by increasing agricultural land-use efficiency, protecting biodiversity, ensuring food security by sourcing sustainably, and inspiring innovation through our crop businesses.

Land use

Milestones

- By the end of 2024, the land area saved through use of our technologies will be at least 80,000 ha per year above a 2019 baseline

During 2020 we defined our protocol for measuring the land area we save. Our range of biostimulants, adjuvants and seed coatings save more land than is used to grow all of our bio-based raw materials. Our ambition for this decade is to be truly restorative such that the land we save outpaces the land we use as our business grows, at a rate of 2 hectares saved for every additional 1 hectare used.

As our business grows and as we move more towards bio-based raw materials, we expect that the amount of land used to grow our raw materials will increase. We have therefore set a roadmap towards an absolute Land Positive target of 300,000 hectares of land saved per year by 2030.

We, like most businesses in the world, have a land footprint; requiring land to operate our factories and source our raw materials. However, we believe we also need to understand how our activities may impact biodiversity, deforestation, food security, soil health and water consumption. We call this more holistic view of our land usage our land budget and we need to understand this for our entire business, our major manufacturing sites and individual finished ingredients. We believe this level of scrutiny will help drive positive change in our raw material and supplier selection and, importantly, will shape our customers' ingredient and supplier selection, proactively contributing to their sustainability goals.

Crop innovation

Milestones

- By the end of 2024, we will have brought 10 qualifying technological breakthroughs to market

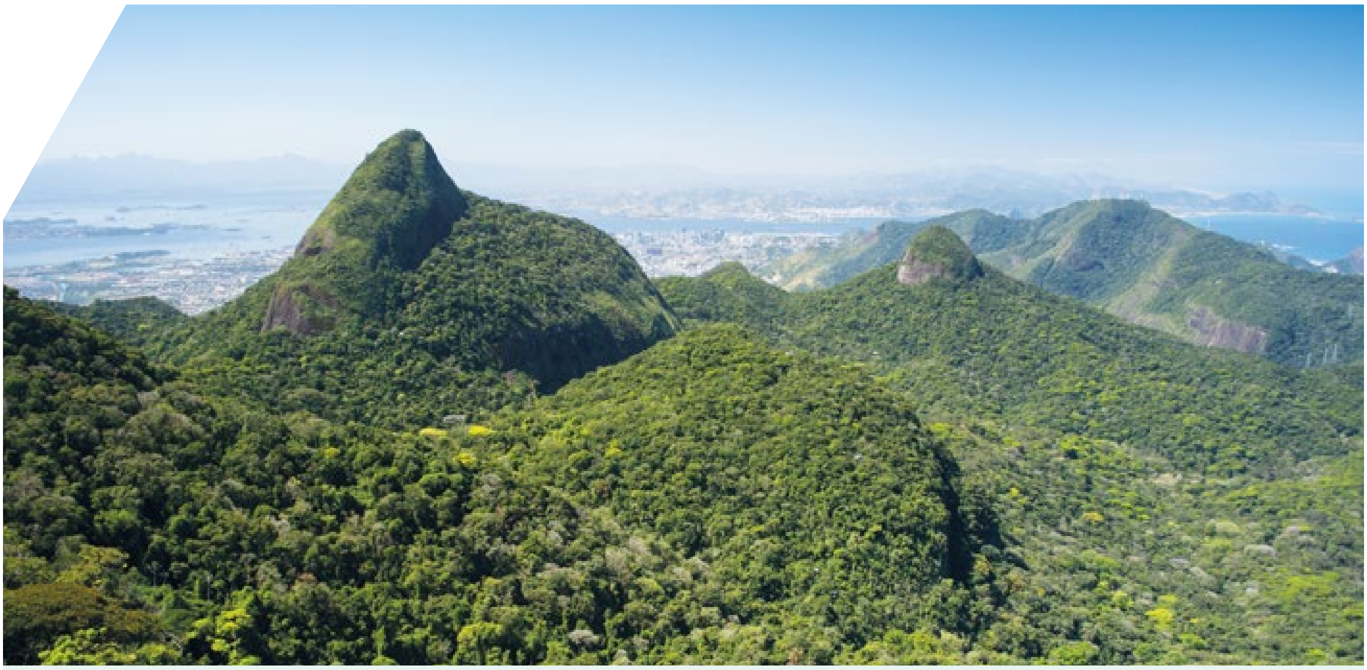
We will play a key role in innovation projects and partnerships to mitigate the impact of a changing climate on land degradation, this commitment aligns us further with many of our major Crop Care customers. Identifying where our technologies and collaborative partnerships can make the most difference, we will continue to focus on crops such as soybean, where increasing demand may be contributing to deforestation.

Improving yield, protecting biodiversity

Biostimulants increase crop yields as well as contributing to a range of other environmental benefits. One example is Veritas™ developed by our team at Plant Impact. Veritas improves nutrient mobility in soybean plants leading to increased crop resilience and more robust plant growth, which increase crop yield.

As a result of this yield improvement, a greater mass of crop can be produced per hectare of land. The land area required to grow one tonne of soybeans is therefore lower, resulting in lower energy and water inputs and lower carbon emissions.

Find more information on our progress against our Land Positive strategy, including our detailed 2030 targets in our Sustainability Report 2020, p18-21 and p40-41.



We will play a key role in projects and partnerships to mitigate land degradation, helping prevent deforestation.

People Positive

We will apply our innovation to increase our positive impact on society. We are improving the lives of our own employees and people around the world by developing ingredients to improve health and wellbeing as well as encouraging and promoting diversity.

Health and wellbeing

Milestones
- By the end of 2024 we will protect one million lives from skin cancer through the use of novel sun protection technologies

Skin cancer is the world's most common cancer. During 2020 our Beauty Effects business, responsible for sun protection in Croda, developed a roadmap for achieving our 2030 target to help 60 million people annually protect themselves from skin cancer. Throughout 2020 many activities were progressed to align to this roadmap including creating actives and formulations that are suitable for all skin tones and formulation textures that are acceptable globally. To progress gaps in our current product offering we have already entered partnerships with Entekno and Anomera.

Milestones
- By the end of 2024 our technology will be part of at least 10 clinical phase III trials across at least 25% of the WHO-listed pipeline vaccines

Much of the world's vaccine expertise was focused on COVID-19 during 2020. Our novel drug delivery excipients, which leverage the expertise of the Avanti business acquired in August, are a critical component of the mRNA vaccine produced by Pfizer-BioNTech, the first COVID-19 vaccine to get regulatory approval. 2020 has seen significant and rapid investments at manufacturing sites, so we can meet the scale and delivery requirements for these important components.

Alongside this work, we have continued to increase engagement with teams researching many of the WHO-listed diseases including malaria, HIV and Alzheimer's disease. Our adjuvant technology is included in several vaccine candidates that are in clinical trials this year.

Find more information on our progress against our People Positive strategy, including our detailed 2030 targets in our Sustainability Report 2020, p22-29 and p40-41

Our adjuvant technology is included in several vaccine candidates that are in clinical trials this year.

Gender balance

Milestones
- 80% of recruitment shortlists will be gender balanced by the end of 2023

Our target to achieve gender balance across our leadership roles by 2030 is at the heart of our values at Croda. Since the end of 2019 we have increased the number of women across our leadership roles by 19% supporting our target of doubling the number of women leaders by 2025. Through balanced shortlists we have already seen progress in recruiting women to work in direct manufacturing operations.

In 2020 we developed a D&I intranet site giving employees access to D&I policies, training and awareness programmes, and updates on Company activity. In September, we published Flexible Working guidance aimed at making our workplaces more inclusive and to help everyone give their best.

Improving one million more lives by 2030

We are establishing and funding a Croda Foundation, to act as an independent philanthropic enterprise supporting projects in relevant communities. The foundation will be a charitable trust, administered by an independent Board of Trustees, and solely funded by us. In 2020, the Croda Foundation was formally incorporated as a legal entity with approved articles of association, and we identified the goal of the foundation; to improve at least one million lives by 2030 through the support of meaningful projects.

Diversity and inclusion

We embrace the differences of a multi-ethnic, multi-geographic and multi-skillset company. In 2019, we achieved our objective of women making up at least one third of the Board. However, we need to replicate this across the business, which is part of our ongoing Diversity and Inclusion programme.

Across the Group*

Female	2,051
Male	3,633

Split: 36.1% female, 63.9% male

Board of Directors

Female	3
Male	5

Split: 37.5% female, 62.5% male

Executive Committee Members

Female	2
Male	8

Split: 20.0% female, 80.0% male

Regional and Business Board Members and Senior Functional Heads

Female	12
Male	35

Split: 25.5% female, 74.5% male

* including Avanti and Iberchem acquisitions

Fundamentals

Our social licence to operate is built on trust and is the foundation of everything we do. We consider all stakeholders in our ecosystem and strive to adopt best practices in environment, labour and human rights, ethics and sustainable procurement.

Health, safety & wellbeing

Milestones

- Achieve OSHA Total Recordable Injury Rate of 0.3 by the end of 2024

It is a core principle at Croda that all employees and contractors should expect to return home at the end of their working day without having been harmed in the workplace. Our underlying OSHA total recordable injury rate (TRIR) improved over the last five years from 0.8 per 200,000 hours worked to below 0.6, and we have targeted to achieve a rate that puts us in the top decile of the chemical industry by 2030, a significant step towards our ultimate aim of zero harm at work.

Careful examination of the causes of our injuries shows that most are behavioural in nature. We therefore have three key improvement areas: focus on leadership, Company-wide adoption of our SHE Behaviour Standard, and assisting newly acquired companies to achieve Group requirements quickly.

Protecting and enhancing the mental and physical health of our employees is important to ensure everyone can give their best and so that we can create and maintain an inclusive workplace. It underpins our values of 'Together' and 'Innovative', the latter being about creating a fun, lively and stimulating environment in which to work.

Our metric here is to see an improvement in employee satisfaction related to wellbeing questions, through an increase in the percentage of positive responses. We implemented a huge number of initiatives during 2020 in response to the pandemic and are pleased to have seen an increase in positive responses to our wellbeing questions of over five percentage points compared with the last survey in 2017.

Process safety

Milestones

- Conduct an independent peer review of our Process Risk Reviews (PRR) for high-hazard processes by the end of 2023
- Develop reporting capability against SASB process safety indicators by the end of 2021

Robust process safety management is hugely important to us and is a vital component of our social licence to operate.

An important component of our process safety assurance program is the requirement for sites to conduct Process Risk Reviews (PRRs) of all hazardous process at regular intervals. The first five-year cycle of this was completed at the end of 2018 and we are now two years into the next cycle. An added level of assurance is provided by conducting independent reviews of our high hazard processes and we are on track to complete these by the end of 2023. Next year we will develop the capability to report our process safety performance in accordance with the metrics described in the Sustainability Accounting Standards Board (SASB) accounting standard.

In September 2020, the ECO plant at Atlas Point in Delaware, USA, received notices from a local regulator following higher than anticipated emissions to air during initial testing of some plant equipment. We immediately suspended operations at the ECO plant while corrective work was undertaken. Further testing took place in January 2021 to determine if the issues were resolved, and we expect to be fully operational in the first half of 2021.

Environmental stewardship

Milestones

- Develop and implement a methodology for water impact assessment by the end of 2021
- Reduce our water use impact by 25% from 2018 baseline by the end of 2024
- Eliminate process waste to landfill across our operations by the end of 2024

It is estimated that, by 2025, two-thirds of the world's population may face water shortages, and ecosystems around the world will be stressed even more than they currently are. Our targets are to halve our water impact by 2030 and to reduce it by 25% by the end of 2024. This requires us to move beyond simply measuring and reducing total water volume, to conduct in-depth studies of the impact our activities have, thus prioritising the action we must take to safeguard this most precious and fundamental resource.

Over the years we have significantly reduced our process waste going to landfill and have targeted to complete that journey by the end of 2024.

Fair income

Milestones

- All employees, temporary and permanent, will be paid a living wage by the end of 2022
- All regularly employed contractors will be paid a living wage by the end of 2024

An overarching theme of the UN's Sustainable Development Goals is improving the lives of the poorest and most vulnerable, leaving no one behind. We firmly believe that all employees and employed contractors at Croda should receive a wage that enables them to meet their basic needs and those of their families as a minimum. In 2018 we gained accreditation in the UK as a Living Wage Employer and have since committed to pay a voluntary living wage that goes beyond the legal minimums at every location globally. To achieve this, we have partnered with the Fair Wage Network (FWN) who provide an independent and economically rigorous methodology to assess wage practices and levels.

Supplier partnership and sustainable sourcing

Milestones

- By the end of 2024, all key suppliers will be required to achieve an average score from EcoVadis (or equivalent) or will have an action plan with timelines to close gaps
- By the end of 2024, key suppliers representing at least 50% of our raw material volumes will be required to sign up publicly to SBTi or equivalent carbon reduction targets
- By the end of 2024, suppliers of crop-based raw materials will be required to provide supply chain transparency in a fully traceable and certified sustainable manner

Sourcing our bio-based raw materials in a truly sustainable way is a crucial part of what we do and an increasingly important requirement of our customers and consumers alike. Using natural resources brings with it the responsibility to ensure there are no associated negative social or environmental impacts, as well as the opportunity to advocate for, and contribute to, positive change. This can only be possible through intimate knowledge of our supply chains, collaboration with all parties in them, and with complete transparency and traceability throughout.

We have partnered with EcoVadis as our framework for sustainability monitoring, using their universal scorecard, benchmarks, and performance improvement tools. We will continue to work with our suppliers to gain higher levels of participation in these assessments and to encourage them to address any gaps, significantly increasing our influence in the supply chain.

We reviewed, updated, and issued our Supplier Code of Conduct during 2020, which clearly states our sustainability objectives and fundamental requirements of doing business. In addition to our own supplier engagements, we seek third-party certifications to validate the sustainability credentials of our suppliers and their raw materials.

Knowledge management

Milestones
- 100% of employees will receive a minimum of one week's training per year by the end of 2025

Our target is to ensure that all employees have a minimum of one week of training per year. This training can be 'on the job', classroom-based in person or virtually, self-study, an online programme, professional training or participating in mentoring or coaching programmes.

To support this ambition, and in response to the COVID-19 crisis, we significantly increased the resources available to our employees, with over 2,000 online training courses added to our learning management system – MyCroda.

Having launched our 2030 Commitment in last year's report, we have spent a significant amount of time engaging with our workforce at all levels to help them understand the Company goals and the contribution that every employee can make towards achieving them. In particular, we have focused on training managers around the Group with the aim of enhancing their knowledge on technical topics such as the United Nations Sustainable Development Goals, science-based targets and scope 1, 2 and 3 emissions, thus increasing their confidence to lead our efforts and make them locally relevant.

Quality Assurance

Milestones
- Achieve a 99% Right First Time (RFT) rate by the end of 2024

Responsible consumption of resources requires us to do things right first time, every time. This is not only good for service levels and customer experience, but also eliminates all forms of waste and is thus aligned with the SDGs. Our target is for our right-first time measure to reach 99.5% by 2030 and we expect to be well on that journey by the middle of the decade with an interim target of 99.0%. Key to success is the systematic evaluation of all failures, a deep understanding of the root causes and then the implementation of enduring corrective actions. This year we appointed a Business Process Director to co-ordinate our efforts globally through a network of local champions and have seen significant progress towards our goals as a result.

Product stewardship

Milestones
- Finalise our Life Cycle Assessment methodology with external input and verification by the end of 2021
- Complete 40 Life Cycle Assessments by the end of 2024

Product stewardship to us means going beyond the minimum requirements for compliance. It means building upon the knowledge we gain from regulation and enhancing it with a full Life Cycle Assessment (LCA) of our ingredients to fully understand their impact beyond our factory gate. It requires a deep understanding of our products from cradle-to-grave and necessitates complete transparency up and down the supply chain. Conducting LCAs helps markets in which we operate move towards more environmentally friendly products through elimination, substitution or reuse and identifies opportunities to further reduce the risk to employees and consumers of being exposed to chemical hazards. We aim to have completed full LCAs of our top 100 ingredients by 2030 and to have done at least 40 by the end of 2024.

Responsible business

Milestones
- Achieve an EcoVadis score of at least 85 by the end of 2023

Responsible business to us means leadership in sustainability and corporate social responsibility. We use the EcoVadis sustainability rating as a measure of our own performance and as a tool for continual improvement.

This year we are very proud to have achieved the new Platinum level award with EcoVadis which places us in the top 1% in our sector and is a true recognition of sustainability being at the very heart of our Company values and practices.

Find more information on our progress against our Fundamentals strategy, including our detailed 2030 targets in our Sustainability Report 2020, p30-39 and p40-41.

Non-financial information statement

The table below sets out where more information can be found in our Strategic Report that relates to non-financial matters, as required under the Non-Financial Reporting Directive.

Reporting requirement	Some of our relevant policies	Where to read more about our impact	Page	Key risks (p46 - 48)
Environmental matters	Group SHE policy[1]	Process Safety Environmental stewardship Climate Positive	36 36 32	Major safety or environmental incident Delivering sustainable solutions - Climate Positive
Employee matters	Group Code of Ethics[2] Group Code of Conduct[2] Group SHE policy[1] Group Policy on Training and Development[2]	Our people People Positive	16 35	Our people Major safety or environmental incident
Respect for human rights	Group Policy on Discrimination[2] Group Code of Conduct[2]	People Positive Living wage	35 87	Our people
Social matters	Group Policy for Managing Diversity[2]	People Positive	35	Ethics and compliance Our people
Anti-bribery and corruption issues	Ethics Procedures Manual[1] Croda Modern Slavery Statement[2] Competition Law Policy[1] Croda Fraud Policy[1] Whistleblowing Policy[2]	Risk management Responsible business	44 37	Ethics and compliance
Business model		Business model	12	All key risks on pages 46 to 48 link to our business model
Non-financial KPIs (Environmental, social and ethical relating to our operations and the ingredients we make)	Our Purpose[2] Our Commitment[2]	Key Performance Indicators Sustainability	38 30	

1. Available to employees via the company intranet (Connect), not published externally.
2. Available to employees via the company intranet (Connect) and published on www.croda.com.

Key Performance Indicators

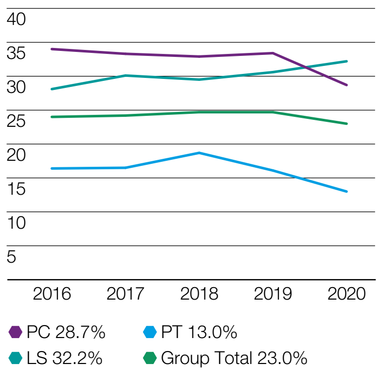
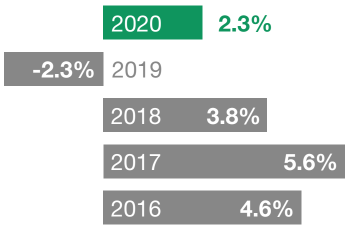
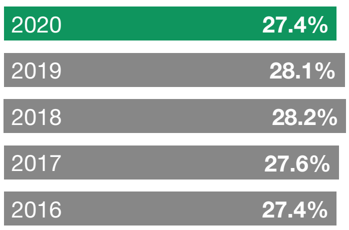
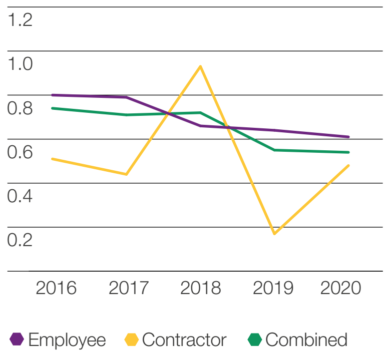
We identify targets for, and measure progress towards delivery of our strategic objectives through our Key Performance Indicators. Our sustainability KPIs have changed this year to reflect our 2030 Commitment to be Climate, Land and People Positive.

Strategic objectives and remuneration

- **Growth:** consistent top and bottom line growth
- **Innovation:** increase the proportion of NPP that we sell
- **Sustainability:** align our business with our Purpose and accelerate our customers' transition to sustainable ingredients
- **Remuneration:** KPIs that are reflected in our Remuneration Policy (see p80)

For more information on our strategy see p22.

How we performed

KPI	Comment	Target	Our performance
Return on sales (ROS)% **KPI definition:** Adjusted operating profit as a percentage of sales.	Group ROS declined to 23.0% in 2020 reflecting the effect of lower sales and adverse price/mix. Life Sciences had another standout year, with a record ROS, now broadly in line with the historical Personal Care margin target. Personal Care ROS was significantly impacted by COVID-19 lockdowns, with the higher-margin Beauty Actives and Effects businesses impacted by disruption in prestige consumer shopping channels and 'going out'. Performance Technologies saw lower ROS due to reduced volume in higher-margin businesses and higher operational gearing in this sector.	Personal Care (PC) maintain 2018 level. **Behind target** Life Sciences (LS) grow to equal Personal Care in the medium term. **On target** Performance Technologies (PT) grow to 20% in the medium term. **Behind target**	**Return on sales %** 
Core Business sales growth % **KPI definition:** Total sales growth in the Core Business measured at constant currency.	Despite COVID-19, Core Business sales grew low single-digit in 2020, benefiting from acquisitions. Sales growth in Life Sciences reflected a strong performance in Health Care and Seed Enhancement, supported by the acquisition of Avanti. COVID-19 adversely impacted Personal Care and Performance Technologies sales but both sectors saw steady sales improvement in the second half of the year.	Low-to-mid single digit % growth (excluding raw material price recovery). **On target**	**Core Business sales growth %** 
New and Protected Products (NPP) sales % **KPI definition:** Proportion of sales from NPP (in constant currency). NPP products are where sales are protected by virtue of being either newly launched, protected by intellectual property or by unique quality characteristics.	NPP and non-NPP sales both declined in 2020 (excluding acquisitions). This reflected the impact of COVID-19 lockdowns across many markets, with associated changes in mix adversely impacting NPP sales. We continue to strategically invest resources to enable us to focus technically and commercially on increasing the proportion of Group sales from NPP.	NPP sales to be 30% of Group sales in the medium term. **Behind target**	**NPP sales %** 
Total recordable Injury rate (TRIR) **KPI definition:** The number of incidents per 200,000 hours worked where a person has sustained an injury, including all lost time, restricted work and medical treatment cases.	On a like-for-like basis our 2020 target was achieved a year early and was maintained this year at TRIR 0.54. This shows a positive trend resulting from our focused attention. A number of acquisitions made during the last five years brought with them TRIRs above the Group average. This, and a small number of subjective work-related COVID-19 cases, resets our headline TRIR to 0.86 as we enter 2021. We aim to reduce this to 0.3 by the end of 2024.	0.3 by the end of 2024. **On target**	**Total Recordable Injury Rate (TRIR)** 

KPI | **Comment** | **Target** | **Our performance**

Absolute scope 1 & 2 emissions and scope 1 & 2 emissions intensity

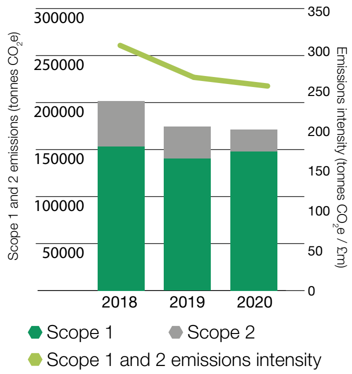
KPI definition: Our operational emissions (associated with burning fuels onsite and purchased electricity), both in absolute terms as well as emissions intensity. Our chosen measure of GHG emission intensity divides our GHG emissions (market-based scope 2 emissions) by value added: a measure of our business activity.

Comment: Since 2018, our emissions have reduced in line with the absolute emissions reduction pathway required by the Science Based Targets initiative for limiting global warming to no more than 1.5°C above pre-industrial levels. These reductions are from our scope 2 emissions, as we have switched to renewable electricity where possible. Our emissions intensity has fallen by 16% since 2018, demonstrating how we continue to decouple economic growth from environmental impact.

Target: By 2030, we will have achieved our Science Based Target, reducing emissions in line with limiting global warming to no more than 1.5°C above pre-industrial levels.

On target

Our performance:



GHG emission intensity divides our GHG emissions (market-based scope 2 emissions) by value added, defined as operating profit before depreciation and employee costs in reported currency.

Land area saved (hectares)

KPI definition: Land area saved since we launched Our Commitment (2020). This is a measure of growth compared to our 2019 baseline year, eg new product launches or sales to new customers.

Comment: In 2020 the use of our agricultural ingredients and new technologies saved an additional 16,455 hectares of land compared to our 2019 baseline. More than our target of 8,000 hectares for 2020, this puts us on track to achieve our 2030 target that the land we save outpaces the land we use as our business grows by at least a factor of two.

Target: Throughout this decade, the land saved through the application of our crop protection and seed technologies will exceed any increase in land used to grow our raw materials by at least a factor of two, and by 2030 we will save 200,000 hectares per year more than in 2019.

On target

Our performance: 16,455 hectares

of land saved over the baseline in 2020

Number of lives improved

KPI definition: Number of lives improved through the use of Croda components as a critical part of Pfizer-BioNTech's COVID-19 vaccine in 2020.

Comment: We delivered critical components to Pfizer-BioNTech to allow them to meet their target of supplying 50 million doses of COVID-19 vaccine, to fully vaccinate 25 million people. Protecting the health and wellbeing of the most vulnerable in our society should help us all to begin to operate more freely in 2021, reduce the spread of COVID-19, protect more livelihoods and improve mental health.

Target: We will use our smart science to promote healthy lives and wellbeing through the development and application of our ingredients and technologies.

On target

Our performance: 25 million people

will be fully vaccinated against COVID-19 with doses delivered in 2020 containing critical Croda components

Creating shareholder value

Adjusted basic earnings per share (EPS)

KPI definition: Adjusted profit after tax divided by the average number of issued shares.

Comment: The challenging conditions in 2020 saw adjusted basic EPS of 175.5p, a decrease of 5.1% on last year. Over the last three years, EPS has declined by an average of just over 0.5% p.a.

Target: 5-11% EPS growth per annum over the last three years

Behind target

Our performance: Adjusted basic earnings per share (EPS)

Year	EPS
2020	175.5p
2019	185.0p
2018	190.2p
2017	179.0p
2016	155.8p

Return on invested capital (ROIC) %

KPI definition: Adjusted operating profit after tax divided by the average adjusted invested capital for the year for the Group. Adjusted invested capital represents net assets adjusted for net debt, earlier goodwill written off to reserves and accumulated amortisation of acquired intangible assets.

Comment: ROIC fell to 14.6% in 2020, at the lower end of the target range. This reflects increased acquisition spend and continued investment in future organic growth through targeted capital expenditure. We expect ROIC to improve (subject to the impact of any further acquisitions) as the profit benefits of recent investments deliver.

Target: Achieving ROIC of two to three times cost of capital.

On target

Our performance: Return on invested capital %

Year	ROIC
2020	14.6%
2019	17.0%
2018	19.2%
2017	21.2%
2016	22.1%

Finance review

The resilience and cash-generative nature of our business model was demonstrated in 2020, despite the impact of the COVID-19 pandemic on market demand.

Jez Maiden
Group Finance Director

"With only a limited reduction in profit, Croda continued to invest in future growth, through both organic expansion and acquisition, whilst continuing to increase its dividend."

Sales
£1,390.3m
2019: £1,377.7m

Adjusted profit before tax
£300.6m
2019: £322.1m

Free cash flow
£176.9m
2019: £201.7m

Croda investment case

Highly differentiated approach
Flexible, local manufacturing providing resilience, and direct selling to customers.

Dynamic innovation engine
Open approach to innovation with 500 partners working on over 100 projects increasingly focused on sustainability.

Focused on faster-growing niches
Strong position in high-growth niches well aligned with growing consumer demand for sustainability.

High-quality business with superior financial performance
Highly cash-generative operations with world-class profit margins.

Strong balance sheet
Clear capital allocation policy prioritising disciplined investment in growth.

Attractive shareholder returns
Track record of creating shareholder value through high returns on capital and 29 years of consecutive dividend progression.

Strong cash generation and funding capacity supporting continued investment

The resilience and cash-generative nature of our business model was demonstrated in 2020, despite the impact of the COVID-19 pandemic on market demand. With only a limited reduction in profit, Croda continued to invest in future growth, through both organic expansion and acquisition, whilst continuing to increase its dividend.

Currency

The average sterling exchange rates across the Group's key currencies in 2020 were broadly unchanged at US$1.285 (2019: US$1.278) and €1.125 (2019: €1.141), resulting in limited impact of currency translation on reported sales and operating profit.

Sales

Sales in reported currency increased by 0.9% to £1,390.3m (2019: £1,377.7m). Constant currency sales increased by 1.1%. Underlying sales declined by 2.7%, more than offset by acquisition sales adding £51.8m.

Sales	£m	%
2019 reported	1,377.7	
Underlying growth/(decline)	(37.3)	(2.7)
Impact of acquisitions	51.8	3.8
2020 constant currency	1,392.2	1.1
Impact of currency translation	(1.9)	(0.2)
2020 reported	**1,390.3**	**0.9**

In the Core Business, constant currency sales increased by 2.3%. Sales volume increased by 1.2%, driven by growth in Life Sciences. Price/mix was 3.0% lower, reflecting adverse mix in Personal Care and Performance Technologies in challenging market conditions. Acquisitions added 4.1% to Core Business sales growth.

Sales	2020 reported currency £m	Year on year change	Constant currency change	2019 £m
Personal Care	475.9	(1.9)%	(1.8)%	485.2
Life Sciences	401.6	14.6%	14.8%	350.5
Performance Technologies	416.4	(3.2)%	(3.2)%	430.2
Core Business	1,293.9	2.2%	2.3%	1,265.9
Industrial Chemicals	96.4	(13.8)%	(13.4)%	111.8
Group	**1,390.3**	0.9%	1.1%	1,377.7

Constant currency sales in Life Sciences grew by nearly 15%, with a positive impact on demand in Health Care from COVID-19, supported by the Avanti acquisition in August. Personal Care sales were 2% lower, due to the impact of COVID-19 lockdowns on consumer demand, and Performance Technologies fell by 3%, particularly reflecting weakness in global automotive demand. Overall, the second half year was notably stronger than the first, as markets recovered and with the benefit of acquisitions. In particular, the fourth quarter saw underlying Personal Care sales restored to the prior year level, a return to sales growth in Performance Technologies and continued strong demand in Life Sciences.

2020 sales at constant currency	First Half %	Second Half %	Full Year %
Personal Care	(9.5)	6.2	(1.8)
Life Sciences	(1.7)	33.2	14.8
Performance Technologies	(5.6)	(0.6)	(3.2)
Core Business	(6.0)	11.3	2.3
Industrial Chemicals	(17.8)	(8.9)	(13.4)
Group	**(6.9)**	**9.6**	**1.1**

Adjusted profit

Adjusted operating profit decreased by 5.9% in reported currency to £319.6m (2019: £339.7m). Operating costs benefited from cost savings delivered at the end of 2019, lower discretionary spend in 2020 (for example, on travel and exhibitions) and no bonus charge. These savings were offset by the impact of acquisitions and a higher share-based payments charge, reflecting the strong share price performance and high levels of employee share plan participation. The loss from the ECO biosurfactants plant in North America increased by £7m to £11m, due to higher feedstock prices, caused by COVID-19 demand for sanitiser-grade bioethanol, and the plant only operating for part of the period whilst carrying a full cost base.

The classification of cost of sales and administrative expenses within the Income Statement has been revised to align more closely with the Group's inventory valuation policy and market practice. As a result, 2019 comparative operating costs have been increased by £119.0m, with a corresponding reduction in cost of sales.

Income statement	2020 £m	2019 restated £m
Revenue	**1,390.3**	1,377.7
Cost of sales	**(758.2)**	(746.5)
Gross profit	**632.1**	631.2
Adjusted operating costs	**(312.5)**	(291.5)
Adjusted operating profit	**319.6**	339.7
Net interest charge	**(19.0)**	(17.6)
Adjusted profit before tax	**300.6**	322.1

On a constant currency basis, adjusted operating profit fell by 4.0%. This reflected the impact of the decline in underlying sales, together with an adverse impact from the lower price/mix, partly offset by £12.3m of incremental profit from in-year acquisitions. As a result, return on sales declined to 23.0% (2019: 24.7%).

Adjusted operating profit	£m	%
2019 reported	339.7	
Underlying growth	(26.0)	(7.7)
Impact of acquisitions	12.3	3.7
2020 constant currency	326.0	(4.0)
Impact of currency translation	(6.4)	(1.9)
2020 reported	**319.6**	**(5.9)**

Constant currency operating profit in Life Sciences increased by over £27m, reflecting revenue growth and an increase in high value-add Health Care sales. By contrast, profit fell in Personal Care and Performance Technologies, the former due to lower sales and adverse mix, as Beauty Formulation's 'at home' use products held up better during the pandemic than the higher value-add Beauty Actives and Effects businesses, and the latter due to lower sales, adverse mix and higher operating leverage.

Adjusted operating profit	2020 Reported £m	2020 Constant currency £m	2019 Reported £m
Personal Care	**136.5**	137.3	162.1
Life Sciences	**129.4**	134.3	107.1
Performance Technologies	**54.0**	54.6	69.4
Core Business	**319.9**	326.2	338.6
Industrial Chemicals	**(0.3)**	(0.2)	1.1
Group	**319.6**	326.0	339.7

In reported currency, the net interest charge increased to £19.0m (2019: £17.6m), reflecting higher net debt following the Avanti and Iberchem acquisitions. Adjusted profit before tax reduced to £300.6m (2019: £322.1m), a creditable performance in the challenging conditions created by the COVID-19 pandemic.

The effective tax rate reduced to 24.1% (2019: 25.6%). There were no significant adjustments between the Group's expected and reported tax charge based on its accounting profit. Adjusted profit after tax in reported currency was £228.2m (2019: £239.7m). Adjusted basic earnings per share (EPS) were 175.5p (2019: 185.0p), reflecting the lower profit and the share issuance for the Iberchem acquisition in November.

IFRS profit

IFRS profit is measured after exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, whereas the adjusted results are presented excluding these items. The charge for these adjusting items before tax was £31.1m (2019: £19.8m). Acquisition costs were significantly higher in 2020 at £11.7m (2019: £0.3m), reflecting the activity in the year. The charge for amortisation of intangible assets was £13.6m (2019: £8.8m), with the increase reflecting recent acquisitions. The charge for exceptional items was £5.8m (2019: £10.7m), reflecting the delivery of the cost-saving actions announced in the 2019 full year results and a discount unwind in contingent consideration.

These have been presented as exceptional by virtue of their nature and for consistency across reporting periods. Profit before tax on an IFRS basis was £269.5m (2019: £302.3m), the profit after tax on an IFRS basis was £201.6m (2019: £223.8m) and basic EPS were 155.1p (2019: 172.8p).

Income statement	2020 £m	2019 £m
Adjusted profit before tax	**300.6**	322.1
Exceptional items, acquisition costs & intangibles	**(31.1)**	(19.8)
Profit before tax (IFRS)	**269.5**	302.3
Tax	**(67.9)**	(78.5)
Profit after tax (IFRS)	**201.6**	223.8

From Personal Care to Consumer Care

As set out in the Chief Executive's Review, from 2021 the Group will report under four sectors – Consumer Care, Life Sciences, Performance Technologies and Industrial Chemicals. Consumer Care will comprise the Personal Care sector, including Iberchem and a customer currently reported within Life Sciences, and the Home Care business unit from Performance Technologies. In the 2021 accounts, the 2020 results will be restated for these changes. The table below sets out the new structure, showing both the actual 2020 result and the 2020 outcome had Iberchem and Avanti been owned for the full year ('pro-forma'). It does not include changes in allocation of central and indirect costs.

Capital allocation and cash management

The Group's capital allocation policy remains to:

1. **Reinvest for growth** – invest in organic capital expenditure to drive shareholder value creation through new capacity, product innovation and expansion in attractive geographic markets to drive sales and profit growth;
2. **Provide regular returns to shareholders** – pay a regular dividend to shareholders, representing 40 to 50% of adjusted earnings over the business cycle;
3. **Acquire disruptive technologies** – to supplement organic growth, continue to target a number of exciting technology acquisitions in existing and adjacent markets, with a focus on our Consumer and Life Sciences businesses; and
4. **Maintain an appropriate balance sheet and return excess capital** – maintaining an appropriate balance sheet to meet future investment and trading requirements, we are targeting a leverage ratio of 1 to 2x over the medium-term cycle. We consider returning excess capital to shareholders when leverage falls below our target range and sufficient capital is available to meet our investment opportunities, and last returned over £150m through a special dividend in 2019.

In 2020, at a time when other companies were cutting back investment, Croda continued to execute this policy. We invested in future organic growth, with net capital expenditure accelerating to £121.0m (2019: £106.8m), targeting our strategic delivery areas. We have expanded Life Sciences, investing to scale drug delivery, doubling our US speciality excipient capacity and expanding in Japan, while reprioritising £10m in 2020 to deliver COVID-19 solutions for our customers. We have invested to fast-grow in Asia with new labs and digital presence, expanded capacity in Smart Materials in Performance Technologies and invested to grow our sustainable product offerings.

Croda has operated for many years with a prudent leverage and dividend distribution policy. This enabled the Board, after careful consideration of all stakeholders and treating all groups consistently and fairly, to pay the final 2019 ordinary dividend of 50.5 pence per share (£65.0m) in May 2020. In addition, given the resilience of the business model during the COVID-19 pandemic, Croda maintained the interim dividend of 39.5p (2019: 39.5p), paid in October 2020. Given 2020 earnings performance, limited leverage and balance sheet strength, the Board is recommending a full year ordinary dividend of 91.0p (2019: 90.0p). This is a 1.1% increase on the prior year, a 10.5% increase in cash cost and represents 52% of adjusted EPS, with the ratio expected to come within the policy range over the medium term.

2020 saw significant allocation of capital to acquisitions. Building on our leading position in Health Care, in August we completed the acquisition of Avanti Polar Lipids, LLC for an initial consideration of US$185m and a potential earn-out of up to a further US$75m. This acquisition was funded from a US$200m unsecured, committed three-year term loan, with financial covenant requirements consistent with the Group's facilities. Combined with Avanti's cash generation, the acquisition had a limited impact on Croda's leverage and liquidity. Consumer Care is also a priority for capital allocation and in November we acquired Iberchem for a total consideration of €820m. The acquisition was funded by a combination of the Group's existing debt facilities and an equity placing which raised net proceeds of £615m. Return on invested capital (ROIC) reduced to 14.6% (2019: 17.0%), primarily due to the significant allocation of capital to acquisitions during the year. The Economic Value Added (EVA) underpin to Croda's Remuneration Policy reinforces the importance of delivering superior ROIC which is expected to improve as the profit benefits of recent acquisitions develop.

With working capital broadly flat in the year, free cash flow remained robust at £176.9m (2019: £201.7m).

	Sales			Adjusted operating profit		
2020 reported currency	As reported £m	New structure £m	Pro-forma £m	As reported £m	New structure £m	Pro-forma £m
Consumer Care	**475.9**	**527.8**	**666.6**	**136.5**	**146.5**	**171.0**
Life Sciences	**401.6**	**392.5**	**410.5**	**129.4**	**124.5**	**127.5**
Performance Technologies	**416.4**	**373.6**	**373.6**	**54.0**	**48.9**	**48.9**
Core Business	**1,293.9**	**1,293.9**	**1,450.7**	**319.9**	**319.9**	**347.4**
Industrial Chemicals	**96.4**	**96.4**	**96.4**	**(0.3)**	**(0.3)**	**(0.3)**
Group	**1,390.3**	**1,390.3**	**1,547.1**	**319.6**	**319.6**	**347.1**

Cash flow	2020 £m	2019 £m
Adjusted operating profit	**319.6**	339.7
Depreciation and amortisation	**68.2**	57.6
EBITDA	**387.8**	397.3
Working capital	**(2.3)**	1.6
Net capital expenditure	**(121.0)**	(106.8)
Payment of lease liabilities	**(7.6)**	(8.8)
Non-cash pension expense	**7.7**	2.8
Interest & tax	**(87.7)**	(84.4)
Free cash flow	**176.9**	201.7
Dividends	**(115.9)**	(266.9)
Issue of new equity	**615.5**	–
Acquisitions	**(869.7)**	(5.0)
Other cash movements including acquisition costs	**(26.6)**	(17.9)
Net cash flow	**(219.8)**	(88.1)
Net movement in borrowings	**237.3**	115.4
Net movement in cash and cash equivalents	**17.5**	27.3

Net debt and liquidity

After currency translation, net debt increased to £800.5m (31 December 2019: £547.7m). The Group has a strong balance sheet, having completed its debt refinancing in 2019, with no material debt maturities falling due before 2023. Aligned with Croda's commitment to be Climate Positive by 2030, our 'green' banking facility requires Croda to reduce its carbon use every year by a specified amount to receive the most favourable rate of interest. As at 31 December 2020, the Group had committed funding in place of £1,244.3m, with undrawn long-term committed facilities (net of overdrafts) of £378.3m and £106.5m in cash. As a result, the leverage ratio was 1.8x (31 December 2019: 1.4x), well within a covenant maximum of 3.5x, measured semi-annually.

In the first half year, we reviewed the liquidity and covenant forecasts for the Group for the potential impact of COVID-19 on trading activities. We also considered sensitivities in respect of potential downside scenarios and the mitigating actions available, relative to a base case scenario. The downside scenarios assumed a significant reduction in demand, a material increase in working capital and substantial margin erosion. The evaluation showed that, even in the most pessimistic downside scenario, the Group would continue to have robust liquidity and financial covenant headroom. In the event, the full year result was ahead of the base case scenario. Following the year end, we have repeated the scenario planning and confirmed that the Group is expected to continue to maintain robust liquidity and ample headroom.

Brexit update

Through the implementation of detailed contingency plans, we saw minimal operational impact from the UK's withdrawal from the European Union (EU) at the end of 2020. We initiated changes to our European trading model, temporarily increased inventory levels to mitigate any risks of delays at borders and ensured that customer service was maintained. We continue to monitor the post-Brexit situation, particularly with regard to cross-border shipping and the proposed UK chemicals regulatory regime.

Retirement benefits

The post-tax deficit on retirement benefit plans at 31 December 2020 on an accounting valuation basis under IAS19 reduced to £25.3m (2019: £60.1m). Cash funding of the various plans is driven by the schemes' ongoing actuarial valuations. While the triennial actuarial valuation as of 30 September 2020 for the largest pension plan, the UK Croda Pension Scheme, is not yet complete, the scheme is expected to be fully funded on a Technical Provisions basis with no deficit contribution required.

Alternative performance measures

We use a number of alternative performance measures to assist in presenting information in this Report in an easily analysable and comprehensible form. We use such measures consistently at the half year and full year and reconcile them as appropriate. The measures used in this statement include:

- *Constant currency results*: these reflect current year performance for existing business translated at the prior year's average exchange rates and include the impact of acquisitions. For constant currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency sales are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year's average rates for the corresponding period. Constant currency results are reconciled to reported results in this Finance review;
- *Underlying sales and operating profit:* these reflect constant currency values adjusted to exclude the impact of acquisitions. They are reconciled to reported results in this Finance review;
- *Adjusted results*: these are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results;
- *Core Business*: this comprises Personal Care, Life Sciences and Performance Technologies;
- *Return on sales*: this is adjusted operating profit divided by sales, at reported currency;
- *Net debt*: comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and lease liabilities;
- *Leverage ratio*: this is the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) adjusted to include EBITDA from acquisitions in the last 12-month period. EBITDA is adjusted operating profit plus depreciation and amortisation; and
- *Free cash flow*: comprises EBITDA less movements in working capital, net capital expenditure, payment of lease liabilities, non-cash pension expense, and interest and tax payments.

Risk management

Our risk framework enables the business to protect value, helping us to identify opportunities and minimise threats to the delivery of our strategic and operational objectives.

How we manage risk

Our Board owns and oversees our risk management programme, with overall responsibility for ensuring that our risks are aligned with our goals and strategic objectives (p68). The Audit Committee assists the Board in monitoring the effectiveness of our risk management and internal control policies, procedures and systems (p71).

Each of our more than 50 strategic and operational risks is owned by an Executive member, and is grouped into 17 subcategories for transparent reporting. Each risk has a risk appetite, visible to all risk owners, owned and reviewed by an Executive member. Risk appetite statements, reviewed annually by the Executive and the Board (p56), are defined for groups of risks (subcategories).

Global visibility of all risks is ensured through our global risk reporting dashboard, updated daily from our risk and control system (the Digital Hive), which enables risk comparison across regions, operations and sectors.

We use our risk framework (p45) to drive an integrated and owned approach to risk management through the culture of the entire organisation:

- Our first line of defence, our employees, have a responsibility to manage day-to-day risk in their own areas guided by Group policies, procedures and control frameworks. Local management, and ultimately the Executive, ensure that risks are managed, maintained, reviewed and actioned according to these frameworks.
- The second line of defence is provided by management team review of each risk register, culminating in review by the Risk Management Committee, which meets quarterly to challenge and monitor current and emerging risks using a bottom-up and top-down approach.
- The third line of defence is assurance over the effectiveness of mitigating controls. This is provided through internal audits, in addition to reports from external assurance providers, which are reviewed by three Executive Committees and monitored and challenged by the Audit Committee and the Board.

We have a Global Crisis Management plan in place to manage significant risk events, owned by the Executive, which is tested based on key risk scenarios at least annually.

Our key risks

The Board has carried out a robust assessment of emerging and principal risks (the ‘key’ risks) facing the Group at its meeting in July (p56), including those that would threaten its business model, future performance solvency or liquidity. They received assurance over the effectiveness of mitigating controls through quarterly assurance updates. Our risk heat map (p45) identifies these key pre-mitigation risks, which summarise the local risks identified through the risk framework, and are those that we consider most impact our business model (p12) and the delivery of our long-term strategic goals (p22). They are explained in further detail in the table on pages 46 to 48. Key risks also form the basis of our scenario testing for the assessment of long-term viability of the Company on page 49.

Changes to our gross risk environment in 2020

Movements on the risk heat map reflect changes to the underlying long-term risk environment that we are facing, not the shorter-term impacts of COVID-19 and Brexit (see case studies below). Product quality and chemical regulatory long-term risks have increased in 2020 as a result of the strategic shift towards health care delivery systems. The acquisition of Iberchem in November 2020 introduces another market and additional risks to the framework, which are currently being assessed by a cross functional team.

Key risk management — COVID-19

Croda declared a class one crisis in February 2020, gathering together a cross-functional global team to assess the impact on our key risks, what could compromise strategic delivery, develop mitigating strategies and manage communications both internal and external. Initial risks to address were supply chain (raw material security of supply and maintaining customer delivery), and maintaining safe manufacturing operations. The team also assessed the impact on our employee mental health and wellbeing, and ability to work from home as governments globally introduced 'lockdowns' to manage the spread of the pandemic. Our crisis management team remains in place to continue to monitor progress. The Board reviewed the key risks in July 2020 and concluded that they had not changed as a result of COVID-19, confirming the resilience of the risk management framework.

Key risk management — Brexit

The hard work and focus of the multi-disciplined Brexit team, working throughout 2020 to prepare for the end of the Brexit Transition Period, resulted in a smooth transition for Croda’s European business on 31 December 2020. Technical changes to enable a new ‘buy/sell’ trading model in Europe were completed without issue and risk of supply chain disruption was mitigated by effective contingency planning, including early cut off for customer deliveries in December and holding increased contingency stock in warehouses. Chemical regulatory re-registration is now underway. The project team remains in place to work on remaining actions, to mitigate residual risks and look for further process optimisation opportunities.

Our risk framework

What we monitor

Executive Risk Register
Summary of the key risks facing us prepared by combining key risks identified through the local bottom-up registers with Group-level risks identified and owned by the Executive Committee

Our risk landscape

Current risks
Risks we are managing now that could stop us achieving our strategic objectives

Emerging risks
Risks with a future impact from external or internal opportunities or threats. These can be slow moving, as well as rapid velocity

What we assess

- **Risk ownership:** each risk has a named owner
- **Likelihood and impact:** globally applied 6x6 scoring scale
- **Gross risk:** before mitigating controls
- **Mitigating controls:** subject to internal audit review and monitoring
- **Net risk:** after mitigating controls are applied
- **Risk appetite:** defined at generic risk and subcategory level and transparent through our risk dashboard
- **Actions:** for further mitigation if required

Our identified risks
Six categories, 17 subcategories, over 50 generic risks, one framework:

- Strategic
- People and culture
- Process
- External environment
- Business systems and security
- Financial

Our bottom-up registers
The core of our risk assessment. Owned by market sectors, regions, manufacturing sites and functions, they identify local risks and mitigating controls arising from day-to-day operations in over 30 risk registers globally

How we monitor

Board p68
Responsible for the risk framework and definition of risk appetite. Reviews key risks with an opportunity for in-depth discussion of specific key risks and mitigating controls annually. Approves the Viability Statement.

Audit Committee p70
Reviews the effectiveness of the Group risk management process. Reviews assurance over mitigating controls, directing internal audit to undertake assurance reviews for selected key risks. Reviews viability scenario assessments.

Risk Management Committee p63
Meets quarterly to monitor and review risks other than SHEQ and Ethics.

Standing agenda item to monitor business IT systems and cyber risks and currently Brexit and COVID-19 risk. Covers proactive risk management, risk monitoring and mitigation and internal and external emerging risks including consideration of the significance of climate-related risks and emerging regulatory requirements.

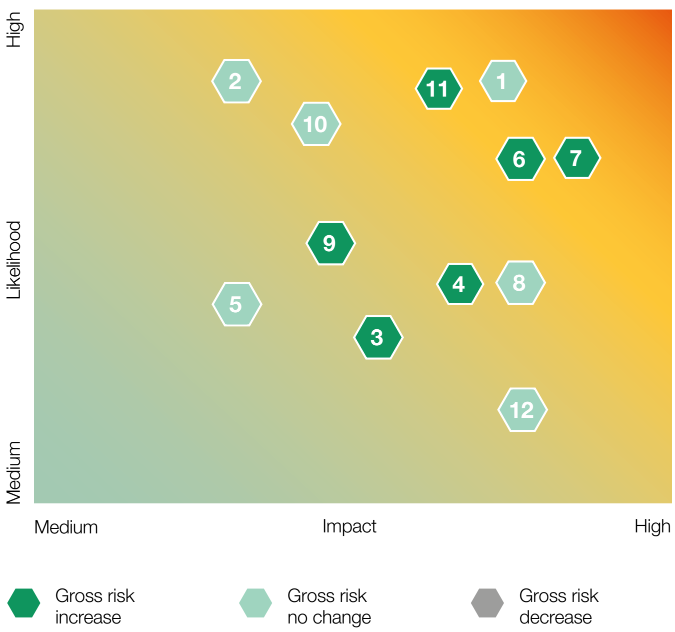
Receives an in-depth presentation of specific key risks and mitigating controls from risk owners at each meeting.

Considers the results of internal audit work for all risks.

Group SHEQ Steering Committee p63
Meets quarterly to review Safety, Health, Environmental and Quality (SHEQ) risks. Monitors against stretching targets and agreed KPIs. Considers the results of assurance audits over SHEQ controls.

Group Ethics Committee p63
Meets quarterly to review ethics and compliance risks. Monitors against agreed KPIs. Considers the results of assurance audits over Ethics controls.

Risk heat map



Our principal risks are reported gross (before mitigating controls)

Strategic risk	
1	Revenue generation in established and emerging markets
2	Product and technology innovation and protection
3	Digital technology innovation
4	Delivering sustainable solutions — Climate Positive
People and culture risk	
5	Our people — culture, wellbeing, talent development and retention
Process risk	
6	Product quality/liability claims
7	Loss of significant manufacturing site
8	Suppliers and raw material security
External environment risk	
9	Product stewardship and chemical regulatory compliance
10	Ethics and compliance
Business systems risk	
11	Security of business information and networks
Financial risk	
12	Ineffective management of pension fund

Strategic

1. Revenue generation in established and emerging markets

President Regional Delivery and Sector Presidents

V E S

Why this matters to us

To grow, we need to both keep pace with our customers as they serve consumers in emerging markets and grow revenue in established markets. Failure to manage these challenges and the consequences of any geopolitical tensions will adversely impact delivery of our strategic objective to deliver consistent top and bottom-line growth.

How we respond

Through our global sector sales, marketing and technology teams, we identify consumer trends and respond swiftly to satisfy customer needs through key technologies. Our direct selling model enables us to get closer to our customers. Our resilient business model (p12) and continued focus on growing profit ahead of revenue ahead of volume mitigates profit impact in difficult trading conditions.

What we have done in 2020

- Delivered a proactive M&A programme, including acquisition of Avanti, around whose expertise we built our contribution to the global COVID-19 vaccine programme (p9), and Iberchem, adding an attractive capability to our consumer care offering, with 80% of sales in emerging markets (p9)
- Completed a 'Plan Ahead' review of our strategic objectives prioritising time to think about a post-COVID-19 world and capitalise on emerging trends in our markets
- Delivered fast growth in our Life Science sector whilst defending our position in Personal Care and Performance Technologies (pages 24 to 29)
- Our Brexit team delivered a smooth transition at the end of 2020 (case study p44)

Impact of COVID-19

Whilst customer demand has inevitably been impacted by the crisis, the strength and breadth of our business model have helped to reduce its impact.

2. Product and technology innovation and protection

Nick Challoner
Chief Scientific Officer

V E C

Innovation plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margins. Failure to drive New and Protected Products through innovation will impact growth and margin.

Failure to protect the intellectual property (IP) in these products in existing and new markets could undermine our competitive advantage.

Our outstanding technical research and development (R&D) teams, based in our customer innovation centres and application laboratories globally, focus innovation on customer and market needs and are embedded across our business. We **invest** in: R&D, Open Innovation and Smart Partnership programmes, seeking premium niches and disruptive technology acquisitions. Our specialist IP team **protect** new products and technologies, defending our IP and challenging third-party IP where appropriate.

- Invested in innovative new technology platforms with the acquisition of Avanti and Iberchem (p9)
- Supported rapid COVID-19 vaccine development through the rapid progression of Avanti's lipid nanoparticle system and other innovative technologies
- Invested in major new R&D facilities in Shanghai, the UK and North America (p7)
- Invested in new technology partnerships with Entekno and Anomera, delivering exciting product development opportunities
- Launched new products in all sectors (p24 to p29), expanding in biotechnology to help our customers move away from traditional petrochemical ingredients

By providing a COVID-19 secure environment in which to work, our R&D teams have had significant laboratory time, protecting our future innovation pipeline.

3. Digital technology innovation

Jez Maiden
Group Finance Director

V C M S

Digital technology is a significant disruptor, rapidly changing markets that we operate in, changing the way we interact with our external partners and each other. New and established customers expect a high level of online service, from researching ingredients to buying, and failure to meet these ahead of competitors will impact growth, hinder R&D knowledge sharing and create inefficient processes.

Dedicated centres of excellence focus on our business model areas of Create, Make and Sell (p12) and provide global leadership to take advantage of the fast evolving digital world. They deliver an integrated market-facing environment that encompasses everything from product development through artificial intelligence-enabled manufacture, to customer service. Digital pilot projects embedded in the organisation support agile, local trials of innovative ideas, which can grow into global initiatives.

- Create: invested in building a global R&D knowledge management system, to share global R&D expertise
- Make: rolled out a global supply chain planning solution and implemented real-time monitoring of production plant performance (p9)
- Sell: trained sales teams in the use of new digital CRM tools. Prioritised the use of digital for customer engagement, rolling out Live Chat functionality in 35 countries

Created enhanced dialogue and route to customers during lockdown.

4. Delivering sustainable solutions – Climate Positive

Stuart Arnott
President Sustainability

V C M

Increasing global consumer concerns over climate change have heightened both our customers' and our own focus on our core strategy of turning bio-based raw materials into innovative ingredients with sustainable benefits in use. We also focus on the impact of climate change on our own ability to supply.

Sustainability is the biggest driver of our strategy and failing to remain ahead will damage our reputation and compromise growth.

In line with our Purpose, Smart science to improve lives™ our Commitment to become the most sustainable supplier of innovative ingredients remains at the core of what we do. By aligning our smart science with United Nations Sustainable Development Goals (SDGs) we are committed to being Climate Positive by 2030 and are well aligned with the growing requirements of our customers to move to a low carbon economy.

Through our sustainability focus, we make decisions to mitigate, transfer, accept or control climate-related transitional and physical risks based on their impact. See more in our 2020 Sustainability Report.

- Engaged with investors through seminars (p21)
- Developed decarbonisation roadmaps for manufacturing sites representing 90% of our total emissions and will complete for all locations by the end of 2022 (p32)
- Increased the bio-based content of our organic raw materials to 67% (p33)
- Met our 2020 environmental targets including reduction of our greenhouse gas emissions by over 15% (p32) and waste to landfill by 34% (p36)
- Implemented an internal carbon price for all capital expenditure applications (p32)
- Our leadership was recognised by achieving the highest EcoVadis Platinum recognition award and we are included in FTSE4Good UK 50
- See more on pages 30 to 37 and in our 2020 Sustainability Report

Our flexible and agile manufacturing assets enabled us to swap production to ensure customer delivery was not compromised.

Key

Link to our strategy (p22)

- Growth: consistent top and bottom line growth
- Innovation: increase the proportion of NPP that we sell
- Sustainability: align our business with our Purpose and accelerate our customers' transition to sustainable ingredients

Risk movement

- Risk increase
- = No change
- Risk decrease
- V Included in viability statement (see page 49)

Link to our business model (p12)

- E Engage
- C Create
- M Make
- S Sell

Key risk

People and culture

5. Our people – culture, wellbeing, talent development and retention

Tracy Sheedy
Group HR Director

= E C M S

Process fundamentals

6. Product quality/liability claims

Tom Brophy
Group General Counsel

V M S

7. Loss of significant manufacturing site (major safety or environmental incident)

Mark Robinson
President Global Operations

V M

8. Suppliers and raw material security

Mark Robinson
President Global Operations

= V M

Why this matters to us

Retaining and developing the experience and motivation of all our knowledgeable and diverse employees is critical to maintaining our ability to deliver our strategic priorities. Failing to maintain our distinctive Croda culture within which people thrive and which attracts new and diverse talent to join the Company would significantly damage our ability to innovate and grow.

We sell into a number of highly regulated applications. Non-compliance with our customers' stringent product quality requirements, global and local regulation could expose us to liability claims, significant reputational damage and compromise our ability to grow, especially in light of our commitment to expand to grow Life Sciences.

We rely on the continued sustainable operation of our manufacturing sites around the world.

Climate change directly impacting the location of a site or availability of utilities used, or a major event causing loss of production and violating safety, health or environmental regulations, could limit our operations. This could also expose the Group to liability, cost and reputation damage, especially in light of our commitment to sustainability and customer service.

Sourcing from suppliers who do not share our ethical stance could lead to reputation damage, especially in the light of our sustainability commitment.

Any interruption in the supply of key raw materials would affect our operations and financial position. Such a disruption could arise from market shortages, climate change impacting the locations where bio-based raw materials grow or from new restrictive legislation.

How we respond

A clear Purpose, strong development culture, excellent learning opportunities and competitive reward programmes support the retention, engagement and career development of the high-quality teams we need. Global graduate and management development programmes include stretching and high-profile assignments and provide a pipeline of internal talent.

Our bi-annual global talent review process considers resources and succession plans for critical roles, with actions monitored by the Executive Committee and the Board.

Monitored by our Group SHEQ Steering Committee (p63), our sites and products are certified to demanding external quality standards highly valued by our customers (including ISO 9001, GMP and Excipact). Our global network of quality professionals enforce compliance with the Group Quality manual, assured through internal audits delivered by our specialist Group Quality audit team and external certification audits. We work proactively with relevant trade associations to shape future regulation.

Monitored by our Group SHEQ Steering Committee (p63), our global network of site-based safety professionals enforce compliance with global policies and procedures defined in the Group SHE manual. Assurance is provided by the specialist Group SHE internal audit team, whilst external auditors certify our compliance with international safety standards. Our sites are certified to ISO14001 standards.

Risks specific to each site are identified in 'bottom-up' risk registers and local business continuity plans are in place which are regularly tested.

Professional purchasing teams based in our regions develop good relationships with our suppliers and proactively monitor supply to identify and manage potential future shortages. To protect supply, we agree long-term contracts where appropriate, source from multiple suppliers, or build up our own inventories.

We ask higher risk suppliers to complete an EcoVadis self assessment and follow up results with them.

What we have done in 2020

- Implemented a global mentoring programme, upgraded our leadership programmes and increased our online training courses to support the development of our employees
- Articulated and rolled out 'Our Difference', a summary of our cultural aspirations and supporting our Purpose, including updated values
- Addressed increased risks to employee wellbeing and mental health through provision of tailored training sessions and increased communications
- Regular and focused pulse surveys enabled employee concerns to be quickly identified and addressed. Employee response rates to these were high c.70%

- Launched our 'right first time' initiative to help us reach our ambitious target of 99.5% by 2030, creating the position of Business Process Director to co-ordinate efforts globally
- Reviewed and updated our product quality policy, template agreements, guidance and employee training using industry best practices. We use these agreements to formalise our quality commitments to our customers
- Undertook a detailed risk assessment of the implications of supplying novel excipients into vaccines
- Established a cross-functional team to commence a detailed risk assessment of our Health Care business, with particular focus on the growth of this business in the area of patient health
- See more on page 37 and in our 2020 Sustainability Report

- Rapid investment in new manufacturing capability to serve the high growth patient health market increased the risk of major site incidents. Operational teams demonstrated flexibility and focus and we sustained our good process safety performance despite the increased risks, with no serious incidents with major accident potential
- Launched our revised SHE Behaviour standard to help mitigate the increased risk of loss of focus resulting from COVID-19
- The North American biosurfactant plant, which came online in early 2020, was unable to operate from September 2020 after air permit limit deficiencies were identified (p36). It is expected to be operational again in the first half of 2021

- Appointed a new Head of Procurement to provide global leadership. She will enhance and refresh our global procurement framework and processes in 2021
- Communicated a comprehensively reviewed and updated supplier code of conduct to all suppliers
- Employed a third party to undertake a strategic analysis of our raw material supply chain for critical products
- Assessed suppliers of around 50% of our total spend against the EcoVadis platform and worked closely with them to drive improved processes
- See more on pages 18 and 36 and in our 2020 Sustainability Report

Impact of COVID-19

Almost all our employees have been able to work effectively, either on-site or from home. We have not furloughed employees or reduced pay.

Our quality standards continued to operate at all sites, with strict social distancing measures in place to protect our people.

All but two of our manufacturing sites have continued to operate without interruption, with strict social distancing measures in place to protect our people.

Global supply chain and procurement teams worked together to mitigate the impact on customer delivery, including relating to short term raw material shortages.

External environment

9. Product stewardship and chemical regulatory compliance

Stuart Arnott
President Sustainability

C M S

Why this matters to us

As a global chemical manufacturer, we operate in highly regulated markets. Violation, incomplete knowledge or unidentified change of any regulation could limit the markets into which we can sell, expose the business to penalties and compromise growth.

Product stewardship for us means going beyond the minimum requirements for regulatory compliance, building upon the knowledge we gain from regulation and enhancing it to fully understand our products' impact beyond our factory gate.

How we respond

Global regulatory expertise is provided by our in-house team of specialists, who have in-depth knowledge of our regional and market regulatory frameworks. They work proactively to influence regulation and are an integral part of our new product development process. We use the SAP EHS module to ensure that regulatory changes are applied to existing products.

Our global product advisory teams work closely with customers to identify the most appropriate product for their needs.

What we have done in 2020

- Influenced the discussion about the direction of the UK REACH legislation and started a programme to deliver
- Successfully transferred EU REACH registrations to our EU trading companies and identified and pre-registered the relevant substances for both Korea and Turkey's REACH equivalent legislation, ensuring continued service to customers
- Established a Product Stewardship Working Group consisting of internal regulatory and technical experts to progress our product Life Cycle Assessment work (p37)
- Developed a sustainability impact assessment (SIA) methodology for product/application combinations

Impact of COVID-19

No significant impact

10. Ethics and compliance

Tom Brophy
Group General Counsel

= V

E C M S

Why this matters to us

We are subject to UK legislation which is far-reaching in terms of global scope and often more rigorous than local legislation (for example, the Bribery Act).

Our increased presence in emerging economies and the increasingly frequent introduction of new regulation create an elevated compliance and reputational risk.

How we respond

Our Group Ethics Committee (p63) meets quarterly to consider new legislation requirements and to promote the importance of ethics and compliance across our business and stakeholder ecosystem.

Compliance training and education programmes are rolled out globally, with results monitored by the Committee.

What we have done in 2020

- Undertook ethics risk assessment for the acquisition of Iberchem, given their footprint in emerging markets with higher risks
- Assessed and monitored our programme for compliance with Corporate Criminal Offence legislation
- Developed an ethics procedures manual in support of our ethics programme and its procedural framework. 225 employees completed ethics training and 135 competition law training. We undertook over 2,600 third party reputational screenings
- Republicised our Speak-Up reporting line, including new branding and communication materials, an updated FAQ document and bespoke training video. We received and investigated 18 Speak-Up reports during the year

Impact of COVID-19

No significant impact

Business systems and security

11. Security of business information and networks

Jez Maiden
Group Finance Director

V

E C M S

Why this matters to us

Society and business are subject to more numerous and increasingly sophisticated threats to security, including hackers, viruses and ransomware attacks, and keeping our data safe is subject to increasingly stringent regulatory requirements globally.

We rely heavily on the availability of IT networks and systems; an extended interruption of these services may result in an inability to operate.

How we respond

We run our key applications in distributed computing environments with regular failover testing and penetration testing being undertaken. Our information security specialists monitor our IT services and networks, oversee cyber protection solutions and provide cyber awareness education globally, whilst internal and external auditors review and report on the operation of all cyber and system controls annually.

What we have done in 2020

- Appointed a new Information Security manager and agreed to a rolling programme of cyber assurance reviews based on the NIST framework
- Rapidly deployed a secure virtual desktop infrastructure to support homeworkers and increased communication, training and simulated phishing exercises
- Applied Croda Information Security standards and controls to acquired businesses via our IT integration programme
- Implemented a tool for continuous penetration testing

Impact of COVID-19

Significant increase of home workers globally raised the risk of lower productivity and increased exposure to cyber-security risk

Financial

12. Ineffective management of pension fund

Jez Maiden
Group Finance Director

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Why this matters to us

We maintain an open defined benefit pension scheme in the UK. This faces similar risks to other such schemes including future investment returns, longer life expectancy and regulatory changes that could result in pension schemes becoming more of a financial burden.

How we respond

The Group maintains close dialogue with the UK Pension Trustee, and the move to a career average capped salary basis of calculation in 2016 mitigated some of the risks. The pension fund investment strategy (including a triennial valuation review) is delivered with the support of professional advisers, and trained pension fund Trustee Directors take professional advice and monitor and review arrangements quarterly.

What we have done in 2020

- Monitored funded status of the largest pension plan (the UK Croda Pension Scheme). No deficit funding payments were required (p43)
- Consulted with Trustee on triennial scheme valuation and future funding requirements

Impact of COVID-19

Government response to lower funding costs resulting in increased liabilities

Long-term viability statement

Based on their assessment of prospects and viability, the Directors confirm that they have the expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years to 31 December 2023.

Confirmation of viability

Based on their assessment of prospects and viability, the Directors confirm that they have an expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years to 31 December 2023. The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Group Accounting Policies (p121).

The viability assessment period

The Directors have assessed the viability of the Company over the three-year period to 31 December 2023, taking account of the Company's current financial position and the potential impact of our key risks. In assessing the prospects of the Company and determining the appropriate viability period, the Board has taken account of:

- the three-year financial and strategic planning cycle, supported by detailed financial modelling which considers profitability, cash flows, gearing and other key financial metrics. Given the impact of COVID-19, additional stress testing has been undertaken as part of the going concern review (p121) on the Company's ability to operate under extremely unfavourable operating conditions;
- the three-year investment planning cycle; the three-year period reflects the typical maximum lead time involved in developing new capacity. Both financial and investment planning are led by the CEO and reviewed by the Board;
- the Company's strong cash generation and its ability to renew and raise debt facilities in most market conditions (p40);
- the resilient business model (p12) and the Company's diversified portfolio of products, operations and customers, which reduce exposure to specific geographies and markets, as well as large customer/product combinations; and
- the strong, sector-led innovation pipeline (p24 to p29), which supports the Company's business through development of new sales growth opportunities, protects sales and margins, differentiates the Company from competitors and provides barriers to entry. The Board reviews this over a period of longer than three years in line with longer development cycles for new products, however, it considers that, in assessing the viability of the Company, its investment and planning horizon of three years is the appropriate period.

Assessment of viability

Using the base case model developed for going concern assessment, viability has been assessed by considering the top-down headroom available under multiple bottom-up worst case risk scenarios, both individually and in combination. This year, top-down headroom is considered to be more than adequate, and the results of the bottom-up scenario modelling showed that no individual event or plausible combination of events (the most significant of which was scenario F below) would have a financial impact sufficient to endanger the viability of the Company in the period assessed.

Top-down headroom

Assesses the Company's overall funding capacity to withstand catastrophic events.

Bank leverage covenant	The leverage ratio at the end of 2020 of 1.8x remains substantially below the maximum covenant level under the Group's lending facilities of 3.5x, providing significant headroom. EBIT would need to fall by more than 70% before triggering an event of default. We could also take action to conserve cash.
Debt headroom	The current level of committed debt facilities total £1,244m, over 80% of which mature after the end of the viability period. Our going concern modelling shows that the Group remains cash generative for all bottom-up scenarios considered.

Bottom-up headroom

Considers the potential financial impact of scenarios based on the Company's key (emerging and principal) risks identified on pages 46 to 48, both individually and in plausible combination.

Scenario combination modelled	Related risks (p 46 to 48)
Scenario A. New entrants or enhanced competition across multiple market sectors results in loss of significant business.	1. Revenue generation in established and emerging markets (p46) 2. Product and technology innovation and protection (p46) 3. Digital technology innovation (p46)
Scenario B. Business loss due to regional geopolitical and economic events and trade changes such as Brexit.	1. Revenue generation in established and emerging markets (p46)
Scenario C. Restriction on use or availability of key raw materials impacts a key technology platform resulting in significant loss of business.	2. Product and technology innovation and protection (p46) 8. Suppliers and raw material security (p47)
Scenario D. Significant cyber attack results in loss of IT systems for a prolonged period resulting in inability to operate.	11. Security of business information and networks (p48)
Scenario E. Significant compliance breach, combined with a significant cyber attack, damages our reputation for sustainable delivery resulting in loss of business.	4. Delivering sustainable solutions – Climate Positive (p46) 10. Ethics and compliance (p48) 11. Security of business information and networks (p48)
Scenario F. Catastrophic uninsured loss of manufacturing capability combined with a product recall which damages reputation, enabling competitors to make significant inroads into our business.	6. Product quality/liability claims (p47) 7. Loss of significant manufacturing site (p47)

Board leadership and Company Purpose

Board leadership
At the date of this report, the Board comprises eight Directors: the Chair; the Group Chief Executive; the Group Finance Director; four independent Non-Executive Directors and one non-independent Non-Executive Director, who was the Company's Chief Technology Officer until his retirement in 2017. The size of our Board allows time for full discussion and debate of items and enables all Directors' views to be heard.

The Company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The Non-Executive Directors have a broad range of business, financial and international skills and experience, which provide appropriate balance and diversity.

The composition of the Board is subject to ongoing review and a key consideration for any new Board appointment will be the additional breadth a new Director could bring, including in terms of skills, knowledge, experience, gender and ethnicity.

"Strong transparent governance, delivered to the highest standards, facilitates effective decision making by the Board."

Anita Frew
Chair

Directors' biographical notes appear on pages 54 and 55 and at **www.croda.com**.

Role and operation of the Board

The Board has ultimate responsibility for the overall leadership of the Group. In this role, it oversees the development and delivery of a clear Group strategy ensuring the long-term sustainable success of the Company for all stakeholders. It monitors operational and financial performance against agreed goals and objectives and challenges the Executive team. The Board ensures that appropriate controls and systems exist to manage risk and that there are the necessary financial resources and people with the necessary skills to achieve the strategic goals the Board has set.

Matters reserved for the Board

The matters reserved for the Board fall into four broad areas:

1. Matters required by law to be reserved for the Board's decision, such as approving the Annual Report and Accounts, appointing new Directors and declaring dividends.
2. The requirements of the UK Listing, Prospectus and Disclosure Guidance and Transparency Rules, such as approving circulars to shareholders and other significant communications.
3. UK Corporate Governance Code recommendations, such as ensuring the Group has a sound system of internal control and risk management, and approving the Board and Committees' terms of reference.
4. Other matters, such as approval of the Group's strategy and budget, material corporate transactions and capital expenditure.

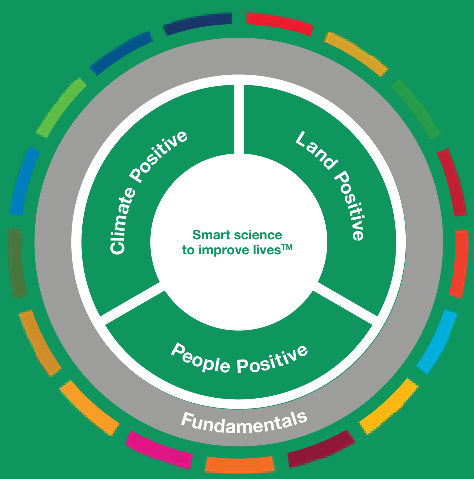
For the full schedule of matters reserved for the Board visit the governance section at **www.croda.com**.

Contents of corporate governance report

Our Purpose:

Smart science to improve lives™

Our 2030 Commitment:



Company Culture
The Board is responsible for assessing, monitoring and promoting company culture and ensuring it is aligned with strategy, purpose and values.

At Croda, we share a clear sense of Purpose and are motivated by our Commitment to be the most sustainable supplier of innovative ingredients. Our distinctive 'One Croda' culture guides the way we work and helps us to attract and retain the first-class people we need, by enabling collaboration and skills development. To ensure our long-term success, we have defined the values that make us different as a Company, encouraging our people to be 'Responsible', 'Innovative' and to work 'Together.'

Croda's positive culture was evident throughout the pandemic through our commitment to supporting employees, suppliers, customers and our local communities (see p16 to p20). During the year the Board focused on defining the values that make Croda different as a company and guide us in everything we do.

During 2020, the Board gained cultural insights from several sources. These included reports on significant instances of inappropriate conduct, whether through the Company's Speak-Up line or other grievance channels. The Board considered reports on any material systems or control failures, which may act as an early indication of a drift of culture away from the Group's core values. Safety metrics were regularly reviewed and challenged – both behavioural and process safety – to ensure Croda is living up to its core value that all employees and contractors return home at the end of the day without being harmed in the workplace, whether physically or mentally. Other metrics the Board used to assess culture related to diversity and inclusion, employee training and responsible business. In addition, the Board discussed the feedback from listening group and pulse surveys, which enabled communications and policies to be tailored and adjusted to ensure employees needs were being met.

Alignment to culture is clearly established in the Remuneration Policy and embedded in the Remuneration Committee's discretion framework is an assessment of our cultural performance. In addition one of Croda's key sustainability goals is to be People Positive with clear targets to increase our positive impact on society and improve the lives or our employees and people around the world. During the year we established the Croda Foundation that will help improve the lives of local communities supported by our own technologies.

The Board was satisfied that Croda's Purpose, values, strategy and culture are aligned and will act together to preserve long-term value.

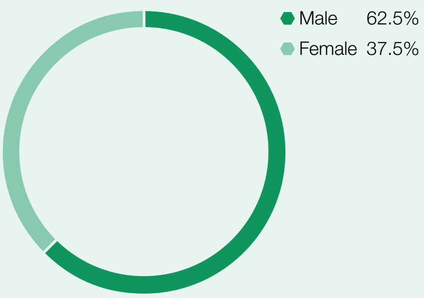
Section 172(1) disclosures

S172 Factor	Disclosures		
The long-term consequences	Purpose – p2 Dividend policy – p42	Megatrends – p10	Business model – p12 Strategy – p22
Employees	Diversity and inclusion – p66	Employee engagement – p16 and 84	
Business relationships – suppliers, customers and others	Modern slavery – p37	Anti-bribery – p37	Customers and suppliers p17 and 18
Community and the environment	Community activity – p20	Sustainability Committee – p63	Sustainability Commitment – p30
High standards of business conduct	Corporate Governance Report – p50 Whistleblowing – p72	Internal controls – p68 Ethics Committee – p48 and 63	Culture and values – p51
Shareholders	Shareholder engagement – p60	AGM – p53	

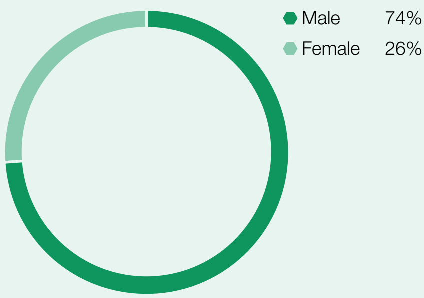
We provide examples of how the Board took account of the interests of our key stakeholders in some significant decisions made during the year on p59.

Gender

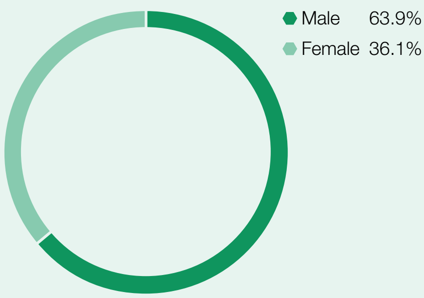
Board



Senior management



Rest of employees



Chair's statement on corporate governance

At the heart of our decision-making throughout the year has been our duty and desire to balance the interests of our stakeholders.

Anita Frew
Chair

> "As a Board we were deeply involved in assessing the impact of the COVID-19 pandemic on all of our stakeholders."

Dear fellow shareholder

We have faced a unique set of circumstances in 2020 and I am proud of the way that all our employees and the Board rose to the challenge of protecting our business whilst living up to our Purpose. A cornerstone to this resilient performance is strong transparent governance, delivered to the highest standards, which facilitates effective decision making by the Board. At the heart of our decision-making throughout the year has been our duty and our desire to balance the interests of all our stakeholders in the decisions and actions we take as a Board, and to promote the long-term interests of the Company for our shareholders to ensure we provide a good return on their investment in Croda.

This report, together with the Directors' Remuneration Report, set out on pages 76 to 101, describe how the 2018 UK Corporate Governance Code (the Code) principles have been applied by the Company. I am pleased to report that the Company has complied with the provisions of the Code for the period under review. The 2018 UK Corporate Governance Code is available at www.frc.org.uk.

Our stakeholders

As a Board we were deeply involved in assessing the impact of the COVID-19 pandemic on all of our stakeholders. Our priority was to protect the health and safety of all our employees and others impacted by our operations. This has been at the very top of our agenda at every Board meeting.

We took great care to balance the needs of all our stakeholders during the crisis. The response and commitment of all our employees has been exceptional, with almost all able to work effectively, either onsite or from home. We did not furlough employees or reduce pay. All our principal manufacturing sites remained in operation, with only two significantly impacted, and raw material supply chains were secure. We supported our customers and suppliers and gave financial assistance to the communities closest to our sites. We also sustained our track record of paying regular dividends to shareholders and we did not utilise government liquidity facilities. Through our actions, we lived up to our Purpose of using Smart science to improve lives™.

We describe on page 58 how the Board engaged with each of our key stakeholders during 2020 and give some examples of how we have considered them in some of the Board's decisions made during the year.

Strategy

As well as dealing with the immediate crisis phase of the COVID-19 pandemic, the Board worked closely with the Executive management team, with the support of an external consultant, in considering the impact that the pandemic would have in the longer term. From this review the Executive team produced a roadmap to operationalise and deliver our 2030 strategic commitments in line with our Purpose, Smart science to improve lives™. More information about this work can be found in the Strategic report.

In addition to this review, the Board held a virtual strategy session with the Croda teams responsible for delivering our strategic ambition to provide an outstanding customer experience digitally, complementing Croda's successful traditional customer intimacy model.

Leadership

2020 saw a number of leadership changes at Board level. Alan Ferguson retired at the AGM in 2020 having served nine years as a Director. I extend grateful thanks from myself, the rest of the Board, the Executive team and colleagues for the outstanding contribution he made to the Board and as Chair of the Audit Committee over the last nine years. His support, advice and challenge will be missed and we wish him all the best.

We were pleased to welcome John Ramsay to the Board. John joined the Board on 1 January 2020, which allowed him to spend time with Alan before he became Audit Committee Chair on Alan's retirement. John brings with him a wealth of financial, international and sector experience. The recent Board evaluation confirmed that John had transitioned into his role well and as Chair of the Audit Committee provided high-quality and thoughtful contributions.

On the recommendation of the Nomination Committee, the Board agreed to extend Helena Ganczakowski's appointment for a further year. The annual extension is in line with our policy to review appointments annually, once six years' tenure has been

Board meetings in 2020

Throughout the year the Board continued with the regular scheduled meetings and programme of business. These were held face to face when government regulations allowed.

During the first lockdown, the Board demonstrated its agility by moving quickly and effortlessly into video conferencing as the main method of communication. The Board had fortnightly calls to receive updates from across the business. The COVID-19 crisis management team reported directly into these meetings each time. The updates covered safety, management of the crisis, the situation in the individual countries and workplaces, relationships with customers, operational matters (for example, on matters such as the supply of raw materials or manufacturing constraints on our sites), communications, trading and treasury. Throughout the rest of the year, additional calls were scheduled, as required. On occasion, if all Board members were unable to attend, the Chair and Chief Executive followed up with a briefing call to ensure everyone was receiving the same information on any developing situations.

The move to virtual Board meetings was supported by the use of the existing and well-established electronic Board portal for papers, which included a resource centre to provide supplemental information and copies of all key policies. To ensure that the meetings remained effective, it was essential that they were well structured and without unnecessary complexity. The ground rules were established early on by simplifying agendas and allowing for sufficient breaks to reduce fatigue. It was important that content was concise and that the meetings allowed for adequate debate and participation by all Board members. The Board evaluation showed that the Board had risen well to the challenge and the Chair had been extremely adept in her leadership of the meetings.

completed. Helena has made a significant contribution to the Board as Remuneration Committee Chair and she also became Senior Independent Director on Alan's retirement. The recent Board evaluation showed that the Remuneration Committee had evolved significantly under her leadership.

The Nomination Committee also extended the appointment of Keith Layden for a further three years. Having worked at Croda for 33 years, Keith's in-depth knowledge of our products and operations adds valuable insights and constructive challenge to the Board discussions.

Some changes were also made to the Executive Committee, with details of these changes set out in the Nomination Committee report on pages 66 and 67.

Board evaluation

The Code requires that an external evaluation of the Board is undertaken every three years, and this was conducted during the second half of 2020. We were assisted by Heidrick & Struggles who were selected after a competitive tender process. Formal external evaluation is a valuable tool for improvement and helps ensure impartiality and independence throughout the process. I am pleased that the report confirmed that we operate as a very effective Board with a high level of trust in the boardroom, a track record of improved effectiveness, and the ability to adapt and change; strengths that served us well during this challenging year. Full details of the evaluation and the outcomes are included in the report on pages 64 and 65.

Diversity & inclusion

We consider that creating a work environment where everyone feels safe to be themselves is essential to enrich the diversity on the Board and throughout the Company. Research has shown that greater diversity can foster innovative thinking and provide businesses with access to a wider pool of talented people. We have maintained our position of having in excess of 30% of women on the Board, but, as yet, we don't have any ethnic diversity on the Board. This will be a focus for us in the short term.

The Board and the Executive Committee participated in two development sessions on inclusion and diversity led by John Amaechi OBE, an organisational psychologist. The sessions raised the Board's awareness and understanding of inclusion and diversity, leading to some fundamental discussions on what we need to do as an organisation if we are to achieve our People Positive commitment. It is incumbent on the Board and the Executive team to create a psychologically safe place for our employees, an environment where they feel included. In doing so, we will enable them to perform to their best abilities, bringing rewards for them and for Croda. Our core Value of 'Together' will help guide us on this journey.

Annual general meeting

In light of government guidance relating to COVID-19 prohibiting public gatherings and restricting non-essential travel, shareholders are strongly advised not to attend the Annual General Meeting (AGM) on 21 May 2021. Although we do not expect to have the opportunity to meet with shareholders in person at our AGM, we are very keen to engage with all shareholders and will therefore be holding an online shareholder engagement event prior to the AGM. More details of this event are set out in the Notice of Meeting and I would be delighted to answer any questions that shareholders may have.

Anita Frew
Chair

Hearing the employee voice in the boardroom

The Board utilises many ways of ensuring that we understand the interests and views of our employees and take them into account when we make decisions to promote the long term success of Croda.

Employee voice

- Board reports
- The People Dashboard
- Pulse surveys
- Employee consultation committees
- Remuneration report consultation
- Whistleblowing
- Site visits
- Board presentations
- Intranet and Group news
- Town Halls

Our leadership team

We have a Board that is well equipped to provide oversight and challenge to the Executive Team and has the breadth of skills, experience and diversity to lead the business in delivering our ambitious strategic priorities that will deliver long-term growth.

N

Anita Frew, 63
Chair

Appointment: March 2015 and Chair since September 2015

Nationality: British

Anita has served on Plc boards in the chemical, resources, engineering, water and financial services industries for over 20 years. Prior to joining Croda, she was Chair of Victrex plc and Senior Independent Director of Aberdeen Asset Management PLC, IMI plc and was Deputy Chair of Lloyds Banking Group plc. During her time as a Director, she chaired main Boards, Remuneration, Responsible Business and Risk Committees. Currently she is also a Non-Executive Director of BHP Plc and BHP Limited. Anita brings extensive experience as Chair to the Croda Board as well as leadership in strategic management, mergers and acquisitions and risk experience from working internationally across many sectors.

E F SHEQ

Steve Foots, 52
Group Chief Executive

Appointment: July 2010 and Group Chief Executive since the beginning of 2012

Nationality: British

Steve joined Croda as a graduate trainee in 1990 and he brings to the Board a business, strategic and operational background gained from a number of senior leadership roles across the Group. Having spent several years leading many different Croda businesses, he has also gathered extensive insight into the markets served, the importance of customer focus and the power of an innovative culture. Outside of Croda, Steve's role as Industry co-Chair of the UK Chemistry Council enables him to work alongside Government ministers and industry peers to bring wider industry knowledge into the Croda business.

R E F

Jez Maiden, 59
Group Finance Director

Appointment: January 2015 as Group Finance Director

Nationality: British

Jez is an experienced Group Finance Director, having served in this role on five UK listed company Boards. As a chartered management accountant, his expertise in all aspects of finance management, gained in speciality chemical, FMCG and other manufacturing environments, allows him to support the Board and Executive of Croda in managing the performance of the business, risk management and control, and in capital allocation and investment evaluation. Jez acts as business partner to the Group Chief Executive and leads the finance, IT and digital teams globally. He has also been a Non-Executive Director and Audit Committee Chair in two other UK Plcs.

RM A N

Helena Ganczakowski, 58
Non-Executive Director (Senior Independent Director)

Appointment: February 2014

Nationality: British

With 23 years of experience in marketing and corporate strategy at Unilever and a further eight as a strategic consultant for other multinational businesses, Helena brings marketing skill and an end-consumer perspective to the Croda boardroom, as well as challenge and support to the CEO in strategy development. Her academic roots in engineering, with a PhD from Cambridge University, drive her passion and curiosity for both product and process innovation. Helena is also a Non-Executive Director and Remuneration Committee Chair of Greggs Plc.

A RM N

John Ramsay, 63
Non-Executive Director

Appointment: January 2020

Nationality: British

John has over 30 years' broad-based international finance background with Life Science businesses such as ICI, AstraZeneca and Syngenta. A large part of this experience was gained while working in Latin American and Asian countries. John brings extensive knowledge of business strategy to the Croda Board as well as a keen interest in building on Croda's strong culture to deliver superior business performance. As the new Chair of the Croda Audit Committee he aims to maintain the high standards set by his predecessor. He is also a Director and Audit Committee Chair at Koninklijke DSM NV, RHI Magnesita NV and G4S plc.

Board and Committee changes

Alan Ferguson stood down on 23 April 2020. His biography is set out in the 2019 Annual Report and Accounts. John Ramsay was appointed on 1 January 2020 and became Audit Committee Chair on 23 April 2020. Helena Ganczakowski became Senior Independent Director on 23 April 2020.

Key

Chair of the Committee	⬢ (green)
Member of the Committee	⬢ (black)
Secretary of the Committee	⬢ (grey)
Nomination Committee	N
Remuneration Committee	RM
Audit Committee	A

Risk Management Committee	R
Group Executive Committee	E
Group Ethics Committee	ET
Group Finance Committee	F
Group SHEQ Committee	SHEQ

A RM N

Roberto Cirillo, 49
Non-Executive Director

Appointment: April 2018

Nationality: Swiss

With ten years' experience as Country and Group CEO in the Service and Health Care industries, and many years spent as a strategy practitioner in Europe and Asia, Roberto brings knowledge of and passion for growth and operations to the Croda boardroom. He can also share lessons learned from large transformations and M&A. Roberto's engineering background enables him to link Croda's R&D and production competences with the evolving demands of its multinational markets. Alongside his role as Non-Executive Director for Croda, he is CEO of Swiss Post and he was previously the Group CEO at Optegra Eye Health Care Ltd, France CEO and Group COO at Sodexo SA and Associate Partner at McKinsey & Co.

A RM N

Jacqui Ferguson, 50
Non-Executive Director

Appointment: September 2018

Nationality: British

Jacqui is an experienced CEO from the technology industry with general management and M&A experience in international and emerging markets. She has first-hand insight of transformational/disruptive digital, cyber security, technology and business process solutions. Jacqui spent three years in Silicon Valley as Chief of Staff at Hewlett Packard, focused on a new company strategy and turnaround and she has chaired the public services strategy board for the CBI. Away from Croda, she is a Non-Executive Director of John Wood Group PLC and Tesco Bank, a fellow of the IET, a Trustee of Engineering UK, a member of the Scottish First Ministers Advisory Board and a member of the Advisory Board of Engie UK.

N

Keith Layden, 61
Non-Executive Director

Appointment: February 2012 and Non-Executive Director since May 2017

Nationality: British

Keith brings to the Croda Board 33 years' experience of working at Croda in a variety of positions, most recently leading the Global Research, Development and Innovation function and as President of the Global Life Sciences business. He also has an interest and background in organisational culture, which is a key consideration in the decision making of the Board. In his roles of Honorary Professor of Chemistry and Industry at the University of Nottingham, member of Council at the University of Sheffield and a Fellow of the Royal Society of Chemistry, he widens his network of emerging technology companies and research institutes to spot new talent that will aid Croda's future success.

ET A RM N R E

Tom Brophy, 47
Group General Counsel and Company Secretary

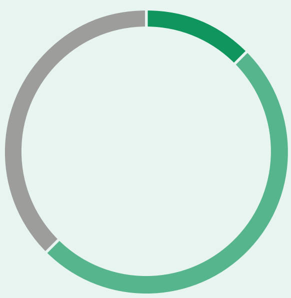
Appointment: December 2012 as Board Secretary

Nationality: British

Tom is an experienced corporate lawyer, having worked at City law firm Hogan Lovells and FTSE 100 company Ferguson. His expertise in public and private acquisitions supports Croda's inorganic growth plans and his professional background and breadth of experience in insurance, risk and compliance enable him to Chair the Ethics Committee. Tom provides corporate governance knowhow to the Board and Croda. Having spent many years leading global teams, Tom leads the Legal and Company Secretary team and until recently was Managing Director of the Western European Region.

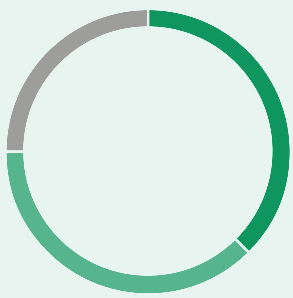
Board age and tenure

Age



40-49 years	1
50-59 years	4
60-69 years	3

Tenure



0-3 years	3
3-6 years	3
>6 years	2

Board activity in 2020

There were eight meetings of the Board during the year. The Board agenda programme ensures strategic, operational, financial, human resources and corporate governance items are discussed at the appropriate time with additional deep dives into key strategic areas during the year. The Board agenda has strong links to the strategic objectives for the business and is set via a collaborative process between the Chair, Group Chief Executive and Company Secretary. This ensures adequate time is allocated to allow effective discussion.

An additional strategy day, attended by members of the Executive Committee, is held during the year. The strategy day is held in the first half of the year, followed by the consideration of the three-year plan in the autumn and then the approval of the budget towards the end of the year.

In addition to the formal Board meetings, the Board had 15 additional update calls via video conference, to discuss business performance in the COVID-19 environment and to ensure additional time was allocated to review the impact on stakeholders of any additional strategic opportunities.

Key highlights of the Board's 2020 activities and priorities are set out below, along with an estimate of the proportion of the time that the Board spent discussing each area.

Board activity breakdown

Strategy (50%)
- Group strategic ambition and priorities
- Group strategic projects and targets and regular updates on progress
- Sustainability strategy and targets
- Safety, health, environment and quality – including behavioural safety, safety leadership and process safety
- Growth priorities and future markets
- Presentations on 'fast grow China' by the local management team
- Product innovation programmes and technology platforms
- Consideration of Avanti, Iberchem and other acquisition opportunities
- Digital strategy
- Product manufacturing strategies
- Capital expenditure approvals
- Business presentations from all sector Presidents
- New and Protected Products pipeline
- Review of Sustainability Report
- Responsible business activities

People (15%)
- Croda's Purpose and developing a purpose-led culture
- Succession planning and organisational restructure, including senior management succession
- Female talent review and mentoring scheme
- Leadership training and development
- The Board's engagement with employees and the employee voice
- Extension of the term of office of Helena Ganczakowski and Keith Layden
- Diversity – Board diversity policy, diversity and inclusion of our workforce and the gender pay gap reporting
- Diversity & Inclusion training
- Modern Slavery reporting
- Health and safety of our employees and contractors
- All-employee sharesave grants

Governance and reporting (10%)
- Board and Committee effectiveness evaluation
- Review of Annual Report and Accounts and other financial statements
- Governance compliance review
- Presentation from the Director of Investor Relations and Corporate Affairs
- Investor relations review
- Ethical compliance programme
- Group litigation report
- Group insurance programme

Financial, risk and performance management (25%)
- Trading performance, including COVID-19 response
- Review of key risks, internal and external assurance of each risk
- Review of risk appetite statements
- Preparations for Brexit, including the key risks and mitigating actions
- Dividend policy and dividend approvals
- Long-term viability statement
- The Group's budget, forecasts and key performance targets and indicators
- A review of the Company's tax strategy
- Placing of shares associated with the Iberchem acquisition
- A post-implementation capital expenditure review

Standing agenda Items
- A Health and Safety and environmental update is the first operational matter considered by the Board at each meeting
- The Group Chief Executive and Group Finance Director present reports on trading matters and financial performance
- The Group General Counsel and Company Secretary updates the Board on changes to relevant laws, regulations and governance matters

Outside the boardroom

The Board undertook a number of site visits in 2020 when Government guidelines allowed. Roberto Cirillo toured Chocques in France at the start of the year. He also received a site presentation and had a separate session with a number of employees. In September 2020, three Board members visited the Ditton site and visited the biotechnology plant, the biopolymers plant and the laboratories. They received presentations from local management and met operational employees. Three Board members also visited the Rawcliffe Bridge site and toured the warehouse, the control room and met the quality control team. In all cases they received presentations from local management, met operational employees and received briefings on Health and Safety and key risks at each site. These visits offer an additional opportunity to discuss areas relevant to the Board.

The Directors attended two meetings to review the Group's strategy, one focusing on the long-term strategy and the other the three-year strategic plan.

The Non-Executive Directors have direct access at any time to the Executive Directors, senior management teams and employees across the Group. This provides the opportunity to develop a deeper understanding of the Company's operations or to request information about specific areas. These relationships strengthen the ability of the Non-Executive Directors to constructively challenge at the Board meetings.

The Chair spends time interacting with the Chief Executive, Group Finance Director, Company Secretary and the senior management team between Board meetings. During 2020, the Chair had monthly meetings with the Executive members and the rest of the Executive management team. This ensured that she was kept up to date on significant developments and emerging issues and opportunities.

The Chair and Non-Executive Directors met without the Executive Directors present to allow an additional opportunity to discuss areas relevant to the operation of the Board. The Non-Executive Directors also met on their own, without the Chair.

Progress on focus areas for 2020

Ensure safety leadership continues to be prioritised and performance monitored	• The Board held regular calls with the Executive during the COVID-19 pandemic, with safety as the highest priority • Received updates in safety leadership in all business reports and presentations, including a presentation from the Global head of SHE on the implications of the pandemic on safety management across the business and process safety assurance. The Board assessed the risks relating to remote SHE audits • Reviewed and challenged management on the trends in safety performance, including process safety incident rates and recordable injury rates • Approved Croda's SHE behaviour standard, a framework that covers behaviours expected across all levels in the organisation and linked to our values
Focus on the balance between organic/inorganic growth and the short term/2030 strategic plans	• Worked with the Executive team to further define and operationalise the Group's 2030 strategic priorities • Strategically targeted M&A, including Avanti and Iberchem which accelerated our strategic delivery in the Life Sciences and Consumer Care markets • Approved several organic capital expansion projects including investments in the UK and US to deliver drug delivery scale-up requirements • Approved a significant contract with Pfizer in support of our fast growing Health Care business
Continue to support and challenge management on the delivery of the 2030 strategy, with a focus on organisational structure and capability	• Organisation and Executive team reorganisation to refresh talent and create the optimal structure to deliver the 2030 strategy • Received presentations on key strategic enablers, including digital capability and process transformation
Oversee the embedding of our sustainability Commitment to be Climate, Land and People Positive by 2030	• Sustainability Committee established • Non-financial KPIs developed • Sustainability performance objectives incorporated into Executive remuneration • Investor sustainability day held in October 2020 • Received updates from the Group's sustainability leaders and team

Looking Ahead to 2021

- Ongoing focus on safety leadership
- Continue to oversee delivery of the 2030 strategy, with focus in 2021 on sustainability, innovation and our Consumer Care and Life Sciences market sectors
- Consider how to further enhance Board diversity
- Bring more external and customer insights into Board meetings to help shape thinking and decisions

Board engagement with stakeholders

The Section 172(1) statement and the key stakeholder groups that form part of our stakeholder ecosystem are on pages 14 to 21 and 58 to 61.

By understanding the interests and needs of our stakeholders, the Board can take these into account in boardroom discussions and decisions. Having consideration for our stakeholders aligns with our Purpose and our Values, both of which guide us in our approach to delivering our strategic commitments and promoting the long-term success of Croda for our shareholders.

The Chair and Company Secretary provide guidance when required at Board meetings to ensure sufficient consideration is given to the likely consequences of any decisions in the long term and to the interests and impact of such decisions on our stakeholder groups. The relevance of each stakeholder group may change depending on the issue under discussion and the Board always seeks to understand the priorities and interests of each stakeholder group during its deliberations and decision-making process. The Board continued to enhance its methods of engagement with the workforce during the year. With regard to the 2018 Corporate Governance Code, the Board utilises a variety of different methods to engage with and gather the views of the workforce, ranging from pulse surveys and listening groups to site visits and Board mentoring programmes. Details of these engagement mechanisms can be found throughout this report. These mechanisms provide the Board with meaningful and regular dialogue with employees and are effective in providing the Board with an understanding of the interests and views of the workforce, taking them into account in its decision making. Significant engagement is also carried out through our commercial and functional business teams. The Board engagement table below describes how the Board seeks to understand the interests of our key stakeholders and also shows where further information is available throughout this report.

In addition, the Board receives information through the following methods which assists the Directors in their understanding of stakeholders and to perform their duties:

- An annual strategy review which assesses the success in the delivery of the Group's strategy
- Annual presentations to the Board from all the members of the Executive on the performance across the sectors and regions. A broad spectrum of employees from across the business are invited to present to the Board
- An annual Board presentation on progress with the Group's sustainability agenda from the wider sustainability team
- The CEO regularly updates the Board on interactions with customers and his engagement with policy makers and regulatory bodies
- The Group Finance Director maintains a regular dialogue with shareholders and updates Board members between meetings on any material issues
- Comprehensive reports which cover
  - Risk
  - Global operations including customer service
  - Innovation
  - SHEQ and Sustainability
  - IT and Digital operations
  - Legal and Company Secretarial
  - HR, culture and diversity
- Surveys and reports from brokers and advisers

Board engagement with stakeholders

Our people

Our people – Our success depends on our skilled employees. The Board meets regularly with employees, during site visits and Board presentations. Although business travel and face-to-face meetings were restricted during 2020, Board members continued to engage with a wide range of employees through video calls and received and discussed the results of employee pulse surveys and listening groups that took place throughout the year.

See page 16

Our shareholders

Our shareholders – Board engagement is primarily through the Group Chief Executive, Group Finance Director and the recently appointed Investor Relations and Corporate Affairs Director. The Directors attend the AGM to allow shareholders to ask questions directly, although this was not possible in 2020 due to government restrictions.

See page 21

Our customers

Our customers – Our direct sales model ensures we work closely with customers and allows us to develop a deep understanding of their needs. The Board receives customer insights and information through Board reports from the CEO and sector teams, as well as during strategy and business presentations.

See page 17

Local communities

Local communities – As a responsible business, we believe it is essential that we operate safely and sustainably and that we understand the impact of our operations on local communities and on the environment. Living our Purpose also means we are committed to providing a positive impact to society and we nurture the links we have to our communities through our offices and our sites. Throughout the pandemic our employees have contributed to their local communities though both our long running 1% Club programme and STEM programme, our community consultation committees and through our Acts of Kindness initiative. The Board regularly receives information and feedback on these activities.

See page 20

Our suppliers

Our suppliers – Supply chain integrity is essential to being a sustainable business and our supplier relationships provide valuable insights to the Board. Site and purchasing teams engage and partner with suppliers on a wide range of matters, from product stewardship and ethical sourcing to regulatory compliance and operational improvements. The Board understands these issues through Board reports and engagement with our operations and functional teams.

See page 18

Acquisitions and considering our stakeholders

The Board approved two substantial acquisitions during the year, Avanti and Iberchem. As part of the acquisition processes, the Board was informed of the interests of a wide range of stakeholders through presentations and detailed papers. The Board considered both acquisitions at several Board meetings, allowing time to consider and interrogate the information presented and ask for clarification where necessary.

A separate resource centre was available that contained greater detail of all the due diligence information. The governance around these approval processes enabled the Board to conclude that the acquisitions were likely to promote the success of the Company for the benefit of shareholders in the long term.

The first was the acquisition of Avanti in August 2020.

Shareholders — The Board considered not only the strategic fit but also the alignment of the business with Croda's Purpose of using Smart science to improve lives™. The Board also considered the financial returns of the acquisition and concluded that it was in the best interest of the Company and its shareholders to approve the transaction.

Communities — The Board took account of the impact of the acquisition on the community. Croda's expansion plans for Avanti benefited local communities given the need to create new jobs to deliver the growth plans.

Customers — The Board believed that Avanti's expertise in drug delivery technologies for pharmaceuticals and Croda's access to global markets, manufacturing expertise and ability to scale up Avanti's technology would bring great benefits to our customers.

People — The Board felt that the combined businesses would provide a significant contribution to Croda's ambition to become People Positive. This was later demonstrated when the Board approved a commercial agreement with Pfizer to supply novel excipients used in the manufacture of the critical COVID-19 vaccine candidate.

In November 2020, the Board approved the acquisition of Iberchem, a fragrances and flavours business. The Board concluded that the acquisition would create a compelling platform from which to grow the combined business in the long term and was in the best interest of the Company.

Shareholders — The Board decided that the most appropriate method to finance the acquisition was via a combination of the Group's existing debt facilities and the proceeds of an equity placing. This structure preserved the Group's robust financial flexibility and balance sheet strength. The Board also took account of the projected financial returns.

The Board took account of the need to treat all stakeholders fairly and provided retail investors the opportunity to participate in the equity raise through an offer for shares on the PrimaryBid platform.

Customers — Although an adjacency to Croda's existing businesses, the Board considered that Croda's formulation capability would complement Iberchem's expertise, and that bringing the two businesses together would create a new, full-service offering to meet our customers' needs.

People — The Board considered the interests of our pension trustees in reaching their decision on the financing structure. UK employees were informed of and given guidance on how to participate in the retail offer should they wish to do so.

Payment of dividend

During the year, the Board considered the recommendation of a final dividend and the payment of an interim dividend. This was at a time of great uncertainty about the future because of the global pandemic.

The Board considered that the balance sheet strength of the Company and limited leverage provided reassurance that the Company could continue to pay dividends even at a time of great uncertainty. In reaching this decision the Board carefully considered the interests of all stakeholders.

It had regard to the fact that no employees had been furloughed or made redundant and that the pay and benefits of those self-isolating, unwell or with caring responsibilities had continued. The Board noted that no government liquidity facilities had been utilised, and took account of the fact that Croda had supported suppliers and customers with the offer of flexible payment terms. Finally, the Board considered the interests of our local communities and noted the Acts of Kindness initiatives, which saw a financial donation by Croda to support local communities in their fight against the pandemic.

Taking all these factors into account, the Board was reassured that there had been fair and consistent treatment of all our key stakeholders during the crisis, and that payment of the dividends were in the best interests of the Company.

Communication with shareholders

The Board maintains open and regular dialogue with shareholders to ensure that they understand our strategy and trading performance, and to listen to their feedback.

Our investor relations activity is led by a recently appointed Investor Relations and Corporate Affairs Director who reports to the Group Finance Director, with other Directors and Executives involved as appropriate. We maintain relationships with existing and potential investors, and 20 analysts in the US, UK and other countries in Europe, who provide an important source of independent analysis on Croda. We continue to increase engagement on ESG topics and prioritised our engagement with ESG rating agencies this year to focus on those most regularly used by our shareholders.

The Board engages with shareholders through the Group Chief Executive, Group Finance Director, the Chair and the Chair of the Remuneration Committee/Senior Independent Director. In 2020 we provided more regular and detailed disclosure during the COVID-19 crisis, publishing trading updates and communicating directly with shareholders by letter. We undertook extensive scenario testing in line with investor focus on business continuity and continued to pay dividends to shareholders in line with the Board's commitment to treat all stakeholders fairly.

In November, we raised gross proceeds of £627m in new equity to part-fund the acquisition of Iberchem, three quarters of which was allocated to existing shareholders. We invited our most significant shareholders to discuss the acquisition in advance and carefully followed the principle of pre-emption to ensure the 100 existing institutional shareholders who supported the placing received at least their pro-rata allocation, where requested. We also allocated the maximum permitted number of shares to smaller shareholders and employees through a separate retail offer.

During the year, we met more than 350 investors including two thirds of institutions on the shareholder register, with over three quarters of meetings taking place in a virtual format. We also held a capital markets seminar to explain our sustainability strategy which was attended by almost 250 delegates (see above). These meetings provided an opportunity to capture shareholders' views which are reported regularly to the Board. The Senior Independent Director and all Non-Executive Directors are available to attend meetings if required by shareholders; no such meetings were requested by shareholders during the year.

The Board receives a monthly investor relations report, as well as updates on the trading environment, including retail sales information, and on Croda's performance in relation to peers. The Investor Relations and Corporate Affairs Director presented to the Board in September providing an opportunity for Board members to discuss shareholder feedback.

All Company results presentations and events are webcast and include a live Q&A, so that all shareholders have an opportunity to ask questions. The answers to the most commonly asked shareholder questions and a calendar of 2020 investor events are on the opposite page.

In 2021 we plan to combine our successful digital engagement with the resumption of face-to-face meetings and site visits when safe to do so. We look forward to resuming our governance lunch with shareholders and expect to continue to increase engagement on ESG topics.

2020 Sustainability investor seminar
In October 2020 we hosted a virtual investor seminar on Sustainability. Croda speakers included Steve Foots, CEO, Stuart Arnott, President of Sustainability and members of his team, and leaders of Croda businesses. External speakers at the event were customers from Bayer and Henkel and a Director of the Cambridge University Institute for Sustainability Leadership. The live event attracted 250 delegates, with a further 150 viewing the content on demand in the weeks after the event. Attendees represented a cross-section of ESG specialists, generalist investors and specialists in the Chemicals sector.

To support investor engagement on ESG topics, in 2020 we also created a single 'sign-posting' website page and a data pack collating non-financial information. Priorities for 2021 are continued assessment of the carbon benefits of Croda's products in use and the application of the EU taxonomy to Croda.

Substantial shareholders

As at the date of this Annual Report and Accounts the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority:

	Number of shares	% of issued capital
Massachusetts Financial Services Company	12,551,036	9.73%
BlackRock, Inc.	8,534,795	6.62%
Mawer Investment Management Limited	6,438,386	4.99%
RBC Global Asset Management Inc.	5,212,886	4.04%

Commonly asked shareholder questions

1. How does the Company manage its allocation of capital?

With our strong return on invested capital, we seek opportunities to expand capacity for existing products and create capacity for new innovative products through our organic capital investment programme. This investment is increasingly focused on our sustainability strategy, particularly where it supports innovation for customer benefit. We also prioritise a regular ordinary dividend in line with our dividend policy. Surplus capital is invested in inorganic expansion through acquisitions or returned to shareholders where capital is surplus to our medium-term requirements. Our capital allocation policy is set out in the Finance review on p42.

2. What are Croda's priorities in respect of acquisition activity?

There are a very limited number of large-scale opportunities, so our focus is primarily on technologies and mid-scale acquisitions. By investing in, partnering with or acquiring businesses with nascent technologies, we bring advanced research pipelines into Croda in support of our in-house innovation programme. We also acquire mid-sized, knowledge-based businesses, principally in existing or adjacent consumer care and life science markets.

3. What is the potential of Avanti Polar Lipids acquired in August 2020?

Avanti specialises in the development of high-purity lipids that are increasingly being used in the delivery of next-generation pharmaceuticals including mRNA-based drugs and vaccines. The potential of lipids as the delivery system for mRNA has been demonstrated with the Pfizer-BioNTech vaccine and our contract to supply vaccine components. mRNA is degraded quickly and is not stable, so lipids are used to encapsulate the mRNA and transport it to the immune cells. The technology has potential beyond COVID-19 and vaccines, into the treatment of cancer, infectious diseases and inherited illnesses.

4. You also acquired Iberchem; why did you want to enter the Fragrances and Flavours (F&F) market?

Prior to the acquisition of Iberchem, fragrances were the one value-add ingredient of most personal care and home care formulations that we did not offer. With Iberchem, we can provide a full formulations service that is particularly appealing to regional and independent businesses. Iberchem has a similar customer profile to Croda, but 83% of its sales are to emerging markets so there is an opportunity to leverage respective customer networks. We can also drive a more sustainable approach at Iberchem which is a potential source of competitive advantage in F&F markets.

5. Revenue growth has been disappointing in the last two years. What is your medium-term guidance for the three core Sectors?

We are well aligned to the megatrends that will drive future growth, including sustainability, digital and emerging markets. Our expectations are to organically grow Consumer Care at mid single-digit percentage with continued industry-leading margins. We expect Life Sciences to grow by mid to high single-digit percentage with growing margins. Our priority for Performance Technologies is an improved portfolio driving a greater focus on sustainable technologies and reduced cyclicality. We are targeting sales growth at global GDP and an improved return on sales of 20%.

2020 investor calendar

Over three quarters of our meetings with investors during 2020 were held virtually.

January	Close Period
February	Full year results announcement and roadshows
March	Results roadshows and investor conferences
April	Annual General Meeting. COVID-19 announcement and letter to shareholders
May	Global roadshows and private client fund manager engagement
June	Investor conferences
July	Half year results announcement and roadshows
August	Investor engagement on Avanti acquisition
September	Virtual seminar on Croda's Health Care business
October	Sustainability investor seminar
November	Investor presentation and meetings on Iberchem acquisition
December	Investor conferences

Division of responsibilities

The Board

Chair
The Chair leads the Board and sets the tone from the top promoting a culture of openness and debate and effective communication between the Executive and Non-Executive Directors. She creates an environment at Board meetings in which all Directors are able to contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge.

Senior Independent Director
The Senior Independent Director provides a sounding board for the Chair and acts as an intermediary for the Non-Executive Directors, where necessary. She is available to shareholders where communication through the Chair or Executive Directors has not been successful or where it may not seem appropriate.

Independent Non-Executive Directors
The role of independent Non-Executive Director is central to an effective and accountable Board structure as they provide strategic and specialist guidance together with effective governance. They constructively challenge the Executive Directors and scrutinise the performance of management in meeting agreed goals and objectives and ensure all stakeholder views are considered.

Non-Independent Non-Executive Director
Having served Croda for 33 years, the latter five of which were as a member of the Board, Keith Layden is not considered independent. However, because of that experience, Keith contributes strongly to the Board's culture and personality, and adds unique and valuable insight and constructive challenge.

Group Chief Executive
The Group Chief Executive has day-to-day responsibility for the effective management of the Group's business and for ensuring that Board decisions are implemented. He plays a key role in devising and reviewing Group strategies for discussion and approval by the Board. The Group Chief Executive is tasked with providing regular reports to the Board.

Group Finance Director
The role of Group Finance Director is to bring a commercial and financial perspective to the boardroom. Working with the Chief Executive, he is responsible for the leadership and management of the Company according to the strategic direction set by the Board. He leads the global finance function and oversees the relationship with the investment community.

Group General Counsel and Company Secretary
The Group General Counsel and Company Secretary is secretary to the Board and its Committees. He ensures that Board procedures are complied with and advises on regulatory compliance and corporate governance. This role is to support the Chair and the Non-Executive Directors.

Principal Board Committees

Nomination Committee
Chaired by Anita Frew

Reviews the structure, size and composition of the Board and its Committees, identifies and nominates suitable candidates for appointment to the Board and has responsibility for Board and Executive Committee succession planning. For more information see pages 66 to 67.

Audit Committee
Chaired by John Ramsay

Monitors the integrity of the Group's financial statements and announcements, the effectiveness of internal controls and risk management as well as managing the external auditor relationship. For more information see pages 70 to 75.

Remuneration Committee
Chaired by Helena Ganczakowski

Recommends the Company's remuneration policy and framework and determines the remuneration packages for members of senior management. For more information see pages 76 to 101.

Governance structure

The Board has three main Committees: the Nomination Committee, the Audit Committee, and the Remuneration Committee. The terms of reference for each Board Committee can be found at www.croda.com.

The day-to-day operational management of the Business is delegated by the Board to the Group Chief Executive, who uses several Committees to assist him in this task: the Group Executive Committee; the Group Finance Committee; the Risk Management Committee; the Group Safety, Health, Environment and Quality (SHEQ) Steering Committee; the Group Ethics Committee and the Sustainability Committee.

Further information on each of the Committees and the membership as at year end is shown on page 63.

Meetings

Membership of the Board and its Committees, and attendance (eligibility) at meetings held during the year ended 31 December 2020.

Chair of the Committee ⬢

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Anita Frew (Chair)	⬢ 8 (8)	⬢ 4 (4)		
Roberto Cirillo	8 (8)	4 (4)	5 (5)	5 (5)
Jacqui Ferguson	8 (8)	4 (4)	5 (5)	5 (5)
Steve Foots	8 (8)			
Helena Ganczakowski	8 (8)	4 (4)	5 (5)	⬢ 5 (5)
Keith Layden[1]	8 (8)	3 (4)		
Jez Maiden	8 (8)			
John Ramsay	8 (8)	4 (4)	⬢ 5 (5)	5 (5)
Alan Ferguson[2]	2 (2)	2 (2)	3 (3)	3 (3)

1. Keith Layden did not attend the meeting where his reappointment was discussed.
2. Alan Ferguson retired from the Board on 23 April 2020.

In addition to the meetings scheduled as part of the Board programme, an additional 15 Board calls were held via video conference to discuss the Group's response to the COVID-19 pandemic and additional strategic opportunities.

Group Chief Executive

Group Executive Committee
Chaired by Steve Foots

The Committee meets eleven times a year and is responsible for: developing and implementing strategy, operational plans, policies, procedures and budgets; monitoring operational and financial performance; assessing and controlling risk; and prioritising and allocating resources.

Group Finance Committee
Chaired by Steve Foots

The Committee meets eleven times a year to review monthly operating results and examine capital expenditure projects.

The Finance Director, President of Global Operations and Group Financial Controller also attend.

Risk Management Committee
Chaired by Jez Maiden

The Committee meets quarterly to evaluate and propose policies and monitor processes to control business, operational and compliance risks faced by the Group, and to assess emerging risks.

Three Executive Committee members attend as well as the Group Financial Controller and VP Risk and Assurance.

Group SHEQ Steering Committee
Chaired by Mark Robinson

The Committee meets quarterly to monitor progress against the Group safety, health, environment and quality objectives and targets, review safety performance and audits, and determine the requirement for new or revised SHEQ policies, procedures and objectives.

The Chief Executive and three Executive members attend. The VP Risk and Assurance also attends.

Group Ethics Committee
Chaired by Tom Brophy

The Committee meets quarterly in support of our culture of integrity, honesty and openness, and to promote the importance of ethics and compliance across the Group and amongst our supply chain partners.

It comprises five Executive Committee members. The VP Risk and Assurance also attends.

Sustainability Committee
Chaired by Stuart Arnott

The Committee meets quarterly to further develop the Group sustainability strategy, to embed sustainability practices throughout the organisation and to monitor progress towards achieving our Commitment. It comprises a diverse group of leaders representing all aspects of our business and each Committee member is the champion for one or more of the KPIs in Our Commitment.

Composition, succession and evaluation

Board support

Each Director has access to the advice and services of the Company Secretary. Where necessary, the Directors may take independent professional advice at the Company's expense.

Training and briefings are available to all Directors taking into account their existing experience, qualifications and skills. In order to build and increase the Non-Executive Directors' familiarity with, and understanding of, the Group's people, businesses and markets, senior managers regularly make presentations at Board meetings. As well as planned training on governance, legal and regulatory matters. The programme is sufficiently flexible to capture new and emerging regulation, development stemming from evaluation and specific training requests from Directors. Each Director's training programme includes the same online training on competition law and anti-bribery and corruption as taken by managers and selected employees across the Business.

Before each Board meeting, the Company Secretary makes sure that the meeting papers are made available electronically one week in advance, which ensures that each Director has the time and resources to fulfil their duties. Directors have the opportunity to raise questions stemming from the papers prior to the meeting, should they wish to do so. A resource centre within the web portal provides access to useful information about the Group, including corporate governance materials, finance and strategy information, Group policies and procedures, and information on topics such as risk and insurance.

Conflicts of interest

The Board has an established process for declaring and monitoring actual and potential conflicts. The Articles of Association of the Company allow the non-conflicted members of the Board to authorise a conflict or potential conflict situation.

Details of the professional commitments of the Chair and the Non-Executive Directors are included in their biographies on pages 54 and 55. The Board is satisfied that these do not interfere or conflict with the performance of their duties for the Company.

Independence of Non-Executive Directors

Croda complies with the Financial Reporting Council's Reporting Code (the Code) in having experienced Non-Executive Directors who represent a source of advice, strong judgement and challenge to the Executive Directors. At present there are six such Directors, including the Chair and the Senior Independent Director, each of whom has significant commercial experience. Their understanding of the Group's operations is enhanced by regular business presentations and site visits.

The independence of the Non-Executive Directors is kept under review. The Chair was independent upon her appointment in 2015 but, as Chair, is not classified as independent. With the exception of Keith Layden, the Board considers that all Non-Executive Directors who served during the year are independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement.

Keith Layden is not considered independent, having served as the Company's Chief Technology Officer prior to retirement from the Company and appointment as a Non-Executive Director in May 2017.

Board re-election

The Board has a broad range of skills and experience from different industries, advisory roles and from international markets. These skills support the strategic aims of the Company. Following individual performance assessments, the Board is satisfied that each Director continues to perform effectively, allocates sufficient time for their duties and remains fully committed to their role. Full biographies for the Directors are on pages 54 and 55.

The terms and conditions of appointment of Non-Executive Directors can be viewed at www.croda.com. Contracts for Executive and Non-Executive Directors can be inspected during normal business hours at the Company's registered office by contacting the Company Secretary and will also be available for inspection at the AGM.

Board evaluation

Each year, the Board undertakes an evaluation of its own effectiveness and performance and that of its Committees and individual Directors. Every three years, the evaluation is externally facilitated.

In 2020, following a competitive tender process during May and June, Heidrick & Struggles, an independent party and not subject to a conflict of interest, were appointed to undertake an external evaluation. Heidrick & Struggles have a long history of working with boards, using a methodology for evaluation that focuses on four areas: mobilisation (including board dynamics, strategy and diversity); execution (including talent, composition and operating mechanisms); transformation (including purpose, succession and disruption); and agility (including resilience, adaptability and foresight).

The planning of the Board review started in July 2020 to ensure the Board agreed with the proposed approach to be taken and specific areas of focus. Given the restrictions on face-to-face meetings and on travel, careful thought was given as to how to carry out an effective externally facilitated Board review virtually using videoconferencing. The Chair and Company Secretary worked closely with Heidrick & Struggles to agree the sequencing and timetable for the review.

Board Effectiveness Review methodology

Confidential interviews

Structured interviews were undertaken with each Director and the Company Secretary to understand the strengths and development areas for the Board. The discussions were focused on Board dynamics, composition and trust in addition to the role and effectiveness of the three Board Committees; Audit, Remuneration and Nomination. In addition to the Board, views were sought from other invited attendees, for example the Group Financial Controller and the Vice President of Risk and Assurance.

Quantitative survey
An online survey was completed by all participants to surface areas of alignment and misalignment on the Board.

Capability review and benchmarking
A capability review of Croda's Board was created against agreed metrics which included other Boards with a strong sustainability agenda.

Document review and observation
Documentation and information flows between Board members were reviewed to understand what items are being discussed and considered and with what frequency over the course of a year. One Board meeting and the Committee meetings were observed virtually.

Outcomes of the Review
The evaluation concluded that the Board was highly effective with many signature strengths.

Strengths
- Trust in the boardroom –The Board is a transparent, open, inclusive environment. The Board are engaged and support and trust each other. The Chair plays a fundamental role in creating these dynamics.
- A track record of improvement –The Board continues to evolve in composition, gender representation, operating mechanisms and purposeful focus on strategy.
- Adaptability and agility – The Board is particularly good at pivoting and adapting under pressure. The agility and capability to react to a crisis was tested in 2020 and the Board responded robustly.
- Purpose that drives decision-making – The Board has high integrity and confidence in the strategy, purpose and values. Board members spend time getting to know the business, executives and rising talent. This helps to guide and anchor decision-making.
- Committees – All Board Committees were performing well and were effective. They are led by strong, capable and effective Chairs that encouraged a supportive environment and quality conversation. The flow of information was good and members were well prepared.

Development areas
- Increase challenge and debate – There is opportunity to increase the level of challenge at Board meetings, exploring alternative perspectives.
- Invite more outside-in thinking –The Board should consider bringing even more external and customer insights into the conversations to help shape thinking and decisions.
- Accelerate diversity and drive inclusion — Although the Board is a leader in terms of gender diversity, it could also further reflect the markets, customers and segments that the Group serves.
- Learn and make changes – There is room to improve the embedding of 'lessons learned' and to further challenge the Executives to drive necessary change.

Board review
Sequencing and timetable

2020

July-August

Socialise plan
- Agree outcomes and timing
- Socialise approach with the Board

Sept-Early Nov

Diagnose
- Analyse key documentation
- Measure Board acceleration potential through the Board Accelerator Questionnaire (BAQ)
- Tailor interview guide; conduct structured interviews
- Observe the Board in action during Board meeting and Committee meetings

Mid-Late Nov

Look in the mirror
- Prepare draft Board report; socialise with key stakeholders
- Facilitate a review of findings and action planning with the Board members
- Refine as required

December

Action plan
- Prepare a Board report with accurate insights and actionable recommendations
- Brief the final Board report to key audiences

2021 Onwards

Create change
- Board to lead the implementation of improvement initiatives

Report of the Nomination Committee
for the year ended 31 December 2020

Anita Frew
Chair

Dear fellow shareholder

I am pleased to present the Nomination Committee report for the year ended December 2020.

Main activities and priorities in 2020

Board changes and succession planning

John Ramsay was appointed to the Board on 1 January 2020 and became Audit Committee Chairman on 23 April 2020 when Alan Ferguson stepped down. At the same time Helena Ganczakowski became Senior Independent Director. Helena's appointment was considered by the Committee and her term was extended by another year in line with the Nomination Committee policy that once a Non-Executive Director has served six years, any extension to their term would be on a year-by-year basis.

Keith Layden's initial three-year term of office as a Non-Executive Director expired on 1 May 2020. The Committee performed a review of his appointment and considered his contribution to boardroom discussions, industry knowledge and time commitment to the appointment.

The Committee endorsed the Chairman's recommendation to extend Keith's term of office which was then extended for a further three years to 1 May 2023.

Early in the year, the Committee had an update on the review of talent and succession planning within the Group. Succession plans for sector, region and function had been updated and the plan to improve female talent in senior succession plans was in place. A diverse group of individuals commenced a programme of mentoring by the Group Board and Executive management team.

In July 2020, the Committee considered the proposals to restructure some areas of the business in line with the 2030 strategy. The restructuring provided opportunities for several individuals identified through the Executive development plans and the review of talent process.

Some changes were made to the Executive Committee. Sandra Breene was appointed to the newly created role of President Regional Delivery, with all the Regional MDs reporting to her. With the integration of the Home Care business into Personal Care to form the new Consumer Care sector, Maarten Heybroek was appointed to the role of President Consumer Care.

Nick Challoner continues in his role as President Life Sciences but in addition has been appointed to a newly created role of Chief Scientific Officer. Anthony Fitzpatrick, President Corporate Development was appointed to the additional role of President Performance Technologies and Industrial Chemicals (PTIC).

Our strategic commitment to sustainability is aligned with delivering superior performance to stakeholders and at the end of 2019 Stuart Arnott was appointed to a newly created role of President of Sustainability. In this role he chairs the Sustainability Committee, which was established during the year. Mark Robinson was appointed President Global Operations, the role formally held by Stuart Arnott, and during 2020 Mark joined the Executive Committee.

Diversity and Inclusion

The Board supports the recommendations of the Hampton-Alexander and Parker Reviews in relation to gender and ethnic diversity. Research has shown that greater diversity can foster innovative thinking and provide businesses with access to a wider pool of talented people. As a Committee we have worked hard over the last few years to ensure we have an inclusive and diverse Board and I am pleased that we have maintained our position of having in excess of 30% of women on the Board (including female Directors as Chair and Senior Independent Director), but as yet we don't have any ethnic diversity on the Board. This will be a focus for the Committee during 2021.

The Committee carried out a review of the size and composition of the Board and the collective skills and experiences of the Directors. Diversity was a key consideration through this process and the discussion. During 2021 the Committee will consider the need to add an additional Director to the Board. When we search for new Directors we ensure that the longlists and shortlists of candidates are gender balanced and candidates are drawn from a wide range of backgrounds, including ethnically diverse candidates. We take care not to create a specification that has the effect of reducing the diversity of the potential pool of candidates.

A copy of our Board Diversity Policy, which is regularly reviewed by the Board, is available in the corporate governance section at www.croda.com. For more information on our Board see the Directors Biographies on pages 54 and 55.

We will be working alongside the Executive Committee in deciding what we need to do as an organisation if we are to achieve our People Positive commitment. It is incumbent upon us to create a psychologically safe place for our employees, an environment where they feel included. In doing so, we will enable them to perform to their best abilities, bringing rewards for them and for Croda. Our core value of 'Togetherness' will help guide us in this journey. This applies equally to the Board and Executive Committee as to the wider organisation.

The gender balance on Executive Committee and senior management teams (direct reports to the Executive Committee) by 31 December 2020 stood at 26% female. We continued to increase the diversity of our leaders below Board and Executive Committee level. 26% of our Top 50 employees are female, with the Top 50 made up of employees across nine nationalities. Of particular note in 2020 was the appointment of female employees to the Regional Managing Director roles in Europe and Latin America. We also appointed a female manufacturing site head and have for the first time employed female operators at many of our sites. We know we still have work to do to create further diversity, but these are highly visible leadership roles and will create role models for other female and ethnically diverse employees to look up to as they consider their career paths in Croda.

There have been initiatives to improve diversity throughout the Group and the Board receives reports from the Group HR Director on these initiatives throughout the year. Members of the senior management team are given the opportunity to present to the Board whenever the opportunity arises.

Diversity training is included in all of our induction and management development programmes. We have a global Diversity and Inclusion Committee to promote and inform improved diversity across our business. The whole organisation was given access to an online course on unconscious bias which has been completed by over 50% of colleagues to date. Six internal podcasts have been published discussing various aspects of inclusion and a website developed with further resources for colleagues to access. Last year we set new targets to double the number of women in leadership positions by 2025 and to achieve gender balanced shortlists for 80% of our roles by 2023. By the end of 2020 we had increased the number of women in leadership positions by 19%.

Other activities of the Committee

During the year the Committee reviewed the development plans for each Executive Committee member, and these were taken in to account as part of the Executive Committee changes that took place in 2020.

The Committee reviewed the time commitment of the Non-Executive Directors. It was satisfied that all the Non-Executive Directors remain able to commit the required time for the proper performance of their duties. They also considered and concluded that, except for Keith Layden, all Non-Executive Directors continue to fulfil the criteria of independence. As Keith was formerly an Executive Director of the Company, he is not currently considered to be independent.

The Directors, together with the Executive Committee, continued our participation in a formal mentoring programme, mentoring some of our most talented employees in their careers at Croda. This provides opportunities for the Committee members to get to know our leaders of the future and provides mentees with role models and development opportunities.

I will be available at the shareholder engagement event to respond to any questions shareholders may raise on the Committee's activities.

Anita Frew
Chair of the Nomination Committee

Responsibilities

The Committee is responsible for nominating candidates for appointment to the Board for approval by the Board, and for succession planning. It evaluates the balance of skills, knowledge, experience and diversity on the Board.

Key responsibilities

- To regularly review the structure, size and composition, including the skills, knowledge, experience and diversity, of the Board and make recommendations for any changes to the Board
- To give full consideration to succession planning for Directors and other senior Executives, taking into account the challenges and opportunities facing the Company and, consequently, what skills and expertise the Board will need in the future
- Where a Board vacancy is identified, to evaluate the balance of skills, knowledge, experience and diversity on the Board, and prepare a description of the role and capabilities required for the respective appointment
- To identify and nominate candidates to fill Board vacancies, for the approval of the Board, as and when openings arise
- To keep the organisation's leadership needs, both Executive and Non-Executive, under review to ensure that the Company continues to compete effectively in the marketplace
- To review annually the time required from a Non-Executive Director and the Chair
- To make recommendations on succession planning for the Board.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found in the governance section at www.croda.com.

Members of the Executive management team attend the meetings on request and details of attendance at the meetings during the course of the year can be found on page 63.

Induction

The Company provides new Directors with a comprehensive and tailored induction process which includes meeting the members of the Board and Executive Committee, meetings with key senior managers and the Group's audit partner.

Induction programmes are developed by the Group's Company Secretarial department and discussions start well in advance of the appointment date to tailor the experience to the exiting knowledge base of the Director. If considered appropriate, new Directors are provided with external training that addresses their role and duties as a Director of a quoted public company.

John Ramsay's induction began during 2019 in advance of his appointment to the Board from 1 January 2020.

He was given access to our electronic Board paper system and the Group intranet which provided easy and immediate access to key documents including:

- the previous twelve month's Board and Committee papers
- recent reports from the external Auditor
- the Group's risk register and Schedule of Principal Risks
- the latest budget and strategic plan;
- recent broker reports and feedback from our stakeholder engagement programmes
- information on our sustainability initiatives;
- Matters reserved for the Board and the Committee terms of reference and other key policies.

Given the focus on Health and Safety in all the Board meetings, John's first session on commencing his role was with the Group Health and Safety Director. In the first few months John spent significant time with Alan Ferguson, the outgoing Chair of the Audit Committee to ensure the transfer of knowledge and an orderly handover of duties at the AGM on 23 April 2020. John also spent considerable time with KPMG, the Group Auditor and our Vice President Risk and Assurance.

In addition, John had individual meetings with all the Board members, the Executive management team and the IT Director. He also had meetings with all the senior members of the global finance team. As well as a tour of the R&D function at Cowick, John undertook a comprehensive tour of the Rawcliffe Bridge site which included presentations by the site senior management team. A number of other planned visits were curtailed because of the global pandemic and these will be rescheduled as soon as they can go ahead in 2021.

Audit, risk and internal control

The Board has established formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Fair, balanced and understandable
The process of compiling the Annual Report and Accounts starts early enough to give the Board time to assess whether it is fair, balanced and understandable, as required by the Code. The Board considered whether the Annual Report and Accounts contained the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

The key messages in the narrative in the Strategic Report and Governance sections of the Annual Report and Accounts were reviewed to ensure they reflected the financial reporting contained in the financial statements.

The Board considered if the Annual Report and Accounts fully disclosed the successes and the challenges that had been faced in the period and that the narrative and analysis effectively balanced the information needs and interests of each of our key stakeholder groups.

The framework and layout were considered to be clear and coherent, with a consistent tone throughout and clearly signposted linkage between all sections, in a manner that reflected a comprehensive narrative.

Following this assessment, the Board was of the opinion that the Annual Report and Accounts are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

A full statement of Directors' responsibilities can be found on p105.

Risk management and internal control
The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. In accordance with the guidance set out in the Financial Reporting Council's (FRC's) Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the Corporate Governance Code itself, an ongoing process has been established for identifying, evaluating and managing the emerging and principal risks faced by the Group (p44). The Executive management have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority which was reviewed by the Board.

In particular, there are clear procedures and defined authorities for the following:

- Financial reporting, with policies and procedures governing the financial reporting process and preparation of the financial statements.
- Internal Controls, with a documented framework of required internal controls. Each reporting location prepares an annual self assessment of compliance with these controls, which is assured during planned internal audit visits.
- Business risks, with comprehensive monitoring and quantification of business risks, under the direction of the Risk Management Committee. The Group's approach to risk management and the principal and emerging risks facing the Group are discussed in more detail in the Strategic Report on p44 to p48
- Capital investment, through detailed appraisal, risk analysis, authorisation and post-investment review procedures.

This process has been in place for the full financial year and up to the date on which the financial statements were approved by the Board.

The Board discharged its responsibility for monitoring the operational effectiveness of the internal control and risk management systems throughout the financial year and up to the date of approval of the Annual Report and Accounts, using a process which involved:

- Review of the controls self-assessment returns in April to ensure internal audit visits focused on key areas (p73).
- Review of the findings from the internal audit assurance programme which reports through the Vice President of Risk and Assurance, who attends every Audit Committee meeting alongside the PwC internal audit partner (p73).
- Review of closure of management actions to remedy failings and weaknesses identified through the internal audit programme.
- Receipt of written confirmations from relevant senior executives and divisional directors at the end of the year confirming the continued operation of those control elements for which they are responsible.
- Review of the report on significant control weaknesses from the Vice President Risk and Assurance, including whistle-blowing and fraud incidents.
- Annual presentation and review of risk appetite statements, principal and emerging risks and mitigating controls, supported by a quarterly update from the Risk Management Committee (p56).
- Reports from the external auditors.

This system is designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

In order to assess the financial statements, the Audit Committee (p70 to 75) regularly reviews reports from members of the finance team and external Auditors who are invited to attend the Committee's meetings. When conducting its reviews, the Committee considers:

- The accounting policies and practices applied.
- The effectiveness and application of internal financial controls.
- Material accounting assumptions and estimates made by management.
- Any significant judgements or key audit matters identified by the external Auditor (see p107 to p110).
- Compliance with relevant accounting standards and other regulatory financial reporting requirements, including the UK Corporate Governance Code.

Business resilience

As set out on page 6, Croda's overriding priority throughout the COVID-19 pandemic has been to keep our people safe whilst maintaining supplies for our customers.

Strategic and stakeholder considerations

With advance warning of the impact of COVID-19 from our China offices, in February 2020 the Executive team set up a Group-level crisis team. Given the potential seriousness and impact that the spread of the virus could have on Croda, our CEO declared this as a level 1 crisis (the most severe category) and notified the Board. A cross functional global team was assembled under Executive leadership, to assess and understand how the crisis could compromise strategic delivery, to develop mitigating strategies and controls and to manage communications both internal and external. Critical to this exercise was an underlying understanding of our key risks and the operation of the current control environment, which are identified through our risk management framework (p44), supported by scenario testing. The testing confirmed that Croda had sufficient liquidity to absorb extended uncertainty.

Given the severity of the crisis the Board was regularly apprised at weekly meetings of the Board and the Executive members of the crisis team.

Critical initial risks to address were supply chain (raw material security of supply and maintaining customer delivery), maintaining safe operations and ensuring the safety of our employees and all those affected by our operations. The impact on our employee mental health and wellbeing became a particular area of focus when, in March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic and governments globally introduced lockdowns affecting the way everyone in the countries lived and worked. Our IT function immediately developed and rolled out solutions to all employees who were able to work from home, whilst operating sites and laboratories assessed who could work from home and who could not. Manufacturing site heads worked together to share learning and best practice in making our sites and laboratories COVID-19 secure, including introducing new procedures and rules to keep our teams safe and introducing physical changes to the work environment and changes to shift patterns. These enabled production to continue globally across all our sites and to date only two of our locations suffered temporary shutdowns because of local government requirements. Regular communication with employees through pulse surveys, videos, Company-wide emails and webinars ensured that the team was aware of employee concerns and could respond quickly to them.

In May the Executive Committee and the Board completed a 'plan ahead' review of strategic objectives to assess their continued resilience in the light of the pandemic, concluding that whilst the underlying strategic direction remains unchanged, the delivery of some strategic priorities should be accelerated.

In July the Board assessed the Group's key principal and emerging risks and concluded that the nature of the risks had not changed as a result of COVID-19, although their relevance had, confirming the resilience of the Company's risk management framework.

Audit Committee

The Audit Committee assists the Board in ensuring that the Group's financial systems provide accurate and up-to-date information on the Group's financial position.

John Ramsay
Chair of the Audit Committee

"The Committee thanks the executive management team, the external and internal audit teams and Croda employees across the Company for their dedication in securing the control environment throughout this difficult year."

Report of the Audit Committee for the year ended 31 December 2020

As Chair of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 31 December 2020, which provides detail of the activities carried out by the Committee during the year. This is my first year as Chair, and I would like to thank Alan Ferguson, my predecessor, who retired from the Board at the AGM. The COVID-19 pandemic has created a challenging year for everyone involved in the control and audit functions of Croda, and the Committee thanks the executive management team, the external and internal audit teams and Croda employees across the Company for their dedication in securing the control environment throughout this difficult year.

Committee membership

The Committee consists of four Non-Executive Directors. I joined the Board and became a member of the Audit Committee on the 1 January 2020 and became Chair of the Audit Committee on the retirement of Alan Ferguson on 23 April 2020. Having this time before becoming the Chair of the Committee allowed me not only to focus on my induction to the Board and the Group, it also afforded time for a comprehensive and structured handover of the Audit Committee Chair responsibilities.

The experience of each member of the Committee is summarised on pages 54 and 55. I have over 30 years' experience from an international finance background with the Life Sciences businesses of ICI, AstraZeneca and Syngenta and extensive experience as an Audit Committee Chair. The Board considers each member of the Committee is independent within the definition of the Code, has relevant financial experience, as well as a broad and diverse spread of commercial experience, including competence in operating within the chemical industry.

Such consideration provides the Board with assurance that the Committee has the appropriate skills and breadth and depth of experience to ensure that it can be fully effective, and that it meets the Code requirements that at least one member has significant, recent and relevant financial experience and that the Committee as a whole is competent in the sector in which the Company operates.

The Chair of the Board, Keith Layden (a Non-Executive Director), the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Vice President Risk and Assurance, who leads the internal audit function, and representatives from the external and internal auditors attend the meetings by invitation.

Continued controls assurance during the pandemic

When the WHO declared COVID-19 a pandemic in March 2020 it was clear that the delivery of planned internal and external audit work would be impacted as a result of local government restrictions on both travel and safe distancing requirements. The annual business and IT controls self-assessment was run as normal in March 2020, and at the April meeting the Audit Committee reviewed the results of the self-assessment (which indicated minimal degradation in control environment). At that same meeting they agreed a revised approach to internal audit delivery via a hybrid mixture of local onsite PwC resource (where this was allowed) and virtual audits, all managed by a member of the core PwC internal audit team. The audit programme delivered the majority of the originally planned audits alongside new reviews requested by the Committee. The new reviews related to the COVID-19 impact on cyber security on sites and the maintenance of a control culture during the enforced changed ways of working away from the office environment. Feedback from the sites audited, shared with the Audit Committee in January 2021, was that although face-to-face visits were preferred, sites had still seen the expected benefits from internal audit visits. At its July meeting, the Committee discussed the implications of COVID-19 on the 2020 external audit. KPMG shared their assessment of the increased risks (going concern, goodwill valuation and debtor recoverability), and of changes to their audit approach due to travel restrictions. The Committee agreed that conducting some remote audits and/or additional procedures at Group level would be necessary. Additional time for this work was factored in to the external audit plan to enable KPMG to obtain sufficient evidence to support their audit opinion. The changes to the audit plan were reviewed again in November, and the Committee continued to monitor delivery of the audit plan and its quality throughout the audit period.

The Committee periodically, and I more regularly, meet or speak separately with the Vice President Risk and Assurance and the internal and external auditors without the Executives being present. I also meet with the external auditors, the Group Finance Director and the Group Financial Controller at least twice each year but typically before each Audit Committee meeting to discuss control and compliance issues generally and specifically the detail of the year end and half year results, accounting judgements and disclosures. This helps me to better understand the key issues, technical matters and judgements and to make sure sufficient time is devoted to them at the subsequent meeting.

Responsibilities

The Committee assists the Board in ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position.

Its key responsibilities are:

- To monitor the integrity of the financial statements and results announcements of the Group and to review significant financial reporting issues and judgements.
- To recommend external auditor appointment and removal, assess audit quality, negotiate and approve the audit fee, assess independence, monitor non-audit services and be responsible for audit tendering.
- To review the adequacy and effectiveness of the Group's internal controls and risk management systems, and the adequacy, effectiveness and output of the internal audit function.
- To review the adequacy of the Group's whistleblowing arrangements and procedures for detecting fraud.
- In addition to its 'business as usual' activities, the Committee selects certain focus areas each year for detailed review.
- Detailed responsibilities are set out in the Committee's terms of reference, which can be found at www.croda.com.

Committee evaluation

An external evaluation of the effectiveness of the Committee was undertaken by Heidrick & Struggles during the course of the year. Further details on the process are included in the Corporate Governance report on pages 64 and 65.

The evaluation concluded that the Committee was operating effectively. Committee members were well prepared for meetings, which were open and inclusive, engendering excellent quality conversations and constructive debate. One area for consideration was to make sure the Board's and Committee's areas of responsibilities in relation to risk are clearly defined to sharpen effectiveness and to limit overlap. The Committee will review this during the course of its oversight of the Company's risk management in 2021.

Main ('business as usual') activities of the Committee since the publication of the 2019 Annual Report and Accounts

The Committee met five times in 2020, of which two were after publication of the 2019 Annual Report and Accounts, and three times between the year end and the publication of this Annual Report. There was full attendance by all Committee members at each meeting. The key issues covered at the Committee meetings were reported at the subsequent Board meeting.

The Committee's main business as usual activities, as well as the focus areas, and an estimate of the proportion of time spent on them, are detailed below.

Committee activity in 2020

Financial reporting (25%)

The Committee:

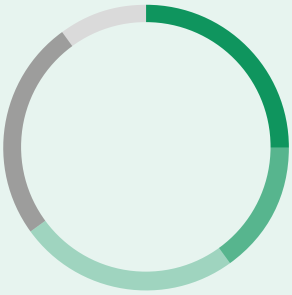
- Monitored the Group's financial statements and results announcements, including the Annual Report and the interim statement.
- With support from the external auditors, reviewed those items in the Group's financial statements that had the potential to significantly impact reporting.
- Reviewed management's accounting judgements and issues, including alternative performance measures, the going concern assessment and exceptional items.
- In conjunction with the Board, reviewed the financial modelling and stress testing conducted for the going concern assessment.
- Reviewed the viability assessment process undertaken in support of the Viability Statement, based on plausible scenarios arising from key risks and their impact on headroom and bank covenants. Challenged the assumptions and scenarios noting the effect they would have during the viability period with particular attention this year being given to the potential impacts on the business from the consequences of the COVID-19 pandemic.
- Undertook regular reviews of the Group's litigation and was satisfied with the approach to provisioning and disclosure.
- Considered the appropriateness of accounting policies, critical accounting judgements and key sources of estimation of uncertainty.
- Received updates on the progress of the Global Finance Standardisation project to improve the quality of product costing analysis and comparison across the Group

Governance (15%)

The Committee:

- Reviewed the input from a compliance review to ensure the Committee met its corporate governance and regulatory requirements.

Audit committee activity breakdown



Financial reporting	25%
Governance	15%
External audit	25%
Internal audit and risk management	25%
Specific focus areas for 2020	10%

- Reviewed the effectiveness of the Group's anti-bribery and fraud procedures, including those for whistleblowing. The Committee received a report on the independent investigations that had been conducted in response to concerns raised under the whistleblowing policy and were satisfied with the outcome, including follow up actions.
- Received presentations from senior members of the finance team, including the Finance Directors of Western Europe and Latin America.
- Undertook an external evaluation of the Committee's effectiveness. Further details are set out on page 64.
- Reviewed and took account of the annual FRC letter to Audit Committee Chairs.
- Reviewed the Committee's terms of reference and confirmed that the role and responsibilities of the Committee are aligned with the UK Corporate Governance Code. No changes were made.
- Completed its annual review of the Group's tax compliance policy (which can be found on our website) and risks relating thereto.

External audit (25%)

The Committee:

- Discussed and approved the external audit plan, including the assessment of significant audit risks; the engagement risk profile; the use of data analytics; the scope of the audit; the materiality level and the de minimis reporting threshold; the co-ordination of external audits; and the key members of the engagement team.
- Discussed and approved increases to the audit fee to reflect expansion of the Group through acquisition and additional work and use of senior staff arising from recent changes to the auditing regime, particularly in the UK.
- Reviewed the impact of changes to the audit approach resulting from limitations in the reliance placed on IT controls, following a period of change in the systems environment of the Group.
- Discussed the impact of COVID-19 on the delivery of the external audit plan, particularly the impact of remote working on the quality of audit processes
- Met with the external auditors without management present.
- Considered and confirmed the independence of KPMG, as further described on p75.
- Considered the effectiveness of the external audit process and, in light of the findings, recommended the re-appointment of KPMG at the AGM.
- Reviewed candidates for, and agreed to the appointment of, a new audit partner for 2021 onwards, which became necessary following organisational changes within KPMG.

Internal audit and risk management (25%)

The Committee:

- Received a regular report from the Vice President Risk and Assurance and monitored compliance with the Group risk assurance programme.
- Discussed the impact of COVID-19 on the delivery of the internal audit plan, particularly the impact of remote working on the quality of audit processes. Whilst COVID-19 impacted the starting date of the audit plan, an alternative resourcing model was employed which enabled the majority of the agreed programme to be delivered, alongside continued use of data analytics.
- Considered the themes arising from the controls self-assessment process undertaken in March, discussing themes arising and the plans to address these.
- Discussed the results of the 2020 controls assurance internal audits delivered by PwC, the adequacy of management's response to matters raised and the time taken to resolve such matters.
- Confirmed a reduced scope of Croda 'peer reviews' in the light of COVID-19 restrictions, on the understanding that the programme be reinstated in 2021.
- Considered management action taken with regard to the IT control environment during the year and commissioned further internal audit work to review and recommend improvements for implementation in 2021.
- Considered additional key risks arising from acquisitions during the year.
- Assisted the Board in its assessment of the Group's emerging and principal risks through directing and challenging the results of the 2020 risk assurance activity carried out by internal audit with reference to the Group's principal risks.
- Reviewed and approved the 2021 internal audit plan and supported the review of the digital strategic and global supply chain initiatives.
- Met with the internal auditors without management present.
- Conducted its annual review of the effectiveness of the Group's internal audit function see page 75.

Specific focus areas for 2020 (10%)

As highlighted above, the Audit Committee has delivered on our 'business as usual' work, as set out in our terms of reference. In addition, last year we noted three specific focus areas for 2020, which absorbed the balance of the Committee's time.

Specific focus area	Actions during the year	Progress
Continue to extend cyber security capability	The Committee reviewed and challenged actions taken by management to mitigate the heightened cyber risks resulting from COVID-19, with specific focus on the IT networks, systems and data. A virtual desktop infrastructure was rapidly deployed to enable employees to work remotely, together with regular employee awareness communication of heightened threats. The Committee considered a report from internal audit on this subject summarising further actions to be undertaken and concluded that this was an area for ongoing monitoring and attention. The appointment of a new Information Security manager was welcomed and the Committee agreed a rolling annual programme of risk-based cyber internal audits based on the guidelines identified in the National Institute of Standards and Technology (NIST) framework, covering cyber security focus areas. Cyber security controls over key applications and networks are assessed annually as part of the IT internal audit programme and the results of these assessments were considered by the Committee.	Ongoing
Continue to evaluate the maturity and security of the approach to digital development	The Committee evaluated internal assurance reviews of cloud governance and the SAP/Hana database migration, both of which are foundations of the Group's digital programme. The Committee challenged management around the findings of the reports and encouraged them to focus on completing the actions arising to reduce the risk exposure.	Ongoing
Review in detail the HR system implementation	The new HR system, MyCroda, supports the HR global database, the learning management system and the performance management system. Internal audit review of the implementation had been postponed from 2019 until all modules were implemented and the review took place, virtually, in July 2020. The Committee discussed the wider learnings arising from the audit encouraging management to improve project management disciplines taking account of the recently established Croda Project Management framework.	Completed

Significant financial statement reporting items

The Committee, with support from the external auditors, reviewed those items in the Group's financial statements that have the potential to significantly impact reporting. These are set out below.

Pensions: The Committee monitored the Group's pension arrangements, in particular the funding of the defined benefit plans in the UK, the US and the Netherlands, which are sensitive to assumptions made in respect of discount rates, salary increases and inflation.

The Group engages external actuarial specialists. The Committee reviewed the actuarial assumptions used and compared them with those used by other companies. The external auditors also challenged the benchmark assumptions applied and conducted sensitivity analysis.

The Committee considered this work and found the assumptions to be reasonable.

Goodwill: The strategy of the Group includes acquiring new technologies and businesses operating in adjacent markets. 2020 saw two important acquisitions for Croda. As a result, goodwill represents a significant asset value on the balance sheet £866.7m out of total net assets of £1,595.1m at 31 December 2020).

The Committee completed its annual impairment review of the carrying value of goodwill, as prepared by management, including the detailed sensitivity analysis to a number of underlying assumptions, including the potential impact of the COVID-19 pandemic. The Committee assessed the methodologies used and the adequacy of the management disclosures. Particular attention was focused on Biosector and Sipo, which had the smallest headroom between their carrying values and value in use. The Committee reviewed the methodology adopted to evaluate the risk of goodwill impairment. After challenge, the Committee was satisfied that the assumptions were reasonable and that no impairments were necessary; however, enhanced disclosure was agreed to be appropriate, given the sensitivity of the calculations to certain assumptions.

Valuation of acquired intangible assets: The Group acquired Avanti Polar Lipids LLC (Avanti) on 12 August 2020 and Fragrance Spanish Topco, S.L. (Iberchem) on 24 November 2020. The identification and valuation of goodwill, intangibles and contingent consideration required a significant degree of judgement including estimates. The Committee challenged management in relation to the valuations and calculations recognised on acquisition and were satisfied with the assumptions made.

Recoverability of parent Company's intercompany receivables: The Committee considered the recoverability of parent Company's intercompany receivables of £1,452.2m (2019: £1,589.6m), which represents 50.9% of the parent Company's total assets (2019: 72.3%).

The recoverability of these balances is not considered judgemental; however, they are the most significant component of the parent Company balance sheet and therefore require additional consideration as part of preparing the financial statements. This included comparing the carrying amount with the respective subsidiary's net asset value or profitability. After review, the Committee was satisfied that the recoverability of the intercompany receivables was acceptable, and no impairments were necessary.

Provisions: The Committee reviewed the risks around provisioning, which had previously been disclosed as a significant area of judgement, and, in light of progress made on reducing environmental risks, and noting the immaterial nature of new issues arising in the year, concluded that separate consideration was no longer required.

Internal audit and risk management

I met with the Vice President Risk and Assurance several times during the year outside of the formal meetings to discuss the performance and output of the internal audit function and aspects of risk management. The Vice President Risk and Assurance attended each Committee meeting and presented an internal audit report that was fully reviewed and discussed, highlighting any major deviations from the annual plan agreed with the Committee.

At each meeting, the Committee considered the results of the audits undertaken and the adequacy of management's response to matters raised, including the time taken to resolve such matters. Particular focus was addressed to those areas where there was a major divergence between the outcome of the internal audit and the scoring of the self-assessment questionnaire, completed annually by each business unit. In these instances, the Committee challenged management as to what actions it was taking to minimise the chances of divergences arising in the future.

In January, the Committee conducted its annual review of the internal audit function, including its approach to audit planning and risk assessment, communication within the business and with the Committee and its relationship with the external auditors. Senior management feedback from sites included in the 2020 audit programme is gathered by questionnaire to support this process. These did not highlight any significant areas for development. In the light of the changed audit approach in 2020, the Committee was pleased with progress, with notable benefits being seen from virtual audits which will be retained in the future audit programme.

Details on how the Business implements its risk management framework and monitors controls on a Group-wide basis are set out on pages 44 to 48.

External auditors' effectiveness

During the year, the Committee assessed the effectiveness of KPMG as Group external auditor. To assist in the assessment, the Committee considered the quality of reports from KPMG and the additional insights provided by the audit team, particularly at partner level. It took account of the views of the Group Finance Director and Group Financial Controller, who had discussed subsidiary component audits with local audit partners, to gauge the quality of the team and knowledge and understanding of the business. The Committee also considered how well the auditor assessed key accounting and audit judgements and the way it applied constructive challenge and professional scepticism in dealing with management.

The Committee also reviewed the output from a questionnaire completed by senior members of the finance team to obtain their views on KPMG's effectiveness in carrying out the 2020 audit. The questionnaire covered:

- Quality of planning, delivery and execution of the audit.
- Quality and knowledge of the audit team.
- Effectiveness of communications between management and the audit team.
- Robustness of the audit, including the audit team's ability to challenge management as well as demonstrate professional scepticism and independence.

Following the review, the Committee concluded that the audit was effective and overall the Committee was satisfied with the performance of KPMG.

Croda is in compliance with the Statutory Audit Services Order 2014. We undertook an audit tender in 2017 and the Board appointed KPMG as external auditor, with Chris Hearld as the Lead Audit Partner. The first year to be audited by KPMG was the year ended 31 December 2018.

Following an organisational change in KPMG, Chris Hearld will step down as Lead Audit Partner and will be succeeded by Ian Griffiths. After discussing the handover process in detail with myself and our Group Finance Director, the Committee are confident that the transition and handover period will be efficiently managed.

External auditor's independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditors in reporting to shareholders.

Our Group policy on the provision of non-audit services by external auditors, which is on our website www.croda.com, sets out permitted and prohibited non-audit services and the controls over assignments awarded to the external auditor to ensure that audit independence is not compromised. During the year, the Committee undertook a detailed review of the provision of non-audit services by KPMG and compliance with the FRC's Revised Ethical Standard for auditors and as a result updated our policy in this regard. KPMG already had a policy which was compliant with the FRC's Revised Ethical Standard for auditors. They have not been required to terminate any services that would not be permissible under the Standard.

In 2020, non-audit fees were £0.1m, significantly less than the total audit fees of £1.5m; the non-audit to audit fees ratio stands at 0.1:1.

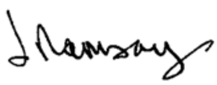
The Committee undertook its annual review of the Group's policies relating to external audit, including the policy that governs how and when employees and former employees of the Group's auditors can be employed by the Company. No changes were made. The Committee also reviewed and accepted KPMG's Independence letter.

In conclusion, the Committee agreed that KPMG were independent.

External auditor reappointment

As noted above, the Committee recommended to the Board that KPMG be offered for re-election at the forthcoming AGM.

I will be available at the shareholder engagement event to respond to any questions shareholders may raise on the Committee's activities in the year.



John Ramsay
Chair of the Audit Committee

Looking ahead to 2021

In addition to our routine business, the Committee has four focus areas for 2021. We will:

- Maintain our focus on cyber security with a refreshed rolling annual assurance programme based on the NIST security framework.
- Monitor Avanti and Iberchem integration programmes, including controls assessment against Croda risk and control standards.
- Review the major capital projects assurance programme.
- Assess the impact of anticipated regulatory changes on Croda's risk and control framework.

Board leadership and Company Purpose

Board leadership

At the date of this report, the Board comprises eight Directors: the Chair; the Group Chief Executive; the Group Finance Director; four independent Non-Executive Directors and one non-independent Non-Executive Director, who was the Company's Chief Technology Officer until his retirement in 2017. The size of our Board allows time for full discussion and debate of items and enables all Directors' views to be heard.

The Company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The Non-Executive Directors have a broad range of business, financial and international skills and experience, which provide appropriate balance and diversity.

The composition of the Board is subject to ongoing review and a key consideration for any new Board appointment will be the additional breadth a new Director could bring, including in terms of skills, knowledge, experience, gender and ethnicity.

> "Strong transparent governance, delivered to the highest standards, facilitates effective decision making by the Board."

Anita Frew
Chair

Directors' biographical notes appear on pages 54 and 55 and at **www.croda.com**.

Role and operation of the Board

The Board has ultimate responsibility for the overall leadership of the Group. In this role, it oversees the development and delivery of a clear Group strategy ensuring the long-term sustainable success of the Company for all stakeholders. It monitors operational and financial performance against agreed goals and objectives and challenges the Executive team. The Board ensures that appropriate controls and systems exist to manage risk and that there are the necessary financial resources and people with the necessary skills to achieve the strategic goals the Board has set.

Matters reserved for the Board

The matters reserved for the Board fall into four broad areas:

1. Matters required by law to be reserved for the Board's decision, such as approving the Annual Report and Accounts, appointing new Directors and declaring dividends.
2. The requirements of the UK Listing, Prospectus and Disclosure Guidance and Transparency Rules, such as approving circulars to shareholders and other significant communications.
3. UK Corporate Governance Code recommendations, such as ensuring the Group has a sound system of internal control and risk management, and approving the Board and Committees' terms of reference.
4. Other matters, such as approval of the Group's strategy and budget, material corporate transactions and capital expenditure.

For the full schedule of matters reserved for the Board visit the governance section at **www.croda.com**.

Contents of corporate governance report

Our Purpose:

Smart science to improve lives™

Our 2030 Commitment:

Company Culture
The Board is responsible for assessing, monitoring and promoting company culture and ensuring it is aligned with strategy, purpose and values.

At Croda, we share a clear sense of Purpose and are motivated by our Commitment to be the most sustainable supplier of innovative ingredients. Our distinctive 'One Croda' culture guides the way we work and helps us to attract and retain the first-class people we need, by enabling collaboration and skills development. To ensure our long-term success, we have defined the values that make us different as a Company, encouraging our people to be 'Responsible', 'Innovative' and to work 'Together.'

Croda's positive culture was evident throughout the pandemic through our commitment to supporting employees, suppliers, customers and our local communities (see p16 to p20). During the year the Board focused on defining the values that make Croda different as a company and guide us in everything we do.

During 2020, the Board gained cultural insights from several sources. These included reports on significant instances of inappropriate conduct, whether through the Company's Speak-Up line or other grievance channels. The Board considered reports on any material systems or control failures, which may act as an early indication of a drift of culture away from the Group's core values. Safety metrics were regularly reviewed and challenged – both behavioural and process safety – to ensure Croda is living up to its core value that all employees and contractors return home at the end of the day without being harmed in the workplace, whether physically or mentally. Other metrics the Board used to assess culture related to diversity and inclusion, employee training and responsible business. In addition, the Board discussed the feedback from listening group and pulse surveys, which enabled communications and policies to be tailored and adjusted to ensure employees needs were being met.

Alignment to culture is clearly established in the Remuneration Policy and embedded in the Remuneration Committee's discretion framework is an assessment of our cultural performance. In addition one of Croda's key sustainability goals is to be People Positive with clear targets to increase our positive impact on society and improve the lives or our employees and people around the world. During the year we established the Croda Foundation that will help improve the lives of local communities supported by our own technologies.

The Board was satisfied that Croda's Purpose, values, strategy and culture are aligned and will act together to preserve long-term value.

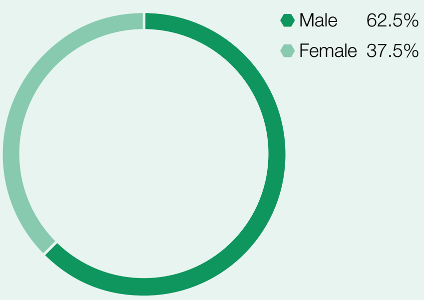
Section 172(1) disclosures

S172 Factor	Disclosures		
The long-term consequences	Purpose – p2 Dividend policy – p42	Megatrends – p10	Business model – p12 Strategy – p22
Employees	Diversity and inclusion – p66	Employee engagement – p16 and 84	
Business relationships – suppliers, customers and others	Modern slavery – p37	Anti-bribery – p37	Customers and suppliers p17 and 18
Community and the environment	Community activity – p20	Sustainability Committee – p63	Sustainability Commitment – p30
High standards of business conduct	Corporate Governance Report – p50 Whistleblowing – p72	Internal controls – p68 Ethics Committee – p48 and 63	Culture and values – p51
Shareholders	Shareholder engagement – p60	AGM – p53	

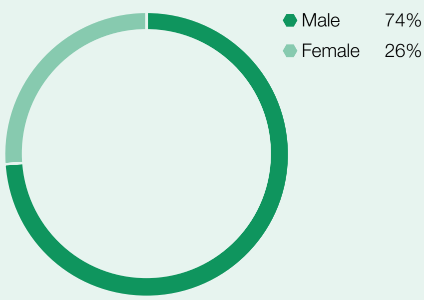
We provide examples of how the Board took account of the interests of our key stakeholders in some significant decisions made during the year on p59.

Gender

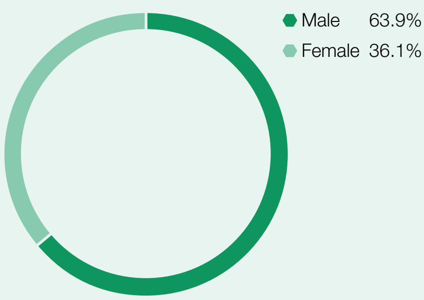
Board



Senior management



Rest of employees



Chair's statement on corporate governance

At the heart of our decision-making throughout the year has been our duty and desire to balance the interests of our stakeholders.

Anita Frew
Chair

> "As a Board we were deeply involved in assessing the impact of the COVID-19 pandemic on all of our stakeholders."

Dear fellow shareholder

We have faced a unique set of circumstances in 2020 and I am proud of the way that all our employees and the Board rose to the challenge of protecting our business whilst living up to our Purpose. A cornerstone to this resilient performance is strong transparent governance, delivered to the highest standards, which facilitates effective decision making by the Board. At the heart of our decision-making throughout the year has been our duty and our desire to balance the interests of all our stakeholders in the decisions and actions we take as a Board, and to promote the long-term interests of the Company for our shareholders to ensure we provide a good return on their investment in Croda.

This report, together with the Directors' Remuneration Report, set out on pages 76 to 101, describe how the 2018 UK Corporate Governance Code (the Code) principles have been applied by the Company. I am pleased to report that the Company has complied with the provisions of the Code for the period under review. The 2018 UK Corporate Governance Code is available at www.frc.org.uk.

Our stakeholders

As a Board we were deeply involved in assessing the impact of the COVID-19 pandemic on all of our stakeholders. Our priority was to protect the health and safety of all our employees and others impacted by our operations. This has been at the very top of our agenda at every Board meeting.

We took great care to balance the needs of all our stakeholders during the crisis. The response and commitment of all our employees has been exceptional, with almost all able to work effectively, either onsite or from home. We did not furlough employees or reduce pay. All our principal manufacturing sites remained in operation, with only two significantly impacted, and raw material supply chains were secure. We supported our customers and suppliers and gave financial assistance to the communities closest to our sites. We also sustained our track record of paying regular dividends to shareholders and we did not utilise government liquidity facilities. Through our actions, we lived up to our Purpose of using Smart science to improve lives™.

We describe on page 58 how the Board engaged with each of our key stakeholders during 2020 and give some examples of how we have considered them in some of the Board's decisions made during the year.

Strategy

As well as dealing with the immediate crisis phase of the COVID-19 pandemic, the Board worked closely with the Executive management team, with the support of an external consultant, in considering the impact that the pandemic would have in the longer term. From this review the Executive team produced a roadmap to operationalise and deliver our 2030 strategic commitments in line with our Purpose, Smart science to improve lives™. More information about this work can be found in the Strategic report.

In addition to this review, the Board held a virtual strategy session with the Croda teams responsible for delivering our strategic ambition to provide an outstanding customer experience digitally, complementing Croda's successful traditional customer intimacy model.

Leadership

2020 saw a number of leadership changes at Board level. Alan Ferguson retired at the AGM in 2020 having served nine years as a Director. I extend grateful thanks from myself, the rest of the Board, the Executive team and colleagues for the outstanding contribution he made to the Board and as Chair of the Audit Committee over the last nine years. His support, advice and challenge will be missed and we wish him all the best.

We were pleased to welcome John Ramsay to the Board. John joined the Board on 1 January 2020, which allowed him to spend time with Alan before he became Audit Committee Chair on Alan's retirement. John brings with him a wealth of financial, international and sector experience. The recent Board evaluation confirmed that John had transitioned into his role well and as Chair of the Audit Committee provided high-quality and thoughtful contributions.

On the recommendation of the Nomination Committee, the Board agreed to extend Helena Ganczakowski's appointment for a further year. The annual extension is in line with our policy to review appointments annually, once six years' tenure has been

Board meetings in 2020

Throughout the year the Board continued with the regular scheduled meetings and programme of business. These were held face to face when government regulations allowed.

During the first lockdown, the Board demonstrated its agility by moving quickly and effortlessly into video conferencing as the main method of communication. The Board had fortnightly calls to receive updates from across the business. The COVID-19 crisis management team reported directly into these meetings each time. The updates covered safety, management of the crisis, the situation in the individual countries and workplaces, relationships with customers, operational matters (for example, on matters such as the supply of raw materials or manufacturing constraints on our sites), communications, trading and treasury. Throughout the rest of the year, additional calls were scheduled, as required. On occasion, if all Board members were unable to attend, the Chair and Chief Executive followed up with a briefing call to ensure everyone was receiving the same information on any developing situations.

The move to virtual Board meetings was supported by the use of the existing and well-established electronic Board portal for papers, which included a resource centre to provide supplemental information and copies of all key policies. To ensure that the meetings remained effective, it was essential that they were well structured and without unnecessary complexity. The ground rules were established early on by simplifying agendas and allowing for sufficient breaks to reduce fatigue. It was important that content was concise and that the meetings allowed for adequate debate and participation by all Board members. The Board evaluation showed that the Board had risen well to the challenge and the Chair had been extremely adept in her leadership of the meetings.

completed. Helena has made a significant contribution to the Board as Remuneration Committee Chair and she also became Senior Independent Director on Alan's retirement. The recent Board evaluation showed that the Remuneration Committee had evolved significantly under her leadership.

The Nomination Committee also extended the appointment of Keith Layden for a further three years. Having worked at Croda for 33 years, Keith's in-depth knowledge of our products and operations adds valuable insights and constructive challenge to the Board discussions.

Some changes were also made to the Executive Committee, with details of these changes set out in the Nomination Committee report on pages 66 and 67.

Board evaluation

The Code requires that an external evaluation of the Board is undertaken every three years, and this was conducted during the second half of 2020. We were assisted by Heidrick & Struggles who were selected after a competitive tender process. Formal external evaluation is a valuable tool for improvement and helps ensure impartiality and independence throughout the process. I am pleased that the report confirmed that we operate as a very effective Board with a high level of trust in the boardroom, a track record of improved effectiveness, and the ability to adapt and change; strengths that served us well during this challenging year. Full details of the evaluation and the outcomes are included in the report on pages 64 and 65.

Diversity & inclusion

We consider that creating a work environment where everyone feels safe to be themselves is essential to enrich the diversity on the Board and throughout the Company. Research has shown that greater diversity can foster innovative thinking and provide businesses with access to a wider pool of talented people. We have maintained our position of having in excess of 30% of women on the Board, but, as yet, we don't have any ethnic diversity on the Board. This will be a focus for us in the short term.

The Board and the Executive Committee participated in two development sessions on inclusion and diversity led by John Amaechi OBE, an organisational psychologist. The sessions raised the Board's awareness and understanding of inclusion and diversity, leading to some fundamental discussions on what we need to do as an organisation if we are to achieve our People Positive commitment. It is incumbent on the Board and the Executive team to create a psychologically safe place for our employees, an environment where they feel included. In doing so, we will enable them to perform to their best abilities, bringing rewards for them and for Croda. Our core Value of 'Together' will help guide us on this journey.

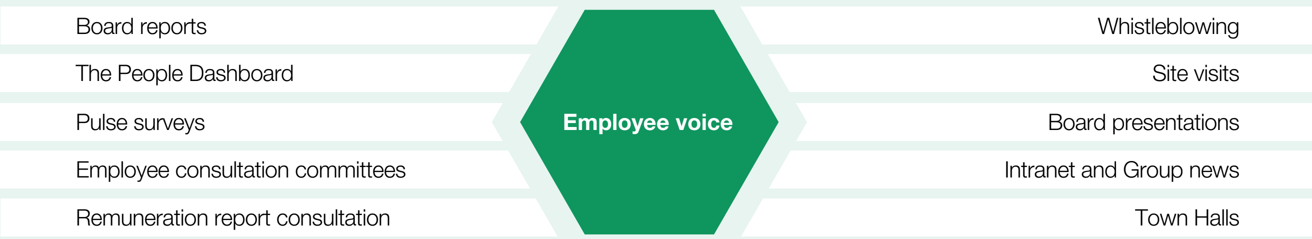
Annual general meeting

In light of government guidance relating to COVID-19 prohibiting public gatherings and restricting non-essential travel, shareholders are strongly advised not to attend the Annual General Meeting (AGM) on 21 May 2021. Although we do not expect to have the opportunity to meet with shareholders in person at our AGM, we are very keen to engage with all shareholders and will therefore be holding an online shareholder engagement event prior to the AGM. More details of this event are set out in the Notice of Meeting and I would be delighted to answer any questions that shareholders may have.

Anita Frew
Chair

Hearing the employee voice in the boardroom

The Board utilises many ways of ensuring that we understand the interests and views of our employees and take them into account when we make decisions to promote the long term success of Croda.



Our leadership team

We have a Board that is well equipped to provide oversight and challenge to the Executive Team and has the breadth of skills, experience and diversity to lead the business in delivering our ambitious strategic priorities that will deliver long-term growth.

N

Anita Frew, 63
Chair

Appointment: March 2015 and Chair since September 2015

Nationality: British

Anita has served on Plc boards in the chemical, resources, engineering, water and financial services industries for over 20 years. Prior to joining Croda, she was Chair of Victrex plc and Senior Independent Director of Aberdeen Asset Management PLC, IMI plc and was Deputy Chair of Lloyds Banking Group plc. During her time as a Director, she chaired main Boards, Remuneration, Responsible Business and Risk Committees. Currently she is also a Non-Executive Director of BHP Plc and BHP Limited. Anita brings extensive experience as Chair to the Croda Board as well as leadership in strategic management, mergers and acquisitions and risk experience from working internationally across many sectors.

E F SHEQ

Steve Foots, 52
Group Chief Executive

Appointment: July 2010 and Group Chief Executive since the beginning of 2012

Nationality: British

Steve joined Croda as a graduate trainee in 1990 and he brings to the Board a business, strategic and operational background gained from a number of senior leadership roles across the Group. Having spent several years leading many different Croda businesses, he has also gathered extensive insight into the markets served, the importance of customer focus and the power of an innovative culture. Outside of Croda, Steve's role as Industry co-Chair of the UK Chemistry Council enables him to work alongside Government ministers and industry peers to bring wider industry knowledge into the Croda business.

R E F

Jez Maiden, 59
Group Finance Director

Appointment: January 2015 as Group Finance Director

Nationality: British

Jez is an experienced Group Finance Director, having served in this role on five UK listed company Boards. As a chartered management accountant, his expertise in all aspects of finance management, gained in speciality chemical, FMCG and other manufacturing environments, allows him to support the Board and Executive of Croda in managing the performance of the business, risk management and control, and in capital allocation and investment evaluation. Jez acts as business partner to the Group Chief Executive and leads the finance, IT and digital teams globally. He has also been a Non-Executive Director and Audit Committee Chair in two other UK Plcs.

RM A N

Helena Ganczakowski, 58
Non-Executive Director (Senior Independent Director)

Appointment: February 2014

Nationality: British

With 23 years of experience in marketing and corporate strategy at Unilever and a further eight as a strategic consultant for other multinational businesses, Helena brings marketing skill and an end-consumer perspective to the Croda boardroom, as well as challenge and support to the CEO in strategy development. Her academic roots in engineering, with a PhD from Cambridge University, drive her passion and curiosity for both product and process innovation. Helena is also a Non-Executive Director and Remuneration Committee Chair of Greggs Plc.

A RM N

John Ramsay, 63
Non-Executive Director

Appointment: January 2020

Nationality: British

John has over 30 years' broad-based international finance background with Life Science businesses such as ICI, AstraZeneca and Syngenta. A large part of this experience was gained while working in Latin American and Asian countries. John brings extensive knowledge of business strategy to the Croda Board as well as a keen interest in building on Croda's strong culture to deliver superior business performance. As the new Chair of the Croda Audit Committee he aims to maintain the high standards set by his predecessor. He is also a Director and Audit Committee Chair at Koninklijke DSM NV, RHI Magnesita NV and G4S plc.

Board and Committee changes

Alan Ferguson stood down on 23 April 2020. His biography is set out in the 2019 Annual Report and Accounts. John Ramsay was appointed on 1 January 2020 and became Audit Committee Chair on 23 April 2020. Helena Ganczakowski became Senior Independent Director on 23 April 2020.

Key

Chair of the Committee	(green)
Member of the Committee	(dark)
Secretary of the Committee	(grey)
Nomination Committee	N
Remuneration Committee	RM
Audit Committee	A

Risk Management Committee	R
Group Executive Committee	E
Group Ethics Committee	ET
Group Finance Committee	F
Group SHEQ Committee	SHEQ

A RM N

Roberto Cirillo, 49
Non-Executive Director

Appointment: April 2018

Nationality: Swiss

With ten years' experience as Country and Group CEO in the Service and Health Care industries, and many years spent as a strategy practitioner in Europe and Asia, Roberto brings knowledge of and passion for growth and operations to the Croda boardroom. He can also share lessons learned from large transformations and M&A. Roberto's engineering background enables him to link Croda's R&D and production competences with the evolving demands of its multinational markets. Alongside his role as Non-Executive Director for Croda, he is CEO of Swiss Post and he was previously the Group CEO at Optegra Eye Health Care Ltd, France CEO and Group COO at Sodexo SA and Associate Partner at McKinsey & Co.

A RM N

Jacqui Ferguson, 50
Non-Executive Director

Appointment: September 2018

Nationality: British

Jacqui is an experienced CEO from the technology industry with general management and M&A experience in international and emerging markets. She has first-hand insight of transformational/disruptive digital, cyber security, technology and business process solutions. Jacqui spent three years in Silicon Valley as Chief of Staff at Hewlett Packard, focused on a new company strategy and turnaround and she has chaired the public services strategy board for the CBI. Away from Croda, she is a Non-Executive Director of John Wood Group PLC and Tesco Bank, a fellow of the IET, a Trustee of Engineering UK, a member of the Scottish First Ministers Advisory Board and a member of the Advisory Board of Engie UK.

N

Keith Layden, 61
Non-Executive Director

Appointment: February 2012 and Non-Executive Director since May 2017

Nationality: British

Keith brings to the Croda Board 33 years' experience of working at Croda in a variety of positions, most recently leading the Global Research, Development and Innovation function and as President of the Global Life Sciences business. He also has an interest and background in organisational culture, which is a key consideration in the decision making of the Board. In his roles of Honorary Professor of Chemistry and Industry at the University of Nottingham, member of Council at the University of Sheffield and a Fellow of the Royal Society of Chemistry, he widens his network of emerging technology companies and research institutes to spot new talent that will aid Croda's future success.

ET A RM N R E

Tom Brophy, 47
Group General Counsel and Company Secretary

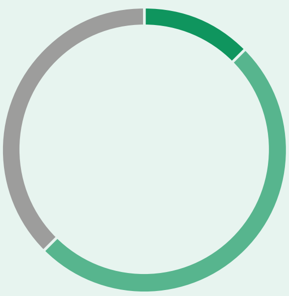
Appointment: December 2012 as Board Secretary

Nationality: British

Tom is an experienced corporate lawyer, having worked at City law firm Hogan Lovells and FTSE 100 company Ferguson. His expertise in public and private acquisitions supports Croda's inorganic growth plans and his professional background and breadth of experience in insurance, risk and compliance enable him to Chair the Ethics Committee. Tom provides corporate governance knowhow to the Board and Croda. Having spent many years leading global teams, Tom leads the Legal and Company Secretary team and until recently was Managing Director of the Western European Region.

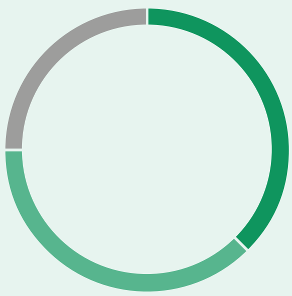
Board age and tenure

Age



40-49 years	1
50-59 years	4
60-69 years	3

Tenure



0-3 years	3
3-6 years	3
>6 years	2

Board activity in 2020

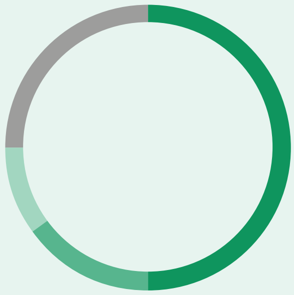
There were eight meetings of the Board during the year. The Board agenda programme ensures strategic, operational, financial, human resources and corporate governance items are discussed at the appropriate time with additional deep dives into key strategic areas during the year. The Board agenda has strong links to the strategic objectives for the business and is set via a collaborative process between the Chair, Group Chief Executive and Company Secretary. This ensures adequate time is allocated to allow effective discussion.

An additional strategy day, attended by members of the Executive Committee, is held during the year. The strategy day is held in the first half of the year, followed by the consideration of the three-year plan in the autumn and then the approval of the budget towards the end of the year.

In addition to the formal Board meetings, the Board had 15 additional update calls via video conference, to discuss business performance in the COVID-19 environment and to ensure additional time was allocated to review the impact on stakeholders of any additional strategic opportunities.

Key highlights of the Board's 2020 activities and priorities are set out below, along with an estimate of the proportion of the time that the Board spent discussing each area.

Board activity breakdown



Strategy (50%)
- Group strategic ambition and priorities
- Group strategic projects and targets and regular updates on progress
- Sustainability strategy and targets
- Safety, health, environment and quality – including behavioural safety, safety leadership and process safety
- Growth priorities and future markets
- Presentations on 'fast grow China' by the local management team
- Product innovation programmes and technology platforms
- Consideration of Avanti, Iberchem and other acquisition opportunities
- Digital strategy
- Product manufacturing strategies
- Capital expenditure approvals
- Business presentations from all sector Presidents
- New and Protected Products pipeline
- Review of Sustainability Report
- Responsible business activities

People (15%)
- Croda's Purpose and developing a purpose-led culture
- Succession planning and organisational restructure, including senior management succession
- Female talent review and mentoring scheme
- Leadership training and development
- The Board's engagement with employees and the employee voice
- Extension of the term of office of Helena Ganczakowski and Keith Layden
- Diversity – Board diversity policy, diversity and inclusion of our workforce and the gender pay gap reporting
- Diversity & Inclusion training
- Modern Slavery reporting
- Health and safety of our employees and contractors
- All-employee sharesave grants

Governance and reporting (10%)
- Board and Committee effectiveness evaluation
- Review of Annual Report and Accounts and other financial statements
- Governance compliance review
- Presentation from the Director of Investor Relations and Corporate Affairs
- Investor relations review
- Ethical compliance programme
- Group litigation report
- Group insurance programme

Financial, risk and performance management (25%)
- Trading performance, including COVID-19 response
- Review of key risks, internal and external assurance of each risk
- Review of risk appetite statements
- Preparations for Brexit, including the key risks and mitigating actions
- Dividend policy and dividend approvals
- Long-term viability statement
- The Group's budget, forecasts and key performance targets and indicators
- A review of the Company's tax strategy
- Placing of shares associated with the Iberchem acquisition
- A post-implementation capital expenditure review

Standing agenda Items
- A Health and Safety and environmental update is the first operational matter considered by the Board at each meeting
- The Group Chief Executive and Group Finance Director present reports on trading matters and financial performance
- The Group General Counsel and Company Secretary updates the Board on changes to relevant laws, regulations and governance matters

Outside the boardroom

The Board undertook a number of site visits in 2020 when Government guidelines allowed. Roberto Cirillo toured Chocques in France at the start of the year. He also received a site presentation and had a separate session with a number of employees. In September 2020, three Board members visited the Ditton site and visited the biotechnology plant, the biopolymers plant and the laboratories. They received presentations from local management and met operational employees. Three Board members also visited the Rawcliffe Bridge site and toured the warehouse, the control room and met the quality control team. In all cases they received presentations from local management, met operational employees and received briefings on Health and Safety and key risks at each site. These visits offer an additional opportunity to discuss areas relevant to the Board.

The Directors attended two meetings to review the Group's strategy, one focusing on the long-term strategy and the other the three-year strategic plan.

The Non-Executive Directors have direct access at any time to the Executive Directors, senior management teams and employees across the Group. This provides the opportunity to develop a deeper understanding of the Company's operations or to request information about specific areas. These relationships strengthen the ability of the Non-Executive Directors to constructively challenge at the Board meetings.

The Chair spends time interacting with the Chief Executive, Group Finance Director, Company Secretary and the senior management team between Board meetings. During 2020, the Chair had monthly meetings with the Executive members and the rest of the Executive management team. This ensured that she was kept up to date on significant developments and emerging issues and opportunities.

The Chair and Non-Executive Directors met without the Executive Directors present to allow an additional opportunity to discuss areas relevant to the operation of the Board. The Non-Executive Directors also met on their own, without the Chair.

Progress on focus areas for 2020

Ensure safety leadership continues to be prioritised and performance monitored	• The Board held regular calls with the Executive during the COVID-19 pandemic, with safety as the highest priority • Received updates in safety leadership in all business reports and presentations, including a presentation from the Global head of SHE on the implications of the pandemic on safety management across the business and process safety assurance. The Board assessed the risks relating to remote SHE audits • Reviewed and challenged management on the trends in safety performance, including process safety incident rates and recordable injury rates • Approved Croda's SHE behaviour standard, a framework that covers behaviours expected across all levels in the organisation and linked to our values
Focus on the balance between organic/inorganic growth and the short term/2030 strategic plans	• Worked with the Executive team to further define and operationalise the Group's 2030 strategic priorities • Strategically targeted M&A, including Avanti and Iberchem which accelerated our strategic delivery in the Life Sciences and Consumer Care markets • Approved several organic capital expansion projects including investments in the UK and US to deliver drug delivery scale-up requirements • Approved a significant contract with Pfizer in support of our fast growing Health Care business
Continue to support and challenge management on the delivery of the 2030 strategy, with a focus on organisational structure and capability	• Organisation and Executive team reorganisation to refresh talent and create the optimal structure to deliver the 2030 strategy • Received presentations on key strategic enablers, including digital capability and process transformation
Oversee the embedding of our sustainability Commitment to be Climate, Land and People Positive by 2030	• Sustainability Committee established • Non-financial KPIs developed • Sustainability performance objectives incorporated into Executive remuneration • Investor sustainability day held in October 2020 • Received updates from the Group's sustainability leaders and team

Looking Ahead to 2021

- Ongoing focus on safety leadership
- Continue to oversee delivery of the 2030 strategy, with focus in 2021 on sustainability, innovation and our Consumer Care and Life Sciences market sectors
- Consider how to further enhance Board diversity
- Bring more external and customer insights into Board meetings to help shape thinking and decisions

Board engagement with stakeholders

The Section 172(1) statement and the key stakeholder groups that form part of our stakeholder ecosystem are on pages 14 to 21 and 58 to 61.

By understanding the interests and needs of our stakeholders, the Board can take these into account in boardroom discussions and decisions. Having consideration for our stakeholders aligns with our Purpose and our Values, both of which guide us in our approach to delivering our strategic commitments and promoting the long-term success of Croda for our shareholders.

The Chair and Company Secretary provide guidance when required at Board meetings to ensure sufficient consideration is given to the likely consequences of any decisions in the long term and to the interests and impact of such decisions on our stakeholder groups. The relevance of each stakeholder group may change depending on the issue under discussion and the Board always seeks to understand the priorities and interests of each stakeholder group during its deliberations and decision-making process. The Board continued to enhance its methods of engagement with the workforce during the year. With regard to the 2018 Corporate Governance Code, the Board utilises a variety of different methods to engage with and gather the views of the workforce, ranging from pulse surveys and listening groups to site visits and Board mentoring programmes. Details of these engagement mechanisms can be found throughout this report. These mechanisms provide the Board with meaningful and regular dialogue with employees and are effective in providing the Board with an understanding of the interests and views of the workforce, taking them into account in its decision making. Significant engagement is also carried out through our commercial and functional business teams. The Board engagement table below describes how the Board seeks to understand the interests of our key stakeholders and also shows where further information is available throughout this report.

In addition, the Board receives information through the following methods which assists the Directors in their understanding of stakeholders and to perform their duties:

- An annual strategy review which assesses the success in the delivery of the Group's strategy
- Annual presentations to the Board from all the members of the Executive on the performance across the sectors and regions. A broad spectrum of employees from across the business are invited to present to the Board
- An annual Board presentation on progress with the Group's sustainability agenda from the wider sustainability team
- The CEO regularly updates the Board on interactions with customers and his engagement with policy makers and regulatory bodies
- The Group Finance Director maintains a regular dialogue with shareholders and updates Board members between meetings on any material issues
- Comprehensive reports which cover
  - Risk
  - Global operations including customer service
  - Innovation
  - SHEQ and Sustainability
  - IT and Digital operations
  - Legal and Company Secretarial
  - HR, culture and diversity
- Surveys and reports from brokers and advisers

Board engagement with stakeholders

Our people

Our people – Our success depends on our skilled employees. The Board meets regularly with employees, during site visits and Board presentations. Although business travel and face-to-face meetings were restricted during 2020, Board members continued to engage with a wide range of employees through video calls and received and discussed the results of employee pulse surveys and listening groups that took place throughout the year.

See page 16

Our shareholders

Our shareholders – Board engagement is primarily through the Group Chief Executive, Group Finance Director and the recently appointed Investor Relations and Corporate Affairs Director. The Directors attend the AGM to allow shareholders to ask questions directly, although this was not possible in 2020 due to government restrictions.

See page 21

Our customers

Our customers – Our direct sales model ensures we work closely with customers and allows us to develop a deep understanding of their needs. The Board receives customer insights and information through Board reports from the CEO and sector teams, as well as during strategy and business presentations.

See page 17

Local communities

Local communities – As a responsible business, we believe it is essential that we operate safely and sustainably and that we understand the impact of our operations on local communities and on the environment. Living our Purpose also means we are committed to providing a positive impact to society and we nurture the links we have to our communities through our offices and our sites. Throughout the pandemic our employees have contributed to their local communities though both our long running 1% Club programme and STEM programme, our community consultation committees and through our Acts of Kindness initiative. The Board regularly receives information and feedback on these activities.

See page 20

Our suppliers

Our suppliers – Supply chain integrity is essential to being a sustainable business and our supplier relationships provide valuable insights to the Board. Site and purchasing teams engage and partner with suppliers on a wide range of matters, from product stewardship and ethical sourcing to regulatory compliance and operational improvements. The Board understands these issues through Board reports and engagement with our operations and functional teams.

See page 18

Acquisitions and considering our stakeholders

The Board approved two substantial acquisitions during the year, Avanti and Iberchem. As part of the acquisition processes, the Board was informed of the interests of a wide range of stakeholders through presentations and detailed papers. The Board considered both acquisitions at several Board meetings, allowing time to consider and interrogate the information presented and ask for clarification where necessary.

A separate resource centre was available that contained greater detail of all the due diligence information. The governance around these approval processes enabled the Board to conclude that the acquisitions were likely to promote the success of the Company for the benefit of shareholders in the long term.

The first was the acquisition of Avanti in August 2020.

Shareholders — The Board considered not only the strategic fit but also the alignment of the business with Croda's Purpose of using Smart science to improve lives™. The Board also considered the financial returns of the acquisition and concluded that it was in the best interest of the Company and its shareholders to approve the transaction.

Communities — The Board took account of the impact of the acquisition on the community. Croda's expansion plans for Avanti benefited local communities given the need to create new jobs to deliver the growth plans.

Customers — The Board believed that Avanti's expertise in drug delivery technologies for pharmaceuticals and Croda's access to global markets, manufacturing expertise and ability to scale up Avanti's technology would bring great benefits to our customers.

People — The Board felt that the combined businesses would provide a significant contribution to Croda's ambition to become People Positive. This was later demonstrated when the Board approved a commercial agreement with Pfizer to supply novel excipients used in the manufacture of the critical COVID-19 vaccine candidate.

In November 2020, the Board approved the acquisition of Iberchem, a fragrances and flavours business. The Board concluded that the acquisition would create a compelling platform from which to grow the combined business in the long term and was in the best interest of the Company.

Shareholders — The Board decided that the most appropriate method to finance the acquisition was via a combination of the Group's existing debt facilities and the proceeds of an equity placing. This structure preserved the Group's robust financial flexibility and balance sheet strength. The Board also took account of the projected financial returns.

The Board took account of the need to treat all stakeholders fairly and provided retail investors the opportunity to participate in the equity raise through an offer for shares on the PrimaryBid platform.

Customers — Although an adjacency to Croda's existing businesses, the Board considered that Croda's formulation capability would complement Iberchem's expertise, and that bringing the two businesses together would create a new, full-service offering to meet our customers' needs.

People — The Board considered the interests of our pension trustees in reaching their decision on the financing structure. UK employees were informed of and given guidance on how to participate in the retail offer should they wish to do so.

Payment of dividend

During the year, the Board considered the recommendation of a final dividend and the payment of an interim dividend. This was at a time of great uncertainty about the future because of the global pandemic.

The Board considered that the balance sheet strength of the Company and limited leverage provided reassurance that the Company could continue to pay dividends even at a time of great uncertainty. In reaching this decision the Board carefully considered the interests of all stakeholders.

It had regard to the fact that no employees had been furloughed or made redundant and that the pay and benefits of those self-isolating, unwell or with caring responsibilities had continued. The Board noted that no government liquidity facilities had been utilised, and took account of the fact that Croda had supported suppliers and customers with the offer of flexible payment terms. Finally, the Board considered the interests of our local communities and noted the Acts of Kindness initiatives, which saw a financial donation by Croda to support local communities in their fight against the pandemic.

Taking all these factors into account, the Board was reassured that there had been fair and consistent treatment of all our key stakeholders during the crisis, and that payment of the dividends were in the best interests of the Company.

Communication with shareholders

The Board maintains open and regular dialogue with shareholders to ensure that they understand our strategy and trading performance, and to listen to their feedback.

Our investor relations activity is led by a recently appointed Investor Relations and Corporate Affairs Director who reports to the Group Finance Director, with other Directors and Executives involved as appropriate. We maintain relationships with existing and potential investors, and 20 analysts in the US, UK and other countries in Europe, who provide an important source of independent analysis on Croda. We continue to increase engagement on ESG topics and prioritised our engagement with ESG rating agencies this year to focus on those most regularly used by our shareholders.

The Board engages with shareholders through the Group Chief Executive, Group Finance Director, the Chair and the Chair of the Remuneration Committee/Senior Independent Director. In 2020 we provided more regular and detailed disclosure during the COVID-19 crisis, publishing trading updates and communicating directly with shareholders by letter. We undertook extensive scenario testing in line with investor focus on business continuity and continued to pay dividends to shareholders in line with the Board's commitment to treat all stakeholders fairly.

In November, we raised gross proceeds of £627m in new equity to part-fund the acquisition of Iberchem, three quarters of which was allocated to existing shareholders. We invited our most significant shareholders to discuss the acquisition in advance and carefully followed the principle of pre-emption to ensure the 100 existing institutional shareholders who supported the placing received at least their pro-rata allocation, where requested. We also allocated the maximum permitted number of shares to smaller shareholders and employees through a separate retail offer.

During the year, we met more than 350 investors including two thirds of institutions on the shareholder register, with over three quarters of meetings taking place in a virtual format. We also held a capital markets seminar to explain our sustainability strategy which was attended by almost 250 delegates (see above). These meetings provided an opportunity to capture shareholders' views which are reported regularly to the Board. The Senior Independent Director and all Non-Executive Directors are available to attend meetings if required by shareholders; no such meetings were requested by shareholders during the year.

The Board receives a monthly investor relations report, as well as updates on the trading environment, including retail sales information, and on Croda's performance in relation to peers. The Investor Relations and Corporate Affairs Director presented to the Board in September providing an opportunity for Board members to discuss shareholder feedback.

All Company results presentations and events are webcast and include a live Q&A, so that all shareholders have an opportunity to ask questions. The answers to the most commonly asked shareholder questions and a calendar of 2020 investor events are on the opposite page.

In 2021 we plan to combine our successful digital engagement with the resumption of face-to-face meetings and site visits when safe to do so. We look forward to resuming our governance lunch with shareholders and expect to continue to increase engagement on ESG topics.

2020 Sustainability investor seminar
In October 2020 we hosted a virtual investor seminar on Sustainability. Croda speakers included Steve Foots, CEO, Stuart Arnott, President of Sustainability and members of his team, and leaders of Croda businesses. External speakers at the event were customers from Bayer and Henkel and a Director of the Cambridge University Institute for Sustainability Leadership. The live event attracted 250 delegates, with a further 150 viewing the content on demand in the weeks after the event. Attendees represented a cross-section of ESG specialists, generalist investors and specialists in the Chemicals sector.

To support investor engagement on ESG topics, in 2020 we also created a single 'sign-posting' website page and a data pack collating non-financial information. Priorities for 2021 are continued assessment of the carbon benefits of Croda's products in use and the application of the EU taxonomy to Croda.

Substantial shareholders

As at the date of this Annual Report and Accounts the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority:

	Number of shares	% of issued capital
Massachusetts Financial Services Company	12,551,036	9.73%
BlackRock, Inc.	8,534,795	6.62%
Mawer Investment Management Limited	6,438,386	4.99%
RBC Global Asset Management Inc.	5,212,886	4.04%

Commonly asked shareholder questions

1. How does the Company manage its allocation of capital?

With our strong return on invested capital, we seek opportunities to expand capacity for existing products and create capacity for new innovative products through our organic capital investment programme. This investment is increasingly focused on our sustainability strategy, particularly where it supports innovation for customer benefit. We also prioritise a regular ordinary dividend in line with our dividend policy. Surplus capital is invested in inorganic expansion through acquisitions or returned to shareholders where capital is surplus to our medium-term requirements. Our capital allocation policy is set out in the Finance review on p42.

2. What are Croda's priorities in respect of acquisition activity?

There are a very limited number of large-scale opportunities, so our focus is primarily on technologies and mid-scale acquisitions. By investing in, partnering with or acquiring businesses with nascent technologies, we bring advanced research pipelines into Croda in support of our in-house innovation programme. We also acquire mid-sized, knowledge-based businesses, principally in existing or adjacent consumer care and life science markets.

3. What is the potential of Avanti Polar Lipids acquired in August 2020?

Avanti specialises in the development of high-purity lipids that are increasingly being used in the delivery of next-generation pharmaceuticals including mRNA-based drugs and vaccines. The potential of lipids as the delivery system for mRNA has been demonstrated with the Pfizer-BioNTech vaccine and our contract to supply vaccine components. mRNA is degraded quickly and is not stable, so lipids are used to encapsulate the mRNA and transport it to the immune cells. The technology has potential beyond COVID-19 and vaccines, into the treatment of cancer, infectious diseases and inherited illnesses.

4. You also acquired Iberchem; why did you want to enter the Fragrances and Flavours (F&F) market?

Prior to the acquisition of Iberchem, fragrances were the one value-add ingredient of most personal care and home care formulations that we did not offer. With Iberchem, we can provide a full formulations service that is particularly appealing to regional and independent businesses. Iberchem has a similar customer profile to Croda, but 83% of its sales are to emerging markets so there is an opportunity to leverage respective customer networks. We can also drive a more sustainable approach at Iberchem which is a potential source of competitive advantage in F&F markets.

5. Revenue growth has been disappointing in the last two years. What is your medium-term guidance for the three core Sectors?

We are well aligned to the megatrends that will drive future growth, including sustainability, digital and emerging markets. Our expectations are to organically grow Consumer Care at mid single-digit percentage with continued industry-leading margins. We expect Life Sciences to grow by mid to high single-digit percentage with growing margins. Our priority for Performance Technologies is an improved portfolio driving a greater focus on sustainable technologies and reduced cyclicality. We are targeting sales growth at global GDP and an improved return on sales of 20%.

2020 investor calendar

Over three quarters of our meetings with investors during 2020 were held virtually.

January	Close Period
February	Full year results announcement and roadshows
March	Results roadshows and investor conferences
April	Annual General Meeting. COVID-19 announcement and letter to shareholders
May	Global roadshows and private client fund manager engagement
June	Investor conferences
July	Half year results announcement and roadshows
August	Investor engagement on Avanti acquisition
September	Virtual seminar on Croda's Health Care business
October	Sustainability investor seminar
November	Investor presentation and meetings on Iberchem acquisition
December	Investor conferences

Division of responsibilities

The Board

Chair
The Chair leads the Board and sets the tone from the top promoting a culture of openness and debate and effective communication between the Executive and Non-Executive Directors. She creates an environment at Board meetings in which all Directors are able to contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge.

Senior Independent Director
The Senior Independent Director provides a sounding board for the Chair and acts as an intermediary for the Non-Executive Directors, where necessary. She is available to shareholders where communication through the Chair or Executive Directors has not been successful or where it may not seem appropriate.

Independent Non-Executive Directors
The role of independent Non-Executive Director is central to an effective and accountable Board structure as they provide strategic and specialist guidance together with effective governance. They constructively challenge the Executive Directors and scrutinise the performance of management in meeting agreed goals and objectives and ensure all stakeholder views are considered.

Non-Independent Non-Executive Director
Having served Croda for 33 years, the latter five of which were as a member of the Board, Keith Layden is not considered independent. However, because of that experience, Keith contributes strongly to the Board's culture and personality, and adds unique and valuable insight and constructive challenge.

Group Chief Executive
The Group Chief Executive has day-to-day responsibility for the effective management of the Group's business and for ensuring that Board decisions are implemented. He plays a key role in devising and reviewing Group strategies for discussion and approval by the Board. The Group Chief Executive is tasked with providing regular reports to the Board.

Group Finance Director
The role of Group Finance Director is to bring a commercial and financial perspective to the boardroom. Working with the Chief Executive, he is responsible for the leadership and management of the Company according to the strategic direction set by the Board. He leads the global finance function and oversees the relationship with the investment community.

Group General Counsel and Company Secretary
The Group General Counsel and Company Secretary is secretary to the Board and its Committees. He ensures that Board procedures are complied with and advises on regulatory compliance and corporate governance. This role is to support the Chair and the Non-Executive Directors.

Principal Board Committees

Nomination Committee
Chaired by Anita Frew

Reviews the structure, size and composition of the Board and its Committees, identifies and nominates suitable candidates for appointment to the Board and has responsibility for Board and Executive Committee succession planning. For more information see pages 66 to 67.

Audit Committee
Chaired by John Ramsay

Monitors the integrity of the Group's financial statements and announcements, the effectiveness of internal controls and risk management as well as managing the external auditor relationship. For more information see pages 70 to 75.

Remuneration Committee
Chaired by Helena Ganczakowski

Recommends the Company's remuneration policy and framework and determines the remuneration packages for members of senior management. For more information see pages 76 to 101.

Governance structure

The Board has three main Committees: the Nomination Committee, the Audit Committee, and the Remuneration Committee. The terms of reference for each Board Committee can be found at www.croda.com.

The day-to-day operational management of the Business is delegated by the Board to the Group Chief Executive, who uses several Committees to assist him in this task: the Group Executive Committee; the Group Finance Committee; the Risk Management Committee; the Group Safety, Health, Environment and Quality (SHEQ) Steering Committee; the Group Ethics Committee and the Sustainability Committee.

Further information on each of the Committees and the membership as at year end is shown on page 63.

Meetings

Membership of the Board and its Committees, and attendance (eligibility) at meetings held during the year ended 31 December 2020.

Chair of the Committee ⬢

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Anita Frew (Chair)	8 (8) ⬢	4 (4) ⬢		
Roberto Cirillo	8 (8)	4 (4)	5 (5)	5 (5)
Jacqui Ferguson	8 (8)	4 (4)	5 (5)	5 (5)
Steve Foots	8 (8)			
Helena Ganczakowski	8 (8)	4 (4)	5 (5)	5 (5) ⬢
Keith Layden[1]	8 (8)	3 (4)		
Jez Maiden	8 (8)			
John Ramsay	8 (8)	4 (4)	5 (5) ⬢	5 (5)
Alan Ferguson[2]	2 (2)	2 (2)	3 (3)	3 (3)

1. Keith Layden did not attend the meeting where his reappointment was discussed.
2. Alan Ferguson retired from the Board on 23 April 2020.

In addition to the meetings scheduled as part of the Board programme, an additional 15 Board calls were held via video conference to discuss the Group's response to the COVID-19 pandemic and additional strategic opportunities.

Group Chief Executive

Group Executive Committee
Chaired by Steve Foots

The Committee meets eleven times a year and is responsible for: developing and implementing strategy, operational plans, policies, procedures and budgets; monitoring operational and financial performance; assessing and controlling risk; and prioritising and allocating resources.

Group Finance Committee
Chaired by Steve Foots

The Committee meets eleven times a year to review monthly operating results and examine capital expenditure projects.

The Finance Director, President of Global Operations and Group Financial Controller also attend.

Risk Management Committee
Chaired by Jez Maiden

The Committee meets quarterly to evaluate and propose policies and monitor processes to control business, operational and compliance risks faced by the Group, and to assess emerging risks.

Three Executive Committee members attend as well as the Group Financial Controller and VP Risk and Assurance.

Group SHEQ Steering Committee
Chaired by Mark Robinson

The Committee meets quarterly to monitor progress against the Group safety, health, environment and quality objectives and targets, review safety performance and audits, and determine the requirement for new or revised SHEQ policies, procedures and objectives.

The Chief Executive and three Executive members attend. The VP Risk and Assurance also attends.

Group Ethics Committee
Chaired by Tom Brophy

The Committee meets quarterly in support of our culture of integrity, honesty and openness, and to promote the importance of ethics and compliance across the Group and amongst our supply chain partners.

It comprises five Executive Committee members. The VP Risk and Assurance also attends.

Sustainability Committee
Chaired by Stuart Arnott

The Committee meets quarterly to further develop the Group sustainability strategy, to embed sustainability practices throughout the organisation and to monitor progress towards achieving our Commitment. It comprises a diverse group of leaders representing all aspects of our business and each Committee member is the champion for one or more of the KPIs in Our Commitment.

Composition, succession and evaluation

Board support

Each Director has access to the advice and services of the Company Secretary. Where necessary, the Directors may take independent professional advice at the Company's expense.

Training and briefings are available to all Directors taking into account their existing experience, qualifications and skills. In order to build and increase the Non-Executive Directors' familiarity with, and understanding of, the Group's people, businesses and markets, senior managers regularly make presentations at Board meetings. As well as planned training on governance, legal and regulatory matters. The programme is sufficiently flexible to capture new and emerging regulation, development stemming from evaluation and specific training requests from Directors. Each Director's training programme includes the same online training on competition law and anti-bribery and corruption as taken by managers and selected employees across the Business.

Before each Board meeting, the Company Secretary makes sure that the meeting papers are made available electronically one week in advance, which ensures that each Director has the time and resources to fulfil their duties. Directors have the opportunity to raise questions stemming from the papers prior to the meeting, should they wish to do so. A resource centre within the web portal provides access to useful information about the Group, including corporate governance materials, finance and strategy information, Group policies and procedures, and information on topics such as risk and insurance.

Conflicts of interest

The Board has an established process for declaring and monitoring actual and potential conflicts. The Articles of Association of the Company allow the non-conflicted members of the Board to authorise a conflict or potential conflict situation.

Details of the professional commitments of the Chair and the Non-Executive Directors are included in their biographies on pages 54 and 55. The Board is satisfied that these do not interfere or conflict with the performance of their duties for the Company.

Independence of Non-Executive Directors

Croda complies with the Financial Reporting Council's Reporting Code (the Code) in having experienced Non-Executive Directors who represent a source of advice, strong judgement and challenge to the Executive Directors. At present there are six such Directors, including the Chair and the Senior Independent Director, each of whom has significant commercial experience. Their understanding of the Group's operations is enhanced by regular business presentations and site visits.

The independence of the Non-Executive Directors is kept under review. The Chair was independent upon her appointment in 2015 but, as Chair, is not classified as independent. With the exception of Keith Layden, the Board considers that all Non-Executive Directors who served during the year are independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement.

Keith Layden is not considered independent, having served as the Company's Chief Technology Officer prior to retirement from the Company and appointment as a Non-Executive Director in May 2017.

Board re-election

The Board has a broad range of skills and experience from different industries, advisory roles and from international markets. These skills support the strategic aims of the Company. Following individual performance assessments, the Board is satisfied that each Director continues to perform effectively, allocates sufficient time for their duties and remains fully committed to their role. Full biographies for the Directors are on pages 54 and 55.

The terms and conditions of appointment of Non-Executive Directors can be viewed at www.croda.com. Contracts for Executive and Non-Executive Directors can be inspected during normal business hours at the Company's registered office by contacting the Company Secretary and will also be available for inspection at the AGM.

Board evaluation

Each year, the Board undertakes an evaluation of its own effectiveness and performance and that of its Committees and individual Directors. Every three years, the evaluation is externally facilitated.

In 2020, following a competitive tender process during May and June, Heidrick & Struggles, an independent party and not subject to a conflict of interest, were appointed to undertake an external evaluation. Heidrick & Struggles have a long history of working with boards, using a methodology for evaluation that focuses on four areas: mobilisation (including board dynamics, strategy and diversity); execution (including talent, composition and operating mechanisms); transformation (including purpose, succession and disruption); and agility (including resilience, adaptability and foresight).

The planning of the Board review started in July 2020 to ensure the Board agreed with the proposed approach to be taken and specific areas of focus. Given the restrictions on face-to-face meetings and on travel, careful thought was given as to how to carry out an effective externally facilitated Board review virtually using videoconferencing. The Chair and Company Secretary worked closely with Heidrick & Struggles to agree the sequencing and timetable for the review.

Board Effectiveness Review methodology

Confidential interviews

Structured interviews were undertaken with each Director and the Company Secretary to understand the strengths and development areas for the Board. The discussions were focused on Board dynamics, composition and trust in addition to the role and effectiveness of the three Board Committees; Audit, Remuneration and Nomination. In addition to the Board, views were sought from other invited attendees, for example the Group Financial Controller and the Vice President of Risk and Assurance.

Quantitative survey
An online survey was completed by all participants to surface areas of alignment and misalignment on the Board.

Capability review and benchmarking
A capability review of Croda's Board was created against agreed metrics which included other Boards with a strong sustainability agenda.

Document review and observation
Documentation and information flows between Board members were reviewed to understand what items are being discussed and considered and with what frequency over the course of a year. One Board meeting and the Committee meetings were observed virtually.

Outcomes of the Review
The evaluation concluded that the Board was highly effective with many signature strengths.

Strengths

- Trust in the boardroom –The Board is a transparent, open, inclusive environment. The Board are engaged and support and trust each other. The Chair plays a fundamental role in creating these dynamics.
- A track record of improvement –The Board continues to evolve in composition, gender representation, operating mechanisms and purposeful focus on strategy.
- Adaptability and agility – The Board is particularly good at pivoting and adapting under pressure. The agility and capability to react to a crisis was tested in 2020 and the Board responded robustly.
- Purpose that drives decision-making – The Board has high integrity and confidence in the strategy, purpose and values. Board members spend time getting to know the business, executives and rising talent. This helps to guide and anchor decision-making.
- Committees – All Board Committees were performing well and were effective. They are led by strong, capable and effective Chairs that encouraged a supportive environment and quality conversation. The flow of information was good and members were well prepared.

Development areas

- Increase challenge and debate – There is opportunity to increase the level of challenge at Board meetings, exploring alternative perspectives.
- Invite more outside-in thinking –The Board should consider bringing even more external and customer insights into the conversations to help shape thinking and decisions.
- Accelerate diversity and drive inclusion — Although the Board is a leader in terms of gender diversity, it could also further reflect the markets, customers and segments that the Group serves.
- Learn and make changes – There is room to improve the embedding of 'lessons learned' and to further challenge the Executives to drive necessary change.

Board review
Sequencing and timetable

2020

July-August

Socialise plan
- Agree outcomes and timing
- Socialise approach with the Board

Sept-Early Nov

Diagnose
- Analyse key documentation
- Measure Board acceleration potential through the Board Accelerator Questionnaire (BAQ)
- Tailor interview guide; conduct structured interviews
- Observe the Board in action during Board meeting and Committee meetings

Mid-Late Nov

Look in the mirror
- Prepare draft Board report; socialise with key stakeholders
- Facilitate a review of findings and action planning with the Board members
- Refine as required

December

Action plan
- Prepare a Board report with accurate insights and actionable recommendations
- Brief the final Board report to key audiences

2021 Onwards

Create change
- Board to lead the implementation of improvement initiatives

Report of the Nomination Committee
for the year ended 31 December 2020

Anita Frew
Chair

Dear fellow shareholder

I am pleased to present the Nomination Committee report for the year ended December 2020.

Main activities and priorities in 2020

Board changes and succession planning

John Ramsay was appointed to the Board on 1 January 2020 and became Audit Committee Chairman on 23 April 2020 when Alan Ferguson stepped down. At the same time Helena Ganczakowski became Senior Independent Director. Helena's appointment was considered by the Committee and her term was extended by another year in line with the Nomination Committee policy that once a Non-Executive Director has served six years, any extension to their term would be on a year-by-year basis.

Keith Layden's initial three-year term of office as a Non-Executive Director expired on 1 May 2020. The Committee performed a review of his appointment and considered his contribution to boardroom discussions, industry knowledge and time commitment to the appointment.

The Committee endorsed the Chairman's recommendation to extend Keith's term of office which was then extended for a further three years to 1 May 2023.

Early in the year, the Committee had an update on the review of talent and succession planning within the Group. Succession plans for sector, region and function had been updated and the plan to improve female talent in senior succession plans was in place. A diverse group of individuals commenced a programme of mentoring by the Group Board and Executive management team.

In July 2020, the Committee considered the proposals to restructure some areas of the business in line with the 2030 strategy. The restructuring provided opportunities for several individuals identified through the Executive development plans and the review of talent process.

Some changes were made to the Executive Committee. Sandra Breene was appointed to the newly created role of President Regional Delivery, with all the Regional MDs reporting to her. With the integration of the Home Care business into Personal Care to form the new Consumer Care sector, Maarten Heybroek was appointed to the role of President Consumer Care.

Nick Challoner continues in his role as President Life Sciences but in addition has been appointed to a newly created role of Chief Scientific Officer. Anthony Fitzpatrick, President Corporate Development was appointed to the additional role of President Performance Technologies and Industrial Chemicals (PTIC).

Our strategic commitment to sustainability is aligned with delivering superior performance to stakeholders and at the end of 2019 Stuart Arnott was appointed to a newly created role of President of Sustainability. In this role he chairs the Sustainability Committee, which was established during the year. Mark Robinson was appointed President Global Operations, the role formally held by Stuart Arnott, and during 2020 Mark joined the Executive Committee.

Diversity and Inclusion

The Board supports the recommendations of the Hampton-Alexander and Parker Reviews in relation to gender and ethnic diversity. Research has shown that greater diversity can foster innovative thinking and provide businesses with access to a wider pool of talented people. As a Committee we have worked hard over the last few years to ensure we have an inclusive and diverse Board and I am pleased that we have maintained our position of having in excess of 30% of women on the Board (including female Directors as Chair and Senior Independent Director), but as yet we don't have any ethnic diversity on the Board. This will be a focus for the Committee during 2021.

The Committee carried out a review of the size and composition of the Board and the collective skills and experiences of the Directors. Diversity was a key consideration through this process and the discussion. During 2021 the Committee will consider the need to add an additional Director to the Board. When we search for new Directors we ensure that the longlists and shortlists of candidates are gender balanced and candidates are drawn from a wide range of backgrounds, including ethnically diverse candidates. We take care not to create a specification that has the effect of reducing the diversity of the potential pool of candidates.

A copy of our Board Diversity Policy, which is regularly reviewed by the Board, is available in the corporate governance section at www.croda.com. For more information on our Board see the Directors Biographies on pages 54 and 55.

We will be working alongside the Executive Committee in deciding what we need to do as an organisation if we are to achieve our People Positive commitment. It is incumbent upon us to create a psychologically safe place for our employees, an environment where they feel included. In doing so, we will enable them to perform to their best abilities, bringing rewards for them and for Croda. Our core value of 'Togetherness' will help guide us in this journey. This applies equally to the Board and Executive Committee as to the wider organisation.

The gender balance on Executive Committee and senior management teams (direct reports to the Executive Committee) by 31 December 2020 stood at 26% female. We continued to increase the diversity of our leaders below Board and Executive Committee level. 26% of our Top 50 employees are female, with the Top 50 made up of employees across nine nationalities. Of particular note in 2020 was the appointment of female employees to the Regional Managing Director roles in Europe and Latin America. We also appointed a female manufacturing site head and have for the first time employed female operators at many of our sites. We know we still have work to do to create further diversity, but these are highly visible leadership roles and will create role models for other female and ethnically diverse employees to look up to as they consider their career paths in Croda.

There have been initiatives to improve diversity throughout the Group and the Board receives reports from the Group HR Director on these initiatives throughout the year. Members of the senior management team are given the opportunity to present to the Board whenever the opportunity arises.

Diversity training is included in all of our induction and management development programmes. We have a global Diversity and Inclusion Committee to promote and inform improved diversity across our business. The whole organisation was given access to an online course on unconscious bias which has been completed by over 50% of colleagues to date. Six internal podcasts have been published discussing various aspects of inclusion and a website developed with further resources for colleagues to access. Last year we set new targets to double the number of women in leadership positions by 2025 and to achieve gender balanced shortlists for 80% of our roles by 2023. By the end of 2020 we had increased the number of women in leadership positions by 19%.

Other activities of the Committee

During the year the Committee reviewed the development plans for each Executive Committee member, and these were taken in to account as part of the Executive Committee changes that took place in 2020.

The Committee reviewed the time commitment of the Non-Executive Directors. It was satisfied that all the Non-Executive Directors remain able to commit the required time for the proper performance of their duties. They also considered and concluded that, except for Keith Layden, all Non-Executive Directors continue to fulfil the criteria of independence. As Keith was formerly an Executive Director of the Company, he is not currently considered to be independent.

The Directors, together with the Executive Committee, continued our participation in a formal mentoring programme, mentoring some of our most talented employees in their careers at Croda. This provides opportunities for the Committee members to get to know our leaders of the future and provides mentees with role models and development opportunities.

I will be available at the shareholder engagement event to respond to any questions shareholders may raise on the Committee's activities.

Anita Frew
Chair of the Nomination Committee

Responsibilities

The Committee is responsible for nominating candidates for appointment to the Board for approval by the Board, and for succession planning. It evaluates the balance of skills, knowledge, experience and diversity on the Board.

Key responsibilities

- To regularly review the structure, size and composition, including the skills, knowledge, experience and diversity, of the Board and make recommendations for any changes to the Board
- To give full consideration to succession planning for Directors and other senior Executives, taking into account the challenges and opportunities facing the Company and, consequently, what skills and expertise the Board will need in the future
- Where a Board vacancy is identified, to evaluate the balance of skills, knowledge, experience and diversity on the Board, and prepare a description of the role and capabilities required for the respective appointment
- To identify and nominate candidates to fill Board vacancies, for the approval of the Board, as and when openings arise
- To keep the organisation's leadership needs, both Executive and Non-Executive, under review to ensure that the Company continues to compete effectively in the marketplace
- To review annually the time required from a Non-Executive Director and the Chair
- To make recommendations on succession planning for the Board.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found in the governance section at www.croda.com.

Members of the Executive management team attend the meetings on request and details of attendance at the meetings during the course of the year can be found on page 63.

Induction

The Company provides new Directors with a comprehensive and tailored induction process which includes meeting the members of the Board and Executive Committee, meetings with key senior managers and the Group's audit partner.

Induction programmes are developed by the Group's Company Secretarial department and discussions start well in advance of the appointment date to tailor the experience to the exiting knowledge base of the Director. If considered appropriate, new Directors are provided with external training that addresses their role and duties as a Director of a quoted public company.

John Ramsay's induction began during 2019 in advance of his appointment to the Board from 1 January 2020.

He was given access to our electronic Board paper system and the Group intranet which provided easy and immediate access to key documents including:

- the previous twelve month's Board and Committee papers
- recent reports from the external Auditor
- the Group's risk register and Schedule of Principal Risks
- the latest budget and strategic plan;
- recent broker reports and feedback from our stakeholder engagement programmes
- information on our sustainability initiatives;
- Matters reserved for the Board and the Committee terms of reference and other key policies.

Given the focus on Health and Safety in all the Board meetings, John's first session on commencing his role was with the Group Health and Safety Director. In the first few months John spent significant time with Alan Ferguson, the outgoing Chair of the Audit Committee to ensure the transfer of knowledge and an orderly handover of duties at the AGM on 23 April 2020. John also spent considerable time with KPMG, the Group Auditor and our Vice President Risk and Assurance.

In addition, John had individual meetings with all the Board members, the Executive management team and the IT Director. He also had meetings with all the senior members of the global finance team. As well as a tour of the R&D function at Cowick, John undertook a comprehensive tour of the Rawcliffe Bridge site which included presentations by the site senior management team. A number of other planned visits were curtailed because of the global pandemic and these will be rescheduled as soon as they can go ahead in 2021.

Audit, risk and internal control

The Board has established formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Fair, balanced and understandable
The process of compiling the Annual Report and Accounts starts early enough to give the Board time to assess whether it is fair, balanced and understandable, as required by the Code. The Board considered whether the Annual Report and Accounts contained the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

The key messages in the narrative in the Strategic Report and Governance sections of the Annual Report and Accounts were reviewed to ensure they reflected the financial reporting contained in the financial statements.

The Board considered if the Annual Report and Accounts fully disclosed the successes and the challenges that had been faced in the period and that the narrative and analysis effectively balanced the information needs and interests of each of our key stakeholder groups.

The framework and layout were considered to be clear and coherent, with a consistent tone throughout and clearly signposted linkage between all sections, in a manner that reflected a comprehensive narrative.

Following this assessment, the Board was of the opinion that the Annual Report and Accounts are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

A full statement of Directors' responsibilities can be found on p105.

Risk management and internal control
The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. In accordance with the guidance set out in the Financial Reporting Council's (FRC's) Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the Corporate Governance Code itself, an ongoing process has been established for identifying, evaluating and managing the emerging and principal risks faced by the Group (p44). The Executive management have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority which was reviewed by the Board.

In particular, there are clear procedures and defined authorities for the following:

- Financial reporting, with policies and procedures governing the financial reporting process and preparation of the financial statements.
- Internal Controls, with a documented framework of required internal controls. Each reporting location prepares an annual self assessment of compliance with these controls, which is assured during planned internal audit visits.
- Business risks, with comprehensive monitoring and quantification of business risks, under the direction of the Risk Management Committee. The Group's approach to risk management and the principal and emerging risks facing the Group are discussed in more detail in the Strategic Report on p44 to p48
- Capital investment, through detailed appraisal, risk analysis, authorisation and post-investment review procedures.

This process has been in place for the full financial year and up to the date on which the financial statements were approved by the Board.

The Board discharged its responsibility for monitoring the operational effectiveness of the internal control and risk management systems throughout the financial year and up to the date of approval of the Annual Report and Accounts, using a process which involved:

- Review of the controls self-assessment returns in April to ensure internal audit visits focused on key areas (p73).
- Review of the findings from the internal audit assurance programme which reports through the Vice President of Risk and Assurance, who attends every Audit Committee meeting alongside the PwC internal audit partner (p73).
- Review of closure of management actions to remedy failings and weaknesses identified through the internal audit programme.
- Receipt of written confirmations from relevant senior executives and divisional directors at the end of the year confirming the continued operation of those control elements for which they are responsible.
- Review of the report on significant control weaknesses from the Vice President Risk and Assurance, including whistle-blowing and fraud incidents.
- Annual presentation and review of risk appetite statements, principal and emerging risks and mitigating controls, supported by a quarterly update from the Risk Management Committee (p56).
- Reports from the external auditors.

This system is designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

In order to assess the financial statements, the Audit Committee (p70 to 75) regularly reviews reports from members of the finance team and external Auditors who are invited to attend the Committee's meetings. When conducting its reviews, the Committee considers:

- The accounting policies and practices applied.
- The effectiveness and application of internal financial controls.
- Material accounting assumptions and estimates made by management.
- Any significant judgements or key audit matters identified by the external Auditor (see p107 to p110).
- Compliance with relevant accounting standards and other regulatory financial reporting requirements, including the UK Corporate Governance Code.

Business resilience

As set out on page 6, Croda's overriding priority throughout the COVID-19 pandemic has been to keep our people safe whilst maintaining supplies for our customers.

Strategic and stakeholder considerations

With advance warning of the impact of COVID-19 from our China offices, in February 2020 the Executive team set up a Group-level crisis team. Given the potential seriousness and impact that the spread of the virus could have on Croda, our CEO declared this as a level 1 crisis (the most severe category) and notified the Board. A cross functional global team was assembled under Executive leadership, to assess and understand how the crisis could compromise strategic delivery, to develop mitigating strategies and controls and to manage communications both internal and external. Critical to this exercise was an underlying understanding of our key risks and the operation of the current control environment, which are identified through our risk management framework (p44), supported by scenario testing. The testing confirmed that Croda had sufficient liquidity to absorb extended uncertainty.

Given the severity of the crisis the Board was regularly apprised at weekly meetings of the Board and the Executive members of the crisis team.

Critical initial risks to address were supply chain (raw material security of supply and maintaining customer delivery), maintaining safe operations and ensuring the safety of our employees and all those affected by our operations. The impact on our employee mental health and wellbeing became a particular area of focus when, in March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic and governments globally introduced lockdowns affecting the way everyone in the countries lived and worked. Our IT function immediately developed and rolled out solutions to all employees who were able to work from home, whilst operating sites and laboratories assessed who could work from home and who could not. Manufacturing site heads worked together to share learning and best practice in making our sites and laboratories COVID-19 secure, including introducing new procedures and rules to keep our teams safe and introducing physical changes to the work environment and changes to shift patterns. These enabled production to continue globally across all our sites and to date only two of our locations suffered temporary shutdowns because of local government requirements. Regular communication with employees through pulse surveys, videos, Company-wide emails and webinars ensured that the team was aware of employee concerns and could respond quickly to them.

In May the Executive Committee and the Board completed a 'plan ahead' review of strategic objectives to assess their continued resilience in the light of the pandemic, concluding that whilst the underlying strategic direction remains unchanged, the delivery of some strategic priorities should be accelerated.

In July the Board assessed the Group's key principal and emerging risks and concluded that the nature of the risks had not changed as a result of COVID-19, although their relevance had, confirming the resilience of the Company's risk management framework.

Audit Committee

The Audit Committee assists the Board in ensuring that the Group's financial systems provide accurate and up-to-date information on the Group's financial position.

John Ramsay
Chair of the Audit Committee

"The Committee thanks the executive management team, the external and internal audit teams and Croda employees across the Company for their dedication in securing the control environment throughout this difficult year."

Report of the Audit Committee for the year ended 31 December 2020

As Chair of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 31 December 2020, which provides detail of the activities carried out by the Committee during the year.
This is my first year as Chair, and I would like to thank Alan Ferguson, my predecessor, who retired from the Board at the AGM.
The COVID-19 pandemic has created a challenging year for everyone involved in the control and audit functions of Croda, and the Committee thanks the executive management team, the external and internal audit teams and Croda employees across the Company for their dedication in securing the control environment throughout this difficult year.

Committee membership

The Committee consists of four Non-Executive Directors. I joined the Board and became a member of the Audit Committee on the 1 January 2020 and became Chair of the Audit Committee on the retirement of Alan Ferguson on 23 April 2020. Having this time before becoming the Chair of the Committee allowed me not only to focus on my induction to the Board and the Group, it also afforded time for a comprehensive and structured handover of the Audit Committee Chair responsibilities.

The experience of each member of the Committee is summarised on pages 54 and 55. I have over 30 years' experience from an international finance background with the Life Sciences businesses of ICI, AstraZeneca and Syngenta and extensive experience as an Audit Committee Chair. The Board considers each member of the Committee is independent within the definition of the Code, has relevant financial experience, as well as a broad and diverse spread of commercial experience, including competence in operating within the chemical industry.

Such consideration provides the Board with assurance that the Committee has the appropriate skills and breadth and depth of experience to ensure that it can be fully effective, and that it meets the Code requirements that at least one member has significant, recent and relevant financial experience and that the Committee as a whole is competent in the sector in which the Company operates.

The Chair of the Board, Keith Layden (a Non-Executive Director), the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Vice President Risk and Assurance, who leads the internal audit function, and representatives from the external and internal auditors attend the meetings by invitation.

Continued controls assurance during the pandemic

When the WHO declared COVID-19 a pandemic in March 2020 it was clear that the delivery of planned internal and external audit work would be impacted as a result of local government restrictions on both travel and safe distancing requirements. The annual business and IT controls self-assessment was run as normal in March 2020, and at the April meeting the Audit Committee reviewed the results of the self-assessment (which indicated minimal degradation in control environment). At that same meeting they agreed a revised approach to internal audit delivery via a hybrid mixture of local onsite PwC resource (where this was allowed) and virtual audits, all managed by a member of the core PwC internal audit team. The audit programme delivered the majority of the originally planned audits alongside new reviews requested by the Committee. The new reviews related to the COVID-19 impact on cyber security on sites and the maintenance of a control culture during the enforced changed ways of working away from the office environment. Feedback from the sites audited, shared with the Audit Committee in January 2021, was that although face-to-face visits were preferred, sites had still seen the expected benefits from internal audit visits. At its July meeting, the Committee discussed the implications of COVID-19 on the 2020 external audit. KPMG shared their assessment of the increased risks (going concern, goodwill valuation and debtor recoverability), and of changes to their audit approach due to travel restrictions. The Committee agreed that conducting some remote audits and/or additional procedures at Group level would be necessary. Additional time for this work was factored in to the external audit plan to enable KPMG to obtain sufficient evidence to support their audit opinion. The changes to the audit plan were reviewed again in November, and the Committee continued to monitor delivery of the audit plan and its quality throughout the audit period.

The Committee periodically, and I more regularly, meet or speak separately with the Vice President Risk and Assurance and the internal and external auditors without the Executives being present. I also meet with the external auditors, the Group Finance Director and the Group Financial Controller at least twice each year but typically before each Audit Committee meeting to discuss control and compliance issues generally and specifically the detail of the year end and half year results, accounting judgements and disclosures. This helps me to better understand the key issues, technical matters and judgements and to make sure sufficient time is devoted to them at the subsequent meeting.

Responsibilities

The Committee assists the Board in ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position.

Its key responsibilities are:

- To monitor the integrity of the financial statements and results announcements of the Group and to review significant financial reporting issues and judgements.
- To recommend external auditor appointment and removal, assess audit quality, negotiate and approve the audit fee, assess independence, monitor non-audit services and be responsible for audit tendering.
- To review the adequacy and effectiveness of the Group's internal controls and risk management systems, and the adequacy, effectiveness and output of the internal audit function.
- To review the adequacy of the Group's whistleblowing arrangements and procedures for detecting fraud.
- In addition to its 'business as usual' activities, the Committee selects certain focus areas each year for detailed review.
- Detailed responsibilities are set out in the Committee's terms of reference, which can be found at www.croda.com.

Committee evaluation

An external evaluation of the effectiveness of the Committee was undertaken by Heidrick & Struggles during the course of the year. Further details on the process are included in the Corporate Governance report on pages 64 and 65.

The evaluation concluded that the Committee was operating effectively. Committee members were well prepared for meetings, which were open and inclusive, engendering excellent quality conversations and constructive debate. One area for consideration was to make sure the Board's and Committee's areas of responsibilities in relation to risk are clearly defined to sharpen effectiveness and to limit overlap. The Committee will review this during the course of its oversight of the Company's risk management in 2021.

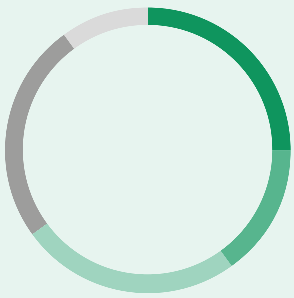
Main ('business as usual') activities of the Committee since the publication of the 2019 Annual Report and Accounts

The Committee met five times in 2020, of which two were after publication of the 2019 Annual Report and Accounts, and three times between the year end and the publication of this Annual Report. There was full attendance by all Committee members at each meeting. The key issues covered at the Committee meetings were reported at the subsequent Board meeting.

The Committee's main business as usual activities, as well as the focus areas, and an estimate of the proportion of time spent on them, are detailed below.

Committee activity in 2020

Audit committee activity breakdown



Financial reporting (25%)

The Committee:

- Monitored the Group's financial statements and results announcements, including the Annual Report and the interim statement.
- With support from the external auditors, reviewed those items in the Group's financial statements that had the potential to significantly impact reporting.
- Reviewed management's accounting judgements and issues, including alternative performance measures, the going concern assessment and exceptional items.
- In conjunction with the Board, reviewed the financial modelling and stress testing conducted for the going concern assessment.
- Reviewed the viability assessment process undertaken in support of the Viability Statement, based on plausible scenarios arising from key risks and their impact on headroom and bank covenants. Challenged the assumptions and scenarios noting the effect they would have during the viability period with particular attention this year being given to the potential impacts on the business from the consequences of the COVID-19 pandemic.
- Undertook regular reviews of the Group's litigation and was satisfied with the approach to provisioning and disclosure.
- Considered the appropriateness of accounting policies, critical accounting judgements and key sources of estimation of uncertainty.
- Received updates on the progress of the Global Finance Standardisation project to improve the quality of product costing analysis and comparison across the Group

Governance (15%)

The Committee:

- Reviewed the input from a compliance review to ensure the Committee met its corporate governance and regulatory requirements.
- Reviewed the effectiveness of the Group's anti-bribery and fraud procedures, including those for whistleblowing. The Committee received a report on the independent investigations that had been conducted in response to concerns raised under the whistleblowing policy and were satisfied with the outcome, including follow up actions.
- Received presentations from senior members of the finance team, including the Finance Directors of Western Europe and Latin America.
- Undertook an external evaluation of the Committee's effectiveness. Further details are set out on page 64.
- Reviewed and took account of the annual FRC letter to Audit Committee Chairs.
- Reviewed the Committee's terms of reference and confirmed that the role and responsibilities of the Committee are aligned with the UK Corporate Governance Code. No changes were made.
- Completed its annual review of the Group's tax compliance policy (which can be found on our website) and risks relating thereto.

External audit (25%)

The Committee:

- Discussed and approved the external audit plan, including the assessment of significant audit risks; the engagement risk profile; the use of data analytics; the scope of the audit; the materiality level and the de minimis reporting threshold; the co-ordination of external audits; and the key members of the engagement team.
- Discussed and approved increases to the audit fee to reflect expansion of the Group through acquisition and additional work and use of senior staff arising from recent changes to the auditing regime, particularly in the UK.
- Reviewed the impact of changes to the audit approach resulting from limitations in the reliance placed on IT controls, following a period of change in the systems environment of the Group.
- Discussed the impact of COVID-19 on the delivery of the external audit plan, particularly the impact of remote working on the quality of audit processes
- Met with the external auditors without management present.
- Considered and confirmed the independence of KPMG, as further described on p75.
- Considered the effectiveness of the external audit process and, in light of the findings, recommended the re-appointment of KPMG at the AGM.
- Reviewed candidates for, and agreed to the appointment of, a new audit partner for 2021 onwards, which became necessary following organisational changes within KPMG.

Internal audit and risk management (25%)

The Committee:

- Received a regular report from the Vice President Risk and Assurance and monitored compliance with the Group risk assurance programme.
- Discussed the impact of COVID-19 on the delivery of the internal audit plan, particularly the impact of remote working on the quality of audit processes. Whilst COVID-19 impacted the starting date of the audit plan, an alternative resourcing model was employed which enabled the majority of the agreed programme to be delivered, alongside continued use of data analytics.
- Considered the themes arising from the controls self-assessment process undertaken in March, discussing themes arising and the plans to address these.
- Discussed the results of the 2020 controls assurance internal audits delivered by PwC, the adequacy of management's response to matters raised and the time taken to resolve such matters.
- Confirmed a reduced scope of Croda 'peer reviews' in the light of COVID-19 restrictions, on the understanding that the programme be reinstated in 2021.
- Considered management action taken with regard to the IT control environment during the year and commissioned further internal audit work to review and recommend improvements for implementation in 2021.
- Considered additional key risks arising from acquisitions during the year.
- Assisted the Board in its assessment of the Group's emerging and principal risks through directing and challenging the results of the 2020 risk assurance activity carried out by internal audit with reference to the Group's principal risks.
- Reviewed and approved the 2021 internal audit plan and supported the review of the digital strategic and global supply chain initiatives.
- Met with the internal auditors without management present.
- Conducted its annual review of the effectiveness of the Group's internal audit function see page 75.

Specific focus areas for 2020 (10%)

As highlighted above, the Audit Committee has delivered on our 'business as usual' work, as set out in our terms of reference. In addition, last year we noted three specific focus areas for 2020, which absorbed the balance of the Committee's time.

Specific focus area	Actions during the year	Progress
Continue to extend cyber security capability	The Committee reviewed and challenged actions taken by management to mitigate the heightened cyber risks resulting from COVID-19, with specific focus on the IT networks, systems and data. A virtual desktop infrastructure was rapidly deployed to enable employees to work remotely, together with regular employee awareness communication of heightened threats. The Committee considered a report from internal audit on this subject summarising further actions to be undertaken and concluded that this was an area for ongoing monitoring and attention. The appointment of a new Information Security manager was welcomed and the Committee agreed a rolling annual programme of risk-based cyber internal audits based on the guidelines identified in the National Institute of Standards and Technology (NIST) framework, covering cyber security focus areas. Cyber security controls over key applications and networks are assessed annually as part of the IT internal audit programme and the results of these assessments were considered by the Committee.	Ongoing
Continue to evaluate the maturity and security of the approach to digital development	The Committee evaluated internal assurance reviews of cloud governance and the SAP/Hana database migration, both of which are foundations of the Group's digital programme. The Committee challenged management around the findings of the reports and encouraged them to focus on completing the actions arising to reduce the risk exposure.	Ongoing
Review in detail the HR system implementation	The new HR system, MyCroda, supports the HR global database, the learning management system and the performance management system. Internal audit review of the implementation had been postponed from 2019 until all modules were implemented and the review took place, virtually, in July 2020. The Committee discussed the wider learnings arising from the audit encouraging management to improve project management disciplines taking account of the recently established Croda Project Management framework.	Completed

Significant financial statement reporting items

The Committee, with support from the external auditors, reviewed those items in the Group's financial statements that have the potential to significantly impact reporting. These are set out below.

Pensions: The Committee monitored the Group's pension arrangements, in particular the funding of the defined benefit plans in the UK, the US and the Netherlands, which are sensitive to assumptions made in respect of discount rates, salary increases and inflation.

The Group engages external actuarial specialists. The Committee reviewed the actuarial assumptions used and compared them with those used by other companies. The external auditors also challenged the benchmark assumptions applied and conducted sensitivity analysis.

The Committee considered this work and found the assumptions to be reasonable.

Goodwill: The strategy of the Group includes acquiring new technologies and businesses operating in adjacent markets. 2020 saw two important acquisitions for Croda. As a result, goodwill represents a significant asset value on the balance sheet £866.7m out of total net assets of £1,595.1m at 31 December 2020).

The Committee completed its annual impairment review of the carrying value of goodwill, as prepared by management, including the detailed sensitivity analysis to a number of underlying assumptions, including the potential impact of the COVID-19 pandemic. The Committee assessed the methodologies used and the adequacy of the management disclosures. Particular attention was focused on Biosector and Sipo, which had the smallest headroom between their carrying values and value in use. The Committee reviewed the methodology adopted to evaluate the risk of goodwill impairment. After challenge, the Committee was satisfied that the assumptions were reasonable and that no impairments were necessary; however, enhanced disclosure was agreed to be appropriate, given the sensitivity of the calculations to certain assumptions.

Valuation of acquired intangible assets: The Group acquired Avanti Polar Lipids LLC (Avanti) on 12 August 2020 and Fragrance Spanish Topco, S.L. (Iberchem) on 24 November 2020. The identification and valuation of goodwill, intangibles and contingent consideration required a significant degree of judgement including estimates. The Committee challenged management in relation to the valuations and calculations recognised on acquisition and were satisfied with the assumptions made.

Recoverability of parent Company's intercompany receivables: The Committee considered the recoverability of parent Company's intercompany receivables of £1,452.2m (2019: £1,589.6m), which represents 50.9% of the parent Company's total assets (2019: 72.3%).

The recoverability of these balances is not considered judgemental; however, they are the most significant component of the parent Company balance sheet and therefore require additional consideration as part of preparing the financial statements. This included comparing the carrying amount with the respective subsidiary's net asset value or profitability. After review, the Committee was satisfied that the recoverability of the intercompany receivables was acceptable, and no impairments were necessary.

Provisions: The Committee reviewed the risks around provisioning, which had previously been disclosed as a significant area of judgement, and, in light of progress made on reducing environmental risks, and noting the immaterial nature of new issues arising in the year, concluded that separate consideration was no longer required.

Internal audit and risk management

I met with the Vice President Risk and Assurance several times during the year outside of the formal meetings to discuss the performance and output of the internal audit function and aspects of risk management. The Vice President Risk and Assurance attended each Committee meeting and presented an internal audit report that was fully reviewed and discussed, highlighting any major deviations from the annual plan agreed with the Committee.

At each meeting, the Committee considered the results of the audits undertaken and the adequacy of management's response to matters raised, including the time taken to resolve such matters. Particular focus was addressed to those areas where there was a major divergence between the outcome of the internal audit and the scoring of the self-assessment questionnaire, completed annually by each business unit. In these instances, the Committee challenged management as to what actions it was taking to minimise the chances of divergences arising in the future.

In January, the Committee conducted its annual review of the internal audit function, including its approach to audit planning and risk assessment, communication within the business and with the Committee and its relationship with the external auditors. Senior management feedback from sites included in the 2020 audit programme is gathered by questionnaire to support this process. These did not highlight any significant areas for development. In the light of the changed audit approach in 2020, the Committee was pleased with progress, with notable benefits being seen from virtual audits which will be retained in the future audit programme.

Details on how the Business implements its risk management framework and monitors controls on a Group-wide basis are set out on pages 44 to 48.

External auditors' effectiveness

During the year, the Committee assessed the effectiveness of KPMG as Group external auditor. To assist in the assessment, the Committee considered the quality of reports from KPMG and the additional insights provided by the audit team, particularly at partner level. It took account of the views of the Group Finance Director and Group Financial Controller, who had discussed subsidiary component audits with local audit partners, to gauge the quality of the team and knowledge and understanding of the business. The Committee also considered how well the auditor assessed key accounting and audit judgements and the way it applied constructive challenge and professional scepticism in dealing with management.

The Committee also reviewed the output from a questionnaire completed by senior members of the finance team to obtain their views on KPMG's effectiveness in carrying out the 2020 audit. The questionnaire covered:

- Quality of planning, delivery and execution of the audit.
- Quality and knowledge of the audit team.
- Effectiveness of communications between management and the audit team.
- Robustness of the audit, including the audit team's ability to challenge management as well as demonstrate professional scepticism and independence.

Following the review, the Committee concluded that the audit was effective and overall the Committee was satisfied with the performance of KPMG.

Croda is in compliance with the Statutory Audit Services Order 2014. We undertook an audit tender in 2017 and the Board appointed KPMG as external auditor, with Chris Hearld as the Lead Audit Partner. The first year to be audited by KPMG was the year ended 31 December 2018.

Following an organisational change in KPMG, Chris Hearld will step down as Lead Audit Partner and will be succeeded by Ian Griffiths. After discussing the handover process in detail with myself and our Group Finance Director, the Committee are confident that the transition and handover period will be efficiently managed.

External auditor's independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditors in reporting to shareholders.

Our Group policy on the provision of non-audit services by external auditors, which is on our website www.croda.com, sets out permitted and prohibited non-audit services and the controls over assignments awarded to the external auditor to ensure that audit independence is not compromised. During the year, the Committee undertook a detailed review of the provision of non-audit services by KPMG and compliance with the FRC's Revised Ethical Standard for auditors and as a result updated our policy in this regard. KPMG already had a policy which was compliant with the FRC's Revised Ethical Standard for auditors. They have not been required to terminate any services that would not be permissible under the Standard.

In 2020, non-audit fees were £0.1m, significantly less than the total audit fees of £1.5m; the non-audit to audit fees ratio stands at 0.1:1.

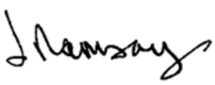
The Committee undertook its annual review of the Group's policies relating to external audit, including the policy that governs how and when employees and former employees of the Group's auditors can be employed by the Company. No changes were made. The Committee also reviewed and accepted KPMG's Independence letter.

In conclusion, the Committee agreed that KPMG were independent.

External auditor reappointment

As noted above, the Committee recommended to the Board that KPMG be offered for re-election at the forthcoming AGM.

I will be available at the shareholder engagement event to respond to any questions shareholders may raise on the Committee's activities in the year.



John Ramsay
Chair of the Audit Committee

Looking ahead to 2021

In addition to our routine business, the Committee has four focus areas for 2021. We will:

- Maintain our focus on cyber security with a refreshed rolling annual assurance programme based on the NIST security framework.
- Monitor Avanti and Iberchem integration programmes, including controls assessment against Croda risk and control standards.
- Review the major capital projects assurance programme.
- Assess the impact of anticipated regulatory changes on Croda's risk and control framework.

Remuneration Report

"We continue to seek out opportunities to further enhance the remuneration approach at Croda, taking on board advice from our investors and other stakeholders."

Dr Helena Ganczakowski
Chair of the Remuneration Committee

Report of the Remuneration Committee for the year ended 31 December 2020

A. Chair's letter

On behalf of the Board and the Remuneration Committee, I am pleased to present Croda's Directors' Remuneration Report for the year ended 31 December 2020. I would like to thank my colleagues for their engagement throughout the year, and to welcome John Ramsay as a new member of the Committee.

The Committee believes that Croda's remuneration approach plays a key role in the achievement of the Group's strategic objectives and in the delivery of sustainable, profitable growth. Last year we reviewed and updated our policy to ensure ongoing alignment to Croda's evolving ambition and were pleased to receive 97% votes in favour. The Remuneration Committee is not proposing any material changes to the operation of the policy in 2021, being satisfied with both the outcome of the review and the changes made in 2020 and having considered the management of COVID-19 and its impact on the business.

Continued strong progress despite COVID-19

I am pleased to confirm that, despite the challenges presented by the COVID-19 pandemic, Croda continues to progress successfully in line with its strategy, with a strong share price performance. It remains a highly profitable, cash generative business, with ample liquidity in place. Croda's priorities during the pandemic have continued to be to fairly and equally balance the needs of all our stakeholders, including employees, customers, investors, suppliers and local communities, while ensuring the health and safety of our people at all times.

All but two of our 19 principal manufacturing sites globally have operated without interruption. We have maintained high customer service levels and demand has remained resilient. In addition, we have supported our customers and suppliers with flexible payment terms, where necessary. We have not made anyone redundant or furloughed any employees due to COVID-19, and have protected pay and benefits, including for those unable to work normally due to the need to self-isolate, or because of caring responsibilities.

In April we launched our "Acts of Kindness" initiative and made £200,000 available to support communities closest to our largest manufacturing sites globally. In addition, the Croda Foundation, an independent enterprise that will be funded by Croda to provide a framework for charitable giving was legally incorporated.

Our shareholders benefited from full payment of dividends as they were due, and our share price recovered strongly after the initial sharp COVID-19 related market reduction in March 2020. The PSP awards to Executive Directors were made after the AGM in May and at a time when the share price had recovered from this low.

Alignment to strategic objectives

Croda's strategy continues to focus on consistently delivering sustainable, profitable growth by providing innovative, sustainable solutions to our customers consistent with our Purpose: Smart science to improve lives™. This sense of purpose aligns strongly with our business culture and underpins our three business sectors of Consumer Care, Life Sciences and Performance Technologies.

With its robust business model proven through COVID-19, Croda has been able to continue to expand and grow at a time when many companies have been forced to rein in their strategic plans. In August, we completed the acquisition of Avanti Polar Lipids LLC, a leader in drug delivery systems for next-generation pharmaceuticals, and in November we completed the acquisition of Iberchem, a leading global fragrances and flavours company. These acquisitions represent strong alignment to our strategy and both businesses have an excellent financial record.

Delivering sustainable, profitable growth is directly reflected in our performance measures and stretching targets. The Group Profit Incentive Bonus Scheme (senior annual Bonus Plan) is based on a single operating profit metric with no payout unless the previous year's outcome is exceeded.

For the longer-term Performance Share Plan (PSP), 35% of the award is based on earnings per share (EPS) growth and 35% is based on relative Total Shareholder Return (TSR) performance against a bespoke group of our most relevant competitors. Innovation and sustainability are key to Croda's success and we continue to focus management on the delivery of these. 30% of the 2021 award will continue to be based on Sustainability metrics. 15% will be based on our innovation metric, New and Protected Products (NPP), those products that will drive our future growth. The remaining 15% will be focused on carefully selected KPIs aligned to the delivery of our "Climate Positive" and "Land Positive" sustainability Commitment. We will be continuing with our EVA underpin.

Performance is always considered holistically; each year the Committee applies a Discretion Framework to satisfy itself that the outcome in terms of primary performance metrics has not been to the detriment of other measures of corporate performance. Health and safety remains a key metric of particular focus in this review.

Alignment of executive reward with the wider workforce

Our 'One Croda' culture drives focus on alignment of executive reward with the wider workforce. To better understand how reward is perceived across the workforce, the business ran a Global Reward pulse survey in 2020, covering recognition, pay and wellbeing activities. This survey was completed by over 3,150 employees, 66% of our workforce, and the findings were shared with the Board, as well as management.

In response to these findings, management identified an opportunity to extend a sense of ownership across the whole employee base and are therefore proud to be launching the "Ten Share Plan" in 2021 where all employees globally who are not eligible for the senior annual Bonus Plan will be gifted up to 10 Croda shares (or cash equivalent) if the 2021 senior annual Bonus Plan pays out.

In 2018 we gained accreditation in the UK as a Living Wage Employer from the Living Wage Foundation. The business continues to pursue its Global Living Wage target, one of our sustainability KPIs linked to the UN SDGs, and has forged a partnership with the Fair Wage Network to establish a Living Wage in each of the countries in which we operate.

Workforce reward continues to evolve, and in 2020 we introduced a new UK car scheme, focused on encouraging use of electric vehicles and open to all employees, and launched a pilot online Recognition Programme.

In line with our 'One Croda' culture, our senior leaders all share the same performance metrics for the senior annual Bonus Plan and PSP. Around 450 employees participate in the senior annual Bonus Plan and 70 of these are also in the PSP. We believe that this focuses our leadership on working together globally to deliver the best overall outcome for our customers and, in turn, our shareholders and other stakeholders.

Pay for all employees is set in line with the market and closely monitored, and local bonus schemes are available for those below senior leader level in most regions. Around 85% of our UK workforce and 63% globally participate in share plans and therefore benefit from the rewards enjoyed by all shareholders.

In addition, we are proud to be one of only two FTSE 100 companies with a career average defined benefit pension scheme that is open to all new and existing employees. Our pension scheme is a generous and inclusive benefit for our UK workforce. An important part of the value to employees is that the level of pension is guaranteed, as the Company bears all the investment risk. This security for our workforce is an important part of our 'One Croda' culture. In 2020 we aligned Executive Director pension supplements to the same level as that paid to all employees who are above the defined benefit pension scheme cap.

Remuneration out-turn for 2020

We delivered a resilient performance in 2020 with sales growth driven by a second half recovery and acquisitions, a robust margin and healthy cash generation. This demonstrates the strength of the business model in challenging economic conditions created by the pandemic.

As the bonusable profit did not exceed the outcome for 2019, the threshold for the senior annual Bonus Plan was not reached and no annual bonus is therefore payable.

Our longer-term performance in profitable growth and Total Shareholder Return was more reflective of our long-term growth trajectory. For PSP, 2020 was the year in which grants made in 2018 concluded their three-year period, and the Committee has reviewed performance for the targets that were set at that time. Over the period TSR performance was 58.8%, placing Croda in the top quartile against our bespoke comparator group, resulting in 100% of this part of the award vesting. The subdued market conditions experienced in the last two years has had an adverse impact on EPS growth which, at -2%, fell short of the target required for this element to vest. NPP growth also failed to meet the vesting target, reflecting the ambition of this metric and the slowdown of certain NPP sales.

The PSP award is dependent on satisfactory underlying financial performance of the Group. The Committee considered this, and a range of other broader performance criteria using the Discretion Framework, and concluded that the awards were consistent with, and reflective of overall financial performance over the time period. Therefore, after consideration of all factors, an overall PSP vesting of 40% of the total award was agreed.

Salaries for 2021

For 2021, the general increase set for the UK workforce is 1%. The Committee considered the salaries of the Executive Directors in the context of positioning against market benchmarks, as well as the performance of the Company. The Committee determined that the salary increase for Executive Directors should be in line with that of the UK workforce.

Looking ahead

We are confident that our Remuneration Policy approved in 2020 will continue to serve us well over the next two years. Targets for 2021 have been set in line with the approach for 2020, and new sustainability targets have been set reflecting our ambitious sustainability agenda.

Going forward, we will continue to seek out opportunities to further enhance the remuneration approach at Croda, taking on board advice from our investors and other stakeholders. We remain committed to ensuring that our remuneration framework reflects the evolving needs of all of our stakeholders and the communities in which we operate.

Dr Helena Ganczakowski
Chair of the Remuneration Committee

B. Remuneration at a glance

Contents

"We remain committed to ensuring that our remuneration framework reflects the evolving needs of all of our stakeholders and the societies in which we operate."

Dr Helena Ganczakowski
Chair of the Remuneration Committee

How we performed in 2020

Adjusted Operating Profit	Adjusted EPS	NPP	Total Shareholder Return
-5.9% to £319.6m	-5.1% to 175.5p	27.4% of Group sales	58.8% over the three-year PSP performance period (1 January 2018 to 31 December 2020)

Croda's resilience to the impact of the COVID-19

- Early in the pandemic, we assured all employees that there were no plans to reduce employee numbers, furlough staff or reduce regular salary and benefits as a result of COVID-19, and we honoured this pledge.
- We paid final and interim dividends to shareholders in full during 2020.
- We have not utilised any government liquidity facilities.
- We protected the pay and benefits of those self-isolating, unwell or with caring responsibilities.
- £200,000 was set aside for our Acts of Kindness initiative, aimed at helping our local communities.
- For employees working onsite, we applied strict safety protocols and focused on making life as easy as possible, with remote handovers, provision of PPE including hand sanitiser, social distancing measures and training in new procedures to keep everyone safe.
- We understood some employees' needs to balance caring responsibilities and work, so encouraged people to work flexibly as needed.
- There was a focus on mental health and in some countries, we increased the provision of Employee Assistance Programmes and provided direct access to doctors and medical teams.
- We issued regular pulse surveys to gauge how employees were feeling and how best to support them.

Linking our reward and business strategy

Our reward policy is designed to link directly to our Group strategic priorities and how we manage and measure our business performance.

Growth

Innovation

Sustainability

Values-led culture

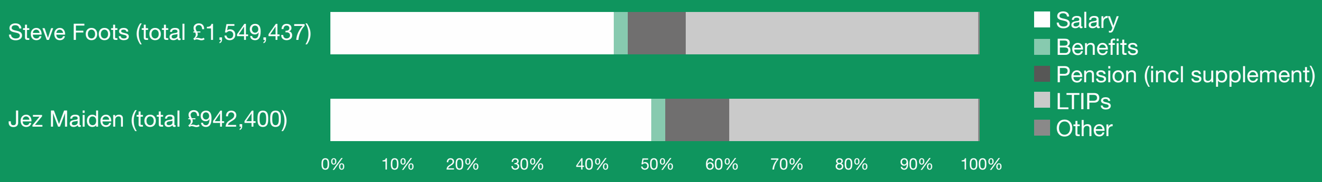
Long-term shareholder value

Engaging with our workforce on remuneration

We are committed to both engaging with, and including, our employees in our remuneration structures. In 2020 we undertook the following key engagement processes:

- **Reward principles:** Our Reward Principles guide the way in which we recognise and remunerate all our global employees.
- **Global Employee Pulse Surveys:** We launched a series of pulse surveys in 2020 with one specifically carried out to better understand how reward is perceived across the workforce.
- **Listening groups:** Virtual listening groups, attended by the Chair of the Remuneration Committee, have been arranged with employees from across our regions.
- **Dedicated email to Chair of Committee:** A dedicated email address for employees to send comments or questions to the Chair of the Remuneration Committee.
- **Overview of pay and policy decisions:** Committee members are updated annually on global employees' terms and conditions.
- **Board roadshows:** Our Executive Directors and Board regularly hold roadshows with our global workforce.

Single figure remuneration:



Operation of our policy in 2020

Key component and timeline	Feature	Metrics and results	Group Chief Executive (CEO)	Group Finance Director (GFD)
Basic salary	Competitive package to attract and retain high-calibre executives.	• Pay rise of 2% awarded to Executive Directors. • UK workforce was awarded a 2% increase.	£675,584	£465,920
Annual bonus	Incentivise delivery of strategic plan, targets set in line with Group KPIs.	Bonusable Profit (see page 90 for definition of Bonusable Profit) Threshold 2019 actual Maximum 2019 actual plus 10% Actual 2019 actual minus 1.2% 0% of maximum bonus paid	–	–
Deferred element of bonus	Compulsory deferral of one third of bonus into shares with three-year holding period to align with long-term business performance.	N/A	–	–
PSP	Incentivise execution of the business strategy over long term measuring profit, shareholder value and innovation.	Vesting of the 2018 PSP award (see table below) Total payout – 40%	£698,600	£361,349
Pension	Pension benefits are either a capped career average defined benefit pension plan with a cash supplement above the cap, or a cash supplement. For 2020, cash allowance of up to 20% of salary, in line with the UK workforce.	N/A	£138,492	£93,184
Shareholding requirements	Share ownership guideline to ensure material personal stake in business.	CEO 225% of salary GFD 175% of salary	>225% of target	>175% of target

Vesting of the 2018 PSP award

	Threshold	Maximum	Actual	% payout
EPS*	5%	11%	-0.65%	0%
TSR**	Median	Upper Quartile	84.2 percentile Above UQ	40.00%
NPP***		NPP sales growth to be at least twice non-NPP sales.	Not met	0%

Total payout – 40%

* EPS growth p.a. is calculated on a simple average basis over the three-year period.
** Actual TSR performance over the performance period was 58.8%.
*** Subject to a minimum average of 5% growth per year and overall positive Group profit growth.

C. Report of the Remuneration Committee for the year ended 31 December 2020

How our Remuneration Policy links to strategy and to reward across our wider workforce

This section of our report provides the broader context of how our Remuneration Policy links to strategy and to reward across our wider workforce. We hope that it will provide a useful summary of the context of our Reward Policy and will show how our Reward Policy has and will continue to evolve to meet the needs of the business, our workforce and align with UK corporate governance standards.

How our reward strategy links to our business strategy

Growth	**Consistent top and bottom line growth, with profit growing ahead of sales, ahead of volume.** The key metric of our senior annual Bonus Plan is profit increase over prior year. Long-term growth is measured and rewarded through metrics within our long-term incentive, the Performance Share Plan (PSP) which includes a measure of increased EPS over a three-year period. Both the senior annual Bonus Plan and PSP are subject to our Discretion Framework which includes financial underpins such as EVA.
Innovation	**The lifeblood of our business, we seek to increase the proportion of New and Protected Products (NPPs) that we sell.** Within our PSP sustainability metrics, is an established NPP metric, measuring growth of NPP products against non-NPP products. Innovation is also rewarded within the EPS metric as sustained EPS growth can only come through relentless innovation and the creation of new ingredients for our customers.
Sustainability	**Aligning our business with our Purpose and accelerating our customers' transition to sustainable ingredients.** Our PSP includes metrics related to reductions in emissions and the reduction of land use. These are directly linked to our ambitions to be Climate, Land and People positive by 2030.
Values-led culture	**Our Purpose is enabled by our distinctive values that govern how we work with one another and guides our relationships with all of our partners.** Our senior annual Bonus Plan has one common metric for our top 450 employees ensuring fairness and transparency. The introduction of our Ten Share Plan is a way of sharing reward throughout our business benefiting our lowest-paid employees the most. Our PSP and senior annual Bonus Plan underpins include a review of culture measures and ethical compliance.
Long-term shareholder value	**We strongly believe that all the various features and metrics of our Remuneration Policy combine to incentivise long-term shareholder value.** Our PSP directly rewards increasing shareholder value through our TSR metric, and our focus on growth, innovation and sustainability supports long-term sustainable shareholder value creation.

How our remuneration practices support our strategy

Element of reward	Metrics	Growth	Innovation	Sustainability	Values-led culture	Long-term shareholder value
Bonus	Profit	✓			✓	
LTI (PSP)	EPS	✓	✓			✓
	TSR	✓	✓			✓
	NPP	✓	✓	✓	✓	✓
	Sustainability	✓	✓	✓	✓	✓
Underpins	Safety, health and environment	✓		✓	✓	✓
	EVA	✓				✓
	General financial	✓		✓		✓
	Culture and ethics			✓	✓	✓
Other features	Holding periods				✓	✓
	Shareholding requirements				✓	✓

Summary of Remuneration Policy adopted in 2020

An updated Remuneration Policy was presented and approved by shareholders at the 2020 AGM. This is intended to operate until the AGM in 2023. In reviewing the Policy and its implementation, the Remuneration Committee undertook a thorough review of existing arrangements with a particular focus on alignment to Croda's strategy and ambitions. This review was completed with the following principal objectives in mind:

- achieve the closest possible alignment with the Company's strategy;
- support the Company's ambition to be a purpose-led organisation focused on Smart science to improve lives™;
- ensure that business performance is appropriately measured and rewarded and that the scale of reward is proportionate;
- make certain that the Policy properly reflects the various interests of all our stakeholders in its structure and metrics;
- ensure that the Policy is fair and competitive and that it also considers reward more broadly in the organisation;
- disclose the Policy in an open and transparent way.

The Remuneration Committee is not proposing any substantive changes to the operation of the Policy in 2021, being satisfied with both the outcome of the review and the changes made in 2020. These were:

- Reduction of the pension cash supplement for the CEO and Group Finance Director to align with our UK workforce.
- The introduction of new sustainability metrics, incorporating NPP, into the PSP to align with our strategy to be industry leaders in sustainability.
- The introduction of an EVA underpin to further ensure our long-term incentive awards are aligned with overall business performance.
- An increase in the level of normal PSP awards for Executive Directors from 200%/150% to 225%/175% for the CEO and Group Finance Director respectively reflecting the significant long-term growth of the business.
- An increase in the shareholding guidelines and the introduction of a post-employment shareholding requirement to ensure compliance with the UK Corporate Governance Code and shareholders expectations.

Summary of Policy and its operation

Salary	Set taking into account an individual's responsibilities, performance and experience as well as pay and employment conditions elsewhere in the Group and other external factors.
Annual bonus	Maximum annual bonus opportunities: • Group Chief Executive – 150% of salary • Group Finance Director – 125% of salary Bonusable profit growth targets, with no bonus payable until the previous year's profit is exceeded. Discretion Framework applies, which includes health, safety and environmental performance. One third deferred for three years. Malus and clawback provisions apply.
Performance Share Plan	Normal maximum PSP opportunities: • Group Chief Executive – 225% of salary • Group Finance Director – 175% of salary Awards based on EPS, Relative TSR and sustainability metrics, including NPP with an EVA underpin applying across the whole of the PSP award. The Discretion Framework also applies, which includes satisfactory underlying financial performance. Three-year performance period with an additional two-year holding period. Malus and clawback provisions apply.
Pension and benefits	Pension benefits are either a capped career average defined benefit pension plan with a cash supplement above the cap, or a cash supplement. Cash allowance for Executive Directors of up to 20% of salary which aligns with our UK workforce. Typical other benefits include Company car, private fuel allowance, private health insurance and other insured benefits.
Shareholding guidelines	Shareholding guidelines of: • Group Chief Executive – 225% of salary • Group Finance Director – 175% of salary Post-employment shareholding guidelines also apply for two years after leaving employment. These are set at 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. This policy applies to shares from awards that vest in 2020 and beyond. During 2021 the Committee will be formalising the structures in place to allow it to monitor and enforce the post-employment shareholding requirement.

Further details about the Policy can be found on pages 100 and 101.

How our Remuneration Policy links to the UK Corporate Governance Code

When developing the Remuneration Policy, the Committee was mindful of the UK Corporate Governance Code and considers that the executive remuneration framework appropriately addresses the following factors:

Factors	How these are addressed
Clarity	• Our values of openness and transparency are reflected in our reward principles. The Committee is committed to providing open and transparent disclosure on executive remuneration for our stakeholders. • Our arrangements are clearly disclosed and any changes to our Remuneration Policy and its operation are highlighted in a way that defines their alignment to both our strategic ambitions as well as the provisions of the UK Corporate Governance Code.
Simplicity	• Our executive remuneration arrangements, as well as those throughout the global organisation, are simple in nature and well understood by both participants and shareholders. • Our senior annual Bonus Plan, in which around 450 of our global employees participate, is based on a single profit metric, with a simple key requirement that no bonus can be paid until the previous year's profit is exceeded.
Risk	• The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. Performance is based on a balance of metrics which also reflect our broader stakeholders, for example inclusion of sustainability targets and health and safety underpins. We then take a holistic assessment of performance using our Discretion Framework. A copy of the Discretion Framework is provided on the next page. • Annual bonus deferral, the PSP holding period and our shareholding guidelines provide a clear link to the ongoing performance of the business as well as alignment with shareholders. Executives will be rewarded for sustainable long-term shareholder return. • Malus and clawback provisions also apply for both the senior annual Bonus Plan and PSP.
Predictability	• Our Remuneration Policy contains details of maximum opportunity levels for each component of pay, with actual incentive outcomes varying depending on the level of performance achieved against specific measures.
Proportionality	• Our Remuneration Policy directly aligns to our strategy and financial performance. The Committee considers performance from a range of perspectives. Poor financial performance is not rewarded.
Alignment to culture	• Alignment to our 'One Croda' culture is clearly established in our Remuneration Policy; our senior annual Bonus Plan has the same metric for all participants, our PSP metrics reflect our commitment to sustainability and pensions are aligned across the workforce.

Our Discretion Framework

In order to enhance the rigour and consistency in the way in which performance is reviewed the Remuneration Committee has adopted a Discretion Framework which it applies when assessing bonus and long-term incentive plan outcomes:

What is the formulaic result following consideration of the existing underpins?

What is the single figure outcome?
Committee to consider year-on-year change and whether this mirrors the trend in performance

How does the outcome compare with shareholder experience?
Committee to consider Total Shareholder Return in both relative and absolute terms over a number of different periods

How does the outcome compare with overall Company performance?
Consider performance against other KPIs, for example

- ROIC and EVA
- Sales
- Profit growth
- Sustainability

Culture and conduct

- Culture
- Conduct
- Health and safety
- Systems and control

Are there any external headwinds or tailwinds which need to be considered?

Are there any other events that should be factored in?
Other events could be reputational/risk related or a change of accounting standards

As an additional reference point, are the bonus and PSP outcomes consistent?

Input from others?
Draw on input from other Committees as well as other management teams including HR, Legal, Internal Audit and Risk

Consider shareholder response to results
The Committee may also want to reflect on how the market is likely to respond to the preliminary results

Compare with historical use of discretion

Does the outcome appear reasonable/fair, or should an adjustment be considered?

Workforce engagement

Engagement with the workforce to explain how executive remuneration aligns to the wider company pay policy is an area where we continue to make progress. The introduction of regular pulse surveys and a dedicated email address for employees to contact the Chair of the Committee in 2020 helped us to understand how best to consult with our geographically dispersed population and provided useful feedback on a range of reward topics. We will continue with both of these engagement channels in 2021 and have also arranged virtual listening groups with the Chair of the Remuneration Committee for employees to discuss and share their thoughts on executive remuneration and reward in the wider business. A summary of engagement activities undertaken to date is as follows:

Reward principles	Our Reward Principles, which were developed and approved during 2019, guide the way we recognise and remunerate all our global employees. These principles focus on Total Reward including intangible rewards and were strongly influenced by the results of our previous Global Employee Survey. These have been shared across the organisation.
Global Employee Pulse Survey	In 2020, we launched a pulse survey, translated into 16 languages, to draw employee's attention to the publication of the Remuneration Report and to help us understand the level of interest in the report. Over 1,000 employees responded to the survey with results showing that 90% of employees had an interest in the Annual Report and the Sustainability Report. We will run this survey again in 2021. Throughout 2020, a series of pulse surveys covering a range of topics including flexible working, stress in the workplace and COVID-19 were also undertaken. Completion of these surveys has been consistently strong with an average of over 60% of employees taking part. Findings were shared with the Board as well as management and have helped to guide decisions throughout the year including the drafting of new Flexible Working guidance. One of these pulse surveys was carried out to better understand how reward is perceived across the workforce. This covered pay and recognition as well as broader topics such as wellbeing activities. This survey was completed by 66% of our global employees and the findings were shared with the Board as well as management.
Listening groups	During January 2021, Helena Ganczakowski, Chair of the Remuneration Committee held listening groups across a cross-section of employees in Asia, the Americas and Western Europe. Throughout the listening groups, Helena presented about the role of the Board and the Remuneration Committee and also shared an overview of the Elements of Reward at Croda and feedback on the Global Reward pulse survey conducted in 2020. The sessions were greatly appreciated by those who attended, with a number of participants noting that they had limited knowledge of the Board and Remuneration Committee before the session. Useful feedback was provided by the participants on a range of areas that they feel are working and areas that could be improved. These areas will be reviewed in 2021.
Dedicated email to Chair of Committee	A dedicated email address has been established for employees to send comments or questions to the Chair of the Remuneration Committee.
Overview of pay and policy decisions	Committee members are updated annually on global employees' terms and conditions and are made aware of any significant changes to policies and other pay-related matters.
Board roadshows	Our Executive Directors and Board regularly hold roadshows that allow a cross-section of our global workforce to discuss business issues and provide feedback.

How our Remuneration Policy relates to reward in the wider employee context

When making decisions about executive remuneration the Committee considers the pay and reward structures across the business. Annually, the Group Human Resources Director provides the Committee with a review of workforce remuneration, and the Committee is updated periodically on any feedback received on remuneration practices across the Group.

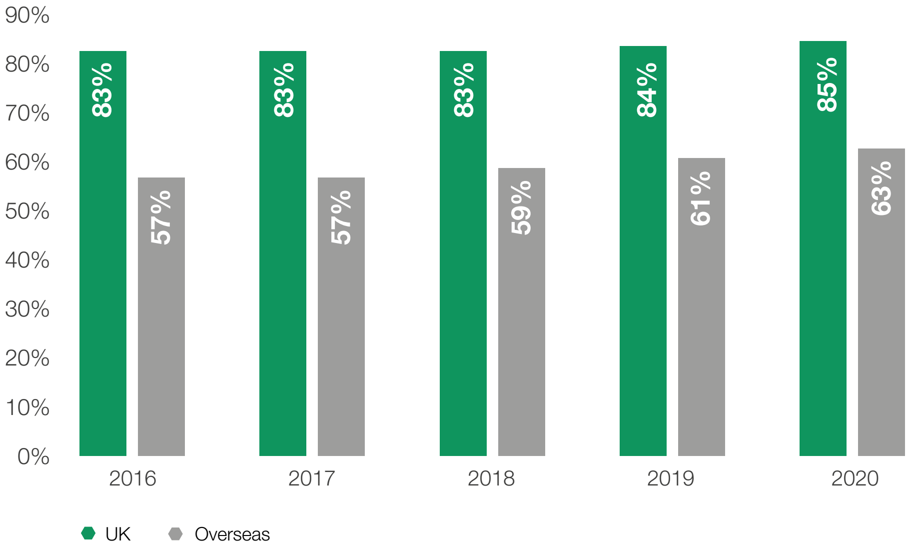
One of the principles of Croda's culture is to drive 'One Croda', therefore, many of the remuneration structures that apply to Executives also apply further in the global organisation, as set out in the table below. The key difference between the policy for Executive Directors compared to other employees, is that remuneration for Executive Directors is more heavily weighted towards variable pay and share ownership.

Remuneration element	Who participates?	Details
Base pay	All employees	Pay is set in line with the market and closely monitored. Any comparator group used as a reference point is country and/or industry specific. Our aim is to pay a 'Living Wage' globally. We are already a Living Wage employer in the UK.
Annual bonus	Executive Directors, Executive Committee, Senior leaders and Senior managers	Consistent senior annual Bonus Plan aligned to increase in annual profit. Operates on a tiered basis from 150% of salary to 20% of salary across the most senior global grades. Deferral applies for Executive Directors and members of the Executive Committee.
	All other employees	Local schemes apply in many locations.
Performance Share Plan	Executive Directors, Executive Committee and Senior leaders	Consistent PSP based on EPS, TSR and sustainability metrics, including NPP.
Restricted Share Plan	Selected employees not eligible for PSP	Discretionary awards can be granted annually to selected employees to reward exemplary performance.
All employee share plans[1]	All employees	Employees can participate in our global Sharesave scheme, subject to qualifying service, allowing everyone to save monthly and purchase discounted shares.
Pension (UK only)[2]	All employees	Defined benefit plan based on career average salary plus 20% cash supplement paid for salaries above the cap or to employees who are tax limited and have opted out of the pension scheme.

1. Sharesave or similar schemes are provided where local social security laws allow.
2. Other pension arrangements, aligned to local practice and legislation are available in many of our locations.

Employee participation in employee share schemes

The Committee believes in wider employee share ownership and promotes this through the operation of a number of all-employee share schemes. Workforce participation in these plans has remained consistently strong and is driven by our culture of employees feeling a strong loyalty to the business. We were proud that this performance was recognised at the 2020 ProShare Awards, where Croda were joint winners in the Best Overall Performance in Fostering Employee Share Ownership (501 – 5,000 employees) category.



Croda's continued strong share price performance has led to the all-employee share schemes being a strong benefit for employees. The 2017 Sharesave Scheme which was granted in September 2017 at a share price of 3092p could be exercised from November 2020. The price of Croda shares on 2 November 2020 was 6096p, meaning employees could have made a potential return of c.97% on their savings. For example, an employee saving £50 a month would have made a profit in excess of £1,700.

Sharing success across the business

In order to share success more broadly and extend share ownership more widely across our employee base, Croda is proud to be launching the "Ten Share Plan" in 2021. Under this new plan, all employees globally who are not eligible for the senior annual Bonus Plan will be gifted up to 10 Croda shares (or cash equivalent) if the senior annual Bonus Plan pays out.

The "Ten Share Plan" was developed in response to findings from the Global Reward survey undertaken in 2020 and aligns to our 'One Croda' culture.

CEO Pay Ratio

The table below sets out the ratio of the CEO's 'single figure' total remuneration to the 25th, 50th and 75th percentile full-time equivalent total remuneration of the Company's UK employees. The pay ratios are calculated on a Group-wide basis by reference to UK employees only.

Under the regulations, there are three methodologies that companies can choose to report their pay ratio, known as Option A, B and C. For 2020 we have chosen to continue to use the Government's preferred option, Option A. Using this methodology, we have determined the full-time equivalent total remuneration for all UK employees and have ranked this data to identify employees whose remuneration places them at 25th, 50th and 75th percentile. The pay ratios are then calculated by comparing total remuneration for these three employees against our CEO 'single figure' total remuneration.

	Methodology	25th Percentile	50th Percentile	75th Percentile
FY 2020	**A**	**49:1**	**37:1**	**31:1**
FY 2019*	A	57:1	44:1	37:1
FY 2018**	C	85:1	67:1	57:1

1. Calculations for the workforce exclude severance pay, notice pay, SIP repayments, fractional share payments, SAR payments and relocation expenses.
2. The calculations for the workforce exclude the value of the defined benefit pension plan due to the difficulty of calculating these figures for our complex historical pension arrangements.
3. Excludes Non-Executive Directors, contractors and employees who left during the relevant year.
4. New starters, part-time employees and employees on long-term sick and maternity are included; their salary has been amended to reflect a full-time and full-year salary.

* The ratio for 2019 has been restated to reflect the updated CEO 'single figure' total remuneration for 2019. This was due to the 2019 PSP award being updated to reflect the actual share price at vesting.

** The CEO Pay Ratio for 2018 was calculated using Option C, which enabled us to calculate, on an indicative basis, the total remuneration packages of three individual UK employees at the 25th, 50th and 75th percentile. Option C was used in 2018 because the full administrative process to enable us to calculate the equivalent total remuneration for UK employees was not in place.

The CEO Pay Ratio is calculated based on the total remuneration payable to the CEO, which could include payments under the senior annual Bonus Plan and PSP. The outcomes of these elements are directly linked to performance, with the value of the PSP also incorporating share price growth. It is therefore expected that the ratios will fluctuate year-on-year to reflect Croda's performance. In respect of the 2020 figures, the ratios represent a reduction in PSP payout in comparison to prior year. In 2019, PSP payout was 56.24% of maximum potential compared to 40% in 2020, which has resulted in an decrease in the pay ratio.

Employee total remuneration

	Actual base salary 2020	Total remuneration 2020
75th percentile	£46,951	£50,125
50th percentile	£39,078	£42,252
25th percentile	£27,317	£31,869

We believe that our CEO pay ratio is consistent with our pay, reward and progression policies.

Living Wage

We were pleased to announce in 2018 that we gained accreditation in the UK as a Living Wage Employer from the Living Wage Foundation. In 2021, we will continue to ensure that all our UK employees and regular contractors are paid at, or above, the rates advised by the Living Wage Foundation.

In addition, the business continues to pursue its Global Living Wage target, one of our sustainability KPIs linked to the UN SDGs, and has forged a partnership with the Fair Wage Network (FWN) to establish, using an independent and economically rigorous methodology, Living Wage levels across the world. We are now in the process of comparing our global wage levels to Living Wage comparators provided by the FWN. Once the assessment is complete, any necessary adjustments will be made to ensure we meet our goal that all our employees will be paid a Living Wage by end of 2022.

More than just pay

Our employees and our culture remain central to the continued success of Croda. As outlined on page 78, Croda has been resilient in its response to COVID-19 and during the pandemic the wellbeing and safety of our employees was a key priority. In response we co-ordinated a number of key initiatives, including:

- We issued regular global and regional announcements and webcasts providing information and reassuring messages.
- We hosted regional and global web-based calls to answer questions and communicate with employees.
- We conducted various pulse surveys globally to test how we were managing the crisis and to gauge employee opinions and morale.
- We ran several online training courses specifically aimed at the management of health and safety, including mental health during the pandemic.
- We sought to support employee's wellbeing through the crisis by setting up mental health and mindfulness programmes.

In addition, we continue to enhance our range of other workforce initiatives, including:

- We further developed our People Dashboard, which provides senior management with data relating to a range of people topics, by introducing wellbeing activity content and additional demographics data such as gender balance by grade and region.
- We published new Flexible Working guidance, which aims to encourage the use of flexible working arrangements where the needs of the business and the servicing of internal and external customer demands can be effectively balanced with employee's wishes. Specifically, this policy covers home working, flexible start and finish times, and implementing a 'dress for your day' policy.
- We introduced a new UK car scheme, focused on encouraging the use of electric vehicles and open to all employees.
- We launched a pilot online Recognition Programme – Croda Stars – which was positively received by employees. Consideration is being given to rolling out more broadly across the organisation.
- We launched an internal Diversity & Inclusion site, to inform all employees at Croda about the Group's commitment to a Diverse and Inclusive business, as well as giving insights and the tools to help drive awareness, understanding and competence. This included the launch of 40 training modules, webinar sessions with key speakers and a series of podcasts featuring a cross-section of Croda's leadership.
- We are proud of the training and development that we provide for employees. In 2020 our employees undertook over 85,000 hours of training.

Gender pay gap

The table below shows a summary of the Gender Pay Gap for UK employees of Croda Europe Ltd:

	2018	2019	**2020**
Mean pay gap	27.68%	27.06%	**18.72%**
Median pay gap	23.10%	23.90%	**19.22%**
Mean bonus gap	63.05%	67.08%	**64.36%**
Median bonus gap	33.26%	33.36%	**0%***

* The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 (payable in 2020). A small number of employees received sales bonus but the median bonus for both female and male employees was zero giving a median bonus gap of 0%.

We are confident that our gender pay gap is not an equal pay issue but is a result of a lack of female representation across our business at senior levels and particularly in production roles which represent the bulk of the workforce between the 25th and 75th percentile. Addressing this issue will require a long-term approach but we have already begun work to increase the number of females working in production and in senior positions.

In the last two years we have increased the number of women in leadership positions by 19%. In our most senior grade we have increased the number of women by 67%. We are pleased to report that we have 41 women working as process operators across 13 of our global sites.

Actions taken to address the gender pay gap include:

- Ensuring we have a balanced shortlist for all positions that we are recruiting for; we have a target of achieving balanced shortlists for 80% of roles by 2023
- Further improving our talent and succession planning processes to help identify and nurture talent early in their career
- Finding ways to reduce shift work (especially night work) and to examine the feasibility of part-time and job share arrangements in our production facilities
- Changing the way we advertise production roles to ensure we reach a diverse population
- Improving family-friendly policies including flexible working, parental leave and other benefits; in 2019 we introduced a new Global Parental Leave Policy and in 2020 we launched new Flexible Working guidance
- Continuing to invest in our STEM activities to encourage a wide range of applicants to apply for roles in our business.

More information is available on the Croda website.

Diversity & Inclusion

As a business with innovation at its heart, diversity of thought and ideas is critical to our long-term success and we are committed to encouraging and promoting diversity within our organisation. We are progressing towards being able to report on broader pay gaps, including our Ethnicity Pay Gap, and despite the challenges, we will begin to collect this data in 2021.

Remuneration Committee year ended 31 December 2020

Responsibilities

The Committee determines and agrees with the Board the Company's Remuneration Policy and framework. It determines the remuneration packages for all Executive Directors, members of the Executive Committee, including the Company Secretary, and the Chair of the Board and recommends and monitors the level and structure of remuneration for senior managers.

Key responsibilities of the Committee:

Detailed responsibilities are set out in the Committee's terms of reference, which can be found at croda.com/en-gb/investors/governance/board-committees/remuneration-committee.

A summary is provided below:

- Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chair, the Group Chief Executive, the Executive Directors, the Company Secretary and other members of senior management
- In determining such policy, take into account factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance
- Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting remuneration policy for Directors
- Feedback to the Board on workforce reward, incentives and conditions in support of the Board's monitoring of whether the workforce policies and practices of the Company are aligned with its purpose, values and strategy
- Review the ongoing appropriateness and relevance of the Remuneration Policy
- Establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee and obtain reliable, up-to-date information about remuneration in other companies
- Oversee any major changes in employee benefits structures throughout the Group.

The Company's remuneration policies and practices should:

- Support the Company's strategy and promote long-term sustainable success
- Ensure that the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Summary of key decisions for 2020

- Considering and agreeing the proposed new Remuneration Policy
- Vesting of 2017 PSP awards; the EPS target representing 40% of the award vested at 40.6%, the TSR target representing 40% of the award vested at 100%, the NPP target representing 20% of the award was not met therefore the overall award vesting was at 56.24%
- Granting of the 2020 PSP awards based on 35% EPS, 35% TSR and 30% sustainability metrics, including NPP
- Granting of new Restricted Share Plan awards to a small number of selected employees below the Executive Committee
- Establishing the senior annual Bonus Plan and PSP targets for 2020
- The salary of the CEO and Group Finance Director to be increased by 1% effective 1 January 2021, in line with the UK workforce
- The fee of the Chair to also be increased by 1% effective from 1 January 2021.

Summary of Remuneration Committee meetings

January 2020	• Approved Chief Executive and Executive Committee salary increases for 2020 • Approved Chair fee increase for 2020 • Reviewed the draft Directors' Remuneration Report, including new Remuneration Policy
February 2020	• Reviewed the draft Directors' Remuneration Report, including new Remuneration Policy • Approved the calculation for 2019 senior annual Bonus Plan award for payment in March 2020 • Approved the vesting outcome for the 2017 PSP awards • Approved the senior annual Bonus Plan targets for 2020 • Approved the granting of the Restricted Share Plan awards • Reviewed the update on ABI headroom limits as they apply to the business • Reviewed share ownership guidelines • Reviewed the Committee's Terms of Reference
April 2020	• Reviewed shareholder feedback on Directors' Remuneration Report and Policy • Approved PSP targets for 2020 and the granting of PSP awards to Executive Directors for 2020 • Gave authority for UK employees to join the UK Sharesave scheme and non-UK employees to join the International Sharesave scheme • Agreed dividend enhancement to the Deferred Bonus Share Plan • Approved updated International Sharesave Plan rules
November 2020	• Reviewed forecast outcomes for 2020 • Considered and reviewed remuneration trends • Discussed remuneration approach for 2021 • Reviewed workforce remuneration • Agreed dividend enhancement to the Deferred Bonus Share Plan • Gave authority for the execution of actions in relation to the 2017 Sharesave maturity
December 2020	• Reviewed initial draft of the Chair's letter for inclusion in the Directors' Remuneration Report • Reviewed proposed targets for the 2021 senior annual Bonus Plan and PSP award • Approved salary increases for Chief Executive and Executive Committee • Considered the Committee's effectiveness review

Remuneration Report continued

Executive Directors' remuneration for the year ending 31 December 2021

Key component	Implementation in 2021
Basic salary	Executive Directors' base salaries were reviewed during the final quarter of the financial year ended 31 December 2020. Salaries for 2021 are as follows:

	Salary at Jan 2021	Salary at Jan 2020	Increase
Steve Foots	£682,340	£675,584	1%
Jez Maiden	£470,579	£465,920	1%

Commentary

- The Committee considered each individual's progression in their role as well as their responsibilities, performance, skills and experience.
- The Committee also considered the wider pay levels and salary increases being proposed across the Group as a whole. UK-based employees will be awarded an increase of 1% in 2021.

Other benefits

- Other benefits such as company cars or car allowances, fuel allowance and health benefits are made available to Executive Directors.

Performance related senior annual Bonus Plan

Steve Foots 150% of salary	Jez Maiden 125% of salary

The targets for the awards are set out below:

Level of award	Bonusable Profit*	% of bonus payable
Threshold	Equivalent to 2020 actual	0%
Maximum	2020 actual plus 10%	100%

* Bonusable Profit is the growth in underlying profitability (defined for bonus purposes as Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS 2 share-based payments) less a notional interest charge on working capital employed during the year. Target is measured after providing for the cost of bonuses on a constant currency basis.

Commentary

- No change to maximum award levels or performance measures from last year.
- When determining bonus outcomes, the Committee applies the Discretion Framework which includes a range of factors, see page 83.
- One third of any bonus paid will be deferred into shares for a three-year period.
- Malus and clawback provisions apply.
- Full retrospective disclosure of targets and actual performance against these will be made in next year's Annual Report on Remuneration.
- The Committee remains comfortable that the structure of the senior annual Bonus Plan does not encourage inappropriate risk-taking and that the mandatory deferral of one third of bonus into shares provides clear alignment with shareholders and fosters a longer-term link between annual performance and reward.
- The Committee considers the targets set for 2021 to be at least as demanding as in previous years and were set after taking due account of the Company's commercial circumstances and inflationary expectations.

Performance share plan

Steve Foots 225% of salary	Jez Maiden 175% of salary

The targets for the awards are set out below:

Performance measure (weighting)	Threshold vesting	Maximum vesting
EPS[1] (35%)	5% p.a.	11% p.a.
TSR[2] (35%)	Median	Upper quartile

Sustainability metrics (30%)

- **NPP (15%) – NPP sales to grow at twice the rate of non-NPP, subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year, with payments being made on a sliding scale up to 5% growth per year.**
- 'Climate Positive' (7.5%) – a reduction target specifically aimed at Scope 1 emissions and aligned with our external commitment to achieve a Science Based Target (SBT) in line with a 1.5°C pathway. Over the three-year PSP performance period the target is a 12.6% reduction (average of 4.2% per year) compared to verified emissions[3] in 2020 with any award paid in defined ranges between:
  - a reduction of 12.6% and above award of 7.5% (maximum)
  - a reduction of 6.2% and below no award (0%).
- 'Land Positive' (7.5%) – our key target for 2030 is that we will save more land than we use. For the three-year PSP performance period we have set annual targets for Land Area saved, with a target in 2023 of 56,750 ha of additional land saved over that in the 2019 baseline year with any award paid in defined ranges between:
  - 56,750 ha or above award of 7.5% (maximum)
  - below 35,600 ha no award (0%).

An EVA underpin applies across the whole PSP award, requiring an improvement in EVA over the three-year performance period. In circumstances where the underpin is not achieved, the Committee would reduce or cancel any vesting of awards. The Committee retains the right to apply discretion to restrict the impact of the underpin in exceptional circumstances, for example material increases to tax rates or to the cost of capital or a major acquisition which had a significant effect on the Group's EVA.

1. EPS growth p.a. is calculated on a simple average basis over the three-year period and therefore growth of 33% or more over three years is required for maximum vesting.
2. TSR peer group constituents: AzkoNobel, Albermarle, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.
3. Emissions in 2020 have been independently verified by Avieco.

Commentary

- No changes to maximum award levels from last year.
- Re-balancing of sustainability metrics, with NPP and sustainability targets, now equally weighted at 15% of the total PSP.
- Sustainability targets aligned to key 2030 sustainability ambitions.
- Performance period 01 January 2021 to 31 December 2023.
- When assessing outcomes, the Committee applies the Discretion Framework which considers, for example, the management of ROIC, health and safety and sales growth and may adjust awards if it considers appropriate.
- An additional two-year holding period will apply for any shares vesting.
- Malus and clawback provisions apply.

Pension

Steve Foots	Jez Maiden

- 20% of salary as pension supplement.

Commentary

- The 20% pension supplement aligns to our UK workforce.

D. Directors' remuneration for the year ended 31 December 2020 (audited information)

In this section

1. Directors' remuneration for the year ended 31 December 2020

Elements of remuneration

Executive Directors' remuneration

Executive Director	Steve Foots		Jez Maiden	
	2020	2019	**2020**	2019
Salaries and fees[1]	**£675,584**	£662,337	**£465,920**	£456,784
Benefits[2]	**£33,642**	£33,476	**£20,117**	£19,667
Pension supplement[3]	**£130,992**	£156,209	**£93,184**	£114,196
Pension[4]	**£7,500**	£2,620	**–**	–
Total fixed pay	**£847,718**	£854,642	**£579,221**	£590,647
Annual bonus	**–**	–	**–**	–
Long-term incentives[5A-B]	**£698,600**	£835,445	**£361,349**	£432,118
Other[6]	**£3,119**	£3,155	**£1,830**	£4,051
Total variable pay	**£701,719**	£838,600	**£363,179**	£436,169
Single total figure of remuneration	**£1,549,437**	£1,693,242	**£942,400**	£1,026,816

1. Steve Foots' salary before salary sacrifice pension contributions of £1,650.
2. Benefits include benefit-in-kind for company car or cash allowance, benefit-in-kind for private medical insurance and private fuel allowance.
3. This represents the 20% of salary supplement for 2020 and 25% of salary for 2019. For Steve Foots the supplement was only in relation to benefits provided above the salary pension cap.
4. For defined benefit pensions the amount included is the additional value accrued during the year, calculated using HMRC's methodology for the purposes of income tax using a multiplier of 20. This methodology can result in year-on-year fluctuations due to underlying inflation inputs. For 2020, the calculation methodology has been amended to align the revaluation rate that is applied to value Steve Foots' Croda Pension Scheme benefits to the inflation rate that is allowed for within the calculation of the disclosable benefit. This reduces the level of volatility in the calculated figure from year to year.
5. A. The PSP awards granted in March 2018 reached the end of their performance period on 31 December 2020. The awards will vest at 40% (see page 92). The values included in the table above are based on the three-month average price to 31 December 2020 of 6259.3p. Of these values, £184,190 and £95,272 is attributable to share price growth for Steve Foots and Jez Maiden, respectively. These values will be updated in next year's Annual Report based on the share price at vesting which will take place on 15 March 2021.
   B. The 2019 PSP award has been updated to reflect the actual share price at vesting of 4259p. Of these values, £133,251 and £68,922 is attributable to share price growth for Steve Foots and Jez Maiden, respectively.
6. Represents the value received in the year from participation in all-employee share schemes. Steve Foots and Jez Maiden received 33 and 34 matching shares respectively as part of the Share Incentive Plan (SIP) with a transaction value of £1,775 and £1,830. Steve Foots also participated in the 2020 Sharesave scheme and was granted 112 shares at a discounted rate of 4804p. The share price on the date of grant was 6004p representing a 20% discount.

Annual bonus

The annual bonus for Executive Directors in 2020 was calculated by reference to the amount by which the profit for the year exceeded the profit for 2019 (the 'Bonusable Profit'). Bonuses for 2020 are payable against a graduated scale once the Bonusable Profit exceeds the base profit with bonus targets set, and performance measured, based on constant currency actual exchange rates.

Executive Director	Threshold target	Maximum target	Actual	Bonus outcome (% of maximum)
Bonusable Profit	£369.3m	£406.2m	£365.0m	0%

While not applicable for 2020, the Remuneration Committee has discretion to reduce (including to zero) the amount of any payment under the scheme if it considers the safety, health or environment (SHE) performance is in serious non-compliance with the Croda SHE policy statement, document of minimum standards. In addition, the Committee can also reduce any payment (including to zero) if it considers the underlying business performance of the Company is not sufficient to support the payment of any bonus. The Committee also applies the Discretion Framework, a rigorous framework for the application of judgement and discretion, when reviewing awards (see page 83).

PSP

PSP awards vesting in March 2021

The PSP awards granted in March 2018 reached the end of their three-year performance period on 31 December 2020.

Measure	Weighting	Threshold	Maximum	Actual performance	Out-turn (% of max element)
Relative TSR versus bespoke peer group[1]	40%	Median (50th percentile)	Upper quartile (75th percentile)	84.2 percentile	100%
Adjusted annual average EPS growth over three years[2]	40%	5% p.a.	11% p.a.	-0.65% p.a.	0%
NPP	20%	Target vesting for NPP sales growth to be at least twice non-NPP sales, subject to a minimum average of 5% growth per year and overall positive Group profit growth.		Not met	0%
				Total out-turn	**40%**

1. TSR peer group constituents: AkzoNobel, Albemarle, Arkema, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.
2. EPS growth p.a. is calculated on a simple average basis over the three-year period; and therefore growth of 33% or more over three years is required for maximum vesting.

As well as considering the EPS, TSR and NPP targets, under the rules of the PSP, the Remuneration Committee is obliged to consider the underlying performance of the Company over the performance period, which it did using the Discretion Framework on page 83. On review, the Committee considered the outcome of the PSP consistent with overall Company performance over the three-year performance period.

The forecast vesting value of the awards made in March 2018, subject to the above performance targets, is included in the 2020 single figure table on page 91. Any shares vesting will be subject to a two-year holding period.

Gains made on exercise of share options and PSP

The gains are calculated according to the market price of Croda International Plc ordinary shares on the date of exercise, although the shares may have been retained.

Executive Director	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax)
Steve Foots	09-Mar-20	19,616	PSP	0	4259p	£835,445
	09-Mar-20	7,593	DBSP	0	4259p	£323,386
	08 Nov-19	204	Sharesave	2639p	4814p	£4,437
	04 Mar-19	41,284	PSP	0	5055.9p	£2,087,278
	04 Mar-19	6,855	DBSP	0	5055.9p	£346,582
Jez Maiden	09-Mar-20	10,146	PSP	0	4259p	£432,118
	09-Mar-20	4,187	DBSP	0	4259p	£178,324
	08 Nov-19	341	Sharesave	2639p	4814p	£7,417
	04 Mar-19	21,354	PSP	0	5055.9p	£1,079,637
	04 Mar-19	3,799	DBSP	0	5055.9p	£191,062

PSP awards granted in 2020

The PSP awards granted on 29 April 2020 were as follows:

Executive Director	Number of PSP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date[1]	% of award vesting at threshold (maximum)	Performance period
Steve Foots	31,533	225%	1,520,048	25% (100%)	01.01.20 – 31.12.22
Jez Maiden	16,914	175%	815,339	25% (100%)	01.01.20 – 31.12.22

1. Face value/maximum value is calculated based on a shares price of 4820.5p, being the average mid-market share price of the three dealing days prior to the date of grant.

The 2020 PSP awards are subject to a performance condition which is split into three parts; 35% EPS, 35% TSR, and 30% sustainability metrics, including NPP. Performance targets were disclosed in full last year, see page 90 of our Annual Report and Accounts 2019. Vesting will take place on a sliding scale. An EVA underpin applies across the entire award, as detailed on page 90.

Any shares vesting will be subject to a two-year holding period.

All employee share plans

Executive Directors are invited to participate in the HMRC tax-approved UK Sharesave scheme and the Croda Share Incentive Plan (SIP) in line with, and on the same terms as, the wider UK workforce.

SIP

Details of shares purchased and awarded to Executive Directors under the SIP are shown in the table below. A brief description of the SIP is set out in note 23 on page 152.

Executive Director	SIP shares held 01.01.20	Partnership shares acquired in year	Matching shares awarded in year	Total shares 31.12.20*	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.20
Steve Foots	5,728	33	33	5,794	59	5,462
Jez Maiden	355	34	34	429	3	4

There have been no changes in the interests of any Director between 31 December 2020 and the date of this report, except for the purchase of five SIP shares and five matching shares by Steve Foots and four SIP shares and four matching shares by Jez Maiden during January and February 2021.

* Jez Maiden also had six additional shares acquired through the Dividend Reinvestment Plan.

Sharesave

Details of awards made under the UK Sharesave scheme are set out below:

Date of grant	Earliest exercise date	Expiry date	Face value*	Exercise price	Number at 01.01.20 (10.609756p shares)	Granted in year	Exercised in the year	Number at 31.12.20 (10.609756p shares)
Steve Foots								
13 September 2017	01 November 2020	30 April 2021	£6,725	3092p	174	–	–	174
27 September 2018	01 November 2021	30 April 2022	£8,960	4144p	173	–	–	173
12 September 2019	01 November 2022	30 April 2023	£6,723	3898p	138	–	–	138
10 September 2020	01 November 2023	30 April 2024	£6,724	4804p	–	112	–	112
					485	**112**	**–**	**597**
Jez Maiden								
27 September 2018	01 November 2021	30 April 2022	£11,238	4144p	217	–	–	217
12 September 2019	01 November 2022	30 April 2023	£11,206	3898p	230	–	–	230
					447	**–**	**–**	**447**

During 2020, the highest mid-market price of the Company's shares was 6564p and the lowest was 3963p. The year-end closing price was 6596p. The year-end mid-market price was 6505.25p.

* Face value is calculated using the market value on the day before the date of grant, multiplied by the number of shares awarded.

2. Pension

The pension rights that accrued during the year in line with the policy on such benefits as set out in the Policy Report were as follows:

Executive Director	Normal retirement date under the CPS	Accrued pension 2020	Single remuneration figure 2020	Single remuneration figure 2019	Single remuneration figures excluding supplement
Steve Foots	14 September 2033	£128,719	£138,492	£158,829	£7,500
Jez Maiden	N/A	–	£93,184	£114,196	–

Note: Members of the CPS have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in this table. During 2020, Steve Foots was paid £130,992 (2019: £156,209) and Jez Maiden was paid £93,184 (2019: £114,196) in addition to their basic salary to enable them to make independent provision for their retirement.

Croda has a number of different pension plans in the countries in which we operate. Pension entitlements for Executive Directors are tailored to local market practice, length of service and the participant's age. In 2016, a Career Average Revalued Earnings (CARE) scheme was introduced with a cap applied to pension benefits; at this time the cap was set at £65,000. The cap is increased each year in line with inflation, and from April 2021 will be £70,772. Employees who earn in excess of the pension cap or who cannot be members of the plan due to tax limitations receive a pension supplement. For Executive Directors this supplement is up to 20% of salary in line with the wider UK workforce.

Steve Foots' pension provision

Steve Foots accrues pension benefits under the Croda Pension Scheme (CPS) with a CARE accrual rate of 1/60th and an entitlement to retire at age 60. From 6 April 2011 onwards, pension benefits accruing are based on a capped salary. This cap was £187,500 until April 2014 at which point it reduced to £150,000, and due to annual allowance regulations and changes to the pension scheme, reduced to £37,500 in April 2016 (reduced from the scheme cap of £65,650 due to annual allowance regulations) and reduced again in April 2020 to £15,000 following new Annual Allowance regulations. If Steve Foots retires before the age of 60, a reduction will be applied to the element of his pension accrued before 6 April 2006, unless he is retiring at the Company's request. In the event of death, a pension equal to two thirds of the Director's pension would become payable to the surviving spouse. Steve Foots' pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum for benefits accrued before 6 April 2006, and in line with inflation up to a maximum of 2.5% per annum for benefits accrued from 6 April 2006 onwards.

Steve Foots is entitled to death-in-service benefits from the CPS. He also received a pension supplement at 20% of salary above his personal pension benefit cap in 2020 in line with the wider UK workforce.

Steve Foots has elected to opt out of CARE from 2021 and will therefore only receive a pension supplement of 20% of salary.

Jez Maiden's pension provision

Jez Maiden has elected not to join CARE and was therefore paid a pension supplement of 20% of salary in 2020. He has an agreement with the Company to provide him with death-in-service benefits outside of the CPS.

3. Payments for cessation of office

There were no payments for loss of office during the year under review.

4. Payments to past directors

There were no payments to past directors during the year under review.

5. Share interests

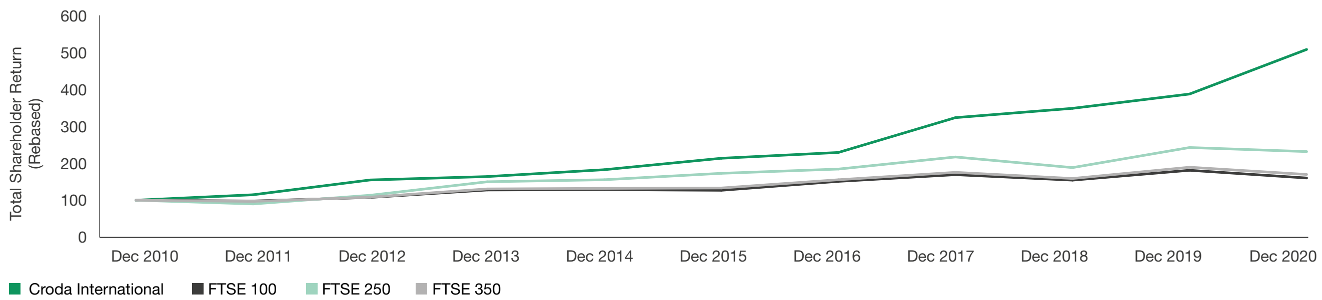
The interests of the Directors who held office at 31 December 2020 are set out in the table below:

	Legally owned[1]					SIP			
	31.12.19	31.12.20	PSP (unvested)	DBSP (unvested)[2]	Sharesave (unvested)	Restricted	Unrestricted	Total 31.12.20	% of salary held under shareholding guideline[3]
Executive Director									
Steve Foots	176,760	163,912	86,930	8,077	423	332	5,432	265,106	>225% target
Jez Maiden	27,167	27,167	45,568	4,639	447	425	4	78,250	>175% target
Non-Executive Director									
Roberto Cirillo	0	0	–	–	–	–	–	0	–
Alan Ferguson*	2,357	0	–	–	–	–	–	0	–
Jacqui Ferguson	76	76	–	–	–	–	–	76	–
Anita Frew	9,425	9,425	–	–	–	–	–	9,425	–
Helena Ganczakowski	361	361	–	–	–	–	–	361	–
Keith Layden	80,400	80,314		652				80,966	
John Ramsay**	0	2,000	–	–	–	–	–	2,000	–

* Alan Ferguson retired 23 April 2020.
** John Ramsay appointed 1 January 2020, holding on appointment Nil.
1. Including connected persons.
2. Represents DBSP awards and, for Keith Layden, in respect of his 2017 bonus, a deferred share award equivalent to a DBSP award.
3. For 2020, the shareholding guidelines for the Chief Executive Officer and Group Finance Director increased to 225% and 175% of salary, respectively

Post-employment shareholding guidelines also apply for two years after leaving employment. These are set at 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. This policy applies to shares from awards that vest in 2020 and beyond. During 2021 the Committee will be formalising the structures in place to allow it to monitor and enforce the post-employment shareholding requirement.

6. Performance graph (unaudited information)



7. Ten-year remuneration figures for Group Chief Executive (unaudited information)

The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years. The annual bonus and long-term incentive award percentages show the payout for each year as a percentage of the maximum.

	2011*	2012**	2013**	2014**	2015**	2016**	2017**	2018**	2019**1	**2020****
Total remuneration (£)	4,142,608	1,364,048	1,427,156	769,414	1,374,046	2,404,441	3,570,251	3,311,700	1,693,242	**1,549,437**
Annual bonus (%)	100%	28%	0%	0%	76.38%	100%	78.36%	36.19%	0%	**0%**
Long-term incentives vesting (%)	100%	100%	81.8%	0%	0%	43%	100%	100%	56.2%	**40%**

* Relates to Mike Humphrey.
** Relates to Steve Foots.
1. The 2019 total remuneration figure has been updated to reflect the value of the 2019 PSP award at vesting.

8. Board Chair and other Non-Executive Directors' fees 2020 and 2021 (unaudited information)

The fees paid to the Non-Executive Directors (including chairing of Committees) and to the Senior Independent Director were reviewed in December 2020 and increased by 1%. These changes took effect from 1 January 2021. The revised fee structure for the Board Chair and other Non-Executive Directors for 2021 is detailed below.

Position	2020 fee £	2021 fee £
Board Chair (all inclusive fee)	300,900	303,909
Non-Executive Director base fee	63,240	63,872
Additional fees		
Senior Independent Director	10,506	10,611
Committee Chairs (Audit and Remuneration)	15,300	15,453

9. Non-Executive Directors' remuneration

The remuneration of Non-Executive Directors for the year ended 31 December 2020 payable by Group companies is detailed below, this table reflects actual payments in 2020.

		Non-Executive Director fees £	Benefits[1] £	Total £
Anita Frew	**2020**	**300,900**	**–**	**300,900**
	2019	295,000	5,546	300,546
Alan Ferguson[2]	**2020**	**28,084**	**–**	**28,084**
	2019	87,300	3,004	90,304
Helena Ganczakowski[4]	**2020**	**85,789**	**–**	**85,789**
	2019	77,000	4,805	81,805
Jacqui Ferguson	**2020**	**63,240**	**–**	**63,240**
	2019	62,000	2,455	64,455
Roberto Cirillo	**2020**	**63,240**	**–**	**63,240**
	2019	62,000	5,845	67,845
Keith Layden	**2020**	**63,240**	**–**	**63,240**
	2019	62,000	861	62,861
John Ramsay[3,4]	**2020**	**73,793**	**–**	**73,793**
	2019	–	–	–
Steve Williams[5]	**2020**	**–**	**–**	**–**
	2019	20,667	2,787	23,454

1. The benefits relate to Directors undertaking business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax.
2. Alan Ferguson retired on 23 April 2020. His fees were pro-rated accordingly.
3. John Ramsay was appointed to the Board on 1 January 2020.
4. Following Alan Ferguson's retirement, Helena Ganczakowski was appointed as the Senior Independent Director and John Ramsay was appointed as the Chair of the Audit Committee. Their fees were pro-rated accordingly.
5. Steve Williams retired 24 April 2019.

Non-Executive Directors appointment

The effective dates of the letters of appointment for the Board Chair and each Non-Executive Director who served during 2020, are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Anita Frew	05 March 2015	05 March 2022
Roberto Cirillo	26 April 2018	26 April 2024
Alan Ferguson[1]	01 July 2011	30 June 2020
Jacqui Ferguson	01 September 2018	01 September 2021
Helena Ganczakowski	01 February 2014	31 January 2022
Keith Layden	01 May 2017	01 May 2023
John Ramsay	01 January 2020	01 January 2023

1. Alan Ferguson retired on 23 April 2020.

10. Service contracts and outside interests (unaudited information)

The Executive Directors have service contracts as follows:

Executive Director	Contract date	Termination provision
Steve Foots	16 September 2010	by the Company 12 months, by the Director 6 months
Jez Maiden	09 October 2014	by the Company 12 months, by the Director 6 months

External directorships

Executive Directors are permitted to accept external appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for Non-Executive Director roles. Jez Maiden was appointed as a Non-Executive Director of PZ Cussons on 16 October 2016. He stepped down from this role on 31 May 2020 and received a fee of £26,291 for his services in 2020.

11. Remuneration Committee attendance and advisers (unaudited information)

The following Directors served as members of the Committee during 2020:

- Helena Ganczakowski (Chair)
- Alan Ferguson (Retired 23 April 2020)
- Roberto Cirillo
- Jacqui Ferguson
- John Ramsay (From 01 January 2020)

See page 63 for details of attendance at meetings during the year.

In addition, the Committee invites individuals to attend meetings to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2020, invitees included other Directors and employees of the Group and the Committee's advisers (see below), including Anita Frew (Company Chair), Steve Foots (Group Chief Executive), Jez Maiden (Group Finance Director), Keith Layden (Non-Executive Director), Tracy Sheedy (Group HR Director), Tom Brophy (Group General Counsel and Company Secretary) and Caroline Farbridge (Deputy Company Secretary).

Attendees at Committee meetings are excluded from discussions that determine their own remuneration.

Remuneration Committee advisers (unaudited information)

Deloitte LLP were retained as the appointed adviser to the Committee for the whole of 2020 having been appointed in October 2017, following a tender and selection process led by the Chair and including Committee members. As well as providing advice in relation to Executive remuneration and Non-Executive fees Deloitte LLP also provide advice to the Group in relation to global employer services, global business tax services, indirect tax and M&A. Deloitte LLP is a signatory to the Remuneration Consultants Group Code of Conduct. The lead engagement partner has no other connection with the Company or individual Directors. The total fees paid to Deloitte LLP for its services during the year in relation to Executive remuneration and Non-Executive fees were £72,485 (excluding VAT). The Committee regularly reviews the external adviser's relationship and is comfortable that the advice it is receiving remains objective and independent.

12. Other disclosures (unaudited information)

Percentage change in remuneration levels

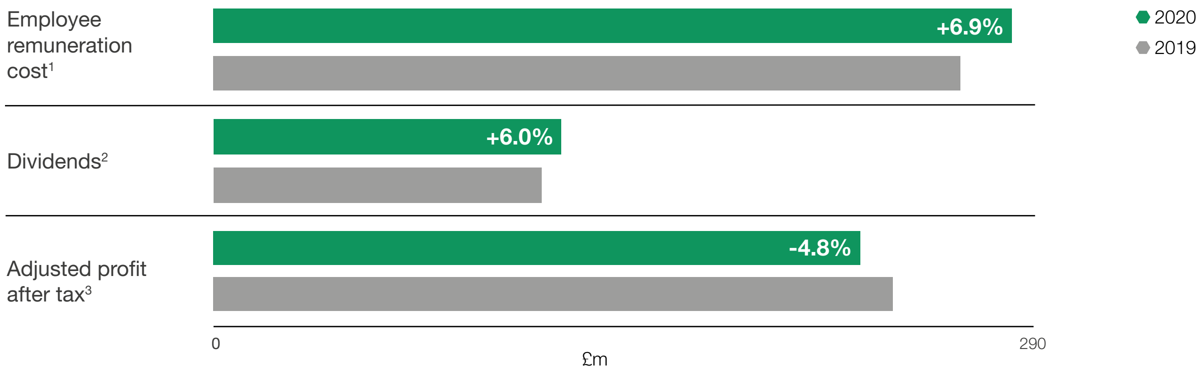
The following chart shows the movement in salary/fees, benefits and annual bonus for each of the Group's Directors between the current and previous financial year compared with that of the average employee of the Group's parent Company. The movement for the average UK employee is also provided for additional reference given the small number of employees employed by the Group parent Company.

	% change in salary / fees[1]	% change in benefits[2]	% change in bonus[3]
Average employee of the Group's parent Company[3]	3.66%	-0.06%	0.00%
Average UK employee[4]	3.43%	-3.27%	27.96%
Executive Directors			
Steve Foots	2.00%	0.50%	0.00%
Jez Maiden	2.00%	2.29%	0.00%
Non-Executive Directors			
Anita Frew	2.00%	-100.00%	–
Roberto Cirillo	2.00%	-100.00%	–
Alan Ferguson[5]	-67.83%	-100.00%	–
Jacqui Ferguson	2.00%	-100.00%	–
Helena Ganczakowski[6]	11.41%	-100.00%	–
Keith Layden	2.00%	-100.00%	–
John Ramsay[6,7]	–	–	–

1. Employees of the Group's parent company and UK employees received a 2% pay increase in 2020, in line with both Executive Directors and Non-Executive Directors. The % increase above this represents individual employee salary reviews, promotions and new hires.
2. The benefits for Non-Executive Directors relate to the undertaking of business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax. No taxable business travel expenses were claimed by Non-Executive Directors in 2020 due to the COVID-19 pandemic.
3. The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 or 2020. This percentage represents a small increase in the amount of sales bonus received by a small number of employees.
4. Excluding Executive Directors and Non-Executive Directors.
5. Alan Ferguson retired on 23 April 2020.
6. Following Alan Ferguson's retirement, Helena Ganczakowski was appointed as the Senior Independent Director and John Ramsay was appointed as the Chair of the Audit Committee. Their fees were pro-rated accordingly.
7. John Ramsay was appointed to the Board on 1 January 2020 and therefore has no comparable remuneration figures for 2019.

Relative importance of the spend on pay

The chart below shows the movement in spend on staff costs versus that in dividends and adjusted profit after tax.



1. Employee remuneration costs, as stated in the notes to the Group accounts on page 133. These comprise all amounts charged against profit in respect of employee remuneration for the relevant financial year, less redundancy costs and share-based payments, both of which can vary significantly from year to year.
2. Dividends are the amounts payable in respect of the relevant financial year.
3. Adjusted profit after tax is profit for the relevant year adjusted for exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon.

13. Statement of voting (unaudited information)

	Remuneration Policy 2020 AGM		Annual Report on Remuneration 2020 AGM	
	number of votes	% of votes	number of votes	% of votes
Votes cast in favour	97,230,580	97.55%	96,844,492	97.16%
Votes cast against	2,445,834	2.45%	2,833,300	2.84%
Total votes cast	99,676,414	100%	99,677,792	100%
Withheld	152,926		151,550	

I will be available at the shareholder engagement event to respond to any questions shareholders may raise on the Committee's activities.

On behalf of the Board

Helena Ganczakowski

Helena Ganczakowski
Chair of the Remuneration Committee

1 March 2021

E. Summary of the Remuneration Policy

An updated Remuneration Policy was presented and approved by shareholders at the 2020 AGM. It is intended that this will operate until the AGM in 2023. The full Remuneration Policy can be found on pages 77 to 83 of our Annual Report & Accounts 2019.

Main components of the Remuneration Policy

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Basic salary – to assist in the recruitment and retention of high-calibre Executives		
Normally reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee, considering: • The performance and experience of the individual concerned • Any change in scope, role and/or responsibilities • Pay and employment conditions elsewhere in the Group • Rates of inflation and market-wide wage increases across international locations • The geographical location of the Executive Director • Rates of pay in international manufacturing and pan-sector companies of a comparable size and complexity.	• Salaries may be increased each year in percentage of salary terms. • The Committee will be guided by the salary increase budget set in each region and across the workforce generally. • Increases beyond those linked to the region of the Executive Director or the workforce as a whole (in percentage of salary terms) may be awarded by the Committee at its discretion. For example, where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value or complexity of the Group. • The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to individual performance.	• The Committee considers individual salaries taking due account of the relevant factors set out in this Policy, which includes individual performance.
Benefits – to provide competitive benefits to act as a retention mechanism and reward service		
The Group typically provides the following benefits: • Company car (or cash allowance) • Private fuel allowance • Private health insurance and other insured benefits • Other ancillary benefits, including relocation expenses/arrangements (including tax thereon) as required. Additional benefits might be provided from time to time (for example in circumstances where an Executive Director is deployed to, or recruited from overseas). The Committee will consider whether the payment of any additional benefits is appropriate and proportionate when determining whether they are paid.	• The cost of benefits is not pre-determined and may vary from year to year based on the cost to the Group.	None.
Performance-related annual bonus – to incentivise and reward delivery of the Group's key annual objectives and to contribute to longer-term alignment with shareholders		
Normally one third of any bonus paid is compulsorily deferred into shares for three years through the Deferred Bonus Share Plan (DBSP). The Committee has the discretion to permit DBSP awards to benefit from dividends on shares that vest. The balance of the bonus is paid in cash.	Group Chief Executive: 150% of salary. Other Executive Director: 125% of salary.	• Bonus will typically be based on challenging financial targets set in line with the Group's KPIs (for example profit growth targets). • The Committee has the flexibility to include, for a minority of the bonus, targets related to other Group measures where this is considered appropriate. • For a profit measure, bonus normally starts to accrue once the threshold target is met (0% payable) rising on a graduated scale to 100% for outperformance. Were an additional KPI metric to be introduced, the threshold would not exceed 25%. • The Committee applies a Discretion Framework, which includes health, safety and environmental performance when determining the actual overall level of individual bonus payments and it may adjust the bonus awards if it considers it appropriate to do so. • Bonuses paid are subject to provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the bonus is paid.

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Performance Share Plan (PSP) – to incentivise and reward the execution of business strategy over the longer term and to reward sustained growth in profit and shareholder value		
The PSP provides for awards of free shares (i.e., either conditional shares or nil-cost options) normally made annually which vest after three years subject to continued service and the achievement of challenging performance conditions. Shares are subject to a two-year post-vesting holding period. The Committee has the discretion to permit awards to benefit from the dividends paid on shares that vest.	Normal maximum opportunity of: • Group Chief Executive: 225% of salary • Other Executive Director: 175% of salary. In exceptional circumstances (eg recruitment), awards may be granted up to 300% of salary to compensate for value forfeited from a previous employer.	• Granted subject to a blend of challenging financial (eg EPS), shareholder return (eg relative TSR) and strategic targets (eg sustainability). The performance targets may also include an additional underpin (eg an EVA underpin). • Targets will normally be tested over three years. • In relation to financial targets (eg EPS growth and TSR) 25% of awards subject to such targets will vest for threshold performance with a graduated scale operating through to full vesting for equalling, or exceeding, the maximum performance targets (no awards vest for performance below threshold). In relation to strategic targets or underpin targets, the structure of the target will vary based on the nature of target set (eg for milestone strategic targets it may not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if the criteria are met in full). • Vesting is also dependent on application of the Discretion Framework, including satisfactory underlying financial performance of the Group over the performance period and the Committee may adjust outcomes if it considers it appropriate to do so. • There are also provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the PSP awards vest.
All-employee share plans – to encourage retention and long-term shareholding in the Company and to provide all employees with the opportunity to become shareholders in the Company on similar terms		
• Periodic invitations are made to participate in the Group's Sharesave scheme and Share Incentive Plan. • Shares acquired through these arrangements have significant tax benefits in the UK subject to satisfying certain HMRC requirements. • The plans can only operate on an all-employee basis. • The plans operate on similar terms but on a non tax-favoured basis outside the UK as appropriate. • In the event that Croda were to introduce an all-employee plan similar in nature to the current Sharesave and Share Incentive Plan, the Committee retains the discretion to allow Executive Directors to participate on the same basis as other employees.	• In relation to HMRC plans (or equivalent) the maximum participation level is as per HMRC limits. For any other all-employee plan the maximum will be equivalent to the maximum applying to all employees.	• There are no post-grant targets currently applicable to the Group's Sharesave and Share Incentive Plan.
Pension – to provide competitive long-term retirement benefits and to act as a retention mechanism and reward service		
Pension benefits are typically provided either through (i) participation in the UK's defined benefit pension plan with a cash supplement provided above any pension salary cap or (ii) a cash supplement provided in lieu of pension. Only basic salary is pensionable.	• Career average revalued earnings scheme (CARE) with a maximum 1/60th accrual up to a capped salary plus cash allowance of 20% of salary above the cap or cash allowance of 20% of salary.	None.

Legacy arrangements

For the current CEO, and in line with other employees, there is a legacy capped defined benefit pension scheme. While there are no future accruals, the arrangement remains inflation-linked.

Other Disclosures

Pages 50 to 105 inclusive, together with the sections of the Annual Report and Accounts incorporated by reference, constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law; the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

Research and development

Research and development activities are undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Dividends

The Directors are recommending a final dividend of 51.5p per share (2019: 50.5p). If approved by shareholders, total dividends for the year will amount to 91p per share (2019: 90p). Details of dividends are shown in note 8 on page 132; details of the Company's Dividend Reinvestment Plan can be found on page 165. The Company has established various Employee Benefit Trusts (EBTs) in connection with the obligation to satisfy future share awards under employee share incentive schemes. The trustees of the EBTs have waived their rights to receive dividends on certain Ordinary Shares of the Company held in the EBTs. Such waivers represent less than 1% of the total dividend payable on the Company's Ordinary Shares. Further details of the EBTs can be found in note 25 on page 153.

Directors

The Company's Articles of Association (Articles) give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The present Directors of the Company are shown on pages 54 and 55.

In line with the 2018 UK Corporate Governance Code, each Director will be standing for re-election at the AGM. Details of the Directors' service contracts are given in the Directors' Remuneration Report on page 97.

Apart from the share option schemes, long term incentive schemes and service contracts, no Director had any beneficial interest in any contract to which the Company or a subsidiary was a party during the year. A statement indicating the beneficial and non-beneficial interests of the Directors in the share capital of the Company, including share options, is shown in the Directors' Remuneration Report on page 95.

The Directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Memorandum and Articles and any directions given by special resolution.

Directors' indemnities

The Company maintains Directors' and Officers' liability insurance that gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors and the Company Secretary, which represent 'qualifying third party indemnity provisions' (as defined by Section 234 of the Companies Act 2006), in relation to certain losses and liabilities that the Directors or Company Secretary may incur to third parties in the course of acting as Directors or the Company Secretary or as employees of the Company or of any associated company. In addition, such indemnities have been granted to other officers of the Company who are Directors of subsidiary companies within the Group. Such indemnities were in place during 2020 and at the date of approval of the Group financial statements.

Share capital

At the date of this Report, 142,536,884 Ordinary Shares of 10.609756p each have been issued and are fully paid up and quoted on the London Stock Exchange. At the date of this Report, the Company has issued and fully paid up 21,900 7.5% Cumulative Preference Shares, 498,434 6.6% Cumulative Preference Shares and 615,562 5.9% Cumulative Preference Shares, all of £1 each (the Preference Shares). The rights and obligations attached to the Company's Ordinary Shares and Preference Shares are set out in the Articles, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. There are no restrictions on the voting rights attached to the Company's Ordinary Shares or on the transfer of securities in the Company. The 7.5% Cumulative Preference Shares do not confer on the holders any right to receive notice of or to be present or to vote at any general meeting of the Company unless the cumulative preferential dividend on such shares is more than 12 calendar months in arrears. The 6.6% and 5.9% Cumulative Preference Shares do not confer on the holders any right to receive notice of or to be present or to vote at any general meeting of the Company, unless the cumulative preferential dividend on such shares is more than six calendar months in arrears or the business of the general meeting includes the consideration of a resolution for reducing the share capital of the Company, to sell the undertaking of the Company or to alter the Articles. No person holds securities in the Company that carry special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Power to issue or buy back shares

At the 2020 AGM, authority was given to the Directors to allot unissued shares in the Company up to a maximum amount equivalent to approximately one third of the issued share capital, excluding shares held in treasury, for general purposes, plus up to a further one third of the Company's issued share capital, excluding shares held in treasury, but only in the case of a rights issue.

A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. Both of these authorities expire on the date of the 2021 AGM, that is 21 May 2021, and so the Directors propose to renew them for a further year.

On 18 November 2020, the Company raised gross proceeds of £627m new equity to part-fund the acquisition of Iberchem. 10,630,003 new Ordinary Shares were admitted to trading on 20 November 2020 following the placing and retail offer at a price of 5900 pence. The new shares are fully paid and rank pari passu in all respects with each other and with the existing Ordinary Shares in the capital of Company. Following the admission, the total number of Ordinary Shares in issue in Croda is 139,518,681 (excluding shares held in treasury).

Employees

Diversity: We are committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of any protected characteristic or is disadvantaged by conditions or requirements that cannot be shown to be justified. Group human resources policies are clearly communicated to all of our employees and are available through the Company intranet.

Recruitment and progression: It is established policy throughout the Business that decisions on recruitment, career development, promotion and other employment related issues are made solely on the grounds of individual ability, achievement, expertise and conduct.

We give full and fair consideration to applications for employment from people with disabilities, having regard to their particular aptitudes and abilities. Should an employee become disabled during their employment with the Company, they are fully supported by our Occupational Health provision. Efforts are made to continue their employment with reasonable adjustments being made to the workplace and role where feasible. Retraining is provided if necessary.

Development and learning: The Company recognises that the key to future success lies in the skills and abilities of its dedicated global workforce. The continuous development of all of our employees is key to meeting the future demands of our customers, especially in relation to enhanced creativity, innovation and customer service. During 2020, close to 100% of our employees received training. This included training on home working and mental health.

Involvement: We are committed to ensuring that employees share in the success of the Group. Owning shares in the Company is an important way of strengthening involvement in the development of the Business and bringing together employees and shareholders' interests. In 2020, 85% of our UK employees and 63% of our non-UK employees participated in one of our all-employee share plans, indicating employees' continued desire to be involved in the Company.

Employees are kept informed of matters of interest to them in a variety of ways, including the Company magazine, Croda Way; quarterly updates; the Company intranet, Connect; team briefings, podcasts, webinars, Yammer and Croda Now email messages. These communications help achieve a common awareness of the financial and economic factors affecting the performance of Croda and of changes within the Business. We are committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. In 2020 we conducted 11 surveys to gain vital feedback on employee views across the global organisation during the pandemic.

Other disclosures

Certain information that is required to be included in the Directors' Report can be found elsewhere in this document as referred to below, each of which is incorporated by reference into the Directors' Report:

- Information on greenhouse gas emissions can be found on page 32.
- Information on energy consumption can be found on page 32.
- Information on energy efficiency can be found on page 32.
- Information on gas emissions, energy consumption and energy efficiency - other disclosures can be found on page 32.
- An indication of likely future developments in the Group's business can be found in the Strategic Report, starting on page one.
- An indication of the Company's overseas branches are on pages 162 to 164.

There have been no events affecting the Company since the financial year end to report to shareholders in accordance with the Accounts Regulations and Disclosure Guidance and Transparency Rules.

For the purposes of Listing Rule (LR) 9.8.4R, the information required to be disclosed by LR 9.8.4R can be found on the following pages of this Annual Report and Accounts as detailed in the table on page 104.

All the information cross referenced above is incorporated by reference into the Directors' Report.

References in this document to other documents on the Company's website, such as the Sustainability Report, are included as an aid to their location and are not incorporated by reference into any section of the Annual Report and Accounts.

Independent auditors

Our auditors, KPMG, have indicated their willingness to continue in office and, on the recommendation of the Audit Committee, a resolution regarding their reappointment and remuneration will be submitted to the AGM on 21 May 2021.

Audit information
The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that they have each taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Articles of Association
Unless expressly specified to the contrary in the Articles, the Company's Articles may be amended by a special resolution of the Company's shareholders.

It is proposed that the Company adopt new articles of association (the "New Articles") to update the Company's current articles of association (the "Existing Articles"), which were last amended in 2013. The proposed updates reflect developments in market practice and legal and regulatory requirements, provide additional flexibility and clarify certain aspects of the operation of the Existing Articles where necessary or appropriate.

The principal changes to the Company's Existing Articles are summarised in the Notice of the AGM to be held on 21 May 2021. A copy of the New Articles and a copy of the Existing Articles marked up to show all proposed changes is available at www.croda.com/agm.

Significant contracts and change of control
The Group has borrowing facilities which may require the immediate repayment of all outstanding loans together with accrued interest in the event of a change of control. The rules of the Company's employee share plans set out the consequences of a change in control of the Company on participants' rights under the plans. Generally, such rights will vest and become exercisable on a change of control subject to the satisfaction of performance conditions. None of the Executive Directors' service contracts contains provisions that are affected by a change of control and there are no other agreements that the Company is party to that take effect, alter or terminate in the event of a change of control of the Company, which are considered to be significant in terms of their potential impact on the Group. The Company does not have any contractual or other arrangements that are essential to the business of the Group.

Political donations
No donations were made for political purposes during the year (2019: £nil).

Financial risk management
The Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risks are contained in note 20 on pages 147 to 148.

Capitalised interest
The Group's policy for capitalising borrowing costs directly attributable to the purchase or construction of fixed assets is set out on page 126.

Listing Rule (LR) 9.8.4R information

Section	Topic	Page reference
(1)	Capitalised interest	Page 104
(2)	Publication of unaudited financial information	Not applicable
(3)	Smaller related party transactions	Not applicable
(4)	Details of long term incentive schemes established specifically to recruit or retain a Director	Not applicable
(5) (6)	Waiver of emoluments by a Director	Not applicable
(7) (8)	Allotments of equity securities for cash	Page 103
(9)	Participation in a placing of equity securities	Not applicable
(10)	Contracts of significance	Page 104
(11) (14)	Controlling shareholder disclosures	Not applicable
(12) (13)	Dividend waiver	Page 102

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition, the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

The Directors' Report and the Strategic Report, including the sections of the Annual Report and Accounts incorporated by reference, is the 'management report' for the purposes of the Financial Conduct Authority Disclosure Guidance and Transparency Rules (DTR 4.1.8R). It was approved by the Board on 1 March 2021 and is signed on its behalf by

Tom Brophy
Group General Counsel and
Company Secretary

1 March 2021

Remuneration Report

“We continue to seek out opportunities to further enhance the remuneration approach at Croda, taking on board advice from our investors and other stakeholders.”

Dr Helena Ganczakowski
Chair of the Remuneration Committee

Report of the Remuneration Committee for the year ended 31 December 2020

A. Chair’s letter

On behalf of the Board and the Remuneration Committee, I am pleased to present Croda’s Directors’ Remuneration Report for the year ended 31 December 2020. I would like to thank my colleagues for their engagement throughout the year, and to welcome John Ramsay as a new member of the Committee.

The Committee believes that Croda’s remuneration approach plays a key role in the achievement of the Group’s strategic objectives and in the delivery of sustainable, profitable growth. Last year we reviewed and updated our policy to ensure ongoing alignment to Croda’s evolving ambition and were pleased to receive 97% votes in favour. The Remuneration Committee is not proposing any material changes to the operation of the policy in 2021, being satisfied with both the outcome of the review and the changes made in 2020 and having considered the management of COVID-19 and its impact on the business.

Continued strong progress despite COVID-19

I am pleased to confirm that, despite the challenges presented by the COVID-19 pandemic, Croda continues to progress successfully in line with its strategy, with a strong share price performance. It remains a highly profitable, cash generative business, with ample liquidity in place. Croda’s priorities during the pandemic have continued to be to fairly and equally balance the needs of all our stakeholders, including employees, customers, investors, suppliers and local communities, while ensuring the health and safety of our people at all times.

All but two of our 19 principal manufacturing sites globally have operated without interruption. We have maintained high customer service levels and demand has remained resilient. In addition, we have supported our customers and suppliers with flexible payment terms, where necessary. We have not made anyone redundant or furloughed any employees due to COVID-19, and have protected pay and benefits, including for those unable to work normally due to the need to self-isolate, or because of caring responsibilities.

In April we launched our “Acts of Kindness” initiative and made £200,000 available to support communities closest to our largest manufacturing sites globally. In addition, the Croda Foundation, an independent enterprise that will be funded by Croda to provide a framework for charitable giving was legally incorporated.

Our shareholders benefited from full payment of dividends as they were due, and our share price recovered strongly after the initial sharp COVID-19 related market reduction in March 2020. The PSP awards to Executive Directors were made after the AGM in May and at a time when the share price had recovered from this low.

Alignment to strategic objectives

Croda’s strategy continues to focus on consistently delivering sustainable, profitable growth by providing innovative, sustainable solutions to our customers consistent with our Purpose: Smart science to improve lives™. This sense of purpose aligns strongly with our business culture and underpins our three business sectors of Consumer Care, Life Sciences and Performance Technologies.

With its robust business model proven through COVID-19, Croda has been able to continue to expand and grow at a time when many companies have been forced to rein in their strategic plans. In August, we completed the acquisition of Avanti Polar Lipids LLC, a leader in drug delivery systems for next-generation pharmaceuticals, and in November we completed the acquisition of Iberchem, a leading global fragrances and flavours company. These acquisitions represent strong alignment to our strategy and both businesses have an excellent financial record.

Delivering sustainable, profitable growth is directly reflected in our performance measures and stretching targets. The Group Profit Incentive Bonus Scheme (senior annual Bonus Plan) is based on a single operating profit metric with no payout unless the previous year's outcome is exceeded.

For the longer-term Performance Share Plan (PSP), 35% of the award is based on earnings per share (EPS) growth and 35% is based on relative Total Shareholder Return (TSR) performance against a bespoke group of our most relevant competitors. Innovation and sustainability are key to Croda's success and we continue to focus management on the delivery of these. 30% of the 2021 award will continue to be based on Sustainability metrics. 15% will be based on our innovation metric, New and Protected Products (NPP), those products that will drive our future growth. The remaining 15% will be focused on carefully selected KPIs aligned to the delivery of our "Climate Positive" and "Land Positive" sustainability Commitment. We will be continuing with our EVA underpin.

Performance is always considered holistically; each year the Committee applies a Discretion Framework to satisfy itself that the outcome in terms of primary performance metrics has not been to the detriment of other measures of corporate performance. Health and safety remains a key metric of particular focus in this review.

Alignment of executive reward with the wider workforce

Our 'One Croda' culture drives focus on alignment of executive reward with the wider workforce. To better understand how reward is perceived across the workforce, the business ran a Global Reward pulse survey in 2020, covering recognition, pay and wellbeing activities. This survey was completed by over 3,150 employees, 66% of our workforce, and the findings were shared with the Board, as well as management.

In response to these findings, management identified an opportunity to extend a sense of ownership across the whole employee base and are therefore proud to be launching the "Ten Share Plan" in 2021 where all employees globally who are not eligible for the senior annual Bonus Plan will be gifted up to 10 Croda shares (or cash equivalent) if the 2021 senior annual Bonus Plan pays out.

In 2018 we gained accreditation in the UK as a Living Wage Employer from the Living Wage Foundation. The business continues to pursue its Global Living Wage target, one of our sustainability KPIs linked to the UN SDGs, and has forged a partnership with the Fair Wage Network to establish a Living Wage in each of the countries in which we operate.

Workforce reward continues to evolve, and in 2020 we introduced a new UK car scheme, focused on encouraging use of electric vehicles and open to all employees, and launched a pilot online Recognition Programme.

In line with our 'One Croda' culture, our senior leaders all share the same performance metrics for the senior annual Bonus Plan and PSP. Around 450 employees participate in the senior annual Bonus Plan and 70 of these are also in the PSP. We believe that this focuses our leadership on working together globally to deliver the best overall outcome for our customers and, in turn, our shareholders and other stakeholders.

Pay for all employees is set in line with the market and closely monitored, and local bonus schemes are available for those below senior leader level in most regions. Around 85% of our UK workforce and 63% globally participate in share plans and therefore benefit from the rewards enjoyed by all shareholders.

In addition, we are proud to be one of only two FTSE 100 companies with a career average defined benefit pension scheme that is open to all new and existing employees. Our pension scheme is a generous and inclusive benefit for our UK workforce. An important part of the value to employees is that the level of pension is guaranteed, as the Company bears all the investment risk. This security for our workforce is an important part of our 'One Croda' culture. In 2020 we aligned Executive Director pension supplements to the same level as that paid to all employees who are above the defined benefit pension scheme cap.

Remuneration out-turn for 2020

We delivered a resilient performance in 2020 with sales growth driven by a second half recovery and acquisitions, a robust margin and healthy cash generation. This demonstrates the strength of the business model in challenging economic conditions created by the pandemic.

As the bonusable profit did not exceed the outcome for 2019, the threshold for the senior annual Bonus Plan was not reached and no annual bonus is therefore payable.

Our longer-term performance in profitable growth and Total Shareholder Return was more reflective of our long-term growth trajectory. For PSP, 2020 was the year in which grants made in 2018 concluded their three-year period, and the Committee has reviewed performance for the targets that were set at that time. Over the period TSR performance was 58.8%, placing Croda in the top quartile against our bespoke comparator group, resulting in 100% of this part of the award vesting. The subdued market conditions experienced in the last two years has had an adverse impact on EPS growth which, at -2%, fell short of the target required for this element to vest. NPP growth also failed to meet the vesting target, reflecting the ambition of this metric and the slowdown of certain NPP sales.

The PSP award is dependent on satisfactory underlying financial performance of the Group. The Committee considered this, and a range of other broader performance criteria using the Discretion Framework, and concluded that the awards were consistent with, and reflective of overall financial performance over the time period. Therefore, after consideration of all factors, an overall PSP vesting of 40% of the total award was agreed.

Salaries for 2021

For 2021, the general increase set for the UK workforce is 1%. The Committee considered the salaries of the Executive Directors in the context of positioning against market benchmarks, as well as the performance of the Company. The Committee determined that the salary increase for Executive Directors should be in line with that of the UK workforce.

Looking ahead

We are confident that our Remuneration Policy approved in 2020 will continue to serve us well over the next two years. Targets for 2021 have been set in line with the approach for 2020, and new sustainability targets have been set reflecting our ambitious sustainability agenda.

Going forward, we will continue to seek out opportunities to further enhance the remuneration approach at Croda, taking on board advice from our investors and other stakeholders. We remain committed to ensuring that our remuneration framework reflects the evolving needs of all of our stakeholders and the communities in which we operate.

Dr Helena Ganczakowski
Chair of the Remuneration Committee

B. Remuneration at a glance

Contents

"We remain committed to ensuring that our remuneration framework reflects the evolving needs of all of our stakeholders and the societies in which we operate."

Dr Helena Ganczakowski
Chair of the Remuneration Committee

How we performed in 2020

Adjusted Operating Profit	Adjusted EPS	NPP	Total Shareholder Return
-5.9% to £319.6m	-5.1% to 175.5p	27.4% of Group sales	58.8% over the three-year PSP performance period (1 January 2018 to 31 December 2020)

Croda's resilience to the impact of the COVID-19

- Early in the pandemic, we assured all employees that there were no plans to reduce employee numbers, furlough staff or reduce regular salary and benefits as a result of COVID-19, and we honoured this pledge.
- We paid final and interim dividends to shareholders in full during 2020.
- We have not utilised any government liquidity facilities.
- We protected the pay and benefits of those self-isolating, unwell or with caring responsibilities.
- £200,000 was set aside for our Acts of Kindness initiative, aimed at helping our local communities.
- For employees working onsite, we applied strict safety protocols and focused on making life as easy as possible, with remote handovers, provision of PPE including hand sanitiser, social distancing measures and training in new procedures to keep everyone safe.
- We understood some employees' needs to balance caring responsibilities and work, so encouraged people to work flexibly as needed.
- There was a focus on mental health and in some countries, we increased the provision of Employee Assistance Programmes and provided direct access to doctors and medical teams.
- We issued regular pulse surveys to gauge how employees were feeling and how best to support them.

Linking our reward and business strategy

Our reward policy is designed to link directly to our Group strategic priorities and how we manage and measure our business performance.

Growth

Innovation

Sustainability

Values-led culture

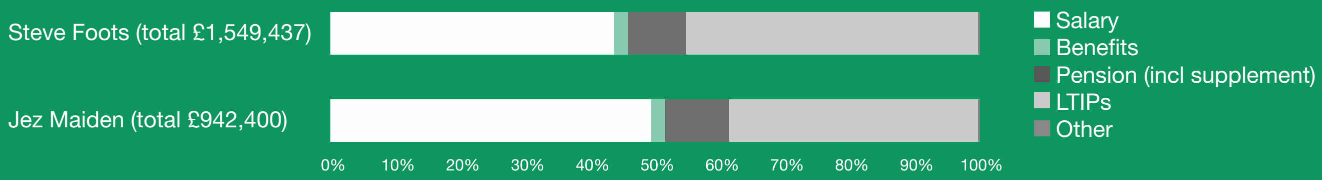
Long-term shareholder value

Engaging with our workforce on remuneration

We are committed to both engaging with, and including, our employees in our remuneration structures. In 2020 we undertook the following key engagement processes:

- **Reward principles:** Our Reward Principles guide the way in which we recognise and remunerate all our global employees.
- **Global Employee Pulse Surveys:** We launched a series of pulse surveys in 2020 with one specifically carried out to better understand how reward is perceived across the workforce.
- **Listening groups:** Virtual listening groups, attended by the Chair of the Remuneration Committee, have been arranged with employees from across our regions.
- **Dedicated email to Chair of Committee:** A dedicated email address for employees to send comments or questions to the Chair of the Remuneration Committee.
- **Overview of pay and policy decisions:** Committee members are updated annually on global employees' terms and conditions.
- **Board roadshows:** Our Executive Directors and Board regularly hold roadshows with our global workforce.

Single figure remuneration:



Operation of our policy in 2020

Key component and timeline	Feature	Metrics and results	Group Chief Executive (CEO)	Group Finance Director (GFD)
Basic salary	Competitive package to attract and retain high-calibre executives.	• Pay rise of 2% awarded to Executive Directors. • UK workforce was awarded a 2% increase.	£675,584	£465,920
Annual bonus	Incentivise delivery of strategic plan, targets set in line with Group KPIs.	Bonusable Profit (see page 90 for definition of Bonusable Profit) Threshold 2019 actual Maximum 2019 actual plus 10% Actual 2019 actual minus 1.2% 0% of maximum bonus paid	–	–
Deferred element of bonus	Compulsory deferral of one third of bonus into shares with three-year holding period to align with long-term business performance.	N/A	–	–
PSP	Incentivise execution of the business strategy over long term measuring profit, shareholder value and innovation.	**Vesting of the 2018 PSP award** (see table below) Total payout – 40%	£698,600	£361,349
Pension	Pension benefits are either a capped career average defined benefit pension plan with a cash supplement above the cap, or a cash supplement. For 2020, cash allowance of up to 20% of salary, in line with the UK workforce.	N/A	£138,492	£93,184
Shareholding requirements	Share ownership guideline to ensure material personal stake in business.	CEO 225% of salary GFD 175% of salary	>225% of target	>175% of target

Vesting of the 2018 PSP award

	Threshold	Maximum	Actual	% payout
EPS*	5%	11%	-0.65%	0%
TSR**	Median	Upper Quartile	84.2 percentile Above UQ	40.00%
NPP***		NPP sales growth to be at least twice non-NPP sales.	Not met	0%

Total payout – 40%

* EPS growth p.a. is calculated on a simple average basis over the three-year period.
** Actual TSR performance over the performance period was 58.8%.
*** Subject to a minimum average of 5% growth per year and overall positive Group profit growth.

C. Report of the Remuneration Committee for the year ended 31 December 2020

How our Remuneration Policy links to strategy and to reward across our wider workforce

This section of our report provides the broader context of how our Remuneration Policy links to strategy and to reward across our wider workforce. We hope that it will provide a useful summary of the context of our Reward Policy and will show how our Reward Policy has and will continue to evolve to meet the needs of the business, our workforce and align with UK corporate governance standards.

How our reward strategy links to our business strategy

Growth	**Consistent top and bottom line growth, with profit growing ahead of sales, ahead of volume.** The key metric of our senior annual Bonus Plan is profit increase over prior year. Long-term growth is measured and rewarded through metrics within our long-term incentive, the Performance Share Plan (PSP) which includes a measure of increased EPS over a three-year period. Both the senior annual Bonus Plan and PSP are subject to our Discretion Framework which includes financial underpins such as EVA.
Innovation	**The lifeblood of our business, we seek to increase the proportion of New and Protected Products (NPPs) that we sell.** Within our PSP sustainability metrics, is an established NPP metric, measuring growth of NPP products against non-NPP products. Innovation is also rewarded within the EPS metric as sustained EPS growth can only come through relentless innovation and the creation of new ingredients for our customers.
Sustainability	**Aligning our business with our Purpose and accelerating our customers' transition to sustainable ingredients.** Our PSP includes metrics related to reductions in emissions and the reduction of land use. These are directly linked to our ambitions to be Climate, Land and People positive by 2030.
Values-led culture	**Our Purpose is enabled by our distinctive values that govern how we work with one another and guides our relationships with all of our partners.** Our senior annual Bonus Plan has one common metric for our top 450 employees ensuring fairness and transparency. The introduction of our Ten Share Plan is a way of sharing reward throughout our business benefiting our lowest-paid employees the most. Our PSP and senior annual Bonus Plan underpins include a review of culture measures and ethical compliance.
Long-term shareholder value	**We strongly believe that all the various features and metrics of our Remuneration Policy combine to incentivise long-term shareholder value.** Our PSP directly rewards increasing shareholder value through our TSR metric, and our focus on growth, innovation and sustainability supports long-term sustainable shareholder value creation.

How our remuneration practices support our strategy

Element of reward	Metrics	Growth	Innovation	Sustainability	Values-led culture	Long-term shareholder value
Bonus	Profit	✓			✓	
LTI (PSP)	EPS	✓	✓			✓
	TSR	✓	✓			✓
	NPP	✓	✓	✓	✓	✓
	Sustainability	✓	✓	✓	✓	✓
Underpins	Safety, health and environment	✓		✓	✓	✓
	EVA	✓				✓
	General financial	✓		✓		✓
	Culture and ethics			✓	✓	✓
Other features	Holding periods				✓	✓
	Shareholding requirements				✓	✓

Summary of Remuneration Policy adopted in 2020

An updated Remuneration Policy was presented and approved by shareholders at the 2020 AGM. This is intended to operate until the AGM in 2023. In reviewing the Policy and its implementation, the Remuneration Committee undertook a thorough review of existing arrangements with a particular focus on alignment to Croda's strategy and ambitions. This review was completed with the following principal objectives in mind:

- achieve the closest possible alignment with the Company's strategy;
- support the Company's ambition to be a purpose-led organisation focused on Smart science to improve lives™;
- ensure that business performance is appropriately measured and rewarded and that the scale of reward is proportionate;
- make certain that the Policy properly reflects the various interests of all our stakeholders in its structure and metrics;
- ensure that the Policy is fair and competitive and that it also considers reward more broadly in the organisation;
- disclose the Policy in an open and transparent way.

The Remuneration Committee is not proposing any substantive changes to the operation of the Policy in 2021, being satisfied with both the outcome of the review and the changes made in 2020. These were:

- Reduction of the pension cash supplement for the CEO and Group Finance Director to align with our UK workforce.
- The introduction of new sustainability metrics, incorporating NPP, into the PSP to align with our strategy to be industry leaders in sustainability.
- The introduction of an EVA underpin to further ensure our long-term incentive awards are aligned with overall business performance.
- An increase in the level of normal PSP awards for Executive Directors from 200%/150% to 225%/175% for the CEO and Group Finance Director respectively reflecting the significant long-term growth of the business.
- An increase in the shareholding guidelines and the introduction of a post-employment shareholding requirement to ensure compliance with the UK Corporate Governance Code and shareholders expectations.

Summary of Policy and its operation

Salary	Set taking into account an individual's responsibilities, performance and experience as well as pay and employment conditions elsewhere in the Group and other external factors.
Annual bonus	Maximum annual bonus opportunities: • Group Chief Executive – 150% of salary • Group Finance Director – 125% of salary Bonusable profit growth targets, with no bonus payable until the previous year's profit is exceeded. Discretion Framework applies, which includes health, safety and environmental performance. One third deferred for three years. Malus and clawback provisions apply.
Performance Share Plan	Normal maximum PSP opportunities: • Group Chief Executive – 225% of salary • Group Finance Director – 175% of salary Awards based on EPS, Relative TSR and sustainability metrics, including NPP with an EVA underpin applying across the whole of the PSP award. The Discretion Framework also applies, which includes satisfactory underlying financial performance. Three-year performance period with an additional two-year holding period. Malus and clawback provisions apply.
Pension and benefits	Pension benefits are either a capped career average defined benefit pension plan with a cash supplement above the cap, or a cash supplement. Cash allowance for Executive Directors of up to 20% of salary which aligns with our UK workforce. Typical other benefits include Company car, private fuel allowance, private health insurance and other insured benefits.
Shareholding guidelines	Shareholding guidelines of: • Group Chief Executive – 225% of salary • Group Finance Director – 175% of salary Post-employment shareholding guidelines also apply for two years after leaving employment. These are set at 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. This policy applies to shares from awards that vest in 2020 and beyond. During 2021 the Committee will be formalising the structures in place to allow it to monitor and enforce the post-employment shareholding requirement.

Further details about the Policy can be found on pages 100 and 101.

How our Remuneration Policy links to the UK Corporate Governance Code

When developing the Remuneration Policy, the Committee was mindful of the UK Corporate Governance Code and considers that the executive remuneration framework appropriately addresses the following factors:

Factors	How these are addressed
Clarity	• Our values of openness and transparency are reflected in our reward principles. The Committee is committed to providing open and transparent disclosure on executive remuneration for our stakeholders. • Our arrangements are clearly disclosed and any changes to our Remuneration Policy and its operation are highlighted in a way that defines their alignment to both our strategic ambitions as well as the provisions of the UK Corporate Governance Code.
Simplicity	• Our executive remuneration arrangements, as well as those throughout the global organisation, are simple in nature and well understood by both participants and shareholders. • Our senior annual Bonus Plan, in which around 450 of our global employees participate, is based on a single profit metric, with a simple key requirement that no bonus can be paid until the previous year's profit is exceeded.
Risk	• The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. Performance is based on a balance of metrics which also reflect our broader stakeholders, for example inclusion of sustainability targets and health and safety underpins. We then take a holistic assessment of performance using our Discretion Framework. A copy of the Discretion Framework is provided on the next page. • Annual bonus deferral, the PSP holding period and our shareholding guidelines provide a clear link to the ongoing performance of the business as well as alignment with shareholders. Executives will be rewarded for sustainable long-term shareholder return. • Malus and clawback provisions also apply for both the senior annual Bonus Plan and PSP.
Predictability	• Our Remuneration Policy contains details of maximum opportunity levels for each component of pay, with actual incentive outcomes varying depending on the level of performance achieved against specific measures.
Proportionality	• Our Remuneration Policy directly aligns to our strategy and financial performance. The Committee considers performance from a range of perspectives. Poor financial performance is not rewarded.
Alignment to culture	• Alignment to our 'One Croda' culture is clearly established in our Remuneration Policy; our senior annual Bonus Plan has the same metric for all participants, our PSP metrics reflect our commitment to sustainability and pensions are aligned across the workforce.

Our Discretion Framework

In order to enhance the rigour and consistency in the way in which performance is reviewed the Remuneration Committee has adopted a Discretion Framework which it applies when assessing bonus and long-term incentive plan outcomes:

What is the formulaic result following consideration of the existing underpins?

What is the single figure outcome?
Committee to consider year-on-year change and whether this mirrors the trend in performance

How does the outcome compare with shareholder experience?
Committee to consider Total Shareholder Return in both relative and absolute terms over a number of different periods

How does the outcome compare with overall Company performance?
Consider performance against other KPIs, for example

- ROIC and EVA
- Sales
- Profit growth
- Sustainability

Culture and conduct

- Culture
- Conduct
- Health and safety
- Systems and control

Are there any external headwinds or tailwinds which need to be considered?

Are there any other events that should be factored in?
Other events could be reputational/risk related or a change of accounting standards

As an additional reference point, are the bonus and PSP outcomes consistent?

Input from others?
Draw on input from other Committees as well as other management teams including HR, Legal, Internal Audit and Risk

Consider shareholder response to results
The Committee may also want to reflect on how the market is likely to respond to the preliminary results

Compare with historical use of discretion

Does the outcome appear reasonable/fair, or should an adjustment be considered?

Workforce engagement

Engagement with the workforce to explain how executive remuneration aligns to the wider company pay policy is an area where we continue to make progress. The introduction of regular pulse surveys and a dedicated email address for employees to contact the Chair of the Committee in 2020 helped us to understand how best to consult with our geographically dispersed population and provided useful feedback on a range of reward topics. We will continue with both of these engagement channels in 2021 and have also arranged virtual listening groups with the Chair of the Remuneration Committee for employees to discuss and share their thoughts on executive remuneration and reward in the wider business. A summary of engagement activities undertaken to date is as follows:

Reward principles	Our Reward Principles, which were developed and approved during 2019, guide the way we recognise and remunerate all our global employees. These principles focus on Total Reward including intangible rewards and were strongly influenced by the results of our previous Global Employee Survey. These have been shared across the organisation.
Global Employee Pulse Survey	In 2020, we launched a pulse survey, translated into 16 languages, to draw employee's attention to the publication of the Remuneration Report and to help us understand the level of interest in the report. Over 1,000 employees responded to the survey with results showing that 90% of employees had an interest in the Annual Report and the Sustainability Report. We will run this survey again in 2021. Throughout 2020, a series of pulse surveys covering a range of topics including flexible working, stress in the workplace and COVID-19 were also undertaken. Completion of these surveys has been consistently strong with an average of over 60% of employees taking part. Findings were shared with the Board as well as management and have helped to guide decisions throughout the year including the drafting of new Flexible Working guidance. One of these pulse surveys was carried out to better understand how reward is perceived across the workforce. This covered pay and recognition as well as broader topics such as wellbeing activities. This survey was completed by 66% of our global employees and the findings were shared with the Board as well as management.
Listening groups	During January 2021, Helena Ganczakowski, Chair of the Remuneration Committee held listening groups across a cross-section of employees in Asia, the Americas and Western Europe. Throughout the listening groups, Helena presented about the role of the Board and the Remuneration Committee and also shared an overview of the Elements of Reward at Croda and feedback on the Global Reward pulse survey conducted in 2020. The sessions were greatly appreciated by those who attended, with a number of participants noting that they had limited knowledge of the Board and Remuneration Committee before the session. Useful feedback was provided by the participants on a range of areas that they feel are working and areas that could be improved. These areas will be reviewed in 2021.
Dedicated email to Chair of Committee	A dedicated email address has been established for employees to send comments or questions to the Chair of the Remuneration Committee.
Overview of pay and policy decisions	Committee members are updated annually on global employees' terms and conditions and are made aware of any significant changes to policies and other pay-related matters.
Board roadshows	Our Executive Directors and Board regularly hold roadshows that allow a cross-section of our global workforce to discuss business issues and provide feedback.

How our Remuneration Policy relates to reward in the wider employee context

When making decisions about executive remuneration the Committee considers the pay and reward structures across the business. Annually, the Group Human Resources Director provides the Committee with a review of workforce remuneration, and the Committee is updated periodically on any feedback received on remuneration practices across the Group.

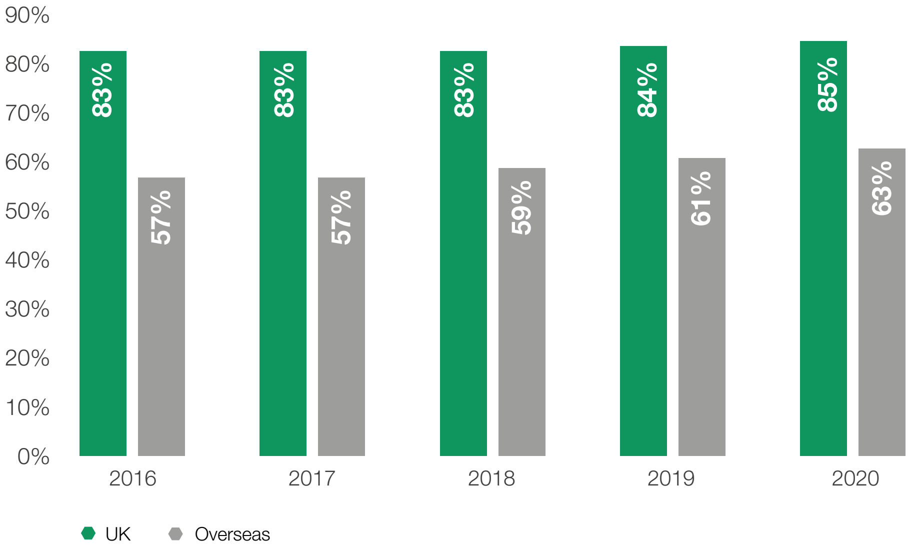
One of the principles of Croda's culture is to drive 'One Croda', therefore, many of the remuneration structures that apply to Executives also apply further in the global organisation, as set out in the table below. The key difference between the policy for Executive Directors compared to other employees, is that remuneration for Executive Directors is more heavily weighted towards variable pay and share ownership.

Remuneration element	Who participates?	Details
Base pay	All employees	Pay is set in line with the market and closely monitored. Any comparator group used as a reference point is country and/or industry specific. Our aim is to pay a 'Living Wage' globally. We are already a Living Wage employer in the UK.
Annual bonus	Executive Directors, Executive Committee, Senior leaders and Senior managers	Consistent senior annual Bonus Plan aligned to increase in annual profit. Operates on a tiered basis from 150% of salary to 20% of salary across the most senior global grades. Deferral applies for Executive Directors and members of the Executive Committee.
	All other employees	Local schemes apply in many locations.
Performance Share Plan	Executive Directors, Executive Committee and Senior leaders	Consistent PSP based on EPS, TSR and sustainability metrics, including NPP.
Restricted Share Plan	Selected employees not eligible for PSP	Discretionary awards can be granted annually to selected employees to reward exemplary performance.
All employee share plans[1]	All employees	Employees can participate in our global Sharesave scheme, subject to qualifying service, allowing everyone to save monthly and purchase discounted shares.
Pension (UK only)[2]	All employees	Defined benefit plan based on career average salary plus 20% cash supplement paid for salaries above the cap or to employees who are tax limited and have opted out of the pension scheme.

1. Sharesave or similar schemes are provided where local social security laws allow.
2. Other pension arrangements, aligned to local practice and legislation are available in many of our locations.

Employee participation in employee share schemes

The Committee believes in wider employee share ownership and promotes this through the operation of a number of all-employee share schemes. Workforce participation in these plans has remained consistently strong and is driven by our culture of employees feeling a strong loyalty to the business. We were proud that this performance was recognised at the 2020 ProShare Awards, where Croda were joint winners in the Best Overall Performance in Fostering Employee Share Ownership (501 – 5,000 employees) category.



Croda's continued strong share price performance has led to the all-employee share schemes being a strong benefit for employees. The 2017 Sharesave Scheme which was granted in September 2017 at a share price of 3092p could be exercised from November 2020. The price of Croda shares on 2 November 2020 was 6096p, meaning employees could have made a potential return of c.97% on their savings. For example, an employee saving £50 a month would have made a profit in excess of £1,700.

Sharing success across the business

In order to share success more broadly and extend share ownership more widely across our employee base, Croda is proud to be launching the "Ten Share Plan" in 2021. Under this new plan, all employees globally who are not eligible for the senior annual Bonus Plan will be gifted up to 10 Croda shares (or cash equivalent) if the senior annual Bonus Plan pays out.

The "Ten Share Plan" was developed in response to findings from the Global Reward survey undertaken in 2020 and aligns to our 'One Croda' culture.

CEO Pay Ratio

The table below sets out the ratio of the CEO's 'single figure' total remuneration to the 25th, 50th and 75th percentile full-time equivalent total remuneration of the Company's UK employees. The pay ratios are calculated on a Group-wide basis by reference to UK employees only.

Under the regulations, there are three methodologies that companies can choose to report their pay ratio, known as Option A, B and C. For 2020 we have chosen to continue to use the Government's preferred option, Option A. Using this methodology, we have determined the full-time equivalent total remuneration for all UK employees and have ranked this data to identify employees whose remuneration places them at 25th, 50th and 75th percentile. The pay ratios are then calculated by comparing total remuneration for these three employees against our CEO 'single figure' total remuneration.

	Methodology	25th Percentile	50th Percentile	75th Percentile
FY 2020	**A**	**49:1**	**37:1**	**31:1**
FY 2019*	A	57:1	44:1	37:1
FY 2018**	C	85:1	67:1	57:1

1. Calculations for the workforce exclude severance pay, notice pay, SIP repayments, fractional share payments, SAR payments and relocation expenses.
2. The calculations for the workforce exclude the value of the defined benefit pension plan due to the difficulty of calculating these figures for our complex historical pension arrangements.
3. Excludes Non-Executive Directors, contractors and employees who left during the relevant year.
4. New starters, part-time employees and employees on long-term sick and maternity are included; their salary has been amended to reflect a full-time and full-year salary.

* The ratio for 2019 has been restated to reflect the updated CEO 'single figure' total remuneration for 2019. This was due to the 2019 PSP award being updated to reflect the actual share price at vesting.

** The CEO Pay Ratio for 2018 was calculated using Option C, which enabled us to calculate, on an indicative basis, the total remuneration packages of three individual UK employees at the 25th, 50th and 75th percentile. Option C was used in 2018 because the full administrative process to enable us to calculate the equivalent total remuneration for UK employees was not in place.

The CEO Pay Ratio is calculated based on the total remuneration payable to the CEO, which could include payments under the senior annual Bonus Plan and PSP. The outcomes of these elements are directly linked to performance, with the value of the PSP also incorporating share price growth. It is therefore expected that the ratios will fluctuate year-on-year to reflect Croda's performance. In respect of the 2020 figures, the ratios represent a reduction in PSP payout in comparison to prior year. In 2019, PSP payout was 56.24% of maximum potential compared to 40% in 2020, which has resulted in an decrease in the pay ratio.

Employee total remuneration

	Actual base salary 2020	Total remuneration 2020
75th percentile	£46,951	£50,125
50th percentile	£39,078	£42,252
25th percentile	£27,317	£31,869

We believe that our CEO pay ratio is consistent with our pay, reward and progression policies.

Living Wage

We were pleased to announce in 2018 that we gained accreditation in the UK as a Living Wage Employer from the Living Wage Foundation. In 2021, we will continue to ensure that all our UK employees and regular contractors are paid at, or above, the rates advised by the Living Wage Foundation.

In addition, the business continues to pursue its Global Living Wage target, one of our sustainability KPIs linked to the UN SDGs, and has forged a partnership with the Fair Wage Network (FWN) to establish, using an independent and economically rigorous methodology, Living Wage levels across the world. We are now in the process of comparing our global wage levels to Living Wage comparators provided by the FWN. Once the assessment is complete, any necessary adjustments will be made to ensure we meet our goal that all our employees will be paid a Living Wage by end of 2022.

More than just pay

Our employees and our culture remain central to the continued success of Croda. As outlined on page 78, Croda has been resilient in its response to COVID-19 and during the pandemic the wellbeing and safety of our employees was a key priority. In response we co-ordinated a number of key initiatives, including:

- We issued regular global and regional announcements and webcasts providing information and reassuring messages.
- We hosted regional and global web-based calls to answer questions and communicate with employees.
- We conducted various pulse surveys globally to test how we were managing the crisis and to gauge employee opinions and morale.
- We ran several online training courses specifically aimed at the management of health and safety, including mental health during the pandemic.
- We sought to support employee's wellbeing through the crisis by setting up mental health and mindfulness programmes.

In addition, we continue to enhance our range of other workforce initiatives, including:

- We further developed our People Dashboard, which provides senior management with data relating to a range of people topics, by introducing wellbeing activity content and additional demographics data such as gender balance by grade and region.
- We published new Flexible Working guidance, which aims to encourage the use of flexible working arrangements where the needs of the business and the servicing of internal and external customer demands can be effectively balanced with employee's wishes. Specifically, this policy covers home working, flexible start and finish times, and implementing a 'dress for your day' policy.
- We introduced a new UK car scheme, focused on encouraging the use of electric vehicles and open to all employees.
- We launched a pilot online Recognition Programme – Croda Stars – which was positively received by employees. Consideration is being given to rolling out more broadly across the organisation.
- We launched an internal Diversity & Inclusion site, to inform all employees at Croda about the Group's commitment to a Diverse and Inclusive business, as well as giving insights and the tools to help drive awareness, understanding and competence. This included the launch of 40 training modules, webinar sessions with key speakers and a series of podcasts featuring a cross-section of Croda's leadership.
- We are proud of the training and development that we provide for employees. In 2020 our employees undertook over 85,000 hours of training.

Gender pay gap

The table below shows a summary of the Gender Pay Gap for UK employees of Croda Europe Ltd:

	2018	2019	**2020**
Mean pay gap	27.68%	27.06%	**18.72%**
Median pay gap	23.10%	23.90%	**19.22%**
Mean bonus gap	63.05%	67.08%	**64.36%**
Median bonus gap	33.26%	33.36%	**0%***

* The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 (payable in 2020). A small number of employees received sales bonus but the median bonus for both female and male employees was zero giving a median bonus gap of 0%.

We are confident that our gender pay gap is not an equal pay issue but is a result of a lack of female representation across our business at senior levels and particularly in production roles which represent the bulk of the workforce between the 25th and 75th percentile. Addressing this issue will require a long-term approach but we have already begun work to increase the number of females working in production and in senior positions.

In the last two years we have increased the number of women in leadership positions by 19%. In our most senior grade we have increased the number of women by 67%. We are pleased to report that we have 41 women working as process operators across 13 of our global sites.

Actions taken to address the gender pay gap include:

- Ensuring we have a balanced shortlist for all positions that we are recruiting for; we have a target of achieving balanced shortlists for 80% of roles by 2023
- Further improving our talent and succession planning processes to help identify and nurture talent early in their career
- Finding ways to reduce shift work (especially night work) and to examine the feasibility of part-time and job share arrangements in our production facilities
- Changing the way we advertise production roles to ensure we reach a diverse population
- Improving family-friendly policies including flexible working, parental leave and other benefits; in 2019 we introduced a new Global Parental Leave Policy and in 2020 we launched new Flexible Working guidance
- Continuing to invest in our STEM activities to encourage a wide range of applicants to apply for roles in our business.

More information is available on the Croda website.

Diversity & Inclusion

As a business with innovation at its heart, diversity of thought and ideas is critical to our long-term success and we are committed to encouraging and promoting diversity within our organisation. We are progressing towards being able to report on broader pay gaps, including our Ethnicity Pay Gap, and despite the challenges, we will begin to collect this data in 2021.

Remuneration Committee year ended 31 December 2020

Responsibilities

The Committee determines and agrees with the Board the Company's Remuneration Policy and framework. It determines the remuneration packages for all Executive Directors, members of the Executive Committee, including the Company Secretary, and the Chair of the Board and recommends and monitors the level and structure of remuneration for senior managers.

Key responsibilities of the Committee:

Detailed responsibilities are set out in the Committee's terms of reference, which can be found at croda.com/en-gb/investors/governance/board-committees/remuneration-committee.

A summary is provided below:

- Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chair, the Group Chief Executive, the Executive Directors, the Company Secretary and other members of senior management
- In determining such policy, take into account factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance
- Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting remuneration policy for Directors
- Feedback to the Board on workforce reward, incentives and conditions in support of the Board's monitoring of whether the workforce policies and practices of the Company are aligned with its purpose, values and strategy
- Review the ongoing appropriateness and relevance of the Remuneration Policy
- Establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee and obtain reliable, up-to-date information about remuneration in other companies
- Oversee any major changes in employee benefits structures throughout the Group.

The Company's remuneration policies and practices should:

- Support the Company's strategy and promote long-term sustainable success
- Ensure that the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Summary of key decisions for 2020

- Considering and agreeing the proposed new Remuneration Policy
- Vesting of 2017 PSP awards; the EPS target representing 40% of the award vested at 40.6%, the TSR target representing 40% of the award vested at 100%, the NPP target representing 20% of the award was not met therefore the overall award vesting was at 56.24%
- Granting of the 2020 PSP awards based on 35% EPS, 35% TSR and 30% sustainability metrics, including NPP
- Granting of new Restricted Share Plan awards to a small number of selected employees below the Executive Committee
- Establishing the senior annual Bonus Plan and PSP targets for 2020
- The salary of the CEO and Group Finance Director to be increased by 1% effective 1 January 2021, in line with the UK workforce
- The fee of the Chair to also be increased by 1% effective from 1 January 2021.

Summary of Remuneration Committee meetings

January 2020	• Approved Chief Executive and Executive Committee salary increases for 2020 • Approved Chair fee increase for 2020 • Reviewed the draft Directors' Remuneration Report, including new Remuneration Policy
February 2020	• Reviewed the draft Directors' Remuneration Report, including new Remuneration Policy • Approved the calculation for 2019 senior annual Bonus Plan award for payment in March 2020 • Approved the vesting outcome for the 2017 PSP awards • Approved the senior annual Bonus Plan targets for 2020 • Approved the granting of the Restricted Share Plan awards • Reviewed the update on ABI headroom limits as they apply to the business • Reviewed share ownership guidelines • Reviewed the Committee's Terms of Reference
April 2020	• Reviewed shareholder feedback on Directors' Remuneration Report and Policy • Approved PSP targets for 2020 and the granting of PSP awards to Executive Directors for 2020 • Gave authority for UK employees to join the UK Sharesave scheme and non-UK employees to join the International Sharesave scheme • Agreed dividend enhancement to the Deferred Bonus Share Plan • Approved updated International Sharesave Plan rules
November 2020	• Reviewed forecast outcomes for 2020 • Considered and reviewed remuneration trends • Discussed remuneration approach for 2021 • Reviewed workforce remuneration • Agreed dividend enhancement to the Deferred Bonus Share Plan • Gave authority for the execution of actions in relation to the 2017 Sharesave maturity
December 2020	• Reviewed initial draft of the Chair's letter for inclusion in the Directors' Remuneration Report • Reviewed proposed targets for the 2021 senior annual Bonus Plan and PSP award • Approved salary increases for Chief Executive and Executive Committee • Considered the Committee's effectiveness review

Executive Directors' remuneration for the year ending 31 December 2021

Key component	Implementation in 2021
Basic salary	Executive Directors' base salaries were reviewed during the final quarter of the financial year ended 31 December 2020. Salaries for 2021 are as follows:

	Salary at Jan 2021	Salary at Jan 2020	Increase
Steve Foots	£682,340	£675,584	1%
Jez Maiden	£470,579	£465,920	1%

Commentary

- The Committee considered each individual's progression in their role as well as their responsibilities, performance, skills and experience.
- The Committee also considered the wider pay levels and salary increases being proposed across the Group as a whole. UK-based employees will be awarded an increase of 1% in 2021.

Other benefits

- Other benefits such as company cars or car allowances, fuel allowance and health benefits are made available to Executive Directors.

Performance related senior annual Bonus Plan

Steve Foots 150% of salary	Jez Maiden 125% of salary

The targets for the awards are set out below:

Level of award	Bonusable Profit*	% of bonus payable
Threshold	Equivalent to 2020 actual	0%
Maximum	2020 actual plus 10%	100%

* Bonusable Profit is the growth in underlying profitability (defined for bonus purposes as Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS 2 share-based payments) less a notional interest charge on working capital employed during the year. Target is measured after providing for the cost of bonuses on a constant currency basis.

Commentary

- No change to maximum award levels or performance measures from last year.
- When determining bonus outcomes, the Committee applies the Discretion Framework which includes a range of factors, see page 83.
- One third of any bonus paid will be deferred into shares for a three-year period.
- Malus and clawback provisions apply.
- Full retrospective disclosure of targets and actual performance against these will be made in next year's Annual Report on Remuneration.
- The Committee remains comfortable that the structure of the senior annual Bonus Plan does not encourage inappropriate risk-taking and that the mandatory deferral of one third of bonus into shares provides clear alignment with shareholders and fosters a longer-term link between annual performance and reward.
- The Committee considers the targets set for 2021 to be at least as demanding as in previous years and were set after taking due account of the Company's commercial circumstances and inflationary expectations.

Performance share plan

Steve Foots 225% of salary	Jez Maiden 175% of salary

The targets for the awards are set out below:

Performance measure (weighting)	Threshold vesting	Maximum vesting
EPS[1] (35%)	5% p.a.	11% p.a.
TSR[2] (35%)	Median	Upper quartile

Sustainability metrics (30%)

- **NPP (15%) – NPP sales to grow at twice the rate of non-NPP, subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year, with payments being made on a sliding scale up to 5% growth per year.**
- 'Climate Positive' (7.5%) – a reduction target specifically aimed at Scope 1 emissions and aligned with our external commitment to achieve a Science Based Target (SBT) in line with a 1.5°C pathway. Over the three-year PSP performance period the target is a 12.6% reduction (average of 4.2% per year) compared to verified emissions[3] in 2020 with any award paid in defined ranges between:
  - a reduction of 12.6% and above award of 7.5% (maximum)
  - a reduction of 6.2% and below no award (0%).
- 'Land Positive' (7.5%) – our key target for 2030 is that we will save more land than we use. For the three-year PSP performance period we have set annual targets for Land Area saved, with a target in 2023 of 56,750 ha of additional land saved over that in the 2019 baseline year with any award paid in defined ranges between:
  - 56,750 ha or above award of 7.5% (maximum)
  - below 35,600 ha no award (0%).

An EVA underpin applies across the whole PSP award, requiring an improvement in EVA over the three-year performance period. In circumstances where the underpin is not achieved, the Committee would reduce or cancel any vesting of awards. The Committee retains the right to apply discretion to restrict the impact of the underpin in exceptional circumstances, for example material increases to tax rates or to the cost of capital or a major acquisition which had a significant effect on the Group's EVA.

1. EPS growth p.a. is calculated on a simple average basis over the three-year period and therefore growth of 33% or more over three years is required for maximum vesting.
2. TSR peer group constituents: AzkoNobel, Albermarle, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.
3. Emissions in 2020 have been independently verified by Avieco.

Commentary

- No changes to maximum award levels from last year.
- Re-balancing of sustainability metrics, with NPP and sustainability targets, now equally weighted at 15% of the total PSP.
- Sustainability targets aligned to key 2030 sustainability ambitions.
- Performance period 01 January 2021 to 31 December 2023.
- When assessing outcomes, the Committee applies the Discretion Framework which considers, for example, the management of ROIC, health and safety and sales growth and may adjust awards if it considers appropriate.
- An additional two-year holding period will apply for any shares vesting.
- Malus and clawback provisions apply.

Pension

Steve Foots	Jez Maiden

- 20% of salary as pension supplement.

Commentary

- The 20% pension supplement aligns to our UK workforce.

D. Directors' remuneration for the year ended 31 December 2020 (audited information)

In this section

1. Directors' remuneration for the year ended 31 December 2020

Elements of remuneration

Executive Directors' remuneration

Executive Director	Steve Foots		Jez Maiden	
	2020	2019	**2020**	2019
Salaries and fees[1]	**£675,584**	£662,337	**£465,920**	£456,784
Benefits[2]	**£33,642**	£33,476	**£20,117**	£19,667
Pension supplement[3]	**£130,992**	£156,209	**£93,184**	£114,196
Pension[4]	**£7,500**	£2,620	**–**	–
Total fixed pay	**£847,718**	£854,642	**£579,221**	£590,647
Annual bonus	**–**	–	**–**	–
Long-term incentives[5A-B]	**£698,600**	£835,445	**£361,349**	£432,118
Other[6]	**£3,119**	£3,155	**£1,830**	£4,051
Total variable pay	**£701,719**	£838,600	**£363,179**	£436,169
Single total figure of remuneration	**£1,549,437**	£1,693,242	**£942,400**	£1,026,816

1. Steve Foots' salary before salary sacrifice pension contributions of £1,650.
2. Benefits include benefit-in-kind for company car or cash allowance, benefit-in-kind for private medical insurance and private fuel allowance.
3. This represents the 20% of salary supplement for 2020 and 25% of salary for 2019. For Steve Foots the supplement was only in relation to benefits provided above the salary pension cap.
4. For defined benefit pensions the amount included is the additional value accrued during the year, calculated using HMRC's methodology for the purposes of income tax using a multiplier of 20. This methodology can result in year-on-year fluctuations due to underlying inflation inputs. For 2020, the calculation methodology has been amended to align the revaluation rate that is applied to value Steve Foots' Croda Pension Scheme benefits to the inflation rate that is allowed for within the calculation of the disclosable benefit. This reduces the level of volatility in the calculated figure from year to year.
5. A. The PSP awards granted in March 2018 reached the end of their performance period on 31 December 2020. The awards will vest at 40% (see page 92). The values included in the table above are based on the three-month average price to 31 December 2020 of 6259.3p. Of these values, £184,190 and £95,272 is attributable to share price growth for Steve Foots and Jez Maiden, respectively. These values will be updated in next year's Annual Report based on the share price at vesting which will take place on 15 March 2021.
   B. The 2019 PSP award has been updated to reflect the actual share price at vesting of 4259p. Of these values, £133,251 and £68,922 is attributable to share price growth for Steve Foots and Jez Maiden, respectively.
6. Represents the value received in the year from participation in all-employee share schemes. Steve Foots and Jez Maiden received 33 and 34 matching shares respectively as part of the Share Incentive Plan (SIP) with a transaction value of £1,775 and £1,830. Steve Foots also participated in the 2020 Sharesave scheme and was granted 112 shares at a discounted rate of 4804p. The share price on the date of grant was 6004p representing a 20% discount.

Annual bonus

The annual bonus for Executive Directors in 2020 was calculated by reference to the amount by which the profit for the year exceeded the profit for 2019 (the 'Bonusable Profit'). Bonuses for 2020 are payable against a graduated scale once the Bonusable Profit exceeds the base profit with bonus targets set, and performance measured, based on constant currency actual exchange rates.

Executive Director	Threshold target	Maximum target	Actual	Bonus outcome (% of maximum)
Bonusable Profit	£369.3m	£406.2m	£365.0m	0%

While not applicable for 2020, the Remuneration Committee has discretion to reduce (including to zero) the amount of any payment under the scheme if it considers the safety, health or environment (SHE) performance is in serious non-compliance with the Croda SHE policy statement, document of minimum standards. In addition, the Committee can also reduce any payment (including to zero) if it considers the underlying business performance of the Company is not sufficient to support the payment of any bonus. The Committee also applies the Discretion Framework, a rigorous framework for the application of judgement and discretion, when reviewing awards (see page 83).

PSP

PSP awards vesting in March 2021

The PSP awards granted in March 2018 reached the end of their three-year performance period on 31 December 2020.

Measure	Weighting	Threshold	Maximum	Actual performance	Out-turn (% of max element)
Relative TSR versus bespoke peer group[1]	40%	Median (50th percentile)	Upper quartile (75th percentile)	84.2 percentile	100%
Adjusted annual average EPS growth over three years[2]	40%	5% p.a.	11% p.a.	-0.65% p.a.	0%
NPP	20%	Target vesting for NPP sales growth to be at least twice non-NPP sales, subject to a minimum average of 5% growth per year and overall positive Group profit growth.		Not met	0%
				Total out-turn	**40%**

1. TSR peer group constituents: AkzoNobel, Albemarle, Arkema, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.
2. EPS growth p.a. is calculated on a simple average basis over the three-year period; and therefore growth of 33% or more over three years is required for maximum vesting.

As well as considering the EPS, TSR and NPP targets, under the rules of the PSP, the Remuneration Committee is obliged to consider the underlying performance of the Company over the performance period, which it did using the Discretion Framework on page 83. On review, the Committee considered the outcome of the PSP consistent with overall Company performance over the three-year performance period.

The forecast vesting value of the awards made in March 2018, subject to the above performance targets, is included in the 2020 single figure table on page 91. Any shares vesting will be subject to a two-year holding period.

Gains made on exercise of share options and PSP

The gains are calculated according to the market price of Croda International Plc ordinary shares on the date of exercise, although the shares may have been retained.

Executive Director	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax)
Steve Foots	09-Mar-20	19,616	PSP	0	4259p	£835,445
	09-Mar-20	7,593	DBSP	0	4259p	£323,386
	08 Nov-19	204	Sharesave	2639p	4814p	£4,437
	04 Mar-19	41,284	PSP	0	5055.9p	£2,087,278
	04 Mar-19	6,855	DBSP	0	5055.9p	£346,582
Jez Maiden	09-Mar-20	10,146	PSP	0	4259p	£432,118
	09-Mar-20	4,187	DBSP	0	4259p	£178,324
	08 Nov-19	341	Sharesave	2639p	4814p	£7,417
	04 Mar-19	21,354	PSP	0	5055.9p	£1,079,637
	04 Mar-19	3,799	DBSP	0	5055.9p	£191,062

PSP awards granted in 2020

The PSP awards granted on 29 April 2020 were as follows:

Executive Director	Number of PSP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date[1]	% of award vesting at threshold (maximum)	Performance period
Steve Foots	31,533	225%	1,520,048	25% (100%)	01.01.20 – 31.12.22
Jez Maiden	16,914	175%	815,339	25% (100%)	01.01.20 – 31.12.22

1. Face value/maximum value is calculated based on a shares price of 4820.5p, being the average mid-market share price of the three dealing days prior to the date of grant.

The 2020 PSP awards are subject to a performance condition which is split into three parts; 35% EPS, 35% TSR, and 30% sustainability metrics, including NPP. Performance targets were disclosed in full last year, see page 90 of our Annual Report and Accounts 2019. Vesting will take place on a sliding scale. An EVA underpin applies across the entire award, as detailed on page 90.

Any shares vesting will be subject to a two-year holding period.

All employee share plans

Executive Directors are invited to participate in the HMRC tax-approved UK Sharesave scheme and the Croda Share Incentive Plan (SIP) in line with, and on the same terms as, the wider UK workforce.

SIP

Details of shares purchased and awarded to Executive Directors under the SIP are shown in the table below. A brief description of the SIP is set out in note 23 on page 152.

Executive Director	SIP shares held 01.01.20	Partnership shares acquired in year	Matching shares awarded in year	Total shares 31.12.20*	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.20
Steve Foots	5,728	33	33	5,794	59	5,462
Jez Maiden	355	34	34	429	3	4

There have been no changes in the interests of any Director between 31 December 2020 and the date of this report, except for the purchase of five SIP shares and five matching shares by Steve Foots and four SIP shares and four matching shares by Jez Maiden during January and February 2021.

* Jez Maiden also had six additional shares acquired through the Dividend Reinvestment Plan.

Sharesave

Details of awards made under the UK Sharesave scheme are set out below:

Date of grant	Earliest exercise date	Expiry date	Face value*	Exercise price	Number at 01.01.20 (10.609756p shares)	Granted in year	Exercised in the year	Number at 31.12.20 (10.609756p shares)
Steve Foots								
13 September 2017	01 November 2020	30 April 2021	£6,725	3092p	174	–	–	174
27 September 2018	01 November 2021	30 April 2022	£8,960	4144p	173	–	–	173
12 September 2019	01 November 2022	30 April 2023	£6,723	3898p	138	–	–	138
10 September 2020	01 November 2023	30 April 2024	£6,724	4804p	–	112	–	112
					485	**112**	**–**	**597**
Jez Maiden								
27 September 2018	01 November 2021	30 April 2022	£11,238	4144p	217	–	–	217
12 September 2019	01 November 2022	30 April 2023	£11,206	3898p	230	–	–	230
					447	**–**	**–**	**447**

During 2020, the highest mid-market price of the Company's shares was 6564p and the lowest was 3963p. The year-end closing price was 6596p. The year-end mid-market price was 6505.25p.

* Face value is calculated using the market value on the day before the date of grant, multiplied by the number of shares awarded.

2. Pension

The pension rights that accrued during the year in line with the policy on such benefits as set out in the Policy Report were as follows:

Executive Director	Normal retirement date under the CPS	Accrued pension 2020	Single remuneration figure 2020	Single remuneration figure 2019	Single remuneration figures excluding supplement
Steve Foots	14 September 2033	£128,719	£138,492	£158,829	£7,500
Jez Maiden	N/A	–	£93,184	£114,196	–

Note: Members of the CPS have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in this table. During 2020, Steve Foots was paid £130,992 (2019: £156,209) and Jez Maiden was paid £93,184 (2019: £114,196) in addition to their basic salary to enable them to make independent provision for their retirement.

Croda has a number of different pension plans in the countries in which we operate. Pension entitlements for Executive Directors are tailored to local market practice, length of service and the participant's age. In 2016, a Career Average Revalued Earnings (CARE) scheme was introduced with a cap applied to pension benefits; at this time the cap was set at £65,000. The cap is increased each year in line with inflation, and from April 2021 will be £70,772. Employees who earn in excess of the pension cap or who cannot be members of the plan due to tax limitations receive a pension supplement. For Executive Directors this supplement is up to 20% of salary in line with the wider UK workforce.

Steve Foots' pension provision

Steve Foots accrues pension benefits under the Croda Pension Scheme (CPS) with a CARE accrual rate of 1/60th and an entitlement to retire at age 60. From 6 April 2011 onwards, pension benefits accruing are based on a capped salary. This cap was £187,500 until April 2014 at which point it reduced to £150,000, and due to annual allowance regulations and changes to the pension scheme, reduced to £37,500 in April 2016 (reduced from the scheme cap of £65,650 due to annual allowance regulations) and reduced again in April 2020 to £15,000 following new Annual Allowance regulations. If Steve Foots retires before the age of 60, a reduction will be applied to the element of his pension accrued before 6 April 2006, unless he is retiring at the Company's request. In the event of death, a pension equal to two thirds of the Director's pension would become payable to the surviving spouse. Steve Foots' pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum for benefits accrued before 6 April 2006, and in line with inflation up to a maximum of 2.5% per annum for benefits accrued from 6 April 2006 onwards.

Steve Foots is entitled to death-in-service benefits from the CPS. He also received a pension supplement at 20% of salary above his personal pension benefit cap in 2020 in line with the wider UK workforce.

Steve Foots has elected to opt out of CARE from 2021 and will therefore only receive a pension supplement of 20% of salary.

Jez Maiden's pension provision

Jez Maiden has elected not to join CARE and was therefore paid a pension supplement of 20% of salary in 2020. He has an agreement with the Company to provide him with death-in-service benefits outside of the CPS.

3. Payments for cessation of office

There were no payments for loss of office during the year under review.

4. Payments to past directors

There were no payments to past directors during the year under review.

5. Share interests

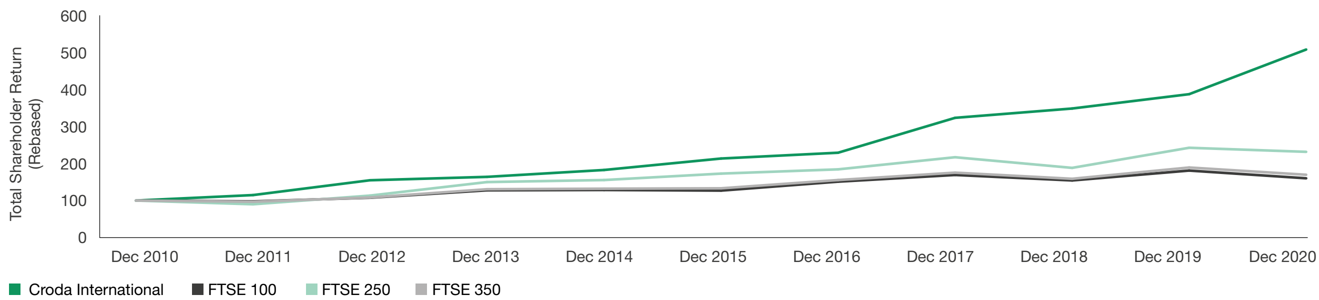
The interests of the Directors who held office at 31 December 2020 are set out in the table below:

	Legally owned[1]					SIP			
	31.12.19	31.12.20	PSP (unvested)	DBSP (unvested)[2]	Sharesave (unvested)	Restricted	Unrestricted	Total 31.12.20	% of salary held under shareholding guideline[3]
Executive Director									
Steve Foots	176,760	163,912	86,930	8,077	423	332	5,432	265,106	>225% target
Jez Maiden	27,167	27,167	45,568	4,639	447	425	4	78,250	>175% target
Non-Executive Director									
Roberto Cirillo	0	0	–	–	–	–	–	0	–
Alan Ferguson*	2,357	0	–	–	–	–	–	0	–
Jacqui Ferguson	76	76	–	–	–	–	–	76	–
Anita Frew	9,425	9,425	–	–	–	–	–	9,425	–
Helena Ganczakowski	361	361	–	–	–	–	–	361	–
Keith Layden	80,400	80,314		652				80,966	
John Ramsay**	0	2,000	–	–	–	–	–	2,000	–

* Alan Ferguson retired 23 April 2020.
** John Ramsay appointed 1 January 2020, holding on appointment Nil.
1. Including connected persons.
2. Represents DBSP awards and, for Keith Layden, in respect of his 2017 bonus, a deferred share award equivalent to a DBSP award.
3. For 2020, the shareholding guidelines for the Chief Executive Officer and Group Finance Director increased to 225% and 175% of salary, respectively

Post-employment shareholding guidelines also apply for two years after leaving employment. These are set at 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. This policy applies to shares from awards that vest in 2020 and beyond. During 2021 the Committee will be formalising the structures in place to allow it to monitor and enforce the post-employment shareholding requirement.

6. Performance graph (unaudited information)



7. Ten-year remuneration figures for Group Chief Executive (unaudited information)

The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years. The annual bonus and long-term incentive award percentages show the payout for each year as a percentage of the maximum.

	2011*	2012**	2013**	2014**	2015**	2016**	2017**	2018**	2019**[1]	**2020****
Total remuneration (£)	4,142,608	1,364,048	1,427,156	769,414	1,374,046	2,404,441	3,570,251	3,311,700	1,693,242	**1,549,437**
Annual bonus (%)	100%	28%	0%	0%	76.38%	100%	78.36%	36.19%	0%	**0%**
Long-term incentives vesting (%)	100%	100%	81.8%	0%	0%	43%	100%	100%	56.2%	**40%**

* Relates to Mike Humphrey.
** Relates to Steve Foots.
1. The 2019 total remuneration figure has been updated to reflect the value of the 2019 PSP award at vesting.

8. Board Chair and other Non-Executive Directors' fees 2020 and 2021 (unaudited information)

The fees paid to the Non-Executive Directors (including chairing of Committees) and to the Senior Independent Director were reviewed in December 2020 and increased by 1%. These changes took effect from 1 January 2021. The revised fee structure for the Board Chair and other Non-Executive Directors for 2021 is detailed below.

Position	2020 fee £	2021 fee £
Board Chair (all inclusive fee)	300,900	303,909
Non-Executive Director base fee	63,240	63,872
Additional fees		
Senior Independent Director	10,506	10,611
Committee Chairs (Audit and Remuneration)	15,300	15,453

9. Non-Executive Directors' remuneration

The remuneration of Non-Executive Directors for the year ended 31 December 2020 payable by Group companies is detailed below, this table reflects actual payments in 2020.

		Non-Executive Director fees £	Benefits[1] £	Total £
Anita Frew	**2020**	**300,900**	**–**	**300,900**
	2019	295,000	5,546	300,546
Alan Ferguson[2]	**2020**	**28,084**	**–**	**28,084**
	2019	87,300	3,004	90,304
Helena Ganczakowski[4]	**2020**	**85,789**	**–**	**85,789**
	2019	77,000	4,805	81,805
Jacqui Ferguson	**2020**	**63,240**	**–**	**63,240**
	2019	62,000	2,455	64,455
Roberto Cirillo	**2020**	**63,240**	**–**	**63,240**
	2019	62,000	5,845	67,845
Keith Layden	**2020**	**63,240**	**–**	**63,240**
	2019	62,000	861	62,861
John Ramsay[3,4]	**2020**	**73,793**	**–**	**73,793**
	2019	–	–	–
Steve Williams[5]	**2020**	**–**	**–**	**–**
	2019	20,667	2,787	23,454

1. The benefits relate to Directors undertaking business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax.
2. Alan Ferguson retired on 23 April 2020. His fees were pro-rated accordingly.
3. John Ramsay was appointed to the Board on 1 January 2020.
4. Following Alan Ferguson's retirement, Helena Ganczakowski was appointed as the Senior Independent Director and John Ramsay was appointed as the Chair of the Audit Committee. Their fees were pro-rated accordingly.
5. Steve Williams retired 24 April 2019.

Non-Executive Directors appointment

The effective dates of the letters of appointment for the Board Chair and each Non-Executive Director who served during 2020, are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Anita Frew	05 March 2015	05 March 2022
Roberto Cirillo	26 April 2018	26 April 2024
Alan Ferguson[1]	01 July 2011	30 June 2020
Jacqui Ferguson	01 September 2018	01 September 2021
Helena Ganczakowski	01 February 2014	31 January 2022
Keith Layden	01 May 2017	01 May 2023
John Ramsay	01 January 2020	01 January 2023

1. Alan Ferguson retired on 23 April 2020.

10. Service contracts and outside interests (unaudited information)

The Executive Directors have service contracts as follows:

Executive Director	Contract date	Termination provision
Steve Foots	16 September 2010	by the Company 12 months, by the Director 6 months
Jez Maiden	09 October 2014	by the Company 12 months, by the Director 6 months

External directorships

Executive Directors are permitted to accept external appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for Non-Executive Director roles. Jez Maiden was appointed as a Non-Executive Director of PZ Cussons on 16 October 2016. He stepped down from this role on 31 May 2020 and received a fee of £26,291 for his services in 2020.

11. Remuneration Committee attendance and advisers (unaudited information)

The following Directors served as members of the Committee during 2020:

- Helena Ganczakowski (Chair)
- Alan Ferguson (Retired 23 April 2020)
- Roberto Cirillo
- Jacqui Ferguson
- John Ramsay (From 01 January 2020)

See page 63 for details of attendance at meetings during the year.

In addition, the Committee invites individuals to attend meetings to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2020, invitees included other Directors and employees of the Group and the Committee's advisers (see below), including Anita Frew (Company Chair), Steve Foots (Group Chief Executive), Jez Maiden (Group Finance Director), Keith Layden (Non-Executive Director), Tracy Sheedy (Group HR Director), Tom Brophy (Group General Counsel and Company Secretary) and Caroline Farbridge (Deputy Company Secretary).

Attendees at Committee meetings are excluded from discussions that determine their own remuneration.

Remuneration Committee advisers (unaudited information)

Deloitte LLP were retained as the appointed adviser to the Committee for the whole of 2020 having been appointed in October 2017, following a tender and selection process led by the Chair and including Committee members. As well as providing advice in relation to Executive remuneration and Non-Executive fees Deloitte LLP also provide advice to the Group in relation to global employer services, global business tax services, indirect tax and M&A. Deloitte LLP is a signatory to the Remuneration Consultants Group Code of Conduct. The lead engagement partner has no other connection with the Company or individual Directors. The total fees paid to Deloitte LLP for its services during the year in relation to Executive remuneration and Non-Executive fees were £72,485 (excluding VAT). The Committee regularly reviews the external adviser's relationship and is comfortable that the advice it is receiving remains objective and independent.

12. Other disclosures (unaudited information)

Percentage change in remuneration levels

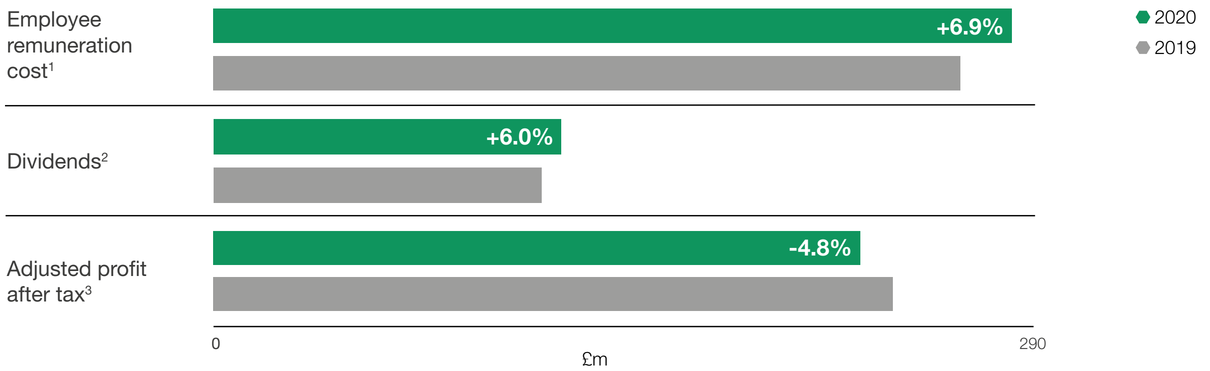
The following chart shows the movement in salary/fees, benefits and annual bonus for each of the Group's Directors between the current and previous financial year compared with that of the average employee of the Group's parent Company. The movement for the average UK employee is also provided for additional reference given the small number of employees employed by the Group parent Company.

	% change in salary / fees[1]	% change in benefits[2]	% change in bonus[3]
Average employee of the Group's parent Company[3]	3.66%	-0.06%	0.00%
Average UK employee[4]	3.43%	-3.27%	27.96%
Executive Directors			
Steve Foots	2.00%	0.50%	0.00%
Jez Maiden	2.00%	2.29%	0.00%
Non-Executive Directors			
Anita Frew	2.00%	-100.00%	–
Roberto Cirillo	2.00%	-100.00%	–
Alan Ferguson[5]	-67.83%	-100.00%	–
Jacqui Ferguson	2.00%	-100.00%	–
Helena Ganczakowski[6]	11.41%	-100.00%	–
Keith Layden	2.00%	-100.00%	–
John Ramsay[6,7]	–	–	–

1. Employees of the Group's parent company and UK employees received a 2% pay increase in 2020, in line with both Executive Directors and Non-Executive Directors. The % increase above this represents individual employee salary reviews, promotions and new hires.
2. The benefits for Non-Executive Directors relate to the undertaking of business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax. No taxable business travel expenses were claimed by Non-Executive Directors in 2020 due to the COVID-19 pandemic.
3. The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 or 2020. This percentage represents a small increase in the amount of sales bonus received by a small number of employees.
4. Excluding Executive Directors and Non-Executive Directors.
5. Alan Ferguson retired on 23 April 2020.
6. Following Alan Ferguson's retirement, Helena Ganczakowski was appointed as the Senior Independent Director and John Ramsay was appointed as the Chair of the Audit Committee. Their fees were pro-rated accordingly.
7. John Ramsay was appointed to the Board on 1 January 2020 and therefore has no comparable remuneration figures for 2019.

Relative importance of the spend on pay

The chart below shows the movement in spend on staff costs versus that in dividends and adjusted profit after tax.



1. Employee remuneration costs, as stated in the notes to the Group accounts on page 133. These comprise all amounts charged against profit in respect of employee remuneration for the relevant financial year, less redundancy costs and share-based payments, both of which can vary significantly from year to year.
2. Dividends are the amounts payable in respect of the relevant financial year.
3. Adjusted profit after tax is profit for the relevant year adjusted for exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon.

13. Statement of voting (unaudited information)

	Remuneration Policy 2020 AGM		Annual Report on Remuneration 2020 AGM	
	number of votes	% of votes	number of votes	% of votes
Votes cast in favour	97,230,580	97.55%	96,844,492	97.16%
Votes cast against	2,445,834	2.45%	2,833,300	2.84%
Total votes cast	99,676,414	100%	99,677,792	100%
Withheld	152,926		151,550	

I will be available at the shareholder engagement event to respond to any questions shareholders may raise on the Committee's activities.

On behalf of the Board

Helena Ganczakowski
Chair of the Remuneration Committee

1 March 2021

E. Summary of the Remuneration Policy

An updated Remuneration Policy was presented and approved by shareholders at the 2020 AGM. It is intended that this will operate until the AGM in 2023. The full Remuneration Policy can be found on pages 77 to 83 of our Annual Report & Accounts 2019.

Main components of the Remuneration Policy

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Basic salary – to assist in the recruitment and retention of high-calibre Executives		
Normally reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee, considering: • The performance and experience of the individual concerned • Any change in scope, role and/or responsibilities • Pay and employment conditions elsewhere in the Group • Rates of inflation and market-wide wage increases across international locations • The geographical location of the Executive Director • Rates of pay in international manufacturing and pan-sector companies of a comparable size and complexity.	• Salaries may be increased each year in percentage of salary terms. • The Committee will be guided by the salary increase budget set in each region and across the workforce generally. • Increases beyond those linked to the region of the Executive Director or the workforce as a whole (in percentage of salary terms) may be awarded by the Committee at its discretion. For example, where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value or complexity of the Group. • The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to individual performance.	• The Committee considers individual salaries taking due account of the relevant factors set out in this Policy, which includes individual performance.
Benefits – to provide competitive benefits to act as a retention mechanism and reward service		
The Group typically provides the following benefits: • Company car (or cash allowance) • Private fuel allowance • Private health insurance and other insured benefits • Other ancillary benefits, including relocation expenses/arrangements (including tax thereon) as required. Additional benefits might be provided from time to time (for example in circumstances where an Executive Director is deployed to, or recruited from overseas). The Committee will consider whether the payment of any additional benefits is appropriate and proportionate when determining whether they are paid.	• The cost of benefits is not pre-determined and may vary from year to year based on the cost to the Group.	None.
Performance-related annual bonus – to incentivise and reward delivery of the Group's key annual objectives and to contribute to longer-term alignment with shareholders		
Normally one third of any bonus paid is compulsorily deferred into shares for three years through the Deferred Bonus Share Plan (DBSP). The Committee has the discretion to permit DBSP awards to benefit from dividends on shares that vest. The balance of the bonus is paid in cash.	Group Chief Executive: 150% of salary. Other Executive Director: 125% of salary.	• Bonus will typically be based on challenging financial targets set in line with the Group's KPIs (for example profit growth targets). • The Committee has the flexibility to include, for a minority of the bonus, targets related to other Group measures where this is considered appropriate. • For a profit measure, bonus normally starts to accrue once the threshold target is met (0% payable) rising on a graduated scale to 100% for outperformance. Were an additional KPI metric to be introduced, the threshold would not exceed 25%. • The Committee applies a Discretion Framework, which includes health, safety and environmental performance when determining the actual overall level of individual bonus payments and it may adjust the bonus awards if it considers it appropriate to do so. • Bonuses paid are subject to provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the bonus is paid.

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Performance Share Plan (PSP) – to incentivise and reward the execution of business strategy over the longer term and to reward sustained growth in profit and shareholder value		
The PSP provides for awards of free shares (i.e., either conditional shares or nil-cost options) normally made annually which vest after three years subject to continued service and the achievement of challenging performance conditions. Shares are subject to a two-year post-vesting holding period. The Committee has the discretion to permit awards to benefit from the dividends paid on shares that vest.	Normal maximum opportunity of: • Group Chief Executive: 225% of salary • Other Executive Director: 175% of salary. In exceptional circumstances (eg recruitment), awards may be granted up to 300% of salary to compensate for value forfeited from a previous employer.	• Granted subject to a blend of challenging financial (eg EPS), shareholder return (eg relative TSR) and strategic targets (eg sustainability). The performance targets may also include an additional underpin (eg an EVA underpin). • Targets will normally be tested over three years. • In relation to financial targets (eg EPS growth and TSR) 25% of awards subject to such targets will vest for threshold performance with a graduated scale operating through to full vesting for equalling, or exceeding, the maximum performance targets (no awards vest for performance below threshold). In relation to strategic targets or underpin targets, the structure of the target will vary based on the nature of target set (eg for milestone strategic targets it may not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if the criteria are met in full). • Vesting is also dependent on application of the Discretion Framework, including satisfactory underlying financial performance of the Group over the performance period and the Committee may adjust outcomes if it considers it appropriate to do so. • There are also provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the PSP awards vest.
All-employee share plans – to encourage retention and long-term shareholding in the Company and to provide all employees with the opportunity to become shareholders in the Company on similar terms		
• Periodic invitations are made to participate in the Group's Sharesave scheme and Share Incentive Plan. • Shares acquired through these arrangements have significant tax benefits in the UK subject to satisfying certain HMRC requirements. • The plans can only operate on an all-employee basis. • The plans operate on similar terms but on a non tax-favoured basis outside the UK as appropriate. • In the event that Croda were to introduce an all-employee plan similar in nature to the current Sharesave and Share Incentive Plan, the Committee retains the discretion to allow Executive Directors to participate on the same basis as other employees.	• In relation to HMRC plans (or equivalent) the maximum participation level is as per HMRC limits. For any other all-employee plan the maximum will be equivalent to the maximum applying to all employees.	• There are no post-grant targets currently applicable to the Group's Sharesave and Share Incentive Plan.
Pension – to provide competitive long-term retirement benefits and to act as a retention mechanism and reward service		
Pension benefits are typically provided either through (i) participation in the UK's defined benefit pension plan with a cash supplement provided above any pension salary cap or (ii) a cash supplement provided in lieu of pension. Only basic salary is pensionable.	• Career average revalued earnings scheme (CARE) with a maximum 1/60th accrual up to a capped salary plus cash allowance of 20% of salary above the cap or cash allowance of 20% of salary.	None.

Legacy arrangements

For the current CEO, and in line with other employees, there is a legacy capped defined benefit pension scheme. While there are no future accruals, the arrangement remains inflation-linked.

Independent Auditor's Report to the Members of Croda International Plc

1. Our opinion is unmodified

We have audited the financial statements of Croda International Plc ("the Company") for the year ended 31 December 2020 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statements of Changes in Equity, and the related notes, including the accounting policies on pages 121 to 127 and on page 157.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework;* and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.
Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 25 April 2018. The period of total uninterrupted engagement is for the three financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£15m (2019: £15m) 5.0% (2019: 4.8%) of normalised Group profit before tax
Coverage	77% (2019: 79%) of the total of the profits and losses that made up Group profit before tax

Key audit matters		vs 2019
Event driven	**New:** Identification and valuation of intangible assets acquired in business combinations	
Recurring risks	Valuation of defined benefit pension scheme obligation	◀▶
	Goodwill impairment	◀▶
	Recoverability of parent Company's intercompany receivables	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.
We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Group	The risk	Our response
Identification of and valuation of intangible assets acquired in the business combinations (Valuation of intangible assets acquired of £91.5m in respect of the Avanti business combination and £266.7m in respect of the Iberchem business combination) *Refer to page 74 (Audit Committee Report), page 123 (accounting policy) and note 28 on pages 153 and 154 (financial disclosures).*	**Forecast based assessment:** • On 12 August 2020, the Group completed the acquisition of Avanti Polar Lipids LLC (Avanti) and on 24 November 2020, the Group completed the acquisition of Fragrance Spanish Topco, S.L. (Iberchem). • As a result of the acquisitions, in accordance with IFRS 3 Business Combinations, the Group has performed fair value assessments of the identified acquired intangible assets. The identification and assessment of fair value of the intangible assets acquired in each business combination is dependent on accurately forecasting the future performance of the Group on a market participant basis. • There was a high degree of subjectivity in assessing a number of the assumptions applied by the Group in the discounted cash flow model used to calculate the acquisition-date fair value of these assets, including discount rate, royalty rates, customer growth and attrition rates, and replacement costs.	**Our procedures included:** • **Our valuation expertise:** we involved our own valuation specialists to assist us in assessing the appropriateness of the intangible assets identified, the valuation methodology applied, and to challenge key assumptions used such as discount rate, royalty rates, customer growth and attrition rates, and replacement costs. • **Benchmarking assumptions:** we evaluated and challenged by comparing to internally and externally derived data. • **Historical comparisons:** we assessed the accuracy of the forecasting processes in place for the acquired businesses through comparison of previous forecasts to actual results and considering whether the forecasts used are the most appropriate basis upon which to fair value the acquired intangible assets. • **Sensitivity analysis:** we assessed the sensitivity of the fair value of the intangible assets acquired to changes in certain assumptions. • **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of the valuation of acquired intangible assets. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the identification of and valuation of acquired intangible assets to be acceptable.

Independent Auditor's Report to the Members of Croda International Plc continued

Group	The risk	Our response
Valuation of defined benefit pension scheme obligation (Gross defined benefit obligation £1,544.4m; 2019: £1,441.7m) *Refer to page 74 (Audit Committee Report), page 124 (accounting policy) and note 11 on pages 134 to 137 (financial disclosures).*	**Subjective valuation:** • The Group has three defined benefit pension schemes that are material in the context of the overall balance sheet and the results of the Group. • Significant estimates, including the discount rate, the inflation rate and the mortality rate, are made in valuing the Group's defined benefit pension obligations (before deducting the schemes' assets). The UK scheme is still open to future accrual and new members, and small changes in the assumptions and estimates with respect to the obligation would have a significant effect on the financial position of the Group. The Group engages external actuarial specialists to assist them in selecting appropriate assumptions and calculate the obligations. • The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the defined benefit obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 11) disclose the sensitivity estimated by the Group.	**Our procedures included:** • **Benchmarking assumptions:** we challenged key assumptions applied (discount rate, inflation rate, and mortality rate) with the support of our own actuarial specialists, including a comparison of key assumptions against market data. • **Sensitivity analysis:** we assessed the sensitivity of the defined benefit obligation to changes in certain assumptions. • **Actuary's credentials:** we assessed the competence, independence and integrity of the Group's actuarial expert. • **Assessing transparency:** we considered adequacy of the Group's disclosures in respect of the sensitivity of the net deficit to changes in key assumptions. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the valuation of the defined benefit pension scheme obligation to be acceptable (2019 result: acceptable).

Group	The risk	Our response
Goodwill impairment (Goodwill: £866.7m (2019: £348.5m), although this specific risk is only associated with the Sipo (£21.3m, 2019: £20.7m) and Biosector (£26.2m, 2019: £24.9m) Cash Generating Units). *Refer to page 74 (Audit Committee Report), page 123 (accounting policy) and note 12 on pages 138 to 140 (financial disclosures).*	**Forecast based assessment:** • The Group has, over recent years, acquired a number of companies which has led to a material increase in the goodwill balance. Some of these acquisitions, and in particular Biosector, are still at an early stage of their integration into the Group and are therefore subject to greater levels of estimation uncertainty in respect of the underlying impairment model assumptions. • In addition, the headroom in respect of the impairment test on Sipo, a historic acquisition and separate Cash Generating Unit, is relatively small, and small changes in the assumptions and estimates applied in the value in use calculations could impact on management's conclusions about the carrying value of goodwill and how this compares to the recoverable amount. • The effect of these matters is that, as part of our risk assessment, we determined that impairment assessments in respect of the Sipo and Biosector Cash Generating Units have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 12) disclose the sensitivities estimated by the Group.	**Our procedures included:** • **Assessing methodology:** we obtained the discounted value in use cash flow models and assessed the methodology, principles and integrity of each model. • **Our valuation expertise:** we involved our own valuation specialists in respect of the Sipo and Biosector models to assist us in challenging the appropriateness of the methodology, key assumptions and cash flow forecasts. • **Benchmark assumptions:** we challenged the Group's forecast assumptions for cash flow projections, including the rate of short to medium term growth of sales, the long-term growth rates and the appropriateness of discount rates, with reference to internally and externally derived sources. • **Historical comparisons:** we assessed the Group's historical forecasting accuracy by comparing forecasts from prior years with actual results in those years. • **Sensitivity analysis:** we performed breakeven analysis on the key assumptions including the discount rate and growth rate. • **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflect the risks inherent in the valuations. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the Directors' conclusion that there is no impairment of goodwill in the Sipo and Biosector Cash Generating Units to be acceptable (2019 result: acceptable).

Independent Auditor's Report to the Members of Croda International Plc continued

Parent Company	The risk	Our response
Recoverability of parent Company's intercompany receivables (£1,452.2m; 2019: £1,589.6m) *Refer to page 74 (Audit Committee Report), page 126 (accounting policy) and note H on page 159 (financial disclosures).*	**Low risk, high value:** • The carrying amount of the parent Company's intercompany receivables, held at cost less impairment, represents 51% (2019: 72%) of the parent Company's total assets. • We do not consider the recoverable amount of these receivables to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in the context of the parent Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall parent Company audit.	**Our procedures included:** • **Tests of detail:** we assessed 100% of Group debtors to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making. • **Assessing subsidiary audits:** we assessed the work performed by the subsidiary audit team, and considering the results of that work, on those net assets, including assessing the ability of the subsidiary to obtain liquid funds and therefore the ability of the subsidiary to fund the repayment of the receivable. We performed the tests above rather than seeking to rely on any of the parent Company's controls because the nature of the balance meant that detailed testing is inherently the most effective means of obtaining audit evidence. **Our results** • We found the Directors' conclusion that there is no impairment of the intercompany receivable balance to be acceptable (2019 result: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £15.0m (2019: £15.0m), determined with reference to a benchmark of normalised Group profit before tax (PBT) of £300.2m (2019: £311.5m), of which it represents 5.0% (2019: 4.8%).

We normalised PBT by adding back adjustments that do not represent the normal, continuing operations of the Group and additionally in 2020 by averaging over 3 years. The items we adjusted were exceptional redundancy costs and the related curtailment gain as disclosed in notes 3 and 11.

Materiality for the parent Company financial statements as a whole was set at £8.7m (2019: £8.7m), determined with reference to a benchmark of parent Company total assets of £2,851.4m (2019: £2,198.5m), of which it represents 0.3% (2019: 0.4%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Group and the Parent company was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £11.3m (2019: £11.3m) for the Group and £6.5m (2019: £6.5m) for the Parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

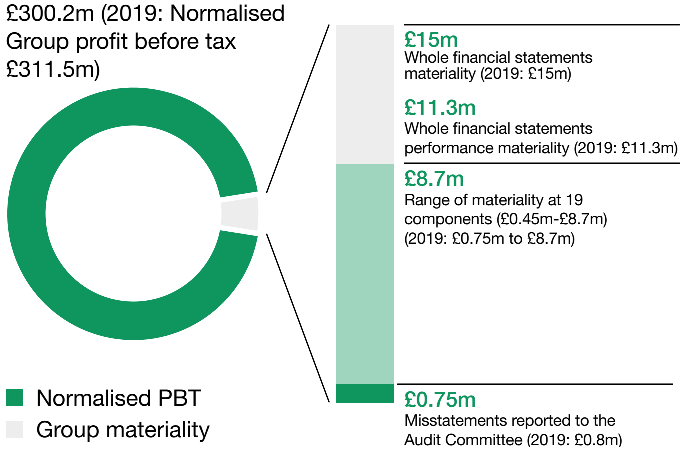
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.75m (2019: £0.75m) with the exception of reclassification misstatements greater than or £2.25m (2019: £2.25m) for reclassification misstatements, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 85 (2019: 81) reporting components, we subjected 12 (2019: 9) to full scope audits for Group purposes and 7 (2019: 7) to specified risk-focused audit procedures. One component (2019: 1) for which we performed specific risk-focused procedures was not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. The other 6 (2019: 6) components for which we performed work other than audits for Group reporting purposes were not individually significant but were included in the scope of our Group reporting work in order to provide further coverage over the Group's results.

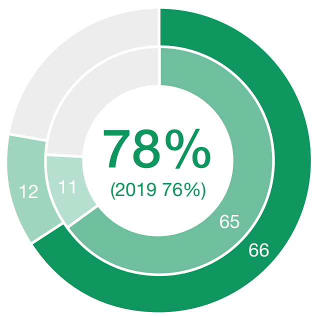
The components within the scope of our work accounted for the percentages illustrated opposite.

Normalised Group profit before tax
£300.2m (2019: Normalised Group profit before tax £311.5m)

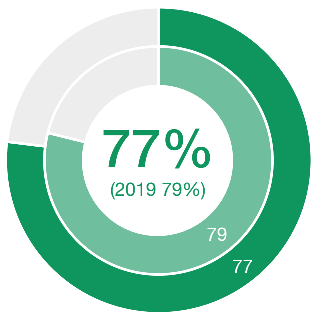
Group materiality
£15m (2019: £15m)



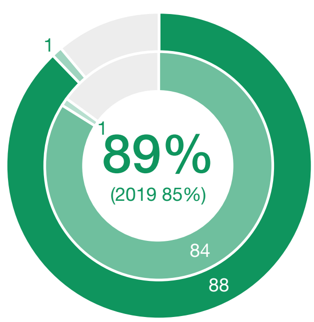
Group revenue



Total of the profits and losses that made up Group profit before tax



Group total assets



- Full scope for Group audit purposes 2020
- Specified risk-focused audit procedures 2020
- Full scope for Group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Residual components

3. Our application of materiality and an overview of the scope of our audit continued

The remaining 22% (2019: 24%) of total Group revenue, 23% (2019: 21%) of total of the profits and losses that made up the Group profit before tax and 11% (2019: 15%) of total Group assets is represented by 66 (2019: 65) reporting components, none of which individually represented more than 2% (2019: 2%) of any of total Group revenue, Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.5m to £8.7m (2019: £0.8m to £8.7m), having regard to the mix of size and risk profile of the Group across the components. The work on 11 of the 19 components (2019: 10 of the 16 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

On account of travel restrictions in place during the performance of the audit the Group team did not visit the component auditors and instead senior members of the Group audit team held regular video conference meetings with all in scope components. These meetings involved explanation of Group audit instructions, involvement in planning audit procedures, discussing progress updates and emerging findings, reviewing outcomes of testing performed and involvement in discussing audit findings with component management. The Group audit team reviewed the audit documentation of component audits through various stages of their audits. The Group team also attended the component virtual clearance meetings. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group's and the parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and parent Company's available financial resources and/or metrics relevant to debt covenants over this period was:

- The potential impact on Group revenue of economic uncertainty and reduced customer confidence.

We also considered less predictable but realistic second order impacts, such as product quality failures, regulatory incidents and site incidents, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included:

- Critically assessing assumptions in the Directors' initial downside scenarios relevant to liquidity and covenant metrics, in particular in relation to profitability by comparing to historical trends and our knowledge of the entity and the sector in which it operates.
- Assessing whether downside scenarios applied mutually consistent assumptions in aggregate, taking into account all reasonably possible downsides.
- We also compared past budgets to actual results to assess the Directors' track record of budgeting accurately.

We considered whether the going concern disclosure on page 121 gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement on page 121 on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for the going concern period, and we found the going concern disclosure on page 121 to be acceptable; and
- the same statement is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Considering remuneration incentive schemes (Performance related annual Bonus Plan and Performance share plan) and performance targets for management, including the EPS growth target.
- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope and specified risk-focused component audit teams of relevant fraud risks identified at the Group level and request these component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope and specified risk-focused components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management or other high-risk users, and those posted to unusual account combinations.
- Procedures over revenue recognition performed for all full scope and specified risk-focused components, including testing the operating effectiveness of manual controls and performing substantive procedures in respect of in year and post year-end credit notes and the use of data and analytics to test the matching of revenue to underlying customer orders and deliveries, with sample testing performed over outlier populations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to all full scope and specified risk-focused component audit teams of relevant laws and regulations identified at the Group level, and a request for these component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety and product liability, competition, anti-bribery and corruption, intellectual property, employment law, tax, export and environmental legislation, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit Committee environmental matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the long-term viability statement on page 49 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the long-term viability statement, set out on page 49 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and parent Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 105, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Hearld (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
1 March 2021

Group Consolidated Statements

Group Income Statement

for the year ended 31 December 2020

	Note	2020 Adjusted £m	2020 Adjustments £m	2020 Reported Total £m	2019 Restated[1] Adjusted £m	2019 Adjustments £m	2019 Restated[1] Reported Total £m
Revenue	1	**1,390.3**	**–**	**1,390.3**	1,377.7	–	1,377.7
Cost of sales		**(758.2)**	**–**	**(758.2)**	(746.5)	–	(746.5)
Gross profit		**632.1**	**–**	**632.1**	631.2	–	631.2
Operating costs	2	**(312.5)**	**(29.6)**	**(342.1)**	(291.5)	(19.8)	(311.3)
Operating profit	3	**319.6**	**(29.6)**	**290.0**	339.7	(19.8)	319.9
Financial costs	4	**(19.5)**	**(1.5)**	**(21.0)**	(18.5)	–	(18.5)
Financial income	4	**0.5**	**–**	**0.5**	0.9	–	0.9
Profit before tax		**300.6**	**(31.1)**	**269.5**	322.1	(19.8)	302.3
Tax	5	**(72.4)**	**4.5**	**(67.9)**	(82.4)	3.9	(78.5)
Profit after tax for the year		**228.2**	**(26.6)**	**201.6**	239.7	(15.9)	223.8
Attributable to:							
Non-controlling interests		**–**	**–**	**–**	(0.1)	–	(0.1)
Owners of the parent		**228.2**	**(26.6)**	**201.6**	239.8	(15.9)	223.9
		228.2	**(26.6)**	**201.6**	239.7	(15.9)	223.8

Adjustments relate to exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon. Details are disclosed in note 3.

1. The classification of cost of sales and administrative expenses in the Income Statement has been revised. 2019 comparative operating costs have been increased by £119.0m, with a corresponding reduction in cost of sales. Details are disclosed on page 122.

Earnings per 10.61p ordinary share		**Pence**		**Pence**	Pence		Pence
Basic	7	**175.5**		**155.1**	185.0		172.8
Diluted	7	**175.3**		**154.8**	184.6		172.4

Group Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Profit after tax for the year		**201.6**	223.8
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-retirement benefit obligations	11	**51.3**	(56.5)
Tax on items that will not be reclassified	5	**(9.7)**	8.4
		41.6	(48.1)
Items that may be reclassified subsequently to profit or loss:			
Currency translation		**(15.0)**	(34.7)
Other comprehensive income/(expense) for the year		**26.6**	(82.8)
Total comprehensive income for the year		**228.2**	141.0
Attributable to:			
Non-controlling interests		**0.1**	(0.5)
Owners of the parent		**228.1**	141.5
		228.2	141.0
Arising from:			
Continuing operations		**228.2**	141.0
		228.2	141.0

Group Balance Sheet

at 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	12	**1,311.7**	445.3
Property, plant and equipment	13	**900.8**	805.2
Right of use assets	14	**80.1**	46.2
Investments	16	**5.2**	4.7
Deferred tax assets	6	**14.5**	11.8
Retirement benefit assets	11	**17.6**	10.2
		2,329.9	1,323.4
Current assets			
Inventories	17	**302.6**	268.9
Trade and other receivables	18	**289.9**	216.8
Cash and cash equivalents	20	**106.5**	81.9
		699.0	567.6
Liabilities			
Current liabilities			
Trade and other payables	19	**(240.5)**	(163.9)
Borrowings and other financial liabilities	20	**(49.1)**	(109.5)
Lease liabilities	14	**(10.7)**	(7.8)
Provisions	21	**(6.7)**	(10.9)
Current tax liabilities		**(38.4)**	(44.3)
		(345.4)	(336.4)
Net current assets		**353.6**	231.2
Non-current liabilities			
Borrowings and other financial liabilities	20	**(776.2)**	(476.6)
Lease liabilities	14	**(71.0)**	(35.7)
Other payables	19	**(27.1)**	(0.8)
Retirement benefit liabilities	11	**(49.9)**	(85.2)
Provisions	21	**(3.9)**	(5.3)
Deferred tax liabilities	6	**(160.3)**	(82.4)
		(1,088.4)	(686.0)
Net assets		**1,595.1**	868.6
Equity			
Ordinary share capital	22	**15.1**	14.0
Preference share capital	24	**1.1**	1.1
Share capital		**16.2**	15.1
Share premium account		**707.7**	93.3
Reserves		**861.9**	753.2
Equity attributable to owners of the parent		**1,585.8**	861.6
Non-controlling interests in equity	26	**9.3**	7.0
Total equity		**1,595.1**	868.6

The financial statements on pages 116 to 154 were signed on behalf of the Board who approved the accounts on 1 March 2021.

Anita Frew
Chair

Jez Maiden
Group Finance Director

Group Statement of Cash Flows

for the year ended 31 December 2020

	Note	**2020 £m**	2019 £m
Cash generated from operating activities			
Cash generated by operations	ii	**375.2**	389.2
Interest paid		**(17.5)**	(17.0)
Tax paid		**(70.7)**	(68.3)
Net cash generated from operating activities		**287.0**	303.9
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	28	**(868.2)**	(3.7)
Acquisition of associates and other investments	16	**(1.5)**	(1.3)
Purchase of property, plant and equipment	13	**(115.0)**	(105.2)
Purchase of other intangible assets	12	**(6.2)**	(5.8)
Proceeds from sale of property, plant and equipment		**0.2**	4.2
Cash paid against non-operating provisions	21	**(1.7)**	(1.1)
Interest received		**0.5**	0.9
Net cash used in investing activities		**(991.9)**	(112.0)
Cash flows from financing activities			
New borrowings		**438.7**	752.5
Repayment of borrowings		**(201.4)**	(637.1)
Payment of lease liabilities	14	**(7.6)**	(8.8)
Issue of ordinary shares		**615.5**	–
Net transactions in own shares		**(6.9)**	(4.3)
Dividends paid to equity shareholders	8	**(115.9)**	(266.9)
Net cash used in financing activities		**722.4**	(164.6)
Net movement in cash and cash equivalents	i,iii	**17.5**	27.3
Cash and cash equivalents brought forward		**63.1**	40.3
Exchange differences	iii	**(2.8)**	(4.5)
Cash and cash equivalents carried forward		**77.8**	63.1
Cash and cash equivalents carried forward comprise:			
Cash at bank and in hand		**106.5**	81.9
Bank overdrafts		**(28.7)**	(18.8)
		77.8	63.1

Group Cash Flow Notes

for the year ended 31 December 2020

(i) Reconciliation to net debt

	Note	**2020 £m**	2019 £m
Net movement in cash and cash equivalents	iii	**17.5**	27.3
Net movement in borrowings and other financial liabilities	iii	**(229.7)**	(106.6)
Change in net debt from cash flows		**(212.2)**	(79.3)
Non-cash movement in lease liabilities		**(47.8)**	(52.9)
Exchange differences		**7.2**	10.0
		(252.8)	(122.2)
Net debt brought forward		**(547.7)**	(425.5)
Net debt carried forward	iii	**(800.5)**	(547.7)

(ii) Cash generated by operations

	Note	**2020 £m**	2019 £m
Adjusted operating profit		**319.6**	339.7
Exceptional items	iv	**(4.3)**	(10.7)
Acquisition costs and amortisation of intangible assets arising on acquisition		**(25.3)**	(9.1)
Operating profit		**290.0**	319.9
Adjustments for:			
Depreciation and amortisation		**81.8**	66.4
Impairments		**1.4**	1.4
Profit on disposal of property, plant and equipment		**–**	(3.8)
Net provisions charged (note 21)		**4.2**	10.5
Share-based payments		**4.1**	(5.2)
Non-cash pension expense		**7.7**	1.6
Share of loss of associate		**1.1**	0.8
Cash paid against operating provisions (note 21)		**(7.8)**	(4.0)
Movement in inventories		**(7.0)**	12.2
Movement in receivables		**(15.6)**	8.3
Movement in payables		**15.3**	(18.9)
Cash generated by continuing operations		**375.2**	389.2

(iii) Analysis of net debt

	2020 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2019 £m
Cash and cash equivalents	**106.5**	27.4	(2.8)	–	81.9
Bank overdrafts	**(28.7)**	(9.9)	–	–	(18.8)
Movement in cash and cash equivalents		17.5	(2.8)	–	
Borrowings repayable within one year	**(20.4)**	70.9	(0.6)	–	(90.7)
Borrowings repayable after more than one year	**(776.2)**	(308.2)	8.6	–	(476.6)
Lease liabilities	**(81.7)**	7.6	2.0	(47.8)	(43.5)
Movement in borrowings and other financial liabilities		(229.7)	10.0	(47.8)	
Total net debt	**(800.5)**	(212.2)	7.2	(47.8)	(547.7)

Included within other non-cash movements are £43.8m of lease liabilities recognised in the year.

(iv) Cash flow on exceptional items

The total cash outflow during the year in respect of exceptional items, including those recognised in prior years' income statements, was £9.4m (2019: £4.5m). Details of exceptional items can be found in note 3 on page 129.

Group Statement of Changes in Equity

for the year ended 31 December 2020

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2019		15.1	93.3	68.7	813.4	7.5	998.0
Profit after tax for the year		–	–	–	223.9	(0.1)	223.8
Other comprehensive expense		–	–	(34.3)	(48.1)	(0.4)	(82.8)
Total comprehensive (expense)/income for the year		–	–	(34.3)	175.8	(0.5)	141.0
Transactions with owners:							
Dividends on equity shares	8	–	–	–	(266.9)	–	(266.9)
Share-based payments		–	–	–	0.8	–	0.8
Transactions in own shares		–	–	–	(4.3)	–	(4.3)
Total transactions with owners		–	–	–	(270.4)	–	(270.4)
Total equity at 31 December 2019		15.1	93.3	34.4	718.8	7.0	868.6
At 1 January 2020		15.1	93.3	34.4	718.8	7.0	868.6
Profit after tax for the year		–	–	–	201.6	–	201.6
Other comprehensive (expense)/income		–	–	(15.1)	41.6	0.1	26.6
Total comprehensive (expense)/income for the year		–	–	(15.1)	243.2	0.1	228.2
Transactions with owners:							
Dividends on equity shares	8	–	–	–	(115.9)	–	(115.9)
Share-based payments		–	–	–	3.4	–	3.4
Issue of ordinary shares		1.1	614.4	–	–	–	615.5
Transactions in own shares		–	–	–	(6.9)	–	(6.9)
Total transactions with owners		1.1	614.4	–	(119.4)	–	496.1
Acquisition of a subsidiary with an NCI		–	–	–	–	2.2	2.2
Total equity at 31 December 2020		**16.2**	**707.7**	**19.3**	**842.6**	**9.3**	**1,595.1**

Other reserves include the Capital Redemption Reserve of £0.9m (2019: £0.9m) and the Translation Reserve of £18.4m (2019: £33.5m).

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. A summary of the more important Group accounting policies is set out below.

Going concern

The potential impact of COVID-19 on the Group has been considered in the preparation of the financial statements including our evaluation of critical accounting estimates and judgements which are detailed below. The financial statements on pages 116 to 154 have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

In 2019, the Group refinanced its principal bank debt and issued US private placement bonds at attractive pricing. In October 2020, the Group extended the existing 2019 Club facility by a further year, resetting its five-year term and resulting in a maturity date of October 2025. At 31 December 2020 the Group had £1,244m of committed debt facilities available from its banking group, USPP bondholders and lease providers, with principal maturities between 2023 and 2030, of which £378.3m (2019: £459.9m) was undrawn, together with cash balances of £106.5m (2019: £81.9m).

The Directors have reviewed the liquidity and covenant forecasts for the Group, which have been updated for the expected impact of COVID-19 on trading activities. The Directors have also considered sensitivities in respect of potential downside scenarios, and the mitigating actions available, in concluding that the Group is able to continue in operation for a period of at least 12 months from the date of approving the financial statements. These sensitivities include a severe but plausible downside scenario for the continued impact of COVID-19, which is materially consistent with the Group's experience of the crisis to date, alongside an additional scenario considered to be severe but remote. Relative to a base case scenario, the sensitivities assume increasingly pessimistic outlooks for global demand, coupled with slower economic recoveries. In both downside scenarios, we have assumed that our principal manufacturing sites continue to operate. In the severe downside scenario, demand remains below 2019 pre-Covid levels throughout 2021 and 2022. Furthermore, the downside scenarios also assume a material increase in working capital, due to inventory build and higher customer receivables, and substantial margin erosion, predicated on a further deterioration in the economic conditions. In considering the suitability of these scenarios, the Directors have considered, among other factors, the impact of the UK leaving the EU and the recent trading experience outlined in the Finance Review on pages 40 to 43.

In both the downside scenarios, the Group continues to have significant liquidity headroom and good financial covenant headroom under its debt facilities. The Directors have also considered the impact on the Group from the agreement to acquire Alban Muller for total consideration of €25m. This acquisition will be funded from existing debt facilities but will have no material impact on Croda's leverage and a limited impact on its liquidity. The Directors are therefore satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of approval of the financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

The Group's significant accounting policies under Adopted IFRSs have been set by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Under Adopted IFRSs an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period.

The critical accounting judgement required when preparing the Group's accounts is as follows:

(i) Provisions and contingent liabilities – the Group has recognised potential environmental liabilities and other provisions. The Group's assessment of whether a constructive or legal obligation exists at the reporting date (and can be measured reliably) is a key judgement in determining whether to recognise a liability or disclose a contingent liability. A liability is recognised only where, based on the Group's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. Disclosure of contingent liabilities is made in note 29 unless the possibility of a loss arising is considered remote.

The critical accounting estimates and assumptions required when preparing the Group's accounts are as follows:

(i) Post-retirement benefits – as disclosed in note 11, the Group's principal retirement benefit schemes are of the defined benefit type. Year end recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the Directors are of the view that any estimation should be appropriate and in line with consensus opinion.

Group Accounting Policies continued

(ii) Goodwill (note 12) – management are required to undertake an annual test for impairment of indefinite lived assets such as goodwill. Accordingly, the Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value in use calculations relating to the recoverable amounts of the underlying Cash Generating Units ('CGUs'). These calculations require the use of estimates to enable the calculation of the net present value of cash flow projections of the relevant CGU. The critical assumptions are as follows:

- Terminal value growth in EBITDA (calculated as operating profit before depreciation and amortisation) – estimated at 3% unless the profile of a particular CGU warrants a different treatment.
- Selection of appropriate market participant discount rates to reflect the risks specific to the CGU.

Recoverable amounts currently exceed carrying values including goodwill. Goodwill arising on acquisition is allocated to the CGU that is expected to benefit from the synergies of the acquisition. Such goodwill is then incorporated into the Group's standard impairment review process as described above.

(iii) Valuation of acquired intangible assets (note 28) – on acquisition, intangible assets other than goodwill are recognised if they can be identified through being separable from the acquired entity or arising from specific contractual or legal rights. Once recognised, such intangible assets will be initially valued using an appropriate methodology. The acquisition date fair value of intangible assets acquired are based on a number of assumptions including discount rate, royalty rates, growth rates, customer attrition and replacement cost.

Changes in accounting policy

(i) A number of new amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2020 and have been applied in preparing these consolidated financial statements. None of these had a significant effect on the consolidated financial statements of the Group.

(ii) New standards and interpretations not yet adopted – a number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(iii) The Group has changed the classification of certain costs between cost of sales and administrative expenses. This change aligns cost of sales recognised in the income statement more closely with the Group's inventory valuation policy and market practice. As a result, 2019 comparative operating costs have been increased by £119.0m, with a corresponding reduction in cost of sales. There has been no impact on the 2019 Group balance sheet or opening Group balance sheet as at 1 January 2019.

Group accounts

General information

Croda International Plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. It is registered in England and Wales and the address of its registered office can be found on page 166.

Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Intangible assets

Goodwill

On acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalised and carried at cost less accumulated impairment losses. Goodwill is subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as CGUs. For goodwill balances where the relevant group of CGUs exceeds the size of the Group's operating segments, impairment testing is performed at the operating segment level.

If the recoverable amount of the CGU is less than the carrying value of the goodwill, an impairment loss is recognised immediately against the goodwill value. The recoverable amount of the CGU is the higher of fair value less costs to sell and value in use. Value in use is estimated with reference to estimated future cash flows discounted to net present value using a market participant discount rate that reflects the risks specific to the CGU. Typically, the Group's weighted average cost of capital is used as a starting point and then adjusted to reflect the risk profile of a particular CGU if warranted. The Group uses growth estimates that track below the Group's historical growth rates unless the profile of a particular CGU warrants a different treatment.

Other intangible assets arising on acquisition

On acquisition, intangible assets other than goodwill are recognised if they can be identified through being separable from the acquired entity or arising from specific contractual or legal rights.

Once recognised, such intangible assets will be initially valued using an appropriate methodology. For acquisitions in 2020 the following intangible asset types recognised and valuation methodologies applied were:

- Technology processes (relief-from-royalty and replacement cost)
- Trade names and brands (relief-from-royalty)
- Customer relationships (income approach)

Following initial recognition, the asset will be written down on a straight-line basis over its useful life, which range from 7 to 15 years for technology processes and from 6 to 20 years for trade names, brands and customer relationships. Useful lives are regularly reviewed to ensure their continuing relevance.

Research and development

Research expenditure, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is charged to the income statement in the year in which it is incurred. Internal development expenditure, whereby research findings are applied to a plan for the production of new or substantially improved products or processes, is charged to the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Development uncertainties typically mean that such criteria are not met, most commonly because the Group can only demonstrate the existence of a market at a late stage in the product development cycle, at which point the material element of project spend has already been incurred and charged to the income statement. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch.

Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off to the income statement.

Computer software

Computer software licences covering a period of greater than a year are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which range from 3 to 7 years.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes intra-Group sales. The Group recognises revenue on completion of contractual performance obligations, generally when it transfers control over a product or service to a customer.

Sale of goods

The principal activity from which the Group generates revenue is the supply of products to customers from its various manufacturing sites and warehouses, and in some limited instances from consignment inventory held on customer sites. Products are supplied under a variety of standard terms and conditions, and in each case, revenue is recognised when contractual performance obligations between the Group and the customer are satisfied. This will typically be on dispatch or delivery. When sales discount and rebate arrangements result in net variable consideration, appropriate provisions are recognised as a deduction from revenue at the point of sale. The Group typically uses the expected value method for estimating rebates, reflecting that such contracts have similar characteristics and a range of possible outcomes. The Group recognises revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not be required.

Royalties and profit sharing arrangements

Revenues are recognised when performance obligations between the Group and the customer are satisfied in accordance with the substance of the underlying contract.

Interest and dividend income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Group Accounting Policies continued

Segmental reporting
An operating segment is a group of assets and operations engaged in providing products and services that are subject to risks or returns that are different from those of other segments. Operating segments presented in the financial statements are consistent with the internal reporting provided to the Group's Chief Operating Decision Maker, which has been identified as the Group Executive Committee.

Employee benefits
Pension obligations
The Group accounts for pensions and similar benefits under IAS 19 'Employee Benefits' (revised). In respect of defined benefit plans (pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation), obligations are measured at discounted present value whilst plan assets are recorded at fair value. The assets and liabilities recognised in the balance sheet in respect of defined benefit pension plans are the net of plan obligations and assets. A scheme surplus is only recognised as an asset in the balance sheet when the Group has the unconditional right to future economic benefits in the form of a refund or a reduction in future contributions. For those schemes where an accounting surplus is currently recognised, the Group expects to recover the value through reduced future contributions. No allowance is made in the past service liability in respect of either the future expenses of running the schemes or for non service-related death in service benefits which may arise in the future. The operating costs of such plans are charged to operating profit and the finance costs are recognised as financial income or an expense as appropriate.

Service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Remeasurements are recognised in the statement of comprehensive income. Payments to defined contribution schemes (pension plans under which the Group pays fixed contributions into a separate entity) are charged as an expense as they fall due.

Other post-retirement benefits
Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Remeasurements are recognised in the statement of comprehensive income. These obligations are valued annually by independent qualified actuaries.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Share-based payments
The Group operates a number of cash and equity settled, share-based incentive schemes. These are accounted for in accordance with IFRS 2 'Share-based Payments', which requires an expense to be recognised in the income statement over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting for non market-based performance criteria.

Currency translations
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Transactions and balances
Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise on differences between the carrying value of assets and liabilities in the financial statements and their tax base and primarily relate to the difference between tax allowances on tangible fixed assets and the corresponding depreciation charge, and upon the net pension fund deficit. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings.

Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised, using the balance sheet liability method, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. In the current year exceptional items relate to the delivery of cost saving actions announced in 2019 and the discount unwind in contingent consideration. Exceptional items in the prior year related to cost saving actions, comprising redundancy and other restructuring costs (including an associated curtailment gain on defined benefit pension schemes and related impairments). Details can be found in note 3 on page 129.

Income statement presentation
The acquisition of Rewitec GmbH in 2019, Avanti Polar Lipids, LLC and Fragrance Spanish Topco, S.L. (Iberchem) in 2020 increased acquisition costs and amortisation of acquired intangible assets. To avoid distorting the underlying trend in profitability, the Group adopts the definitions 'Adjusted operating profit', 'Adjusted profit before tax' and 'Adjusted earnings per share'. In each case acquisition costs, amortisation of intangible assets arising on acquisition and exceptional items, including the respective tax effect, are excluded. The Group income statement has been produced in a columnar format to further aid this analysis.

Property, plant and equipment
Property, plant and equipment is stated at historical cost less depreciation, with the exception of assets acquired as part of a business combination. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The Group's policy is to write off the difference between the cost of all property, plant and equipment, except freehold land, and their residual value on a straight-line basis over their estimated useful lives.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear, and adjustments are made where appropriate. Under this policy it becomes impractical to calculate average asset lives exactly. However, the total lives range from approximately 15 to 40 years for land and buildings, and 3 to 25 years for plant and equipment. All individual assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. The Group's 'plant and equipment' asset class predominantly relates to the value of plant and equipment at the Group's manufacturing facilities. Consequently, the Group does not seek to analyse out of this class other items such as motor vehicles and office equipment.

Impairment of non-financial assets
The Group assesses at each year end whether an asset may be impaired. If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. In addition to this, goodwill is tested for impairment at least annually. Non-financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Leases
When entering into a new contract, the Group assesses whether it is, or contains, a lease. A lease conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease or, more typically, the Group's incremental borrowing rate (when the implicit rate cannot be readily determined).

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or changes in the Group's assessment of whether a purchase, extension or termination option is reasonably certain to be exercised.

The Group adopts recognition exemptions for short-term (less than 12 months) and low value leases and elects not to separate lease components from any associated fixed non-lease components.

The Group classifies payments of lease liabilities (principal and interest portions) as part of financing activities. Payments of short-term, low value and variable lease components are classified within operating activities.

Derivative financial instruments
The Group uses derivative financial instruments where deemed appropriate to hedge its exposure to interest rates and short term currency rate fluctuations. The Group's accounting policy is set out below.

Derivative financial instruments are recorded initially at cost. Subsequent measurement depends on the designation of the instrument as either: (i) a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) a hedge of highly probable forecast transactions (cash flow hedge).

(i) Fair value hedge
Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Trade and other payables
Trade and other payables are recognised initially at fair value. With the exception of contingent consideration, trade and other payables are subsequently measured at amortised cost using the effective interest method. Contingent consideration is measured at fair value based on the present value of the expected future payments, discounted using a risk-adjusted discount rate. Continent consideration is remeasured at fair value at each reporting date and subsequent changes in fair value and associated discount unwind are recognised in the income statement.

Inventories
Inventories are stated at the lower of cost and net realisable amount on a first in first out basis. Cost comprises all expenditure, including related production overheads, incurred in the normal course of business in bringing the inventory to its location and condition at the balance sheet date. Net realisable amount is the estimated selling price in the ordinary course of business less any applicable variable selling costs. Provision is made for obsolete, slow moving and defective inventory where appropriate. Profits arising on intra-group sales are eliminated in so far as the product remains in Group inventory at the year end.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprises balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and bank overdrafts are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, there is an intention to settle on a net basis and interest is charged on a net basis.

Environmental, restructuring and other provisions

The Group is exposed to environmental liabilities relating to its operations and liabilities following the acquisition of Uniqema. Provisions are made immediately where a legal obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation. The Group does consider the impact of discounting when establishing provisions and provisions are discounted when the impact is material and the timing of cash flows can be estimated with reasonable certainty.

Share capital

Investment in own shares

(i) Employee share ownership trusts – shares acquired by the trustees of the employee share ownership trust (the Trustees), funded by the Company and held for the continuing benefit of the Company are shown as a reduction in equity attributable to owners of the parent. Movements in the year arising from additional purchases by the Trustees of shares or the receipt of funds due to the exercise of options by employees are accounted for within reserves and shown as a movement in equity attributable to owners of the parent in the year. Administration expenses of the trusts are charged to the Company's income statement as incurred.

(ii) Treasury shares – where any Group company purchases the Company's equity share capital as treasury shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividends

Dividends on ordinary share capital are recognised as a liability when the liability is irrevocable. Accordingly, final dividends are recognised when approved by shareholders and interim dividends are recognised when paid.

Investments

Investments in equity securities are measured at fair value, with movements in the fair value being recognised in the income statement or equity on an instrument by instrument basis. Investments in associates are initially recorded at cost and subsequently adjusted for the Group's share of results. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.

Notes to the Group Accounts

1. Segmental analysis

The Group's sales, marketing and research activities are organised into four global market sectors, being Personal Care, Life Sciences, Performance Technologies and Industrial Chemicals. These are the segments for which summary management information is presented to the Group's Executive Committee, which is deemed to be the Group's Chief Operating Decision Maker. A review of each sector can be found within the Strategic Report on pages 24 to 29.

There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and trade and other receivables.

	2020 £m	2019 £m
Income statement		
Revenue		
Personal Care	**475.9**	485.2
Life Sciences	**401.6**	350.5
Performance Technologies	**416.4**	430.2
Industrial Chemicals	**96.4**	111.8
Total Group revenue	**1,390.3**	1,377.7
Adjusted operating profit		
Personal Care	**136.5**	162.1
Life Sciences	**129.4**	107.1
Performance Technologies	**54.0**	69.4
Industrial Chemicals	**(0.3)**	1.1
Total Group operating profit (before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition)	**319.6**	339.7
Exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition[1]	**(29.6)**	(19.8)
Total Group operating profit	**290.0**	319.9

1. Relates to Personal Care £13.5m (2019: £3.9m), Life Sciences £12.2m (2019: £9.4m), Performance Technologies £3.6m (2019: £5.6m) and Industrial Chemicals £0.3m (2019: £0.9m)

In the following table, revenue has been disaggregated by sector and destination. This is the primary management information that is presented to the Group's Executive Committee.

	Europe, Middle East & Africa £m	North America £m	Latin America £m	Asia £m	**Total £m**
Revenue 2020					
Personal Care	163.1	148.5	49.0	115.3	**475.9**
Life Sciences	164.7	122.3	54.5	60.1	**401.6**
Performance Technologies	192.0	104.5	26.1	93.8	**416.4**
Industrial Chemicals	42.6	11.7	2.0	40.1	**96.4**
Total Group revenue	562.4	387.0	131.6	309.3	**1,390.3**
Revenue 2019					
Personal Care	168.4	143.1	55.1	118.6	**485.2**
Life Sciences	138.1	98.3	58.6	55.5	**350.5**
Performance Technologies	200.4	112.9	27.6	89.3	**430.2**
Industrial Chemicals	52.0	13.1	2.5	44.2	**111.8**
Total Group revenue	558.9	367.4	143.8	307.6	**1,377.7**

	2020 £m	2019 £m
Balance sheet		
Total assets		
Segment total assets:		
Personal Care	**1,437.5**	560.3
Life Sciences	**833.4**	568.2
Performance Technologies	**504.5**	501.0
Industrial Chemicals	**109.7**	152.9
Total segment assets	**2,885.1**	1,782.4
Tax assets	**14.5**	11.8
Retirement benefit assets	**17.6**	10.2
Cash and investments	**111.7**	86.6
Total Group assets	**3,028.9**	1,891.0

Capital expenditure and depreciation

	2020 £m Additions to non-current assets	2020 £m Depreciation and amortisation	2019 £m Additions to non-current assets	2019 £m Depreciation and amortisation
Personal Care	**46.8**	**23.5**	34.5	18.4
Life Sciences	**64.1**	**29.2**	32.2	21.0
Performance Technologies	**48.1**	**24.3**	45.1	21.3
Industrial Chemicals	**6.1**	**4.8**	10.8	5.7
Total Group	**165.1**	**81.8**	122.6	66.4

The Group manages its business segments on a global basis. The operations are based in the following geographical areas: Europe, with manufacturing sites in the UK, France, the Netherlands, Italy, Spain, Finland and Denmark; North America, with manufacturing sites in the US; Latin America, with manufacturing sites in Brazil and Argentina; Asia, with manufacturing sites in Singapore, Japan, India, China, Indonesia and Australia; and South Africa. With the acquisition of Fragrance Spanish Topco, S.L. ('Iberchem') the Group now has additional manufacturing sites in Colombia, Mexico, Malaysia and Tunisia.

The Group's revenue from external customers in the UK is £46.2m (2019: £58.6m), in Germany is £104.7m (2019: £100.0m), in China is £105.2m (2019: £91.2m), in the US is £355.4m (2019: £332.9m) and the total revenue from external customers from other countries is £778.8m (2019: £795.0m). No single external customer represents more than 3% of the total revenue of the Group. The total of non-current assets other than financial instruments, retirement benefit assets and deferred tax assets located in the UK is £178.9m (2019: £137.0m) and in other countries is £1,252.2m (2019: £815.9m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

2. Operating costs

	2020 £m	2019 Restated £m
Analysis of net operating expenses by function:		
Distribution costs	**71.7**	65.9
Administrative expenses	**270.4**	245.4
	342.1	311.3

Additional information on the nature of operating expenses, including depreciation and employee costs, is provided in note 3. The 2019 restatement is described in the Group Accounting Policies on page 122.

3. Profit for the year

	2020 £m	2019 £m
The Group profit for the year is stated after charging:		
Depreciation and amortisation (note 12, 13 & 14)	**81.8**	66.4
Impairments (exceptional)	**1.4**	1.4
Staff costs (note 9)	**295.5**	268.9
Redundancy costs (non-exceptional)	**0.2**	0.8
Redundancy costs (exceptional)	**1.8**	10.4
Inventories – cost recognised as expense in cost of sales	**758.2**	746.5
Inventories – provision movement in the year	**3.8**	3.4
Research and development	**38.2**	37.6
Net foreign exchange	**2.1**	3.4
Bad debt charge (note 18)	**0.5**	0.2

Adjustments (including exceptional items):
Adjustments in the Group income statement of £31.1m (2019: £19.8m) include a £5.8m exceptional cost (2019: £10.7m), acquisition costs of £11.7m (2019: £0.3m) and amortisation of intangible assets arising on acquisition of £13.6m (2019: £8.8m). The exceptional cost in the current year reflects a £1.5m discount unwind in contingent consideration and the delivery of the 2019 cost saving actions, comprising £1.8m of redundancy costs, £1.4m of related impairments and £1.1m of other restructuring costs. The exceptional cost in the prior year comprised £10.4m of redundancy costs and £0.3m of other restructuring costs (including an associated curtailment gain on defined benefit pension schemes of £1.2m and related impairments of £1.4m). All items associated with delivering the cost savings have been presented collectively as exceptional by virtue of their size and nature. The tax impact on all adjustments was £4.5m (2019: £3.9m).

	2020 £m	2019 £m
Services provided by the Group's auditors		
Audit services		
Fees payable to the Group auditors for the audit of Parent Company and consolidated financial statements	**0.1**	0.1
Fees payable to the Group auditors and its associates for the audit of the Company's subsidiaries	**1.4**	0.9
Other audit services		
Other non-audit services including fees payable in relation to the Group's interim review	**0.1**	0.1
	1.6	1.1

Notes to the Group Accounts continued

4. Net financial costs

	2020 £m	2019 £m
Financial costs		
US$100m 5.94% fixed rate 10 year note	**0.4**	4.6
US$100m 3.75% fixed rate 10 year note	**2.7**	–
2014 Club facility due 2021	**–**	0.8
2016 Club facility due 2021	**–**	0.2
2019 Club facility due 2025	**4.5**	3.3
US$200m 3 year term loan due 2023	**0.2**	–
€30m 1.08% fixed rate 7 year note	**0.3**	0.3
€70m 1.43% fixed rate 10 year note	**0.9**	0.9
£30m 2.54% fixed rate 7 year note	**0.8**	0.8
£70m 2.80% fixed rate 10 year note	**2.0**	2.0
€50m 1.18% fixed rate 8 year note	**0.5**	0.3
£65m 2.46% fixed rate 8 year note	**1.6**	0.9
US$60m 3.70% fixed rate 10 year note	**1.7**	0.9
Net interest on retirement benefit liabilities	**1.2**	0.3
Interest on lease liabilities	**1.5**	1.0
Other bank loans and overdrafts	**1.2**	2.2
Unwind of discount on contingent consideration	**1.5**	–
	21.0	18.5
Financial income		
Bank interest receivable and similar income	**(0.5)**	(0.9)
Net financial costs	**20.5**	17.6

5. Tax

	2020 £m	2019 £m
(a) Analysis of tax charge for the year		
UK current corporate tax	**13.2**	15.1
Overseas current corporate taxes	**52.1**	50.5
Current tax	**65.3**	65.6
Deferred tax (note 6)	**2.6**	12.9
	67.9	78.5
(b) Tax on items charged/(credited) to other comprehensive income or equity		
Deferred tax on remeasurement of post-retirement benefits (OCI)	**9.7**	(8.4)
Deferred tax on share-based payments (equity)	**(0.9)**	(0.7)
Deferred tax on provisions (OCI)	**0.3**	–
	9.1	(9.1)
(c) Factors affecting the tax charge for the year		
Profit before tax	**269.5**	302.3
Tax at the standard rate of corporation tax in the UK, 19.0% (2019: 19.0%)	**51.2**	57.4
Effect of:		
Tax rate changes	**(1.5)**	–
Prior year over provisions	**(3.2)**	(2.1)
Tax cost of remitting overseas income to the UK	**1.5**	0.8
Expenses and write-offs not deductible for tax purposes	**1.8**	1.4
Utilisation of unrecognised tax losses	**(1.4)**	–
Net effect of higher overseas tax rates	**19.5**	21.0
	67.9	78.5

The effective adjusted corporate tax rate before exceptional items of 24.1% (2019: 25.6%) is significantly higher than the UK's standard tax rate of 19.0%. The reported corporate tax rate after exceptional items is 25.2% (2019: 26.0%).

Croda operates in many tax jurisdictions other than the UK, both as a manufacturer and distributor, with the majority of those jurisdictions having rates higher than the UK; considerably so in some cases. It is the exposure to these different tax rates that increases the effective tax rate above the UK standard rate and also makes it difficult to forecast the Group's future tax rate with any certainty given the unpredictable nature of exchange rates, individual economies and tax legislators. Other than the exposure to higher overseas tax rates, there are no significant adjustments between the Group's expected and reported tax charge based on its accounting profit. Given the global nature of the Group, and the number of associated cross-border transactions between connected parties, we are exposed to potential adjustments to the price charged for those transactions by tax authorities. However, the Group carries appropriate provisions relating to the level of risk.

The main rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. A further reduction to the UK tax rate was announced to reduce the rate to 17% by 1 April 2020 and was substantively enacted on 6 September 2016. In the March 2020 Budget, it was announced that the main rate of UK corporation tax would be remaining at 19%, and this was substantively enacted on 17 March 2020. These rate changes impacted the rate at which the deferred tax balances in the UK were carried. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

6. Deferred tax

	2020 £m	2019 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit liabilities	**11.1**	17.2
Provisions	**25.5**	21.6
Gross deferred tax asset	**36.6**	38.8
Offset with deferred tax liabilities	**(22.1)**	(27.0)
Net deferred tax asset	**14.5**	11.8
Deferred tax liabilities		
Accelerated capital allowances	**93.1**	86.6
Revaluation gains	**1.9**	1.9
Acquired intangibles	**82.3**	17.6
Retirement benefit assets	**4.1**	2.3
Other	**1.0**	1.0
Gross deferred tax liability	**182.4**	109.4
Offset with deferred tax assets	**(22.1)**	(27.0)
Net deferred tax liability	**160.3**	82.4
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax (charged)/credited through the income statement		
Continuing operations before adjustments	**(3.6)**	(16.1)
Adjustments and exceptional items	**1.0**	3.2
Deferred tax (charged)/credited directly to other comprehensive income or equity (note 5(b))	**(9.1)**	9.1
Acquisitions	**(64.8)**	(1.1)
Exchange differences	**1.3**	2.8
	(75.2)	(2.1)
Net balance brought forward	**(70.6)**	(68.5)
Net balance carried forward	**(145.8)**	(70.6)
Deferred tax credited/(charged) through the income statement relates to the following:		
Retirement benefit obligations	**1.5**	0.8
Accelerated capital allowances	**(10.3)**	9.1
Tax losses	**–**	(23.2)
Provisions	**4.1**	(1.4)
Other	**2.1**	1.8
	(2.6)	(12.9)

Deferred tax is calculated in full on temporary differences under the balance sheet liability method at rates appropriate to each subsidiary. Deferred tax expected to reverse in the year to 31 December 2021 and beyond has been measured using the rate due to prevail in the year of reversal.

Deferred tax assets have been recognised in all material cases where such assets arise, as it is probable the assets will be recovered.

Deferred tax is only recognised on the unremitted earnings of overseas subsidiaries to the extent that remittance is expected in the foreseeable future. If all earnings were remitted, an additional £6.6m (2019: £6.4m) of tax would be payable.

All movements on deferred tax balances have been recognised in the income statement with the exception of the items shown in note 5(b).

Of the gross deferred tax assets, £2.6m are expected to reverse within 12 months of the balance sheet date. No material reversal of any of the deferred tax liability is expected within 12 months of the balance sheet date based on the Group's current capital expenditure programme.

Notes to the Group Accounts continued

7. Earnings per share

	2020 £m	2019 £m
Adjusted profit after tax for the year attributable to owners of the parent	**228.2**	239.8
Exceptional items, acquisition costs and amortisation of intangible assets	**(31.1)**	(19.8)
Tax impact of exceptional items, acquisition costs and amortisation of intangible assets	**4.5**	3.9
Profit after tax for the year attributable to owners of the parent	**201.6**	223.9

	Number m	Number m
Weighted average number of 10.61p (2019: 10.61p) ordinary shares in issue for basic calculation	**130.0**	129.6
Deemed issue of potentially dilutive shares	**0.2**	0.3
Average number of 10.61p (2019: 10.61p) ordinary shares for diluted calculation	**130.2**	129.9

	Pence	Pence
Basic earnings per share	**155.1**	172.8
Adjusted basic earnings per share	**175.5**	185.0
Diluted earnings per share	**154.8**	172.4
Adjusted diluted earnings per share	**175.3**	184.6

Basic earnings per share is calculated by dividing the profit after tax attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding those shares held in treasury or employee share trusts (note 25). Shares held in employee share trusts are treated as cancelled because, except for a nominal amount, dividends have been waived.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Additional earnings per share calculations are included above to give a better indication of the Group's underlying performance.

8. Dividends

	Pence per share	2020 £m	Pence per share	2019 £m
Ordinary				
Interim				
2019 interim, paid October 2019	**–**	**–**	39.50	50.7
2020 interim, paid October 2020	**39.50**	**50.8**	–	–
Final				
2018 final, paid May 2019	**–**	**–**	49.00	64.6
2018 special, paid May 2019	**–**	**–**	115.00	151.5
2019 final, paid May 2020	**50.50**	**65.0**	–	–
	90.00	**115.8**	203.50	266.8
Preference (paid June and December)		**0.1**		0.1
		115.9		266.9

The Directors are recommending a final dividend of 51.5p per share, amounting to a total of £71.8m, in respect of the financial year ended 31 December 2020.

Subject to shareholder approval, the dividend will be paid on 4 June 2021 to shareholders registered on 7 May 2021 and has not been accrued in these financial statements. The total dividend for the year ended 31 December 2020 will be 91.0p per share amounting to a total of £122.6m.

9. Employees

	2020 £m	2019 £m
Group employment costs including Directors		
Wages and salaries	**215.7**	202.1
Share-based payment charges (note 23)	**13.6**	5.1
Social security costs	**36.6**	36.2
Post-retirement benefit costs	**29.6**	25.5
Redundancy costs	**2.0**	11.2
	297.5	280.1

	2020 Number	2019 Number
Average employee numbers by function		
Production	**3,044**	2,851
Selling and distribution	**1,189**	1,134
Administration	**689**	647
	4,922	4,632

As required by the Companies Act 2006, the figures disclosed above are the weighted averages based on the number of employees including Executive Directors. At 31 December 2020, the Group had 5,684 (2019: 4,580) employees in total.

10. Directors' and key management compensation

Detailed information concerning Directors' remuneration, interests and options is shown in section D of the Directors' Remuneration Report, which is subject to audit, on pages 91 to 99 forming part of the Annual Report and Accounts.

Aggregate compensation for key management, being the Directors and members of the Group Executive Committee, was as follows:

	2020 £m	2019 £m
Key management compensation including Directors		
Short term employee benefits	**4.8**	4.6
Post-retirement benefit costs	**0.1**	0.1
Share-based payment charge/(credit)	**1.2**	(0.3)
	6.1	4.4

11. Post-retirement benefits

The table below summarises the Group's net year end post-retirement benefits balance sheet positions and activity for the year.

	2020 £m	2019 £m
Balance sheet:		
Retirement benefit assets	**17.6**	10.2
Retirement benefit liabilities	**(49.9)**	(85.2)
Net liability in Group balance sheet	**(32.3)**	(75.0)
Net balance sheet liabilities for:		
Defined pension benefits	**(17.2)**	(60.9)
Post-employment medical benefits	**(15.1)**	(14.1)
	(32.3)	(75.0)
Income statement charge included in profit before tax for:		
Defined pension benefits	**23.9**	18.2
Post-employment medical benefits	**0.8**	0.5
	24.7	18.7
Remeasurements included in other comprehensive income for:		
Defined pension benefits	**(52.5)**	54.7
Post-employment medical benefits	**1.2**	1.8
	(51.3)	56.5

Defined benefit pension schemes

The Group operates defined benefit pension schemes in the UK, US, Netherlands and several other territories under broadly similar regulatory frameworks. All of the Group's final salary type pension schemes (which provide benefits to members in the form of a guaranteed level of pension payable for life based on salary in the final years leading up to retirement) are closed to future service accrual with the exception of a small number of 'grandfathered' employees in the US scheme.

The UK scheme operated on a final salary basis until 5 April 2016, following which the scheme changed to a Career Average Revalued Earnings (CARE) defined benefit scheme, with annual pensionable earnings capped and pensions in payment indexed based on CPI (previously RPI) for service accrued from 6 April 2016. This change is expected to reduce the future comparable cost and risk attached to the UK scheme. Material defined benefit pension schemes in other territories, including the Netherlands, operate on a similar basis to the UK, except in the US, which (other than for 'grandfathered' employees) operates a cash balance pension scheme that provides a guaranteed rate of return on pension contributions until retirement. From 1 October 2017 the US scheme was closed to new joiners, who will receive defined contribution benefits. The US plans also do not generally receive inflationary increases once in payment. With the exception of this difference in inflationary risk, the Group's main defined benefit pension schemes continue to face materially similar risks, as described on page 137.

The majority of benefit payments are from trustee administered funds; however, there are also a number of unfunded plans where the relevant Group company meets the benefit payment obligation as it falls due.

Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition. Responsibility for governance of the schemes, including investment decisions and contribution schedules, predominantly lies with the particular scheme's board of trustees with appropriate input from the relevant Group company. The board of trustees must be composed of representatives in accordance with each scheme's regulations and any relevant legislation.

During the period the model used to calculate the discount rate for the UK and Netherlands schemes has been changed reflecting a bond classification adjustment from BICS to BCLASS. The impact of this change as at 31 December 2020 was an increase in the discount rate (UK: 9 basis points, Netherlands: 34 basis points), leading to a £42m combined reduction in the present value of scheme obligations. The UK Government consultation on the future of RPI reported during the period confirming the UK Statistics Authority's intention (and legal and practical ability) to align CPI and RPI by February 2030, the net impact of which was immaterial on the present value of scheme obligations.

The amounts recognised in the balance sheet in respect of these schemes are as follows:

	2020 £m	2019 £m
Present value of funded obligations		
UK pension scheme	**(1,178.5)**	(1,104.2)
US pension scheme	**(133.9)**	(132.3)
Netherlands pension scheme	**(212.3)**	(188.2)
Rest of world	**(19.7)**	(17.0)
	(1,544.4)	(1,441.7)
Fair value of schemes' assets		
UK pension scheme	**1,163.7**	1,063.5
US pension scheme	**150.4**	141.5
Netherlands pension scheme	**205.7**	171.1
Rest of world	**17.0**	14.7
	1,536.8	1,390.8
Net liability in respect of funded schemes	**(7.6)**	(50.9)
Present value of unfunded obligations	**(9.6)**	(10.0)
Net liability in Group balance sheet (excluding post-employment medical benefits)	**(17.2)**	(60.9)

	2020 £m	2019 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	**1,451.7**	1,278.7
Current service cost	**23.1**	19.6
Past service cost – plan amendments	**–**	(0.3)
Past service cost – curtailments	**–**	(0.9)
Interest cost	**27.3**	33.9
Remeasurements		
Change in demographic assumptions	**(56.4)**	(8.0)
Change in financial assumptions	**149.3**	174.0
Experience (losses)/gains	**(1.9)**	11.1
Contributions paid in		
Employee	**2.9**	2.8
Benefits paid	**(46.2)**	(43.6)
Exchange differences on overseas schemes	**4.2**	(15.6)
	1,554.0	1,451.7
Movement in fair value of schemes' assets in the year:		
Opening balance	**1,390.8**	1,272.7
Interest income	**26.5**	34.1
Remeasurements		
Return on scheme assets, excluding amounts included in financial expenses	**143.5**	122.4
Contributions paid in		
Employee	**2.9**	2.8
Employer	**15.4**	16.3
Benefits paid out including settlements	**(46.2)**	(43.6)
Exchange differences on overseas schemes	**3.9**	(13.9)
	1,536.8	1,390.8

As at the balance sheet date, the present value of retirement benefit obligations comprised approximately £486m in respect of active employees, £399m in respect of deferred members and £669m in relation to members in retirement.

Total employer contributions to the schemes in 2021 are expected to be £13.9m.

The actuarial assumptions were as follows:

	2020 UK	2020 US	2020 Netherlands	2019 UK	2019 US	2019 Netherlands
Discount rate	**1.3%**	**2.4%**	**0.8%**	1.9%	3.2%	1.2%
Inflation rate – RPI	**2.8%**	**2.5%**	**1.8%**	3.0%	2.5%	1.8%
Inflation rate – CPI	**2.4%**	**n/a**	**n/a**	2.2%	n/a	n/a
Rate of increase in salaries	**4.4%**	**3.5%**	**2.4%**	4.2%	3.5%	2.4%
Rate of increase for pensions in payment	**2.7%**	**n/a**	**1.3%**	2.8%	n/a	1.3%
Duration of liabilities (ie life expectancy) (years)	**19.6**	**11.2**	**22.3**	20.5	11.1	22.4
Remaining working life	**9.6**	**10.6**	**12.4**	14.7	10.1	12.9

11. Post-retirement benefits continued

Mortality assumptions are based on country-specific mortality tables and where appropriate allow for future improvements in life expectancy. Where credible data exists, actual plan experience is taken into account. Applying the mortality tables adopted, the expected future average lifetime of members currently at age 65 and members at age 65 in 20 years' time is as follows:

	Current age 65			Age 65 in 20 years		
	UK	US	Netherlands	UK	US	Netherlands
Male	20.1	20.8	21.0	21.4	21.9	22.5
Female	23.2	22.7	25.0	24.7	23.8	26.3

The sensitivity of the defined benefit obligation to changes in the significant assumptions is as follows:

		Impact on retirement benefit obligation	
	Sensitivity	Of increase	Of decrease
Discount rate	0.5%	-9.0%	10.4%
Inflation rate	0.5%	6.7%	-6.4%
Mortality (assumes a one year change in life expectancy)	1 year	4.8%	-4.7%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the retirement benefit obligation recognised in the Group balance sheet. The weighted average duration of the defined benefit obligation is 19.2 years (2019: 19.8 years).

The assets in the schemes comprised:

	2020 £m	**2020 %**	2019 £m	2019 %
Quoted				
Equities	**277.9**	**18%**	240.7	17%
Government bonds	**674.0**	**44%**	584.2	42%
Corporate bonds	**124.2**	**8%**	77.9	6%
Other quoted securities	**31.3**	**2%**	11.3	1%
Unquoted				
Cash and cash equivalents	**77.5**	**5%**	127.3	9%
Real estate	**56.7**	**4%**	57.5	4%
Derivatives	**6.4**	**0%**	1.2	0%
Other	**288.8**	**19%**	290.7	21%
	1,536.8	**100%**	1,390.8	100%

Derivatives presented above represent the scheme's net position on Government bond repurchase agreements and other swap contracts (valued on a mark-to-market basis) which form part of the scheme's liability driven investment (LDI) portfolio. The non-derivative assets in the LDI portfolio have been presented in the relevant asset category.

Post-employment medical benefits

The Group operates an unfunded post-employment medical benefit scheme in the US. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long term increase in health care costs of 5.0% a year (2019: 5.0%).

The amounts recognised in the balance sheet in respect of this scheme are as follows:

	2020 £m	2019 £m
Present value of unfunded obligations		
US scheme	**15.1**	14.1

	2020 £m	2019 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	**14.1**	12.5
Current service cost	**0.4**	0.3
Past service cost – curtailments	**–**	(0.3)
Interest cost	**0.4**	0.5
Remeasurements – change in demographic assumptions	**(0.2)**	(0.1)
Remeasurements – change in financial assumptions	**1.7**	1.9
Remeasurements – experience gains	**(0.3)**	–
Benefits paid	**(0.4)**	(0.3)
Exchange differences on overseas schemes	**(0.6)**	(0.4)
	15.1	14.1

Pension and medical benefits – risks and volatility

Through its defined benefit pension schemes and post-employment medical schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The schemes' liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, a deficit will be created. The schemes hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. As the schemes mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. However, the Group and the pension trustees (Trustees) believe that due to the long term nature of the scheme liabilities and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes efficiently. See below for more details on the Group's asset-liability matching strategy.

Changes in bond yields

A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk

Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the level of inflationary increases are usually capped to protect the scheme against extreme inflation. The majority of the schemes' assets are either unaffected by inflation in the case of fixed interest bonds or loosely correlated in the case of equities, meaning that an increase in inflation will thus increase the deficit. In the US schemes, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant in the UK scheme, where inflationary increases result in higher sensitivity to changes in life expectancy. In the case of the funded schemes, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are cognisant of the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match a portion of assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group and Trustees actively monitor how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous years.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A significant portion of assets in 2020 consist of equities and bonds, although the schemes also invest in property, cash and infrastructure funds. The Group believes that equities offer the best returns over the long term with an acceptable level of risk. Both the UK and Dutch schemes make use of a portfolio of derivative instruments to mitigate interest rate and inflation risk.

The latest triennial valuation of the UK scheme was completed as at 30 September 2017. As a result, no deficit funding payments to this scheme were required prior to completion of the next triennial valuation (as at 30 September 2020) which is currently ongoing. The funding review of our US scheme is undertaken annually. As at 1 December 2019 the scheme was 137% funded. The Group's Dutch scheme is subject to a more rigorous regulatory environment under the supervision of the Dutch National Bank (DNB). As at 31 December 2020 the scheme was 107% funded on an actuarial basis relative to the DNB's required level of 119% and a minimum funding requirement of 104%.

The expected distribution of the timing of benefit payments is as follows:

	Less than a year £m	Between 1–2 years £m	Between 2–5 years £m	Beyond 5 years £m	Total £m
Pension benefits	42.2	41.4	133.1	1,337.3	1,554.0
Post-employment medical benefits	0.6	0.6	1.7	12.2	15.1
	42.8	42.0	134.8	1,349.5	1,569.1

Defined contribution schemes

	2020 £m	2019 £m
Contributions paid charged to operating profit	**6.1**	5.6

Financial statements

12. Intangible assets

	Goodwill £m	Software £m	Technology processes £m	Customer relationships £m	Other intangibles £m	Total £m
Cost						
At 1 January 2019	354.0	25.7	59.5	36.9	10.3	486.4
Exchange differences	(7.5)	(1.1)	(3.2)	(1.9)	(0.4)	(14.1)
Additions	–	4.7	–	1.1	–	5.8
Acquisitions	2.1	–	5.4	–	–	7.5
Disposals and write-offs	–	(0.1)	–	–	–	(0.1)
Reclassifications	(0.1)	0.3	–	–	(0.2)	–
At 31 December 2019	**348.5**	**29.5**	**61.7**	**36.1**	**9.7**	**485.5**
At 1 January 2020	348.5	29.5	61.7	36.1	9.7	485.5
Exchange differences	3.1	(0.1)	1.8	(1.0)	(0.5)	3.3
Additions	–	5.3	–	–	1.0	6.3
Acquisitions	515.1	0.8	90.8	183.5	83.1	873.3
Reclassifications	–	0.2	–	–	–	0.2
At 31 December 2020	**866.7**	**35.7**	**154.3**	**218.6**	**93.3**	**1,368.6**
Accumulated amortisation and impairment losses						
At 1 January 2019	–	16.7	8.4	4.3	2.1	31.5
Exchange differences	–	(1.0)	(0.8)	(0.2)	–	(2.0)
Charge for the year (note 3)	–	1.9	6.0	2.3	0.6	10.8
Disposals and write-offs	–	(0.1)	–	–	–	(0.1)
At 31 December 2019	**–**	**17.5**	**13.6**	**6.4**	**2.7**	**40.2**
At 1 January 2020	–	17.5	13.6	6.4	2.7	40.2
Exchange differences	–	0.1	0.7	0.1	0.1	1.0
Charge for the year (note 3)	–	2.0	7.8	4.4	1.5	15.7
Reclassifications	–	–	0.1	–	(0.1)	–
At 31 December 2020	**–**	**19.6**	**22.2**	**10.9**	**4.2**	**56.9**
Net carrying amount						
At 31 December 2020	**866.7**	**16.1**	**132.1**	**207.7**	**89.1**	**1,311.7**
At 31 December 2019	348.5	12.0	48.1	29.7	7.0	445.3
At 1 January 2019	354.0	9.0	51.1	32.6	8.2	454.9

Other intangibles include trade names and brands. Intangible asset amortisation is recorded in operating costs within the income statement on page 116.

Impairment testing for CGUs containing goodwill

The Group's goodwill balance predominantly relates to the value of commercial and other synergies arising from the combination of acquired businesses with Croda's established global sales, marketing and R&D networks. This goodwill is allocated to the Group's Cash Generating Units (CGUs) expected to benefit from that combination based on the smallest identifiable group of assets that generate independent cash inflows.

As discussed in the accounting policies note on page 123, goodwill is tested at each year end for impairment with reference to the relevant CGU's recoverable amount compared to the unit's carrying value including goodwill. Assets are grouped at the lowest level for which there are separately identifiable cash flows relevant to the acquisition generating the goodwill. The recoverable amount is based on value in use calculations using discounted cash flow projections with the following key assumptions:

- Terminal value growth rates – set for each CGU with reference to the long-term growth rate for the market and territory in which the CGU operates
- Discount rate – set using a weighted average cost of capital adjusted for the specific risk profile of each CGU.

The carrying amount of goodwill is allocated to CGUs as follows:

	2020			2019		
	Standalone CGUs £m	**Allocated Goodwill £m**	**Total £m**	Standalone CGUs £m	Allocated Goodwill £m	Total £m
Personal Care	**390.4**	**214.7**	**605.1**	–	151.4	151.4
Life Sciences	**156.6**	**69.8**	**226.4**	93.5	69.5	163.0
Performance Technologies	**24.3**	**4.5**	**28.8**	23.4	4.5	27.9
Industrial Chemicals	**6.4**	**–**	**6.4**	6.2	–	6.2
	577.7	**289.0**	**866.7**	123.1	225.4	348.5

Following the acquisition of Iberchem, £63m of the total acquired goodwill has been identified and allocated to Personal Care as it relates to revenue synergies with Croda's existing Personal Care business. The other allocated goodwill primarily relates to £192m (2019: £192m) associated with the 2006 acquisition of Uniqema (with all other balances individually less than £10m). Due to the geographical and operational scale of the Uniqema acquisition, this goodwill balance is tested for impairment at an operating segment level. Standalone CGUs operate independently of the Group's core regional operating assets, are capable of generating largely independent cash inflows and are therefore annually tested separately for impairment.

For impairment testing performed at an operating segment level, cash flow projections are based on the Group's current year results and a growth rate of 3% (an appropriate view based on past experience), discounted using a weighted average cost of capital, which for these purposes has been calculated to be approximately 8.3% pre-tax (2019: 8.3%). No reasonably possible changes in key assumptions would cause the recoverable amount of the operating segments to be less than their carrying value. Based on the testing performed, no impairment has been recognised for the year ended 31 December 2020.

Standalone CGUs

The carrying amount of goodwill is allocated to Standalone CGUs as follows:

	2020 £m	2019 £m
Incotec	**72.1**	68.6
Biosector	**26.2**	24.9
Sipo	**21.3**	20.7
Ionphase	**7.0**	6.6
Rewitec	**2.4**	2.3
Avanti	**58.3**	–
Iberchem – Fragrances	**258.5**	–
Iberchem – Flavours	**131.9**	–
	577.7	123.1

For impairment testing performed at a Standalone CGU level, Incotec cash flow projections have been based on specific estimates for five years, with other CGUs using 10 year projections to better reflect the industry and territory in which they operate and the period through to when they are expected to reach a steady state of operation. Unless otherwise stated, these cash flow projections assume an appropriate view of past experience, specifically that the market share will not change significantly and that gross and operating margins will remain broadly constant. The terminal value growth rates and discount rates applied in these CGU level calculations are set out below:

	Terminal value growth rate		Pre-tax discount rate	
	2020	2019	**2020**	2019
Incotec	**3.0%**	3.0%	**8.5%**	8.4%
Biosector	**3.0%**	3.0%	**11.0%**	10.2%
Sipo	**3.0%**	4.0%	**12.7%**	10.8%
Ionphase	**3.0%**	3.0%	**9.9%**	10.0%
Rewitec	**3.0%**	n/a	**10.0%**	n/a

Based on the annual impairment testing performed, no impairment has been recognised for the year ended 31 December 2020, and all Standalone CGUs remain on track to perform to our long term expectations. In forming this conclusion the Directors have reviewed sensitivity analysis which considered all reasonably possible downsides on key assumptions, both individually and in combination, and considered whether these would give rise to an impairment. This analysis concluded that no reasonably possible changes in key assumptions would cause the recoverable amount of the Standalone CGUs to be less than the carrying value, other than for Biosector and Sipo.

For the Biosector CGU, the assumptions underpinning the cash flow projections used in the value in use calculation reflect an appropriate view of past experience, specifically that gross margins will be broadly consistent and operating margins will improve as a result of forecast sales growth (10.5% 5 year cumulative average growth rate 'CAGR'). The estimated recoverable amount of the CGU exceeded its carrying value by approximately £21m and therefore the Directors concluded that no impairment was required; however the calculations are sensitive to changes in key assumptions. The key assumptions considered by the Directors, where a reasonably possible change could give rise to an impairment, were the terminal value growth rate and discount rate. If the pre-tax discount rate assumption was increased by 2% the CGU's recoverable amount would be reduced to a level comparable with its carrying value. If this higher discount rate assumption was combined with a 1% decrease in the terminal value growth rate, which, although not management's current expectation is considered to be reasonably possible, this would lead to an impairment charge of £6m.

12. Intangible assets continued

For the Sipo CGU, the assumptions underpinning the cash flow projections used in the value in use calculation reflect an appropriate view of past experience, specifically that gross and operating margins will be broadly consistent. Forecasts are adjusted for the scale up of a new plant (fully operational as at the year end) driving future sales growth (8.6% 5 year CAGR) and improved profitability. The estimated recoverable amount of the CGU exceeded its carrying value by approximately £16m and therefore the Directors concluded that no impairment was required; however the calculations are sensitive to changes in key assumptions. The key assumptions considered by the Directors, where a reasonably possible change could give rise to an impairment, were the terminal value growth rate and discount rate. If the pre-tax discount rate assumption was increased by 2% the CGU's recoverable amount would be reduced to a level comparable with its carrying value. If this higher discount rate assumption was combined with a 1% decrease in the terminal value growth rate, which, although not management's current expectation is considered to be reasonably possible, this would lead to an impairment charge of £1m.

Goodwill arising in the year will be subject to the same review process commencing the year after initial recognition.

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2019	205.6	1,060.9	1,266.5
Exchange differences	(9.2)	(43.5)	(52.7)
Additions	7.3	97.9	105.2
Other disposals and write-offs	(0.3)	(4.7)	(5.0)
Reclassifications to right of use assets	(4.8)	(2.8)	(7.6)
At 31 December 2019	**198.6**	**1,107.8**	**1,306.4**
At 1 January 2020	198.6	1,107.8	1,306.4
Exchange differences	(0.6)	(11.5)	(12.1)
Additions	20.2	94.8	115.0
Acquisitions	32.5	18.4	50.9
Other disposals and write-offs	(0.1)	(3.3)	(3.4)
Reclassifications to intangible assets	6.3	(6.5)	(0.2)
At 31 December 2020	**256.9**	**1,199.7**	**1,456.6**
Accumulated depreciation and impairment losses			
At 1 January 2019	75.6	410.6	486.2
Exchange differences	(4.3)	(20.9)	(25.2)
Charge for the year (note 3)	6.4	40.4	46.8
Other disposals and write-offs	0.1	(4.5)	(4.4)
Reclassifications to right of use assets	(1.9)	(1.0)	(2.9)
Impairments	0.1	0.6	0.7
At 31 December 2019	**76.0**	**425.2**	**501.2**
At 1 January 2020	76.0	425.2	501.2
Exchange differences	0.5	0.5	1.0
Charge for the year (note 3)	6.9	48.6	55.5
Other disposals and write-offs	(0.1)	(2.9)	(3.0)
Reclassifications	(0.1)	0.1	–
Impairments	0.7	0.4	1.1
At 31 December 2020	**83.9**	**471.9**	**555.8**
Net book amount			
At 31 December 2020	**173.0**	**727.8**	**900.8**
At 31 December 2019	122.6	682.6	805.2
At 1 January 2019	130.0	650.3	780.3

The value of assets under construction not yet subject to depreciation at 31 December was as follows:

	2020 £m	2019 £m
Assets under construction		
Land and buildings	**16.9**	6.9
Plant and equipment	**162.4**	294.7
	179.3	301.6

14. Leases

Right of use assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2019 (on transition)	43.3	2.7	46.0
Exchange differences	(1.7)	(0.2)	(1.9)
Additions	6.1	5.5	11.6
Remeasurements	(5.1)	(0.3)	(5.4)
Other disposals and write-offs	(0.1)	(0.1)	(0.2)
Reclassifications	5.9	1.7	7.6
At 31 December 2019	**48.4**	**9.3**	**57.7**
At 1 January 2020	48.4	9.3	57.7
Exchange differences	(2.0)	(0.3)	(2.3)
Additions	42.6	1.2	43.8
Remeasurements	0.2	0.2	0.4
Acquisitions	2.4	0.1	2.5
Other disposals and write-offs	(0.5)	(0.5)	(1.0)
At 31 December 2020	**91.1**	**10.0**	**101.1**
Accumulated depreciation and impairment losses			
At 1 January 2019 (on transition)	–	–	–
Exchange differences	(0.3)	–	(0.3)
Charge for the year (note 3)	7.3	1.5	8.8
Reclassifications	2.0	0.9	2.9
Impairments	0.1	–	0.1
At 31 December 2019	**9.1**	**2.4**	**11.5**
At 1 January 2020	9.1	2.4	11.5
Exchange differences	(0.5)	(0.1)	(0.6)
Charge for the year (note 3)	9.0	1.6	10.6
Other disposals and write-offs	(0.4)	(0.4)	(0.8)
Impairments	0.3	–	0.3
At 31 December 2020	**17.5**	**3.5**	**21.0**
Net book amount			
At 31 December 2020	**73.6**	**6.5**	**80.1**
At 31 December 2019	39.3	6.9	46.2
At 1 January 2019 (on transition)	43.3	2.7	46.0

Lease liabilities

	2020 £m	2019 £m
Lease liabilities included in the Group balance sheet		
Current	**10.7**	7.8
Non-current	**71.0**	35.7
	81.7	43.5

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented within note 20.

In addition to the lease liabilities recognised at 31 December 2020 the Group has committed to new lease contracts, commencing in 2021, with a total discounted value of £5.0m.

14. Leases continued

Amounts recognised in the Group income statement

	2020 £m	2019 £m
Interest on lease liabilities	**1.5**	1.0
Expenses relating to short-term leases	**0.5**	0.8
Expenses relating to low value leases, excluding short-term leases of low value assets	**0.1**	0.1
Expenses relating to variable lease components	**0.4**	0.6
Depreciation of right of use assets	**10.6**	8.8
Impairment of right of use assets	**0.3**	0.1
Profit on disposal of right of use assets	**(0.1)**	(0.4)
	13.3	11.0

Total cash outflow for leases

	2020 £m	2019 £m
Payment of lease liabilities	**7.6**	8.8
Payment of short-term, low value and variable lease components	**1.0**	1.5
	8.6	10.3

15. Future commitments

	2020 £m	2019 £m
Group capital projects		
At 31 December the Directors had authorised the following expenditure on capital projects:		
Contracted, but not provided for		
Property, plant and equipment	**41.1**	32.4
Intangible assets	**1.8**	0.6
Authorised, but not contracted for		
Property, plant and equipment	**72.3**	98.6
Intangible assets	**3.6**	3.8
	118.8	135.4

16. Investments

The amounts recognised in the balance sheet are as follows:

	2020 £m	2019 £m
Associate	**1.8**	2.8
Other investments	**3.4**	1.9
	5.2	4.7

Other investments of £3.4m (2019: £1.9m) increased during the year as, on 21 August 2020, the Group acquired a 9% minority shareholding in Entekno Materials, an innovative Turkish company who have invented MicNo™ Zinc Oxide technology for solar protection applications. All assets recognised as other investments on the Group balance sheet are non-quoted equity securities measured at fair value.

The Directors believe the carrying value of the investments is supported by their underlying net assets.

The amounts recognised within administrative expenses in the income statement are as follows:

	2020 £m	2019 £m
Share of loss of associate	**1.1**	0.8
Impairment of other investments	**–**	0.6
	1.1	1.4

17. Inventories

	2020 £m	2019 £m
Raw materials	**63.9**	56.7
Work in progress	**39.8**	43.3
Finished goods	**198.9**	168.9
	302.6	268.9

The Group consumed £758.2m (2019: £746.5m) of inventories during the year.

18. Trade and other receivables

	2020 £m	2019 £m
Amounts falling due within one year		
Trade receivables	**241.0**	178.1
Less: provision for impairment of receivables	**(2.5)**	(2.2)
Trade receivables – net	**238.5**	175.9
Other receivables	**41.6**	31.9
Prepayments	**9.8**	9.0
	289.9	216.8

The ageing of the Group's year end overdue receivables against which no provision has been made is as follows:

	2020 £m	2019 £m
Not impaired		
Less than three months	**29.5**	24.3
Three to six months	**5.2**	1.0
Over six months	**4.4**	1.0
	39.1	26.3

The provision for impairment of receivables principally relates to customers in unexpectedly difficult economic circumstances. The overdue receivables against which no provision has been made relate to a number of customers for whom there is no recent history of default, nor any other indication that settlement will not be forthcoming. The other classes within trade and other receivables do not contain impaired assets and are considered to be fully recoverable. The movement in the Group's ageing profile of receivables predominantly reflects new acquisitions in the year. Overall the impact from COVID-19 on the Group's provision for impairment of trade receivables has been immaterial.

The carrying amounts of the Group's receivables are denominated in the following currencies:

	2020 £m	2019 £m
Sterling	**11.9**	15.7
US Dollar	**75.5**	63.0
Euro	**105.4**	65.0
Other	**97.1**	73.1
	289.9	216.8

Movements on the Group's provision for impairment of trade receivables are as follows:

	2020 £m	2019 £m
At 1 January	**2.2**	3.0
Exchange differences	**–**	(0.1)
Charged to income statement	**0.5**	0.2
Net write-off of uncollectible receivables	**(0.2)**	(0.9)
At 31 December	**2.5**	2.2

Amounts charged to the income statement are included within administrative expenses.

19. Trade and other payables

	2020 £m	2019 £m
Trade payables	**97.8**	63.8
Taxation and social security	**10.3**	8.0
Other payables	**37.6**	30.1
Accruals and deferred income	**83.8**	60.1
Contingent consideration (note 28)	**38.1**	2.7
	267.6	164.7

All trade payables are payable within one year. Included in the above are balances payable after one year of £26.1m contingent consideration and £1.0m (2019: £0.8m) other payables.

20. Borrowings, other financial liabilities and other financial assets

This note should be read in conjunction with the further liquidity disclosures in our accounting policies note and the Finance Review on pages 40 to 43.

	2020 £m	2019 £m
Assets		
Non-current assets – Investments	**5.2**	4.7
Current assets – Trade and other receivables (excluding prepayments)	**280.1**	207.8
	285.3	212.5
Current liabilities		
Trade and other payables (excluding taxation, social security, contingent consideration, accruals and deferred income)	**134.4**	93.1
US$100m 5.94% fixed rate 10 year note	**–**	76.4
US$200m 3 year term loan due 2023	**7.0**	–
Unsecured bank loans and overdrafts due within one year or on demand	**30.8**	21.3
Other loans	**11.3**	11.8
Lease liabilities	**10.7**	7.8
	194.2	210.4
Non-current liabilities		
2019 Club facility due 2025	**218.1**	136.2
US$200m 3 year term loan due 2023	**138.5**	–
US$100m 3.75% fixed rate 10 year note	**73.2**	–
€30m 1.08% fixed rate 7 year note	**26.9**	25.6
€70m 1.43% fixed rate 10 year note	**62.7**	59.7
£30m 2.54% fixed rate 7 year note	**30.0**	30.0
£70m 2.80% fixed rate 10 year note	**70.0**	70.0
€50m 1.18% fixed rate 8 year note	**44.8**	42.6
£65m 2.46% fixed rate 8 year note	**65.0**	65.0
US$60m 3.70% fixed rate 10 year note	**43.9**	45.8
Other secured bank loans	**1.8**	0.1
Other unsecured bank loans	**1.3**	1.6
Lease liabilities	**71.0**	35.7
	847.2	512.3

During October 2020, the Group extended the existing 2019 Club facility by a further year, resetting its five-year term and resulting in a maturity date of October 2025. Interest is charged on this agreement at a floating rate based on ICE GBP LIBOR, ICE LIBOR or EURIBOR, depending upon the drawdown currency, plus a variable margin. In July 2020 the Group arranged a three-year amortising term loan for US$200m. Interest is charged on this agreement at a floating rate based on ICE LIBOR plus a variable margin. The margin the Group pays on this borrowing over and above standard rates is determined by the Group's net debt to EBITDA ratio.

	2020 £m	2019 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**37.8**	97.7
Other loans	**11.3**	11.8
	49.1	109.5
Lease liabilities	**10.7**	7.8
	59.8	117.3
After more than one year		
Loans repayable		
Within one to two years	**30.8**	0.2
Within two to five years	**385.4**	193.0
Five years and over	**360.0**	283.4
	776.2	476.6
Lease liabilities	**71.0**	35.7
	847.2	512.3
The minimum lease payments under lease liabilities fall due as follows:		
Within one year	**12.7**	8.4
Within one to two years	**11.8**	6.4
Within two to five years	**19.2**	10.5
Five years and over	**55.0**	26.0
	98.7	51.3
Future finance charges on lease liabilities	**(17.0)**	(7.8)
Present value of lease liabilities	**81.7**	43.5

	2020 £m	2019 £m
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	**38.3**	98.5
Other loans	**11.8**	12.4
Lease liabilities	**12.7**	8.4
	62.8	119.3
After more than one year		
Loans repayable		
Within one to two years	**45.3**	10.5
Within two to five years	**423.9**	225.1
Five years and over	**391.4**	308.5
Lease liabilities		
Within one to two years	**11.8**	6.4
Within two to five years	**19.2**	10.5
Five years and over	**55.0**	26.0
	946.6	587.0

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £14.3m (2019: £10.3m) of the interest falls due within one year of the balance sheet date, £14.0m (2019: £10.3m) within one to two years, £34.0m (2019: £28.5m) within two to five years and £22.1m (2019: £18.4m) beyond five years.

20. Borrowings, other financial liabilities and other financial assets continued

Interest rate and currency profile of Group financial liabilities

	Total £m	Fixed £m	Floating £m	Fixed rate weighted average Interest rate %	Fixed rate weighted average Fixed period Years
Sterling	254.3	165.0	89.3	2.62	5.3
US Dollar	287.0	117.1	169.9	3.73	8.9
Euro	270.2	134.4	135.8	1.28	5.2
Other	95.5	–	95.5	–	–
At 31 December 2020	**907.0**	**416.5**	**490.5**	**2.50**	**6.3**
Sterling	278.0	165.0	113.0	2.62	6.3
US Dollar	175.9	122.2	53.7	5.10	3.6
Euro	131.2	127.9	3.3	1.28	6.2
Other	44.5	–	44.5	–	–
At 31 December 2019	**629.6**	**415.1**	**214.5**	**2.94**	**5.5**

Fair values

Prior to 2016, the Group did not typically utilise complex financial instruments and accordingly the only element of Group borrowings where fair value differed from book value was the US$100m fixed rate ten-year note that was issued in 2010. In January 2020 the existing US$100m fixed rate ten-year note matured and was repaid, this was replaced with a new US$100m fixed rate ten-year note (27 January 2020). On 27 June 2016, the Group issued £100m and €100m of fixed rate notes. On 6 June 2019, the Group issued a further £65m, €50m and US$60m of fixed rate notes.

The table below details a comparison of the book and fair values of the Group's financial assets and liabilities. Where there are no readily available market values to determine fair values, cash flows relating to the various instruments have been discounted at prevailing interest and exchange rates to give an estimate of fair value.

	Book value 2020 £m	**Fair value 2020 £m**	Book value 2019 £m	Fair value 2019 £m
Cash deposits	**106.5**	**106.5**	81.9	81.9
Other investments	**5.2**	**5.2**	4.7	4.7
2019 Club facility due 2025	**(218.1)**	**(218.1)**	(136.2)	(136.2)
US$200m 3 year term loan due 2023	**(145.5)**	**(145.5)**	–	–
US$100m 5.94% fixed rate 10 year note	**–**	**–**	(76.4)	(76.5)
US$100m 3.75% fixed rate 10 year note	**(73.2)**	**(82.9)**	–	–
€30m 1.08% fixed rate 7 year note	**(26.9)**	**(27.5)**	(25.6)	(26.2)
€70m 1.43% fixed rate 10 year note	**(62.7)**	**(67.0)**	(59.7)	(63.1)
£30m 2.54% fixed rate 7 year note	**(30.0)**	**(30.9)**	(30.0)	(30.6)
£70m 2.80% fixed rate 10 year note	**(70.0)**	**(75.2)**	(70.0)	(73.2)
€50m 1.18% fixed rate 8 year note	**(44.8)**	**(47.5)**	(42.6)	(44.4)
£65m 2.46% fixed rate 8 year note	**(65.0)**	**(68.9)**	(65.0)	(66.4)
US$60m 3.70% fixed rate 10 year note	**(43.9)**	**(49.9)**	(45.8)	(47.7)
Other bank borrowings	**(33.9)**	**(33.9)**	(23.0)	(23.0)
Other loans	**(11.3)**	**(11.3)**	(11.8)	(11.8)
Contingent consideration	**(38.1)**	**(38.1)**	(2.7)	(2.7)
Lease liabilities	**(81.7)**	**(81.7)**	(43.5)	(43.5)

For financial instruments with a remaining life of greater than one-year, fair values are based on cash flows discounted at prevailing interest rates. Accordingly, the fair value of cash deposits and short-term borrowings approximates to the book value due to the short maturity of these instruments. The same applies to trade and other receivables and payables excluded from the above analysis.

Financial instruments

Financial instruments measured at fair value use the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments are classed as level 2 with the exception of contingent consideration, other investments and lease liabilities, which are classed as level 3.

Borrowing facilities

As at 31 December 2020, the Group had undrawn committed facilities of £378.3m (2019: £459.9m). In addition, the Group had other undrawn facilities of £50.1m (2019: £65.1m) available. Of the Group's total committed facilities of £1,244.3m, £1,237.0m expire after 2021. New and repaid borrowings disclosed in the Group Statement of Cash Flows reflect routine short-term cash management, comprising regular monthly drawdowns and repayments on the Group's revolving credit facilities.

Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, interest rate risk, liquidity risk, and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Risk Management Committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. Regular reports are received from all sectors and regional operating units to enable prompt identification of financial risks so that appropriate action may be taken. In the management definition of capital the Group includes ordinary and preference share capital and net debt.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the Group use foreign currency bank balances to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. The Group's risk management policy is to manage transactional risk up to three months forward. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is not specifically hedged but is reduced primarily through borrowings denominated in the relevant foreign currencies where it is efficient to do so.

For 2020, had the Group's basket of reporting currencies been 10% weaker/stronger than the actual rates experienced, post-tax profit for the year would have been £18.9m (2019: £18.2m) lower/higher than reported, primarily as a result of the translation of the profits of the Group's overseas entities, and equity would have been £141.5m (2019: £69.9m) lower/higher.

Interest rate risk

The Group has both interest bearing assets and liabilities. In 2016, the Group had a policy of maintaining no more than 60% of its gross borrowings at fixed interest rates in normal circumstances. During 2016, the Group increased its amount of fixed rate debt following payment of the £136m special dividend and consequent increase in core debt requirements. Notes were issued in the amounts of £100m and €100m with an average maturity of 4.6 years and interest rate of 2.06%. During 2017, the policy formally increased the upper limit for fixed rate debt to 75% of gross borrowings. During 2019, the Group increased its amount of fixed rate debt following payment of the £151.5m special dividend. Notes were issued in the amounts of £65m, €50m and US$60m with an average maturity of 7.1 years and interest rate of 2.44%. In January 2020 the Group repaid its US$100m ten-year note carrying a fixed rate of 5.94%, and replaced it with a US$100m ten-year note carrying a fixed rate of 3.75%. At 31 December 2020, approximately 47% of Group borrowings were at fixed rates.

At 31 December 2020, aside from the loan notes referred to above, all Group debt and cash was exposed to repricing within 12 months of the balance sheet date.

At 31 December 2020, the Group's fixed rate debt was at a weighted average rate of 2.50% (2019: 2.94%). The Group's floating rate liabilities are predominantly based on LIBOR and its overseas equivalents.

Based on the above, had interest rates moved by ten basis points in the territories where the Group has substantial borrowings, post-tax profits would have moved by £0.4m (2019: £0.2m) due to a change in interest expense on the Group's floating rate borrowings.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities designed to ensure that the Group has sufficient funds available for operations and planned investments.

On a regular basis, management monitors forecasts of the Group's cash flows against both internal targets and those targets imposed by external lenders. The Group has substantial committed, unused facilities and the Directors are confident this situation will remain the case for the foreseeable future.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any individual financial institution.

20. Borrowings, other financial liabilities and other financial assets continued

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as maintaining an optimal capital structure to reduce overall cost of capital.

In order to maintain this optimal structure, the Group may adjust the amount of dividends paid, issue new shares, return capital to shareholders or dispose of assets to reduce net debt. Given the Group's strong balance sheet and sustained trading growth, the Group announced a dividend policy in 2011 of paying a dividend of between 40% and 50% of sustainable earnings. Further details can be found in the Finance Review on pages 40 to 43.

Underlying growth coupled to Return on Invested Capital (ROIC) is the key perceived driver of shareholder value within the Group. The Group's ROIC now stands at 14.6% against a post-tax Weighted Average Cost of Capital (WACC) of 6.2%, thus hitting the Group's target of maintaining ROIC at two to three times WACC. In addition, the Group employs two widely used ratios to measure its ability to service its debt. Both net debt/EBITDA and EBITDA interest cover were well ahead of target in 2020. Further details can be found in the Finance Review on pages 40 to 43. The Group was in compliance with its covenant requirements throughout the year. Additional information on progress against Key Performance Indicators can be found on pages 38 and 39.

21. Provisions

	Environmental £m	Restructuring £m	Other £m	Total £m
At 1 January 2020	8.1	7.7	0.4	16.2
Exchange differences	(0.2)	(0.1)	–	(0.3)
Released to the income statement	(0.1)	–	–	(0.1)
Charged to the income statement	0.2	2.8	1.3	4.3
Cash paid against provisions and utilised	(1.7)	(7.7)	(0.1)	(9.5)
At 31 December 2020	**6.3**	**2.7**	**1.6**	**10.6**

Analysis of total provisions

	2020 £m	2019 £m
Current	**6.7**	10.9
Non-current	**3.9**	5.3
	10.6	16.2

Provisions are made where a constructive or legal obligation has arisen from a past event, can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty.

The environmental provision relates to soil and potential groundwater contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas.

In relation to the environmental provision, the Directors expect that the balance will be utilised within ten years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly and the timing and quantum of costs are inherently uncertain. The level of environmental provision is based on management's best estimate of the most likely outcome for each individual exposure.

The restructuring provision primarily relates to the Group's cost saving actions in 2019. This provision is expected to be utilised within one year.

The Group has also considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is not material.

22. Ordinary share capital

Ordinary shares of 10.61p (2019: 10.61p)	2020 £m	2019 £m
Allotted, called up and fully paid		
At 1 January – 131,906,881 (2019: 131,906,881) ordinary shares	**14.0**	14.0
Issued in the year	**1.1**	–
At 31 December – 142,536,884 (2019: 131,906,881) ordinary shares	**15.1**	14.0

On 20 November 2020, following consultation with shareholders, the Company issued 10,630,003 ordinary shares at a price of 5900p per share, raising £615.5m net of fees resulting in a share premium of £614.4m.

During 2020 options were granted to employees under the Croda International Plc Sharesave Scheme to subscribe for 74,578 ordinary shares at an option price of 4804p per share and under the Croda International Plc International Sharesave Plan to subscribe for 226,138 ordinary shares at an option price of 4804p per share. Conditional awards over 174,312 ordinary shares were granted under the Performance Share Plan during the year. Also granted in the year were 7,134 shares under the Restricted Share Plan.

During the year consideration of £2.4m was received on the exercise of options over 79,126 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 383 shares have been transferred from the trusts.

The outstanding options to subscribe for ordinary shares were as follows at the balance sheet date:

	Year option granted	Number of shares	Price	Options exercisable from
Croda International Plc Sharesave Scheme	2017	3,745	3092p	1 Nov 2020 to 30 Apr 2021
	2018	62,400	4144p	1 Nov 2021 to 30 Apr 2022
	2019	90,312	3898p	1 Nov 2022 to 30 Apr 2023
	2020	74,318	4804p	1 Nov 2023 to 30 Apr 2024
Croda International Plc International Sharesave Plan (2009)	2018	187,936	4144p	1 Nov 2021 to 30 Nov 2021
	2019	270,789	3898p	1 Nov 2022 to 30 Nov 2022
	2020	223,031	4804p	1 Nov 2023 to 30 Nov 2023
Croda International Plc Performance Share Plan (2014)	2018	147,606	Nil	13 Mar 2021
	2019	142,736	Nil	12 Mar 2022
	2020	122,216	Nil	25 Mar 2023
	2020	48,447	Nil	29 Apr 2023
Croda International Plc Deferred Bonus Share Plan	2018	19,315	Nil	13 Mar 2021
	2019	8,812	Nil	12 Mar 2022
Croda International Plc Deferred Bonus Discretionary Arrangement	2018	652	Nil	13 Mar 2021
Croda International Plc Restricted Share Plan	2018	6,751	Nil	20 Mar 2021
	2019	4,821	Nil	26 Mar 2022
	2019	582	Nil	9 Aug 2022
	2020	7,134	Nil	25 Mar 2023

23. Share-based payments

The impact of share-based payment transactions on the Group's financial position is as follows:

	2020 £m	2019 £m
Analysis of amounts recognised in the income statement:		
Charged in respect of equity settled share-based payment transactions	**2.5**	0.1
Charged in respect of cash settled share-based payment transactions	**11.1**	5.0
	13.6	5.1
Analysis of amounts recognised in the balance sheet:		
Liability in respect of cash settled share-based payment transactions	**9.2**	7.6

The key elements of each scheme along with the assumptions employed to arrive at the charge in the income statement are set out below. Where appropriate the expected volatility has been based on historical volatility considering daily share price movements over periods equal to the expected future life of the awards and the risk free rate is based on the Bank of England's projected nominal yield curve with appropriate duration.

23. Share-based payments continued

Croda International Plc Sharesave Scheme ('Sharesave')

The Sharesave scheme, established in 1983 and renewed in 2013, grants options annually in September to employees of the Group at a fixed exercise price, being the market price of the Company's shares at the grant date discounted by up to 20%. Employees then enter into a savings contract over three to five years and, subject to continued employment, purchase options at the end of the period based on the amount saved. Options are then exercisable for a six month period following completion of the savings contract. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	2020	2019
Grant date	**10 Sep 2020**	12 Sep 2019
Share price at grant date	**6078p**	4948p
Exercise price	**4804p**	3898p
Number of employees	**692**	700
Shares under option	**74,578**	94,433
Vesting period	**Three years**	Three years
Expected volatility	**20%**	20%
Option life	**Six months**	Six months
Risk free rate	**-0.1%**	0.5%
Dividend yield	**1.5%**	1.8%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at grant date	**1337.2p**	1103.4p
Option pricing model	**Black Scholes**	Black Scholes

A reconciliation of option movements over the year is as follows:

	2020		2019	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**241,912**	**3681p**	263,111	3174p
Granted	**74,578**	**4804p**	94,433	3898p
Forfeited	**(6,659)**	**3895p**	(11,363)	3421p
Exercised	**(79,126)**	**3081p**	(104,269)	2627p
Outstanding at 31 December	**230,705**	**4243p**	241,912	3681p
Exercisable at 31 December	**3,745**	**3092p**	6,067	2639p
For options exercised in year, weighted average share price at date of exercise		**5969p**		4856p
Weighted average remaining life at 31 December (years)	**2.4**		2.4	

Croda International Plc International Sharesave Plan 2009 ('International')

The International scheme, established in 1999 and renewed in 2009, has the same option pricing model, savings contract and vesting period as the Sharesave scheme. At exercise, employees are paid a cash equivalent for each option purchased, being the difference between the exercise price and market price at the exercise date. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	2020	2019
Grant date	**10 Sep 2020**	12 Sep 2019
Share price at grant date	**6078p**	4948p
Exercise price	**4804p**	3898p
Number of employees	**2,287**	2,235
Shares under option	**226,138**	299,797
Vesting period	**Three years**	Three years
Expected volatility	**20%**	20%
Option life	**One month**	One month
Risk free rate	**-0.2%**	0.5%
Dividend yield	**1.4%**	1.8%
Possibility of forfeiture	**7.5% p.a.**	7.5% p.a.
Fair value per option at 31 December	**1741.3p**	1239.0p
Option pricing model	**Black Scholes**	Black Scholes

A reconciliation of option movements over the year is as follows:

	2020 Number	2020 Weighted average exercise price	2019 Number	2019 Weighted average exercise price
Outstanding at 1 January	**726,941**	**3704p**	810,102	3197p
Granted	**226,138**	**4804p**	299,797	3898p
Forfeited	**(48,929)**	**3725p**	(67,852)	3396p
Exercised	**(222,394)**	**3106p**	(315,106)	2653p
Outstanding at 31 December	**681,756**	**4262p**	726,941	3704p
For options exercised in year, weighted average share price at date of exercise		**6063p**		4841p
Weighted average remaining life at 31 December (years)	**1.9**		1.9	

Croda International Plc Performance Share Plan 2014 ('PSP')

The PSP scheme was established in 2014 and replaced the Company's previous Executive long term incentive plans. The PSP provides for awards of free shares (ie either conditional shares or nil-cost options) normally made annually which vest after three years dependent upon an EPS performance related sliding scale (non-market condition), an NPP growth measure (non-market condition), sustainability conditions in relation to decarbonisation roadmaps and emissions (non-market conditions) and the Group's total shareholder return (market condition). The PSP is discussed in detail in the Directors' Remuneration Report (pages 76 to 101). Shares (on an after tax basis) are subject to a two year post vesting holding period. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	2020 Market condition	2020 Non-market condition	2020 Market condition	2020 Non-market condition	2019 Market condition	2019 Non-market condition
Grant date	**29 Apr 2020**	**29 Apr 2020**	**25 Mar 2020**	**25 Mar 2020**	12 Mar 2019	12 Mar 2019
Share price at grant date	**4936p**	**4936p**	**4280p**	**4280p**	4874p	4874p
Number of employees	**2**	**2**	**57**	**57**	63	63
Shares under conditional award	**31,491**	**16,956**	**81,812**	**44,053**	60,239	90,358
Vesting period	**Three years**	**Three years**	**Three years**	**Three years**	Three years	Three years
Expected volatility	**20%**	**20%**	**20%**	**20%**	20%	20%
Dividend yield	**1.8%**	**1.8%**	**2.1%**	**2.1%**	1.7%	1.7%
Possibility of forfeiture	**3.45% p.a.**	**3.45% p.a.**	**3.45% p.a.**	**3.45% p.a.**	3.45% p.a.	3.45% p.a.
Fair value per option at grant date	**3352p**	**4676p**	**3022p**	**4021p**	2315p	4623p
Option pricing model	**Closed form valuation**	**Closed form valuation**	**Closed form valuation**	**Closed form valuation**	Closed form valuation	Closed form valuation

A reconciliation of option movements over the year is as follows:

	2020 Number	2020 Weighted average exercise price	2019 Number	2019 Weighted average exercise price
Outstanding at 1 January	**513,956**	**–**	656,684	–
Granted	**174,312**	**–**	150,597	–
Forfeited	**(112,018)**	**–**	(36,553)	–
Exercised	**(115,245)**	**–**	(256,772)	–
Outstanding at 31 December	**461,005**	**–**	513,956	–
For options exercised in year, weighted average share price at date of exercise		**4259p**		5055p
Weighted average remaining life at 31 December (years)	**1.3**		1.0	

Croda International Plc Deferred Bonus Share Plan ('DBSP')

The DBSP scheme was established in 2014. Under the DBSP, one third of any annual bonuses due to certain senior executives are deferred. The size of award is determined by the amount of the total bonus divided by one third and converted into a number of Croda shares using the market value of shares at the time the award is granted. Awards are increased by the number of shares equating to the equivalent value of any dividend paid during the option period. The awards vest on the third anniversary of the date of grant, unless the recipient has been dismissed for cause. There are no performance conditions applied to the award. The DBSP is also discussed in the Directors' Remuneration Report (pages 76 to 101).

23. Share-based payments continued

	2020	2019
Grant date	–	12 Mar 2019
Share price at grant date	–	4874p
Number of employees	–	10
Shares under conditional award	–	8,538
Vesting period	–	Three years

A reconciliation of option movements over the year is as follows:

	2020 Number	**2020 Weighted average exercise price**	2019 Number	2019 Weighted average exercise price
Outstanding at 1 January	**127,588**	–	196,808	–
Granted	–	–	8,538	–
Dividend enhancement	**422**	–	2,143	–
Exercised	**(99,883)**	–	(79,901)	–
Outstanding at 31 December	**28,127**	–	127,588	–
For options exercised in year, weighted average share price at date of exercise		**4259p**		5050p
Weighted average remaining life at 31 December (years)	**0.5**		0.5	

Croda International Plc Deferred Bonus Discretionary Share Arrangement

In addition to the awards under the DBSP, nil cost options over 652 shares have been awarded to similarly defer bonus entitlement where the DBSP cannot be used due to employment having ceased before the grant date. These options will be deemed to be exercised automatically on the date falling three years after the date of grant. As of 31 December 2020, the weighted average remaining life was 0.2 years.

Croda International Plc Restricted Share Plan ('RSP')

The RSP scheme was established in 2018 and provides for awards of free shares or cash equivalent to a limited number of employees not eligible for the PSP scheme, based on a percentage of salary. The awards vest on the third anniversary of the date of grant, subject to the condition that the employee remains employed by the Group. There are no performance conditions applied to the award. On the vesting date, UK employees will be awarded free shares and non-UK employees will be paid a cash equivalent based on the market price.

	2020	2019	2019
Grant date	**25 Mar 2020**	9 Aug 2019	26 Mar 2019
Share price at grant date	**4280p**	4744p	4946p
Number of employees	**35**	2	32
Shares under conditional award	**7,134**	582	5,552
Vesting period	**Three years**	Three years	Three years
Expected volatility	**20%**	20%	20%
Dividend yield	**2.1%**	1.8%	1.8%
Possibility of forfeiture	**3.45% p.a.**	3.45% p.a.	3.45% p.a.
Fair value per option at grant date	**4021p**	4502p	4694p
Option pricing model	**Closed form valuation**	Closed form valuation	Closed form valuation

A reconciliation of option movements over the year is as follows:

	2020 Number	**2020 Weighted average exercise price**	2019 Number	2019 Weighted average exercise price
Outstanding at 1 January	**12,393**	–	6,751	–
Granted	**7,134**	–	6,134	–
Forfeited	**(239)**	–	(492)	–
Exercised	–	–	–	–
Outstanding at 31 December	**19,288**	–	12,393	–
For options exercised in year, weighted average share price at date of exercise		–		–
Weighted average remaining life at 31 December (years)	**1.3**		1.7	

Croda International Plc Share Incentive Plan ('SIP')

The SIP was established in 2003 and has similar objectives to the Sharesave scheme in terms of increasing employee retention and share ownership. Under the SIP scheme, employees enter into an agreement to purchase shares in the Company each month. For each share purchased by an employee, the Company awards a matching share which passes to the employee after three years' service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

24. Preference share capital

	2020 £m	2019 £m
The authorised, issued and fully paid preference share capital comprises:		
615,562 5.9% preference shares of £1 (2019: 615,562)	**0.6**	0.6
498,434 6.6% preference shares of £1 (2019: 498,434)	**0.5**	0.5
21,900 7.5% preference shares of £1 (2019: 21,900)	**–**	–
	1.1	1.1

The preference shares have no redemption rights and carry no voting rights other than in certain circumstances affecting the rights of the preference shareholders, details of which are set out in the Company's Articles of Association. The three classes of preference shares rank *pari passu* with each other but ahead of the ordinary shares on a winding up. Rights on a winding up are limited to repayment of capital and any arrears of dividends.

25. Shareholders' equity

Croda International Plc Qualifying Share Ownership Trust (QUEST), Croda International Plc Employee Benefit Trust (CIPEBT) and Croda International Plc AESOP Trust (AESOP) each hold shares purchased on the open market or transferred from treasury shares to satisfy the future issue of shares under the Group's share option schemes. As at 31 December 2020 the QUEST had a net amount due from the Company of £13.6m (2019: £11.1m) and held 93,221 (2019: 172,952) shares transferred at a nil cost (2019: nil cost) with a market value of £6.1m (2019: £8.9m). As at 31 December 2020 the CIPEBT was financed by a repayable on demand loan to the Company of £21.9m (2019: £12.6m) and held 910 (2019: 910) shares transferred at a nil cost (2019: nil cost) with a market value of £0.1m (2019: £0.1m).

As at 31 December 2020 the AESOP had issued all its previously held shares, as financed by the Company, and thus had no residual loan balance with the Company. All of the shares held by the QUEST and CIPEBT were under option at 31 December 2020 and, except for a nominal amount, the right to receive dividends has been waived.

As at 31 December 2020 the total number of treasury shares held was 3,018,203 (2019: 3,018,203) with a market value of £199.1m (2019: £154.5m).

26. Non-controlling interests in equity

	2020 £m	2019 £m
At 1 January	**7.0**	7.5
Exchange differences	**0.1**	(0.4)
Acquisition of subsidiary with non-controlling interests	**2.2**	–
Income allocated to non-controlling interests	**–**	(0.1)
At 31 December	**9.3**	7.0

27. Related party transactions

The Group has no related party transactions, with the exception of remuneration paid to key management and Directors which is included in note 10.

28. Business combinations

2020 Acquisitions

On 12 August 2020, the Group acquired 100% of the shares and voting interests of Avanti Polar Lipids, LLC, a knowledge-intensive leader in lipid-based drug delivery technologies for next generation pharmaceuticals. Based in Alabama in the US, Avanti creates and makes high-purity polar lipids that are increasingly being used as delivery systems for complex therapeutic drugs and in next-generation mRNA vaccines. The acquisition will continue to operate under its existing brand, led by the current management team, and will form part of our Health Care business (Life Sciences sector). The acquisition will more than double Croda's research and development (R&D) capability in drug delivery and also provide a new channel to market for Croda's ingredients for early-stage pharmaceutical research.

On 24 November 2020, the Group acquired 100% of the shares and voting interests of Fragrance Spanish Topco, S.L. trading as Iberchem ('Iberchem'), a leading global fragrances and flavours (F&F) company. Headquartered in Murcia, Spain, Iberchem has approximately 850 employees, 14 manufacturing facilities, 10 R&D centres and a commercial presence in 120 countries. The acquisition will form part of the new Consumer Care sector from 2021. The acquisition will create a new full service formulation and fragrance offering for Personal Care and Home Care as well as providing access to a high growth adjacency in the global F&F market with significant exposure to emerging markets.

28. Business combinations continued

The following table summarises the Directors' provisional assessment of the consideration paid in respect of the acquisitions, and the fair value of assets acquired and liabilities assumed.

	Avanti £m	Iberchem £m
Consideration (inclusive of contingent consideration)	**173.9**	**756.5**
Fair value of assets and liabilities acquired		
Intangible assets	91.5	266.7
Property, plant & equipment	21.5	29.4
Right of use assets	–	2.5
Inventories	7.7	25.7
Trade and other receivables[1]	7.3	60.7
Cash and cash equivalents	1.1	28.4
Trade and other payables	(16.3)	(41.3)
Lease liabilities	–	(2.6)
Deferred tax	–	(64.8)
Total identifiable net assets	**112.8**	**304.7**
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	–	(2.2)
Goodwill	**61.1**	**454.0**

1. The fair value of Avanti and Iberchem's trade and other receivables on acquisition included gross contractual amounts of £7.3m and £67.8m respectively.

Total consideration for Avanti is inclusive of £35.5m contingent consideration, representing the gross fair value at the date of acquisition of £42.1m before discounting. The contingent consideration is capped at a maximum of £46.0m (undiscounted) excluding a potential maximum payable of £11.5m in relation to post acquisition employment (which will be charged to the Income Statement). The additional consideration is payable semi-annually over three years based on the revenue from near-term commercial opportunities using Avanti's lipid-based solutions which were not included in the valuation for payment of the initial consideration. Iberchem consideration represents cash only.

Goodwill is attributable to the synergies expected to arise from the combination of the acquired technologies and the Group's global sales and marketing network. Avanti goodwill will be tax deductible. Iberchem goodwill will not be deductible for tax purposes.

Acquisition-related costs of £11.7m have been charged to administration expenses in the income statement for the year ended 31 December 2020 (2019: £0.3m). Post acquisition Avanti and Iberchem contributed revenue of £29.5m and £22.1m and adjusted operating profit of £7.9m and £4.7m, respectively. Had the acquisitions been made on 1 January 2020, the Group's revenue would have been £1,547.1m with adjusted operating profit of £347.1m.

2019 Acquisitions

On 16 July 2019, the Group acquired Rewitec® GmbH, a German based technology business specialising in improving the efficiency and longevity of wind turbines and moving machinery through the application of their patented additives. Rewitec was acquired for consideration of £6.8m, with identifiable net assets of £4.4m, generating goodwill of £2.4m. During 2020, the Group completed the fair value review relating to its 2019 acquisition. This review did not identify any changes to the asset base or goodwill.

29. Contingent liabilities

The Group is subject to various claims which arise from time to time in the course of its business including, for example, in relation to commercial matters, product quality or liability, employee matters and tax audits. The Group is also involved in certain environmental legal actions and proceedings, which relate to our operations in the USA and are a matter of public record. These matters are reviewed on a regular basis and where possible an estimate is made of the potential financial impact on the Group. In appropriate cases a provision is recognised based on advice, best estimates and management judgement. Where it is too early to determine the likely outcome of these matters, no provision is made. The Group also considers it has insurance in place in relation to any significant contingent liabilities. Whilst the Group cannot predict the outcome of any current or future such matters with any certainty, it currently believes the likelihood of any material liabilities to be remote, and that such liabilities, if any, will not have a material adverse effect on its consolidated income, financial position or cash flows.

30. Post balance sheet events

Subsequent to 31 December 2020 the Group has agreed to acquire botanicals specialist Alban Muller to expand our portfolio of natural beauty ingredients for a total consideration of €25m. The acquisition is expected to complete in March 2021.

Company Balance Sheet

at 31 December 2020

	Note	2020 £m	2019 £m
Fixed assets			
Intangible assets	D	**0.8**	0.2
Tangible assets	E	**1.5**	1.7
Investments			
Shares in Group undertakings	F	**1,369.5**	561.1
Other investments other than loans	G	**–**	–
		1,371.8	563.0
Current assets			
Debtors	H	**1,479.5**	1,632.5
Deferred tax asset	I	**0.1**	0.4
Cash and cash equivalents		**–**	2.6
		1,479.6	1,635.5
Current liabilities			
Creditors: Amounts falling due within one year	J	**(64.9)**	(52.8)
Borrowings	K	**(0.4)**	(12.6)
		(65.3)	(65.4)
Net current assets		**1,414.3**	1,570.1
Total assets less current liabilities		**2,786.1**	2,133.1
Non-current liabilities			
Borrowings	K	**(495.4)**	(389.0)
Retirement benefit liabilities	L	**(0.7)**	(2.0)
		(496.1)	(391.0)
Net assets		**2,290.0**	1,742.1
Capital and reserves			
Ordinary share capital		**15.1**	14.0
Preference share capital		**1.1**	1.1
Called up share capital		**16.2**	15.1
Share premium account		**707.7**	93.3
Reserves[1]		**1,566.1**	1,633.7
Total shareholders' funds		**2,290.0**	1,742.1

1. Included within Reserves is profit after tax of £43.0m (2019: £49.6m)

The financial statements on pages 155 to 161 were approved by the Board on 1 March 2021 and signed on its behalf by

Anita Frew
Chair

Jez Maiden
Group Finance Director

Registered in England number 206132

Company Financial Statements continued

Company Statement of Changes in Equity

for the year ended 31 December 2020

	Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m
At 1 January 2019		15.1	93.3	0.9	2.1	1,853.3	1,964.7
Profit for the year attributable to equity shareholders		–	–	–	–	49.6	49.6
Other comprehensive expense		–	–	–	–	(0.9)	(0.9)
Transactions with owners:							
Dividends on equity shares	8	–	–	–	–	(266.9)	(266.9)
Share-based payments		–	–	–	–	(0.1)	(0.1)
Transactions in own shares		–	–	–	–	(4.3)	(4.3)
Total transactions with owners		–	–	–	–	(271.3)	(271.3)
Total equity at 31 December 2019		**15.1**	**93.3**	**0.9**	**2.1**	**1,630.7**	**1,742.1**
At 1 January 2020		15.1	93.3	0.9	2.1	1,630.7	1,742.1
Profit for the year attributable to equity shareholders		–	–	–	–	43.0	43.0
Other comprehensive income		–	–	–	–	9.7	9.7
Transactions with owners:							
Dividends on equity shares	8	–	–	–	–	(115.9)	(115.9)
Share-based payments		–	–	–	–	2.5	2.5
Issue of ordinary shares		1.1	614.4	–	–	–	615.5
Transactions in own shares		–	–	–	–	(6.9)	(6.9)
Total transactions with owners		1.1	614.4	–	–	(120.3)	495.2
Total equity at 31 December 2020		**16.2**	**707.7**	**0.9**	**2.1**	**1,563.1**	**2,290.0**

On 20 November 2020, following consultation with shareholders, the Company issued 10,630,003 ordinary shares at a price of 5900p per share, raising £615.5m net of fees resulting in a share premium of £614.4m.

Of the retained earnings, £720.0m (2019: £659.9m) are realised and £843.1m (2019: £970.8m) are unrealised. Details of investments in own shares are disclosed in note 25 of the Group financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

A. Accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the Company has adopted FRS 101 'Reduced Disclosure Framework' and has ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), with amendments where necessary in order to comply with the requirements of the Companies Act 2006 ('the Act') have been applied. The financial statements have been prepared under the historical cost convention, in compliance with the provisions of the Act and the requirements of the Listing Rules of the Financial Conduct Authority.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are provided in the Group financial statements of Croda International Plc.

Going concern

The financial statements which appear on pages 155 to 161 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence.

Principal accounting policies

The accounting policies which have been applied by the Company when preparing the financial statements are in accordance with FRS 101. FRS 101 is based on the recognition and measurement requirements of Adopted IFRSs, under which the Group financial statements have been prepared. As a result, the accounting policies of the Company are consistent with those used by the Group as presented on pages 121 to 127, except for those relating to the recognition and measurement of goodwill and the recognition of revenue, which are not directly relevant to the Company financial statements.

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 147 and 148.

B. Profit and loss account

Of the Group's profit for the year, £43.0m (2019: £49.6m) is included in the profit and loss account of the Company which was approved by the Board on 1 March 2021 but which is not presented as permitted by Section 408 Companies Act 2006.

Included in the Company profit and loss account is a charge of £0.1m (2019: £0.1m) in respect of the Company's audit fee.

C. Employees

	2020 £m	2019 £m
Company employment costs including Directors		
Wages and salaries	**6.7**	6.6
Share-based payment charges (note M)	**1.2**	0.9
Social security costs	**1.1**	1.1
Post-retirement benefit costs	**0.7**	0.6
	9.7	9.2

	2020 Number	2019 Number
Average employee numbers by function		
Production	**15**	18
Administration	**39**	39
	54	57

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees including Executive Directors. At 31 December 2020, the Company had 54 (2019: 54) employees in total.

Detailed information concerning Directors' remuneration, interests and options is shown in section D of the Directors' Remuneration Report which is subject to audit on pages 91 to 99 which forms part of the Annual Report and Accounts.

Notes to the Company Financial Statements continued

D. Intangible assets

	Computer software £m
Cost	
At 1 January 2020	1.0
Additions	0.6
At 31 December 2020	**1.6**
Accumulated amortisation	
At 1 January 2020	0.8
Charge for the year	–
At 31 December 2020	**0.8**
Net carrying amount	
At 31 December 2020	**0.8**
At 31 December 2019	0.2

E. Tangible assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2020	2.2	1.8	4.0
Additions	–	0.1	0.1
Disposals	–	(0.1)	(0.1)
At 31 December 2020	**2.2**	**1.8**	**4.0**
Accumulated depreciation			
At 1 January 2020	1.4	0.9	2.3
Charge for the year	0.1	0.2	0.3
Disposals	–	(0.1)	(0.1)
At 31 December 2020	**1.5**	**1.0**	**2.5**
Net book amount			
At 31 December 2020	**0.7**	**0.8**	**1.5**
At 31 December 2019	0.8	0.9	1.7

F. Shares in Group undertakings

	Shares £m	Loans £m	Total £m
Cost			
At 1 January 2020	339.9	250.5	590.4
Exchange differences	–	4.5	4.5
Additions	771.4	104.0	875.4
Amounts repaid	–	(71.5)	(71.5)
At 31 December 2020	**1,111.3**	**287.5**	**1,398.8**
Impairment			
At 1 January 2020	27.8	1.5	29.3
Impairment in the year	–	–	–
At 31 December 2020	**27.8**	**1.5**	**29.3**
Net book value			
At 31 December 2020	**1,083.5**	**286.0**	**1,369.5**
At 31 December 2019	312.1	249.0	561.1

The undertakings which affect the financial statements are listed on pages 162 to 164.

Additions to shares in the year include £770.0m in relation to the acquisition of Fragrance Spanish Topco, S.L. ('Iberchem') and £1.4m of capital contributions in relation to share based payments.

The Directors believe that the carrying value of the investments is supported by their underlying net assets or forecast cash generation.

G. Other investments other than loans

	2020 £m	2019 £m
At 1 January	–	0.6
Impairment	–	(0.6)
At 31 December	–	–

Other investments decreased during 2019 following a review of their carrying value which resulted in an impairment charge of £0.6m.

H. Debtors

	2020 £m	2019 £m
Amounts owed by Group undertakings	1,452.2	1,589.6
Corporation tax	27.0	42.1
Other receivables	0.1	0.5
Prepayments	0.2	0.3
	1,479.5	1,632.5

Although the amounts owed by Group undertakings have no fixed date of repayment, £1,450.2m (2019: £1,585.1m) is expected to be collected after one year. Of the amount at 31 December 2020, £1,449.6m will continue to attract interest from 1 January 2021 at a floating rate based on the main facility agreement. The remainder will continue to be interest free.

I. Deferred tax

The deferred tax balances included in the balance sheet are attributable to the following:

	2020 £m	2019 £m
Retirement benefit obligations	0.1	0.4
The movement on deferred tax balances during the year is summarised as follows:		
At 1 January	0.4	(0.2)
Deferred tax charged through the profit and loss account	(0.2)	–
Deferred tax (charged)/credited to other comprehensive income	(0.1)	0.6
At 31 December	0.1	0.4

Deferred tax assets were recognised in all cases where such assets arose, as it was probable that the assets would be recovered.

J. Creditors: Amounts falling due within one year

	2020 £m	2019 £m
Amounts falling due within one year		
Trade payables	2.3	–
Taxation and social security	1.5	1.5
Amounts owed to Group undertakings	51.0	46.8
Other payables	3.3	3.4
Accruals and deferred income	6.8	1.1
	64.9	52.8

The amounts owed to Group undertakings are interest free, unsecured and have no fixed date of repayment.

Notes to the Company Financial Statements continued

K. Borrowings

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on page 126 which forms part of the Annual Report and Accounts. Short term receivables and payables have been excluded from all of the following disclosures.

	2020 £m	2019 £m
Maturity profile of financial liabilities		
2019 Club facility due 2025	**196.1**	96.1
€30m 1.08% fixed rate 7 year note	**26.8**	25.6
€70m 1.43% fixed rate 10 year note	**62.7**	59.7
£30m 2.54% fixed rate 7 year note	**30.0**	30.0
£70m 2.80% fixed rate 10 year note	**70.0**	70.0
€50m 1.18% fixed rate 8 year note	**44.8**	42.6
£65m 2.46% fixed rate 8 year note	**65.0**	65.0
Bank loans and overdrafts repayable on demand	**0.4**	12.6
	495.8	401.6
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	**0.4**	12.6
	0.4	12.6
After more than one year		
Loans repayable		
Within one to five years	**252.9**	151.7
After five years	**242.5**	237.3
	495.4	389.0

L. Post-retirement benefits

In line with the requirements of FRS 101, the Company recognises its share of the UK pension scheme assets and liabilities. A full reconciliation of the Group retirement benefit obligation can be found in note 11 of the Group financial statements on pages 134 to 137. The table below shows the movement in the obligation during the year.

	2020 £m	2019 £m
Opening balance:		
Assets	**53.2**	48.7
Liabilities	**(55.2)**	(47.5)
Net opening retirement benefit (liability)/asset	**(2.0)**	1.2
Movements in the year:		
Service cost – current	**(0.7)**	(0.6)
Service cost – past	**–**	0.1
Interest cost	**–**	0.1
Contributions	**1.4**	0.5
Remeasurements	**0.6**	(3.3)
Closing balance	**(0.7)**	(2.0)

M. Share-based payments

The total charge for the year in respect of share-based remuneration schemes was £1.2m (2019: £0.9m). The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The key elements of each scheme along with the assumptions employed to arrive at the charge in the profit and loss account are set out in note 23 to the Group financial statements.

N. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £285.3m (2019: £162.3m).

O. Dividends

Details of dividends are disclosed in note 8 of the Group financial statements.

P. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from disclosing transactions with other Group undertakings. There were no other related party transactions during the year. Information on the Group can be found in note 27 on page 153 of the Group financial statements.

Our stakeholder ecosystem

This year, more than ever, we felt the value of working closely with partners and supporting every one of our stakeholders in our ecosystem. Our continued success and positive impact on the world will be driven by the strength of these relationships with others.

> "…our success and our positive impact on the world are dependent on how we work with all of our stakeholders."

Anita Frew
Chair

250
attendees – virtual investor event on sustainability

Our shareholders

Our shareholders

We maintain a two-way dialogue with our shareholders, so that they understand and support our strategy and can assess our Environmental, Social and Governance (ESG) performance.

See page 21

£200k
Croda Acts of Kindness fund

Our communities

Our communities

Employees at our sites worldwide are active members of their local communities. Understandably, our neighbours expect us to act responsibly, safely and sustainably. We take our commitment to our communities seriously, going further to make a positive difference and support them at times of need.

See page 20

CRODA

Our customers

We work in partnership with our customers to provide our innovative and sustainable ingredients in a way that meets their commercial and sustainability goals whilst delivering on our Purpose. Selling around 7,000 ingredients to over 17,000 customers gives us significant exposure to customers ranging from multinational companies to regional and independent brands.

See page 17

Our customers

c7,000
speciality chemical ingredients

c17,000
customers worldwide

75%
average pulse survey response rate

Our people

Our people

We have over 5,600 employees across 30 manufacturing sites and many more offices and laboratories worldwide. Our mix of scientists, engineers, sales, customer services, production and support function experts work together with a clear, shared Purpose, to use Smart science to improve lives™. The Croda culture and our values of 'Responsible', 'Innovative' and 'Together' focus and enable our work.

See page 16

Manufacturing sites processing 99% of our palm oil derivatives are RSPO certified

Non-Governmental Organisations (NGOs)

Non-Governmental Organisations

NGOs rightly engage with businesses to encourage them to take responsibility for their impacts. Understanding their perspective helps us support our consumer-facing customers, maximise our positive sustainability impact and protect our reputation.

Our ecosystem

220 active memberships of industry associations

Regulators and Trade Associations

Regulators and Trade Associations

The Regulators and Trade Associations we work with are an essential part of our ecosystem. We collaborate and share expertise to ensure that our ingredients are compliant and aligned with regulations worldwide while providing a true and sustainable benefit to consumers.

Section 172(1) Statement

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

a. the likely consequences of any decision in the long term
b. the interests of the Company's employees
c. the need to foster the Company's business relationships with suppliers, customers and others
d. the impact of the Company's operations on the community and the environment
e. the desirability of the Company maintaining a reputation for high standards of business conduct
f. the need to act fairly between members of the Company

The information on pages 14 to 21 in the Strategic report should be read in conjunction with the information provided in the Corporate governance report on pages 50 to 105. The content on these pages constitutes our s.172 Statement, as required under the Companies (Miscellaneous Reporting) Regulations 2018.

199 suppliers completed EcoVadis survey

Our suppliers

Photo courtesy of Karène Volpato / UEBT

Our suppliers

Supply chain integrity is critical to delivering a sustainable business. In addition to the usual criteria of quality and reliability, we choose suppliers who share our standards for ethics, labour and human rights, the environment and sustainable sourcing. We work closely to help them understand and align with our values and standards, providing them with best practice guidance and tools to measure, improve and promote their sustainability efforts.

See page 18

Our innovation partners

531 innovation partners

Our innovation partners

Our R&D advances are increasingly driven by our innovation partnerships. These partners include leading international universities, SMEs, biotechnology companies, research institutes and our customers. Our Smart Partnerships and Open Innovation projects enable collaborations that focus on our Commitment to sustainability so that we can improve lives together.

See page 19

Our stakeholders

Our people: We have over 5,600 employees across 30 manufacturing sites and many more offices and laboratories worldwide. Our mix of scientists, engineers, sales, customer services, production and support function experts work together with a clear, shared Purpose, to use Smart science to improve lives™.

Our people, culture and values

At Croda, we share a clear sense of Purpose and are motivated by our Commitment to be the most sustainable supplier of innovative ingredients. Our distinctive 'One Croda' culture guides the way we work and helps us to attract and retain the first-class people we need, by enabling collaboration and skills development. To ensure our long-term success, we have defined the values that make us different as a Company, encouraging our people to be 'Responsible', 'Innovative' and to work 'Together.'

Working together

During the pandemic, our people have been outstanding. Whether as part of a socially distanced onsite manufacturing team or from home while juggling caring commitments, they have kept delivering for our customers. We have supported and listened to our people in many ways including pulse surveys, newsletters, webcasts, video team meetings, listening groups and social networks.

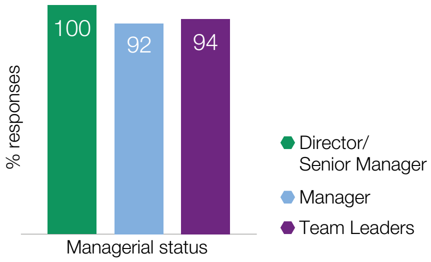
75%

average pulse survey response rate

Despite the challenges, close to 100% of our people completed some form of training this year. We have also added 2,000 online courses to our learning management system and introduced a new secondment scheme to accelerate career development.

In 2020 we ran 11 pulse surveys; five related to COVID-19, four related to the roll out of our Purpose and two focused on engagement. The engagement pulse surveys achieved an average 75% response rate.

Croda Purpose and application to role



Percentage of managers in Global R&T who answered "agree" or "strongly agree" to the statement "I know what Croda's Purpose is and how it applies to my role".

Facing the COVID-19 challenge

During the global pandemic, our people were affected by uncertainty and practical impacts. They were naturally concerned for their safety, for the health of their loved ones and for their financial security. To support them we:

- set out early in the pandemic that we would not be furloughing staff or making people redundant;
- applied strict safety protocols for people working on our sites including PPE, hand sanitiser, remote handovers and social distancing procedures;
- supported staff working at home;
- protected pay and benefits so that those self-isolating, unwell or with caring responsibilities were supported; and
- provided wellbeing programmes.

Our people and our sustainability Commitment

As part of our Commitment to be People Positive by 2030, we are encouraging and promoting diversity. This year we have established a programme to understand our diverse representation in terms of race/ ethnicity, sexuality and disability. We published flexible working guidance globally and are running a mentoring programme, as part of a continued drive to improve gender diversity, with the aim of doubling the number of women in senior decision-making roles by 2025 and achieving overall gender balance by 2030.

For more information on the progress we are making see the People Positive update see p35.

Keeping our colleagues safe and feeling supported through COVID-19

The health and wellbeing of our employees throughout the COVID-19 pandemic is our primary concern. We had to swiftly respond to changing needs to keep employees safe whilst working and continuing to manufacture our ingredients, many of which are used in items critical to combating the virus.

Our CEO and leaders at every level of the Company globally gave regular updates, held town hall meetings, recorded videos and sent out written communications. We also published short pulse surveys to provide employees with a way of sharing anonymous feedback about how they were feeling and how the Company was managing the crisis from their perspective. Local managers also encouraged feedback and maintained contact with staff working remotely through online quizzes, digital coffee breaks and even virtual cocktail hours.

Early in the pandemic, we assured all employees that there were no plans to reduce employee numbers or reduce regular salaries and benefits as a result of COVID-19. We understood some employees needed to balance caring responsibilities and work, so encouraged people to work flexibly as required.

For those employees working onsite, we focused on making life as easy and as safe as possible – with remote handovers, provision of PPE including hand sanitiser, and training in new procedures to keep everyone safe.

Where employees, especially those working shifts, reported that they were struggling to access essential food items, which were in short supply at points during the first wave of the pandemic, we arranged for food and cleaning items to be made available for home use.

There was an important focus on mental health in all our regions and we increased the provision of Employee Assistance Programmes in some countries and provided direct access to doctors and medical teams. We delivered online training courses aimed at the management of safety and health during the pandemic including mental health. In addition, our employees recorded podcasts sharing specific tips and information about safety and wellbeing.

We continued to operate as close to normal as possible during the pandemic, offering support and flexibility to our employees whose commitment has been outstanding in such difficult circumstances. They continued to work hard for our customers despite the challenges they faced.

Our customers: We work in partnership with our customers to provide our innovative and sustainable ingredients in a way that meets their commercial and sustainability goals whilst delivering on our Purpose. Selling around 7,000 ingredients to over 17,000 customers gives us significant exposure to customers ranging from multinational companies to regional and independent brands.

Our customers, insight and excellence

We work in partnership with over 17,000 customers, large and small, to provide our innovative and sustainable ingredients in a way which meets their commercial and sustainability goals while delivering on our Purpose. By selling direct to customers and collaborating with them at our 46 innovation centres around the globe, we gain a detailed insight into their current and future needs, helping us to identify new opportunities.

With regulations an increasingly important driver of customer requirements, we also work closely with Regulators and Trade Associations to gather intelligence, ensure that our ingredients are compliant with regulatory frameworks worldwide, and advocate for more stringent targets to improve the sustainability of our industry as a whole (see p15 of this document or p39 of our Sustainability Report for more).

Working together

2020 tested and confirmed our levels of customer intimacy as we were able to continue delivering for our customers through our focus on health and safety.

Despite the pandemic, we enhanced our customer relationships in emerging markets, more than doubling our footprint in the Middle East and Africa when we acquired Iberchem, and enhancing our network in Asia through investment in sales, digital, technical and production capabilities.

To help increase our focus on consumer ingredients for our Home Care and Personal Care customers, we have created a new Consumer Care sector. Through the Iberchem acquisition, we also extended our full-service offering to customers by adding fragrances to our range and formulation capabilities.

314%

increase in online Live Chat since 2019

Nicole Schumacher
Global Account Manager

Recognition for supporting customers with their sustainability goals and good service

This year the Crop Protection team within our Life Sciences sector were delighted to win the Syngenta Supplier Partnership Award at their 2020 Virtual Syngenta Supplier Conference. The event, held every two years, is an opportunity for Syngenta to speak directly to its suppliers about their strategy and direction, and for them to recognise and celebrate those suppliers who make the most significant contributions.

In presenting the Supplier Partnership Award to Croda, Marie-Odile Zink, Head of Co-Formulants Procurement at Syngenta, highlighted Croda's great customer service and responsiveness, our innovation and support on multiple projects around the world, and especially our support of Syngenta's sustainability goals.

Nicole Schumacher, Croda's Global Account Manager for Syngenta also said: "It is encouraging to see the degree of alignment between both companies around innovation and sustainability. It is great to see our hard work and commitment being acknowledged in this way."

Facing the COVID-19 challenge

Across our business, our direct-selling model and unique level of customer intimacy were maintained as everyone transitioned into the 'virtual world' due to COVID-19. Attendance numbers for our regular webinars and use of our Live Chat facility increased. Our continued investments in our digital capabilities helped our global selling network to continue to provide unrivalled customer contact through instant access to our expertise and a more personalised digital experience.

With multiple touch points located close to our customers locally, and our digital capabilities, we have worked in partnership to understand changing customer needs and product demands during this pandemic. We have also supported customers with flexible payment terms and have prioritised manufacture and supply of our ingredients for applications that are combating COVID-19. These range from sanitisers to PPE and crucially our pharmaceutical excipients now established in a global COVID-19 vaccine.

Our customers and our sustainability Commitment

The strength of our customer partnerships provides immediate insights and fuels our continuous innovation. This drives the creation of ingredients to help these customers to meet their own sustainability goals by providing a benefit in use with reduced environmental impact. In parallel we are able to continue to align our business with the United Nations Sustainable Development Goals (SDGs) and meet our own Commitment.

Our suppliers: Supply chain integrity is critical to deliver a sustainable business. In addition to the usual criteria of quality and reliability, we choose suppliers who share our standards for ethics, labour and human rights, the environment and sustainable sourcing. Our partnership with our suppliers goes beyond acquiring products and services. We work closely to help them understand and align with our values and standards, providing them with best practice guidance and tools to measure, improve and promote their sustainability efforts.

Our suppliers and shared values

Our suppliers play an integral role in our ability to create, make and sell our diverse range of innovative ingredients and, in return, we are committed to sharing benefits equitably across the supply chain. Our partnership with suppliers goes beyond acquiring their products and services. We source from those who share our values and help them to measure and improve their sustainability credentials. We partner with EcoVadis, a global supplier audit firm, to ensure suppliers are operating safely, ethically and responsibly, and to drive improved practices.

Most of our carbon emissions lie within our supply chain. To achieve our Science Based Targets, we collaborate with suppliers and work with CDP Supply Chain, a not-for-profit global disclosure charity, to collate data about their environmental impact.

Working together

In 2020 we appointed a Global Head of Sustainable Sourcing to strengthen supplier relationships and to improve product composition data, enabling us to meet our commitment to deliver ingredient transparency to our customers. We issued a new Code of Conduct to ensure clear communication of our sustainability standards to suppliers globally.

We also work closely with Non-Governmental Organisations representing consumer interests on issues such as the sustainable sourcing of palm oil derivatives. Understanding their perspective on supply chain management helps us support our customers, maximise our positive sustainability impact and protect our reputation (see p38 of our Sustainability Report for more).

Facing the COVID-19 challenge

Supply chains have been tested during 2020. Our strong supplier partnerships enabled us to maintain the supply of raw materials and services to our sites with minimal disruption. In return, we have offered flexible payment terms to suppliers, so that they can benefit from the strength of the Croda business model.

Our suppliers and our sustainability Commitment

Supply chain integrity is critical to deliver a sustainable business. Our choice of suppliers will continue to be fundamental in helping us achieve our 2030 targets. We did not let the challenges of 2020 distract us from our Commitment and have continued supplier engagements through RSPO Certification, CDP Supply Chain and EcoVadis assessments. This work will continue into 2021 and beyond until we have full transparency in all aspects of our supply chains.

Photo courtesy of Karène Volpato / UEBT

UNION FOR ETHICAL BIOTRADE MEMBER
SOURCING® WITH RESPECT

The Union for Ethical BioTrade (UEBT) is a non-profit association that promotes sourcing with respect. This year, Sederma, our skin actives business, became a fully accredited member of the UEBT. This means Sederma commits to continuously develop and integrate ethical sourcing practices in plant collection areas, respecting traditional know-how, improving the living conditions of local populations, and mastering traceability of raw materials of natural origin.

199
suppliers completed EcoVadis survey

Our innovation partners: Our R&D advances are increasingly driven by our innovation partnerships. These partners include leading international universities, SMEs, biotechnology companies, research institutes and our customers.
Our Smart Partnerships and Open Innovation projects enable collaborations that focus on our Commitment to sustainability so that we can improve lives together.

Our innovation partners and NPP

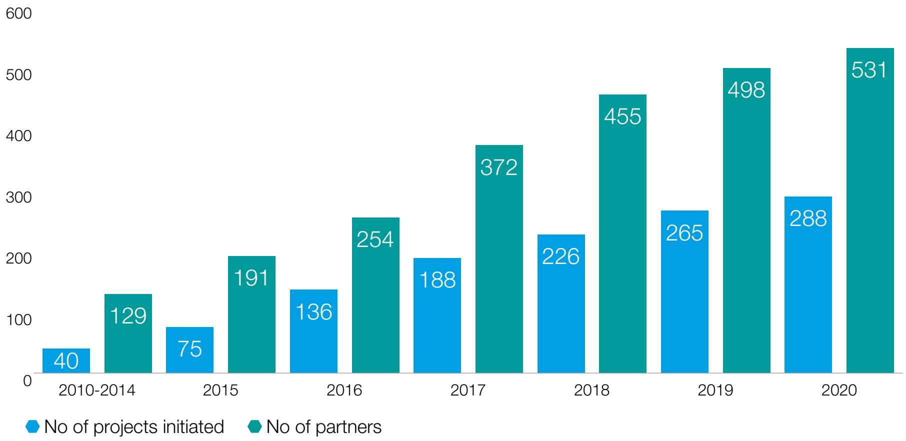
Our innovation strategy combines internal R&D with external technology investments and Open Innovation partnerships, which create unique opportunities to collaborate with leading scientists in universities and SMEs. These partnerships enable us to access world-class expertise and facilities to drive innovation whilst reducing time-to-market. They also allow us to share our know-how about formulations and the commercial application of science with our partners.

Together we are finding new ways to develop ingredients and manufacturing processes that deliver better results for our customers with less impact on the planet. Over the last ten years, the strategic importance of Open Innovation partnerships has grown significantly, as has the number of partnerships we enter and projects we create. Our partners contribute to the high proportion of New and Protected Products we sell and the continued differentiation of our ingredient portfolio.

Working together

The technology investments we made in 2020 are aligned with our sustainability strategy, allowing us to offer innovative metal oxides for sun protection, cellulose powders made from by-products of the Canadian forestry industry for skin care, and probiotic cleaning agents for home care. We currently run over 100 active Open Innovation projects, involving our top Croda scientists working alongside our partners, from world-leading academics to major international customers, to develop new products and processes.

Open Innovation partners and initiated projects



Facing the COVID-19 challenge

One third of the 46 innovation centres that we operate globally remained open throughout the pandemic and all returned to operation during the year, providing access to our R&D teams and protecting our future innovation pipeline.

Although many of our sponsored PhD students were sent home as universities closed, we held meetings online, reviewing progress and setting priorities, so that work could continue. We also extended funding arrangements for PhD students where necessary.

Our innovation partners and our sustainability Commitment

Many of our Open Innovation partnerships focus on improving processes and ingredients as part of our Commitment to be Climate, Land and People Positive by 2030. For example, we work with partners to help access the latest scientific advances in biotechnology. Each project aims to either improve the sustainability of the way we manufacture our ingredients or create new ingredients that deliver sustainability benefits for our customers and their consumers.

531
innovation partners

Our communities: Employees at our sites worldwide are active members of their local communities. Understandably, our neighbours expect us to act responsibly, safely and sustainably. We take our commitment to these communities seriously, going further to make a positive difference and support them in their times of need.

Our communities and why they matter

We rely on the trust of people in our local communities to operate effectively and deliver for our customers. Understandably, our neighbours expect us to act responsibly, safely and sustainably, but we go further and aim to make a positive difference. Our 1% Club, launched over 15 years ago, enables all employees to give 1% of their working time to charitable activities, targeting local communities. We also aim to create educational opportunities for local students, particularly those studying “STEM” subjects: Science, Technology, Engineering and Maths.

We have paid a living wage to all UK employees since 2018. Through our partnership with the Fair Wage Network, and commitment to pay the living wage to all regularly employed contractors as well as employees by the end of 2024, we are helping to provide financial security across our communities globally.

Working together

This year more than ever we have reached out to support our local communities in their time of need. Through our Acts of Kindness initiative, established to support our local communities during the COVID-19 pandemic, our employees nominated local charities and causes where we could make a difference.

For the longer term we have incorporated the Croda Foundation, to deliver our People Positive Commitment of applying our innovation to increase the positive impact we make on society. The Foundation is an independent charitable trust, solely funded by Croda, but with its own Board of Trustees and a global reach. Its role is to oversee the delivery of philanthropic projects sponsored by Croda, prioritising those that use our smart science and technologies to improve the lives of people in the communities where we operate.

Facing the COVID-19 challenge

Many of our communities worldwide have been impacted by the pandemic, with concerns for safety, virus control and financial insecurity. We have responded through our Acts of Kindness initiative, providing acute relief and support to those facing hardships. Our popular STEM programme has proved particularly useful during this time of increased home-schooling for children. Our sites have kept local communities informed about our response and used their smart science to make items such as hand sanitisers available to local schools, nurseries and residential homes for the elderly.

Our communities and our sustainability Commitment

During 2020 we incorporated the Croda Foundation. We aim to improve the lives of one million people in the communities in which we operate by 2030, a key pillar of our Commitment to be People Positive.

Our Acts of Kindness initiative helped the Kayapo tribe in the forests of the Amazon to fight COVID-19

Acts of Kindness fund

£200k

Adriana Nobre
Operations Head for Latin America

Acts of Kindness reach the Kayapo tribe in the Amazon forest

In April we offered our employees the opportunity to nominate local causes and charities to receive a £10,000 of support from their Croda location. In total, we set aside a fund of £200,000 for this Acts of Kindness activity and our teams reacted immediately, nominating a wide variety of worthwhile causes and vulnerable groups to help.

In Brazil, our Campinas-based team used their fund to support several local groups. They donated personal hygiene items to a local nursing home for the elderly and provided food boxes for residents of a favela, helping 200 of the most vulnerable local families. The food boxes supplied a month’s worth of food and each family received these boxes for four months.

The Brazilian team also gifted 100,000 soap bars to the Kayapo, an indigenous tribe living in the Capoto-Jarina reservation in the Amazon forest.

Increased hand washing with soap is an effective way to help prevent the spread of COVID-19 and this donation is helping indigenous peoples in the region to protect themselves from the pandemic.

Access to soap is difficult for these tribes as they do not live in a cash economy and together with the absence of medical assistance, this leaves them extremely vulnerable to the pandemic and to other health issues. They often live in remote villages where access is challenging and resources are limited.

Adriana Nobre, Director and Operations Head for Latin America said “This is a cause that is very close to the hearts of my team and they were particularly proud and happy to be able to step forward and help with a Croda Acts of Kindness donation. The whole team was excited to provide this support which made a difference to the vulnerable but important Kayapo communities who play a key role in the protection of our environment.”

Our shareholders: We maintain a two-way dialogue with our shareholders so that they understand and support our strategy and can assess our Environmental, Social and Governance (ESG) performance.

£627m
of new equity to part-fund the acquisition of Iberchem

Our shareholders and open dialogue

We are committed to considering shareholder interests and maintaining open and regular dialogue with them as the owners of our Company and main source of long-term funding.

Working together

In November we raised gross proceeds of £627m new equity to part-fund the acquisition of Iberchem, the largest M&A-related placing on the London Stock Exchange in 2020. We followed the principle of pre-emption, ensuring existing institutional shareholders received at least their pro-rata allocation. We also allocated the maximum permitted number of shares to smaller shareholders and employees through a separate retail offer.

Facing the COVID-19 challenge

At the start of the outbreak, in line with investor focus on business continuity, we undertook extensive scenario testing which confirmed Croda had sufficient liquidity to absorb extended uncertainty.

We provided more regular and detailed disclosure during the COVID-19 crisis, publishing trading updates and more detailed information about our employees and other stakeholders. We also embraced digital communications to engage investors at virtual conferences and events.

Croda's business model has proven resilient with all but two of our 19 principal manufacturing sites operating without material disruption throughout the pandemic. This resilient performance, combined with prudent leverage and dividend distribution over many years, enabled us to pay dividends to shareholders in line with the Board's commitment to treat all stakeholders fairly.

Our shareholders and our sustainability Commitment

We continue to increase engagement on ESG topics with both non-holders and long-standing shareholders and see an increasing proportion of specialist investors on our register.

As well as hosting an investor seminar on sustainability in October which attracted 250 participants, we created a single "sign-posting" website page and a data pack collating non-financial information for investors. Priorities for 2021 are continued assessment of the carbon benefits of Croda's products in use and the application of the EU taxonomy to Croda.

For more information on our communication with shareholders see page 60.

Equity placing

- £627m (gross proceeds) raised through institutional and retail offers
- Institutional offer c4x oversubscribed
- Over 100 institutions supported the institutional offer
- c75% placing allocated to existing shareholders
- Retail offer c2x oversubscribed
- Maximum retail allocation permitted under UK regulations