CRODA

# Croda's Global Ethics & Anti-Corruption Compliance Programme

Our approach to responsible and ethical business conduct

Corruption

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Ethics

Compliance

Purpose

Smart Science to Improve Lives™

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# How we drive strong enterprise culture

## Leadership: Tone from the top

### Croda International Plc - Our Anti-Bribery and Corruption Statement

Croda International Plc is a manufacturer of speciality chemicals with over 6500 employees and 85 locations across 37 countries worldwide. Our Purpose is to use Smart science to improve lives™, enabled by our distinctive values-led culture, which brings together our in-house knowledge, passion and entrepreneurial spirit. This governs how we interact with our customers, how we work with each other, and guides our relationships with partners.

Bribery occurs where there is an intent to give someone a financial or other advantage to encourage that person to perform their functions or activities improperly or reward that person for having already done so. It is an inducement for an action which is illegal, unethical or a breach of trust, and can take the form of gifts, loans, fees, rewards or other privileges.

Our success as a business depends upon us preserving our reputation and creating an environment where we live by our ethical principles. Any breach of international bribery and corruption laws can lead to serious damage to our reputation. In addition, a breach of international bribery and corruption laws may result in Croda or individuals being prosecuted, potentially leading to fines and/or imprisonment.

### Our anti-bribery and corruption standard

Through our Purpose, Smart science to improve lives™, we are firmly committed to upholding the highest standards of integrity and ethical behaviours in our business dealings in all our global activities, and we will not tolerate bribery and corruption in any part of our business, in any country.

## Our anti-bribery and corruption principles

- To have a senior management team that demonstrate strong ethical leadership, setting high standards of integrity for themselves and their teams and provides a visible example in their commitment to ethics.

- To comply, as a minimum, with all bribery and corruption laws in the countries in which we operate, but in addition to set our own demanding internal standards which we will strive to comply with across all our global businesses.

- To establish, implement and maintain an ethical management system, incorporating policies and procedures to prevent bribery and corruption in any part of our business.

- To identify and assess bribery and corruption risks associated with our business and prioritise and control such risks.

- To define and communicate responsibilities for prevention of bribery and corruption to our employees and associated third parties.

- To provide appropriate information, training, coaching and supervision for our employees and associated third parties in order to enhance their awareness of and prevent bribery and corruption.

- To review compliance with and the effectiveness of our ethical management system and use incident investigations and audits to stimulate continual improvement.

- To monitor and evaluate our performance through a balanced set of leading and lagging indicators.

It is my belief that our zero tolerance to bribery and corruption is essential to preserve our corporate reputation and is vital to ensure the long-term future of Croda. I firmly believe that adherence to these principles will assist us in living up to our Purpose and our high ethical standards and I am personally committed to providing the leadership and resources.

**Steve Foots, CEO** March 2023

# How we approach ethics and anti-corruption

## Overview of our programme

Croda International plc has a zero tolerance policy towards corruption in all its forms. As set out our Code of Conduct, we are committed to upholding the highest standards of integrity in our business, ensuring that we operate in a responsible manner and that we communicate our ethics and anti-corruption programme to our employees. As part of our commitment to responsible and ethical business conduct, Croda signed up to the UN Global Compact in June 2021.

Our ethics and anti-corruption programme guides and supports our employees in living to our shared values and making responsible decisions. It also helps our employees understand what is expected of them and creates an environment in which employees feel they can ask qu estions and raise issues and concerns.

Our programme is embedded through our key group policies and processes, including through our third party due diligence procedures. The programme receives both internal and external oversight and assurance. We have in place a monitoring and review cycle that drives improvements in the programme on an ongoing basis to respond to and mitigate new and emerging risks. We also use key performance indicators (**KPIs**) to monitor ethics and anti-corruption risks and activities on an ongoing basis.

Our Code of Conduct sits at the heart of ethics and compliance at Croda. Our Code of Conduct and our ethics and anti-corruption policies and procedures are communicated to staff through group-wide communications, our training programme, and related guidance.

Croda embarked on a refreshment of its ethics and anti-corruption programme in 2016, which included the engagement of external advisors on a review of the programme. Subsequently, we have adopted consecutive two-year action plans to further enhance our programme on an ongoing basis.

The Board of Directors is ultimately responsible for our ethics and anti-corruption programme.

# How we ensure proper governance

## Corporate Governance: at a glance

Croda is committed to building and maintaining trust with our customers, business partners and communities in which we operate. All employees take responsibility for their actions and take care of each other, the environment and all of our stakeholders. We are committed to creating and fostering a culture of ethics and compliance with the law at all levels of the company. As part of this commitment, the Company has in place a number of oversight and governance standards to implement the Company's programme in practice and to support senior management commitment.

In particular, Croda's Audit Committee is responsible for conducting annual reviews of the Company's anti-bribery and corruption procedures and Speak Up programme. The Board of Directors also receives updates on ongoing activities relating to the Company's ethics and anti-corruption programme as part of the Company's quarterly reporting.

The Company has in place an Ethics Committee, which is responsible for the development, reinforcement, oversight and cascading of the Company's ethics and compliance strategy, Code of Conduct and other policies and procedures related to the ethics and anti-corruption programme. The work of the Ethics Committee is demonstrative of the top-level commitment to ethics and anti-corruption risk management. The Ethics Committee meets on a quarterly basis and considers a range of matters including:

- quarterly reports on ethics and anti-corruption, including progress of the Company's ethics and anti-corruption programme plan, which incorporates our approach towards managing modern slavery and facilitation of tax evasion risks, and 'deep dives' on activities that could present higher ethical risks to Croda;

- development and implementation of the annual communication plan for the programme;

- integration of new businesses into the Company's ethics and anti-corruption programme;

- the development and enhancement of ethics Key Performance Indicators (**KPIs**);

- "near miss" reporting;

- the review and improvement of governance controls; and

- Speak Up and other ethics-related training programmes.

The Ethics Committee also provides a forum to share best practices and lessons learned (e.g. from "near misses") across Croda's global operations.

Furthermore, Croda joined the UN Global Compact in June 2021. This reflects the Company's commitment to reflect and implement values and principles in how we do business that are consistent with globally recognised standards and in support of the UN's Sustainable Development Goals.

# How we drive strong enterprise culture

## Our Ethics Framework

Croda issues an Ethics Statement both for the Group and for each region reaffirming the Company's zero tolerance to bribery and corruption and its commitment to upholding the highest standards of integrity in the Group's business dealings. These statements are underpinned by Croda's ethics framework, which comprises the core policies and procedures that are described below, as well as our Purpose and our values.

### Croda's Code of Conduct

At the heart of Croda's ethics and compliance programme lies the Company's Code of Conduct.  The Code of Conduct sets out the ethical standards and expectations with which all employees are expected to comply and makes clear that all third party business partners are expected to adhere to business principles that are consistent with the Code of Conduct. The Code is aligned with our Purpose of using our Smart Science to improve lives™, and our three guiding values of 'Responsible', Innovative' and 'Together', underpinning how every employee is expected to behave: with integrity and in an open and respectful way.  The Code of Conduct supplements and complements our Code of Ethics, which has guided the way the Company conducted its business for more than ten years.

The Code of Conduct was developed and rolled out in 2020 following the engagement of key stakeholders across the Company, including Croda's Executive and Senior Leadership teams.  The initial roll out of the Code of Conduct was supported by: (i) a series of in-person and virtual training sessions across the Company, which included support from regional leadership teams, to communicate the Code of Conduct to employees; and (ii) delivery of an eLearning video to all employees.

Croda has developed a number of resources to support the communication of the Code of Conduct on an ongoing basis, including a video summarising the key aspects of the Code of Conduct.  These resources, along with the Code of Conduct itself, are available on a dedicated page on Croda's intranet

The Company's training programme includes eLearning on the Code of Conduct for all new joiners. The eLearning modules on the Code of Conduct have been translated into different languages to facilitate roll out of training at a local level. Training records are maintained within Croda's HR system. As of the end of 2022, 3,873 employees had completed the Code of Conduct eLearning.

## Croda's Anti-Bribery and Corruption Manual

Croda maintains an anti-bribery and corruption procedures manual (**ABC Manual**), which sets out key elements of the Company's ethics programme that each region is expected to implement as part of business as usual. This builds on Croda's past work on and learning from the ongoing monitoring and review of our ethics and anti-corruption programme.

The ABC Manual reinforces the ethical principles set out in the Company's Code of Conduct and Code of Ethics and is reviewed on an annual basis. Among other things, the ABC Manual:

- assigns responsibilities for ethical matters at a team, site, regional and global level;

- makes clear the circumstances in which a risk assessment must be conducted at a local level (whether on a periodic or project-driven basis);

- details the core principles and steps to be completed prior to the engagement of any third party, including agents or distributors or vendors who may interact with government officials;

- provides guidelines relating to gifts and hospitality;

- provides for the reporting of compliance "near-misses"; and

- sets out requirements for the communication of the Company's Speak Up programme on an annual basis.

Accompanying the ABC Manual are some practical "how to do" guidance notes that are designed to assist local teams in a range of areas, such as conducting risk assessments and conducting ethics interviews with counterparties.

# How we drive strong enterprise culture

## Roles and responsibilities

### Resources and Responsibility

The Board of Directors is ultimately responsible for Croda's ethics and anti-corruption programme. The Ethics Committee and Audit Committee also play an important role in the oversight of the effectiveness of the programme.

Regional Managing Directors (**MDs**) have responsibility for ethics in their regions and state their commitment to this through regional Ethics Statements. The MDs in turn delegate responsibility for ethics and anti-corruption within their regions via a responsibility matrix.

At the start of 2023, Croda created two new compliance roles; a Group Compliance Director and a Group Compliance Manager. The Group Compliance Director formulates Croda's compliance strategy, including in areas such as ethics and human rights and works with the Executive Committee to define the compliance risk appetite of the Group. This role holder is a member of the Ethics Committee. The Group

Compliance Manager will help design, develop and implement compliance programmes, manage groupwide projects and develop training and education to support the programmes. This role holder attends the Ethics Committee.

The Company's Group legal team also plays an important role in supporting the implementation of and addressing any issues relating to the programme. The Group legal team comprises 11 lawyers, including the Group General Counsel and Company Secretary, and one compliance specialist, each of whose responsibilities are split by region – Europe Middle East and Africa, Asia, North America and Latin America. In recent years, the Company has added to its in-house compliance expertise. For example, in 2020, the Company brought in a new legal counsel with a compliance background to support the business in China; and in 2021, Iberchem, Croda's newly acquired fragrance and flavours business, recruited a dedicated compliance manager.

### Appraisals and pre-hire screening

Ethics and compliance is the responsibility of all employees. Accordingly, the Company's appraisal process includes consideration of the Company's ethics and compliance principles within its core competency framework.

In addition, Croda conducts pre-hire screening on all employees prior to joining the Company. Among other things, this includes obtaining and reviewing references covering the last three years of employment, confirming the individual has the right to work in the country where they will be employed and, in some cases, obtaining a background security check. Such checks are

requested through a third party provider and any issues are raised with the individual's prospective line manager. In certain instances, it may be necessary for the Company to withdraw an offer of employment based on the screening results. During recruitment, candidates are assessed not only against key skills and experience criteria, but also Croda's competency framework, including being able to demonstrate behaviours that are consistent with our values.

# How we identify ethics and anti-corruption risks

## Risk Assessment

A cornerstone of our ethics and anti-corruption programme is risk assessment, which helps us to identify and assess the risks we face as an organisation and to map and evaluate the effectiveness of the controls we have in place to mitigate identified risks. Our risk assessment also informs our ethics and anti-corruption action plan and enables the Company to identify areas of higher risk, such as the engagement of third parties and business activities involving higher risk jurisdictions.

As part of our regular risk assessment cycle, local sites provide risk assessment reports that detail a range of ethics and anti-corruption risks including *inter alia* government touchpoints, engagement with third parties, gifts and hospitality activity, the use of petty cash and any charitable donations made. Against each identified risk, there is an assessment of the likelihood of the identified risk crystallising as well as the mitigating controls or plans in place to help mitigate the risk. The Company also conducts project-specific risk assessments, where appropriate, for example in connection with the development of

a new site. The Company's ABC Manual provides practical guidance to support the local sites on how to conduct local risk assessments. These are collected and reviewed at a local and regional level, and feed into local and regional risk reports, which in turn feed in to our Group level risk register

As part of the Company's broader control environment the Company also assesses the risk of fraud the Company faces. The governance framework and mitigating controls in place designed to identify and mitigate fraud risk overlap and support the controls the Company has in place specifically designed to identify and mitigate ethics and anti-corruption risks. For example, the Company requires local sites to have two signatories for bank payments. This serves to mitigate fraud and corruption risks such as the payment of bribes to a third party or overpayment of certain services rendered to the Company.

# How we manage fraud and corruption risk

## Conflicts of Interest programme

Croda expects all of its employees to act with integrity and to either avoid or manage, with the agreement of the Company, any actual or perceived conflicts of interest. Consistent with this standard, the Company has in place a Global Conflict of Interest Policy which applies to all current and prospective employees, as well as to certain company representatives such as independent contractors and other third parties acting on Croda's behalf.

In principle, all employees or company representatives of Croda must seek to avoid any relationship that will impair, or appear to impair, their ability to make decisions in a fair and objective manner and in the Company's interests. Where such a situation cannot be avoided or already exists, the Conflicts of Interest Policy requires employees or company representatives to:

- report the situation to their line manager, copying their regional legal representative;

- take whatever actions are recommended to remove or mitigate the potential conflict of interest; and

- send a conflict of interest report to the Group General Counsel and Company Secretary for assessment and guidance.
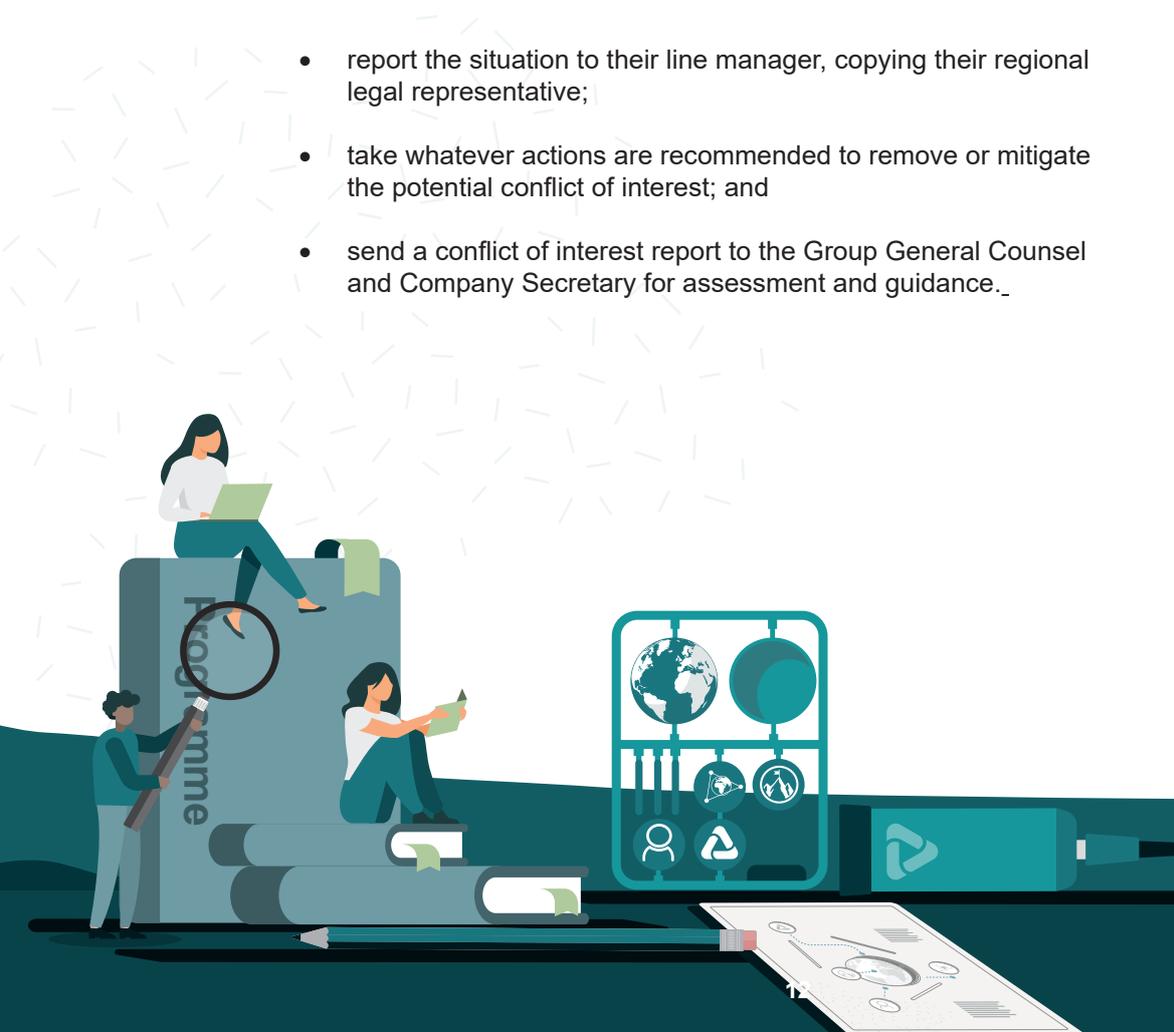
# Legitimate and proportionate business expenses only

Croda will only give and receive gifts and hospitality that are legitimate and proportionate to our business activities. Consistent with this standard, the Company has in place a Gifts and Hospitality Policy which sets out separate monetary thresholds for gifts and hospitality respectively based on the location in which a Croda employee is based.

The Gifts and Hospitality Policy is communicated to staff on a periodic basis, including to align with known gift-giving periods. For example, the Gifts and Hospitality Policy and related group guidelines were communicated to all staff based in India in the lead up to Diwali in 2022.

The Company also has a gifts and hospitality register that is used to report, record and approve/reject gifts and hospitality that is offered or received by employees, including reporting acceptance or rejection of any offered or received gifts or hospitality. The Company has recently conducted a gifts and hospitality "deep dive" looking at gift register usage across 49 Croda sites globally as part of the monitoring and review of the implementation of the ethics & compliance programme.

The Company also has in place a Charitable and Political Donations Policy which sets out strict conditions for the approval of any political donations, sponsorships or charitable donations proposed to be made by the Company.

# How we manage third party risk

## Our approach on working with third parties

Croda recognises that third parties that act on the Company's behalf, such as agents or distributors, present heightened anti-corruption risk to the organisation. Our ethics and anti-corruption programme provides for risk-based due diligence to be conducted on these third parties prior to engaging such parties as well as controls for the ongoing management of Croda's relationships with such third parties.

In particular, Croda uses certain third party vendors and risk management tools to facilitate its identification and assessment of third party risk. For example, Croda uses Navex to screen service providers and to flag legal, ethical or reputational issues. In addition, the Company requires third parties, such as agents and distributors or parties that interact with government officials in the course of performing services on Croda's behalf (known as "government interaction third parties"), to complete third party questionnaires and to attend an interview to discuss ethics and anti-corruption issues as part of the Company's standard on-boarding procedures for such third parties. The Company has issued guidance on third party interview to facilitate such engagement.

### Third party population

Croda engages agents and distributors in a number of jurisdictions around the world. The Company regularly conducts "deep dive" reviews on its use of agents and distributors and maps the third parties it engages and where they operate.

The Company pays particular attention to the engagement of agents and distributors and government interaction third parties in countries that generally present a higher risk from an anti-corruption perspective. For example, as of January 2023, due diligence on 100% of agents and distributors engaged in China had been completed in accordance with the Company's procedures.

In the past, Croda's relationships with certain third parties have been terminated on account of ethical concerns. For example, in 2021, two third parties engaged by the Company in China were terminated on account of code of conduct/bribery and corruption concerns. Furthermore, one prospective third party in Malaysia was not engaged by the Company on account of concerns identified as part of our third party risk assessment. Two third parties engaged by Croda's Iberchem business were also terminated following implementation of Croda's policies as part of the integration of Iberchem into the Croda Group.

The Company's reliance on third parties has reduced in recent years. For example, in India, between 2016 and 2022, reliance on third parties reduced by around 25%: contracts with 42 service providers and 5 agents and distributors terminated, and the number of vendors interacting with government officials on the Company's behalf reduced to 23 during this period. At the same time, a number of tasks previously handled by third parties (e.g. submissions to tax authorities) have been taken in house.

Where potential concerns have arisen in connection with a third party, the Company has responded by seeking advice from relevant stakeholders. For example, in India, the Company has in the past engaged with the British High Commission and local legal counsel to provide leverage and support in the termination of a third party in Bangladesh.

## Supplier Code of Conduct

The Company has in place a Supplier Code of Conduct, which sets Croda's expectations of its suppliers as related to key ethical principles, including in relation to *inter alia* bribery and corruption, compliance with laws, conflicts of interest, conflict minerals, human rights and sustainability. The Supplier Code of Conduct states that the Company will seek assurance that its suppliers adhere to the principles set out in the Supplier Code of Conduct, including through audits, remediation and, in certain instances, termination.

The Supplier Code of Conduct has been translated into 7 languages and is distributed to suppliers through the Company's procurement teams globally. We require our suppliers to comply with the Supplier Code of Conduct, including by building in compliance as part of our standard terms and conditions of purchase.

## Third party audits

We engage third parties such as EcoVadis, Good Corporation and Control Risks to support our monitoring of third parties and to assess their compliance with their contractual obligations and ethical commitments such those under the Supplier Code of Conduct. In 2022, EcoVadis reviewed and assessed 314 of the Company's suppliers, bringing the total number of Company's suppliers with current EcoVadis scorecards (meaning with scorecards of less than three years old) to 460.

# How we manage M&A risks

## Integrity in mergers & acquisitions

The Company takes steps to ensure that its acquired businesses are appropriately integrated into the wider ethics and anti-corruption programme.

For example, in 2020 Croda acquired Spanish company Iberchem Group (**Iberchem**). As part of the integration of Iberchem into Croda's ethics & compliance programme:

- Iberchem has brought in a dedicated compliance officer *inter alia* to oversee the integration of Iberchem into the Company's wider ethics and anti-corruption programme.

- The Company has developed an anti-corruption risk register matrix focusing on Iberchem's global activities as well as a tracker monitoring Iberchem's progress against the implementation of certain elements of Croda's ethics & compliance programme over time. This includes identifying all agents, distributors and third parties that interact with government in the course of performing services on Iberchem's behalf, and conducting due diligence in line with Croda's ethics policies and procedures.

- Iberchem has adopted Croda's Speak Up reporting line.

Similarly the newly acquired business of Alban Muller and Parfex have been integrated into the ethics and anti-corruption programme., including ethical risk assessments, training and due diligence of higher risk third parties such as agents, distributors and third parties that interact with government on behalf of Croda.
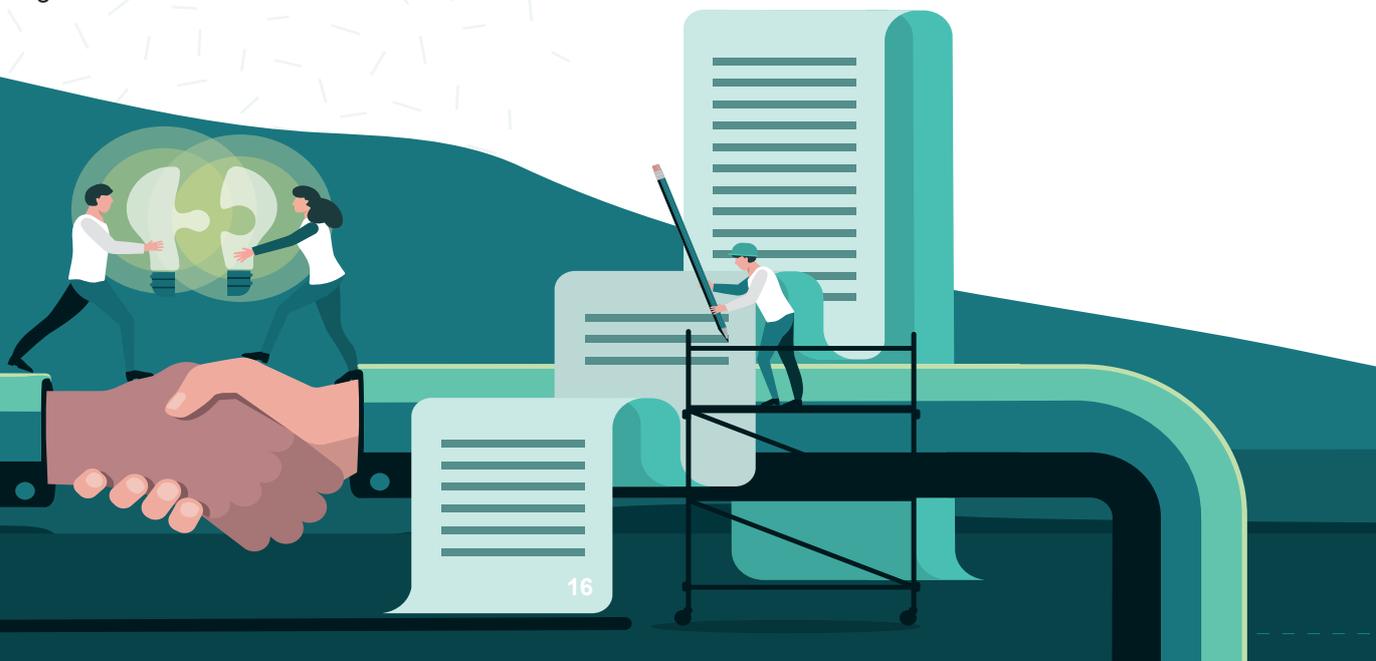
# How we keep awareness high

## Our training and communication programme

### E-learning and face-to-face training programme

The Company has in place a training programme that incorporates both e-learning and face-to-face training. Training is delivered on the Company's Code of Conduct and its core policies and procedures. E-learning modules include anti-bribery and corruption training and are available in local languages, where appropriate, and include a testing element. Face-to-face ethics training is also provided for employees working in certain roles at each Company site.

The Company maintains training records that detail, among other things, allocated training, attendance, completion rates and e-learning module scores. Training completion is tracked and reported on a quarterly basis through the Company's ethics KPI dashboard.

We also make available a suite of training resources to supplement the e-learning and face-to-face training sessions, including training videos on the Code of Conduct and our Speak Up line as well as FAQs on certain ethics-related topics.

### Ethics and anti-corruption communications strategy

The Company communicates its ethics and anti-corruption policies and procedures to employees on an ongoing basis. This includes periodic reminders of key elements of core policies such as the Code of Conduct and the Gifts and Hospitality Policy. All employees are required to acknowledge and confirm that they have read and understand the Company's policies and procedures in respect of bribery related issues, including the Code of Conduct. Furthermore, we communicate our Supplier of Conduct to all our suppliers.

# How we address misconduct

## Reporting channels and Speak Up line

Croda has a number of avenues in place for employees to report concerns. While we encourage employees to raise concerns with their line manager or with other senior managers within the business, in the first instance, we also have in place a Speak Up line that provides an avenue for confidential and anonymous reporting.

We also welcome reports of wrongdoing from those outside the Company. We have created a web portal to provide a safe place for any individual to share information in strict confidence, within the realms of local law. This offers anonymous, web based access for the reporting of "tip offs" to us. It is available in many languages and can be accesses at http://croda.ethicspoint.com.

### Our Whistleblowing Policy

The Whistleblowing Policy aims to encourage staff to report suspected wrongdoing as soon as possible, to provide guidance to staff as to how to raise concerns and to reassure staff that they will not face retaliation for raising any genuine concerns. The Whistleblowing Policy also sets out in high level terms how a concern will be initially assessed and how any investigation will be scoped in light of a report. In addition to offering a reporting avenue through the Company's intranet, the Whistleblowing Policy includes local speak up line telephone numbers in more than 30 countries.

The Whistleblowing Policy encourages employees to report concerns via their line manager in the first instance. At the same time, our Whistleblowing Policy recognises that there may be times when employees do not feel comfortable to raise concerns directly.

### Our Speak Up line

The Croda Speak Up line provides an additional confidential way to raise serious concerns. Employees can make reports anonymously via the Speak up line should they choose to.

The Company's Speak Up programme is communicated to staff in a number of ways. For example, the Company describes its Speak Up line at regular training, has an online awareness video to train employees on the use of the Speak Up line, makes a set of Speak Up FAQs available to staff and translates speak up posters into more than 20 local languages that are displayed on notice boards at Croda's local sites across the world. Furthermore, on induction, all new employees receive information about the Speak Up line and an FAQ pamphlet as part of their induction packs (translated into their local language).

During 2020, the Company reviewed and updated our Speak Up line and related communications to help explain why the Speak Up line exists and when employees might use it. Among other things, we implemented a new reporting system, rolled out updated communications across the Company, designed a new employee awareness video and drafted updated accompanying FAQs.

## How we deal with reported concerns

All reports from employees and third parties will be handled by independent experts under the guidance of our Group General Counsel and Company Secretary. If concerns are raised in good faith, there will be no risk of suffering any form of detriment or retribution as a result.

In 2022, 30 reports were been made using the Speak Up line. Every report is investigated and, to date, no serious allegations have been substantiated.  During 2021, there were 5 reports related to ethics and corruption concerns.

# How we measure programme implementation

## Our approach to data analytics

### Ethics KPIs – our KPI dashboard

The Company developed a set of ethics KPIs to track and monitor how the ethics programme is being embedded and to highlight areas of risk. These KPIs are reported to the Ethics Committee on a quarterly basis through the ethics dashboard. Much of the data capture by these KPIs were previously reported to the Ethics Committee through detailed ethics Activity Reports.

The KPI dashboard provides an overview of the Company's progress against requirements for the completion of risk assessments, activity trackers, agent and distributor and government vendor compliance completion and outstanding training assignments. The KPI dashboard also sets out the number of reported ethics "near misses", number of Speak Up reports made and the

proportion of employees to have made entries into the Company's gifts and hospitality register during the past four quarters on a rolling basis.

The ethics KPI dashboard is a live system that we use to monitor the global implementation of and ongoing compliance with the ethics programme at a regional level. For example, the ethics KPI dashboard enables the Company to track how the key elements of the ABC manual are being embedded across the Company, including at a regional and country level. At a regional level, regional Boards track compliance with the Company's group-wide procedures. The dashboard allows visibility at a supplier and country level of the status of due diligence of third parties.

### Near miss reporting

Croda has in place a bribery and corruption "near miss" reporting tool to record instances of Croda's employees declining to pay a bribe or otherwise engage in improper conduct when asked to do so. This tool provides feedback on how our ethics and anti-corruption programme is working in practice, and "near miss" reporting data is provided to the Ethics Committee and the Board as part of our reporting of ethics KPIs. "Near miss" scenarios are also used in some jurisdictions (such as India) as illustrative case studies in ethics and anti-corruption training.

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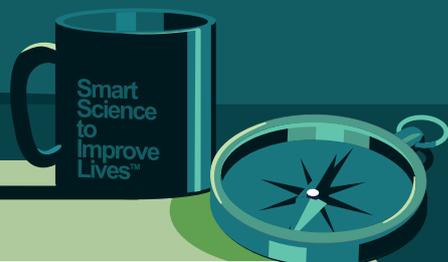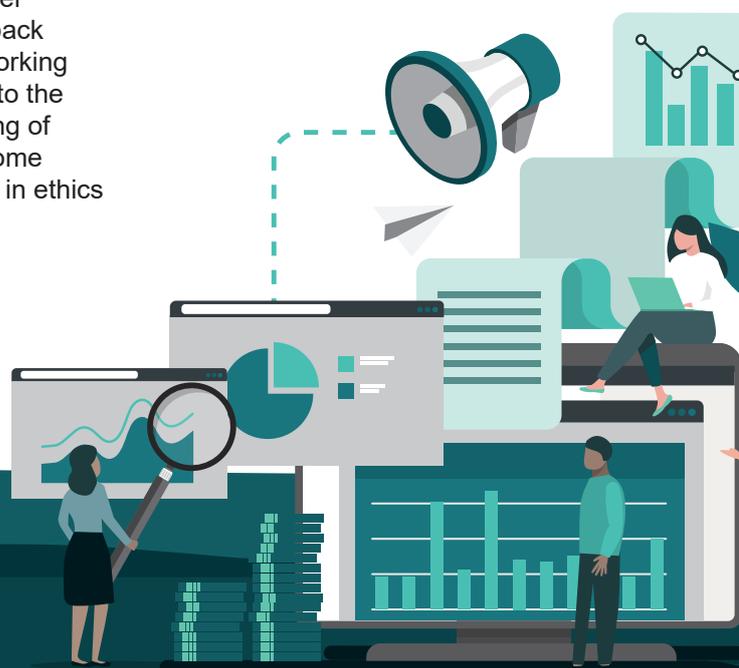
# How we verify – monitoring and testing activities

## Our approach to programme assurance

### Our Internal Audit programme

The Company has an internal audit programme in place that includes site reviews that are selected on a rolling basis. Our internal audit programme is underpinned by data analytics and exceptions identified from a review of embedded controls within the Company's SAP system. The Company's internal audit approach is broken down into two key components: IT audit work and business control testing (**FCAR**) at site locations and risk assurance reviews. The Company's FCAR process and review includes monitoring and review of the elements of the Company's ABC compliance programme, and is supported, where appropriate, by external professional advisors.

As part of our internal audit programme, each site is required to detail its anti-corruption stance on an annual basis and this is audited to ensure appropriate levels of compliance. Every year, the ethics controls in the FCAR (approximately 20 controls) are reviewed to ensure continued alignment with the ABC Manual. This ensures that all our operations are required to self-assess compliance with the ABC Manual with internal audit undertaking reviews in the normal course of their internal audit work. This includes adding new governance controls to the FCAR, where appropriate. For example, in 2021, three governance controls relating to the facilitation of tax evasion were added to the FCAR. The Company tracks the implementation of any audit actions arising from its audit programme to completion.

### Annual audit plan

The Company's annual audit plan is broken down into a number of thematic areas, including the following:

- **Site visits** – core controls over key business processes and compliance with Croda Group policies and procedures. The programme of site visits follows a 'risk-based rotational' approach. Risk considerations include: size/materiality to the Group, location, controls-self assessment scores, prior audit findings, emerging issues, management/business change and acquisitions.

- **IT audits** – providing assessments of security, change management and operational controls for IT systems, as well as the operation of SAP system (application) embedded controls (exceptions to which are followed up during site visits).

- **Risk Assurance Reviews** – primarily focused on key current risks that could affect Croda's business, customers, supply chain, employees and communities and stop the business achieving its strategic goals. Emerging internal and external risks that could have a future impact on the business are also covered where appropriate.

- **Major projects and change programmes** – 'proactive assurance' over key projects and initiatives for the Group.

Other sources of assurance include:

- **Self-assessment programme.** The annual controls self-assessment programme covering governance, business process, financial and IT controls.

- **Peer review.** The regional peer review programme, which is managed by the VP Risk and Assurance and delivered through the regional finance organisations.

We keep our audit plan under review and aim to constantly develop and hone our audit approach across the Group.

## Local site self-assessments

As part of our controls self-assessment procedure, the Company has around 20 ethic-related controls, which dovetail with the requirements of the ABC Manual. Each site/country undertakes a self-assessment of these controls. These are reviewed at regional level and by the Ethics Committee (for ethics and anti-corruption controls) and the Audit Committee (for all other controls). When undertaking internal audit site visits, the internal audit team will review actual controls compliance versus self-assessment, with variances being highlighted to the Audit Committee. This supports our ability to monitor compliance and identify and address gaps in programme implementation.

Every March, local sites self-assess their controls against Croda's control frameworks. The self-assessment process, managed through the Digital Hive, requires each site to respond to all the controls in the frameworks which are relevant to their location, and which cover multiple business processes. There are two levels of authorisation for the completed assessments – typically the site head and the VP, Regional Finance.

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