

2021 materiality assessment



Antonia Doncila, Sustainability Specialist, provides insight into the benefits of updating our materiality assessment

AD In our journey to become Climate, Land and People Positive by 2030, we want to ensure our corporate strategy is aligned with the expectations of stakeholders, and it develops in the right direction given the backdrop of rapidly changing environmental and societal requirements on business. A Group materiality assessment allowed us to fine-tune our understanding of the sustainability issues and opportunities most material to our key stakeholder groups, and therefore most strategic for our business. The risks and opportunities identified were added to the risk registers using the global risk framework. Recurring themes from this stakeholder engagement include: transparency and traceability across the entire value chain; increasing regulations and reporting obligations; biodegradability and waste management; more proactive engagement; and wider collaboration to understand and address the interconnected nature of issues.

This exercise confirmed that our 2030 strategy and objectives resonate strongly with our stakeholders' vision. The overwhelming message was a clear recognition of the progress Croda has made on sustainability, our solid disclosures, and commitment to transparency.

Changes since our 2018 assessment

While material areas such as Climate Action, Process Safety and Product Innovation sit at the top of our priority list and are fundamental drivers of growth, the latest assessment revealed ideas for improved dialogue, a great potential for expertise sharing, and issues on the horizon we should be considering. New material areas such as Biodiversity, Circular Economy and Global Health Preparedness have been added to reflect our holistic view of sustainability, to guide development of new meaningful corporate targets, and provide greater granularity and disclosure across the value chain.

Process

Desktop research

Using a methodology aligned with the ISO 26000 standard, we examined a broad range of sources identifying hundreds of material issues which were then refined and consolidated. Further stakeholder engagement was based on a final list of 65 material issues grouped under 15 umbrella themes that became our material areas.

Stakeholder engagement

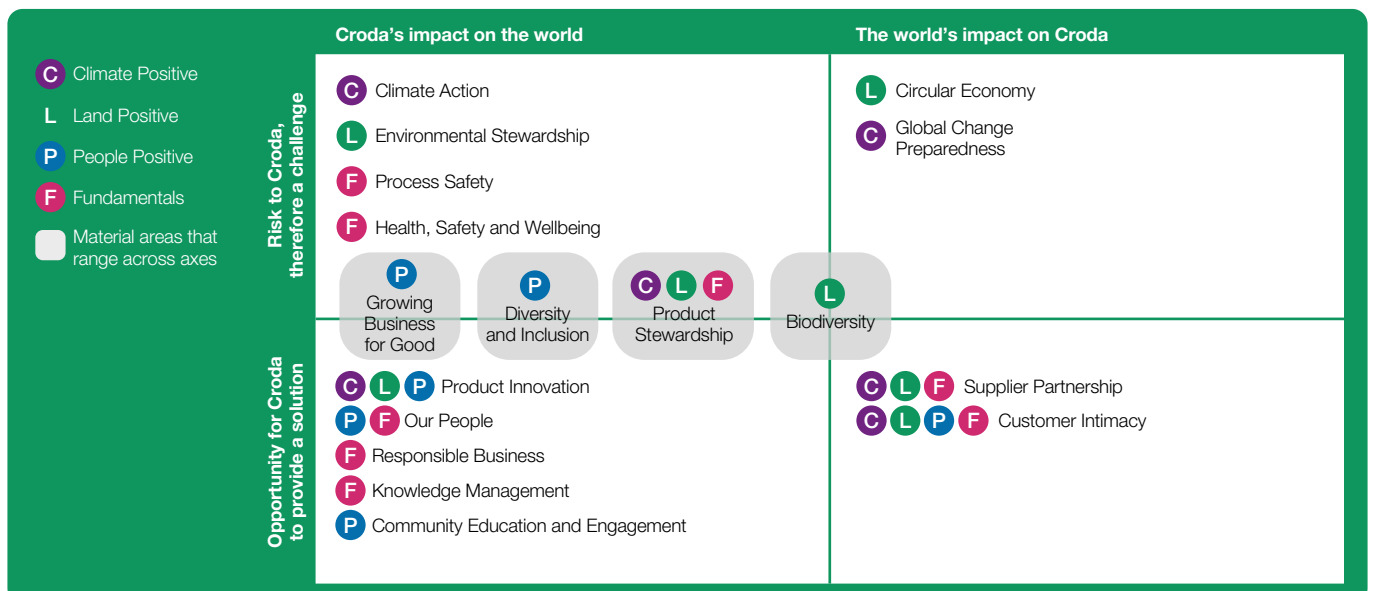
We collaborated with an external provider to engage with four key stakeholder groups: investors, customers, suppliers and employees. The objective was to validate, score and rank the material issues and themes identified in the previous step, gaining a more granular understanding of trends, priorities and perceptions by stakeholder group. Using surveys and interviews, we were really pleased with the level of engagement, making this review the most comprehensive to date.

Final scoring

In a focus group session, our Sustainability Committee examined the findings and how they aligned to our ESG strategy and reporting framework and our 2030 sustainability targets. They considered issues not currently addressed and how they might be managed and measured. The hierarchy of material areas was then adjusted, adding new material areas to reflect the developing sustainability agenda.

Materiality matrix

We have mapped our material areas according to their most likely source and outcome, and where they intersect with our sustainability strategy to be Climate, Land and People Positive by 2030.



Key stakeholder insights

	Customer	Investor	Supplier	Employees
Climate Action	●	●	●	●
Product Innovation	●	●	●	●
Our People	●	●	●	●
Environmental Stewardship	●	●	●	●
Supplier Partnership	●	●	●	●
Process Safety		●		●
Product Stewardship	●	●	●	●
Customer Intimacy	●	●	●	●
Health, Safety and Wellbeing		●		●
Responsible Business	●	●	●	●
Growing Business for Good	●	●	●	●
Diversity and Inclusion	●	●	●	●
Global Change Preparedness		●		●
Knowledge Management	●	●	●	●
Community Education and Improvement		●		●

- Top of mind**
Issue explored in depth, a top priority, mentioned frequently.
- Central agenda**
Issue discussed, a high/growing priority, mentioned often.
- Active monitoring or emerging**
Issue touched on, not an immediate priority, mentioned in passing.

Additions to our materiality matrix based on stakeholder engagement

Biodiversity

Circular economy

Biodiversity and circular economy were highlighted as key concerns by stakeholders in both the survey and especially in the interviews. They were mentioned specifically rather than as part of the existing issues covering them.

Stakeholders want more clarity about how these issues are being taken forward, as they don't feel they're currently discussed well enough in our strategy.

Suppliers

Suppliers consider product innovation as a critical solution from a circularity, climate change and human rights perspective. They recognise our leading expertise on emerging sustainability issues and are keen for more expert-to-expert dialogue to align priorities and co-ordinate faster sustainability action. Suppliers want a better understanding of how they fit into our overarching strategy as well as greater collaboration around supply chain requirements and limitations, given more stringent legislation and regulations.

Customers

Customers want to achieve higher levels of quality assurance and traceability throughout the value chain. They emphasised the need to think more holistically about each product, its environmental footprint and the role it will play in a circular economy. In this context, customers applaud our willingness to share information and our meaningful sustainability targets, and welcome the opportunity to work together on joint projects and share information to demonstrate greater accountability without losing confidentiality.

Employees

Employees scored Process Safety, Health Safety and Wellbeing, Diversity and Inclusion, Knowledge Management and Global Change Preparedness higher than external stakeholders, giving these areas equal weight to Climate Action. They recognised the need to improve product availability in the developing world while being prepared for shifts away from high consumption, and are keen for more training around the circular economy and how Croda fits in. A diverse workforce, mental health wellbeing and internal knowledge sharing were quoted as the basis for innovation.

Investors

Investors showed overarching support for our ESG strategy, recognising our solid disclosures and commitment to transparency. Our verified science-based targets bring greater credibility to our 2030 objectives and investors anticipate more detail through clearer linkages, signposting and case studies around how SBTs will be met. They see R&D, human capital management and protecting biodiversity as important aspects of transitioning to a more sustainable world. Moving forward, investors expect a continued focus on impact reporting, going beyond communicating on specific issues and into disclosure on wider holistic impacts and sustainable revenue analysis.

Sustainability Committee

The Sustainability Committee, as owners of the sustainability strategy, examined the materiality assessment outcomes through the lens of our Purpose, Smart science to improve lives™, and identified new opportunities to maximise impact, and approaches for more targeted sustainability action. An important learning is that future business resilience is dictated by an increasing focus on transparency and traceability across our entire value chain, which reaches beyond climate issues into biodiversity, circular economy and human rights. Material areas such as Process Safety, Climate Action, Product Innovation, Responsible Business and Our People already provide solutions to this new learning through the long-term targets linked to them. In addition, new sustainability objectives involving expertise sharing and a more collaborative approach internally and externally will be created. We will map the needs of our customers and suppliers, identifying areas where we can help them to meet their sustainability goals through mutually beneficial partnerships, and refining our messages around the significance of this work.

For more information on the process, the material areas and their definitions please access croda.com