Croda's Modern Slavery Act Transparency Statement 2019

This statement is made in relation to Section 54 of the Modern Slavery Act 2015 and sets out the steps that we are taking to reduce the risk of slavery and human trafficking taking place within our supply chains or in any part of our business.

Introduction

Croda is a recognised industry leader in sustainability, having received awards and recognition for our work in this area. To meet the high expectations of our customers and other stakeholders we are continuously striving to evaluate and further improve our responsible sourcing practices, including increasing transparency in respect of slavery and human trafficking.

Our Business and Supply Chain Overview

Established in 1925, we are the name behind high performance ingredients and technologies in some of the biggest and most successful brands in the world: creating, making and selling speciality chemicals that are relied on by industries and consumers everywhere.

Croda International Plc is the parent company of the Croda group of companies (the “Group”). As of 31 December 2019, the Group employed 4,580 people who work together as one global team, reporting an annual turnover of £1.37 billion. We are a FTSE100 company with a flexible business structure allowing us to focus on developing and delivering innovative, sustainable ingredients that our customers can build on in the following global market sectors: Personal Care, Life Sciences, Performance Technologies and Industrial Chemicals.

We have manufacturing sites located in Europe, North America, Latin America and Asia Pacific. Each site/region has its own procurement organisation responsible for purchasing all goods and services.

We generate revenue through our direct selling model, with sales, technical and warehousing support local to our customers. A description of our business model and values can be found in our Annual Report and Sustainability Report, both of which can be found on our website www.croda.com.

Our Governance

The Ethics Committee, chaired by the Group General Counsel and Company Secretary, supports the Executive Committee and the Board in the promotion of the importance of ethics and compliance. The Committee met quarterly through 2019 to monitor and develop the implementation of policies and procedures.

Our Code of Ethics sets out our commitment to working as an ethical and responsible company and affirm our commitment to conducting our business throughout the world with honesty and integrity. All employees, as well as agents and distributors acting on our behalf, are expected to comply with the code and local management is tasked with monitoring compliance, mitigating risk and reporting any significant breach.

The following policies underpin our commitment to act ethically and with integrity in all our business dealings and our zero-tolerance approach to slavery and human trafficking:

• Group Policy on Modern Slavery
• Group Code of Conduct
• Group Ethics Policy
• Group Whistleblowing Policy
We take steps to ensure compliance with our Group Policy on Modern Slavery within our business and have in place measures to reduce the risk of any slavery and human trafficking in our supply chains. We use EcoVadis to help us undertake due diligence of suppliers, and modern slavery clauses are included in our new purchasing contracts, which require legal compliance from our supply chain partners and encourage social and environmental responsibility throughout their supply chains.

**Due Diligence Processes for Slavery and Human Trafficking**

We view our supply chains as an extension of our own operations and require our contractors, and suppliers, agents and distributors to adopt the same standards and principles. Awareness of supply chain risks has progressed over recent years to the point where it is now an industry expectation that an appropriate level of due diligence is performed in identifying and mitigating these risks. In this context sustainable procurement is a strategic priority for us and supply chain transparency is considered essential.

In late 2018, we carried out an audit using an external company to evaluate and challenge our procurement risk management activities. We received the audit report in early 2019 which demonstrated our performance is aligned with other companies and leading in some areas such as our in-depth reviews of specific raw material supply chains which are deemed to be high risk. There were no compliance issues identified and we have acted on recommendations to further enhance our approach to managing data and monitoring risk in a more integrated real time manner across supply, continuity, ethics and sustainability. We have enhanced our data systems to build in more risk parameters with real time updates and improved risk visualisation. This creates a platform to build in ethics and sustainability parameters in the future.

We continue to adopt a risk-based approach in engaging with suppliers and use a methodology based on the supplier’s country of operation and the activity performed to identify higher risk suppliers from a slavery and human trafficking perspective.

We continued our relationship with EcoVadis in both managing supplier due diligence and applying the industry recognised EcoVadis Risk Rating Methodology. The assessment covers our supplier’s compliance and performance across 4 categories: environment; labour & human rights; ethics; and sustainable procurement. The output highlights areas of potential concern and actions for us to follow up with our suppliers. In addition to our EcoVadis relationship, we continue to maintain and build new relationships with other organisations that can provide insights into our supply chains. One such relationship is with Transitions, an organisation that helps provide us with end to end transparency of our palm oil supplies. An example of the value of this relationship to us and our customers can be found in the case study. These relationships are complementary in helping identify and manage human rights issues.

We completed EcoVadis training of our procurement teams across Europe and Asia. This training covered how to engage with suppliers on slavery and human trafficking, how to analyse the EcoVadis questionnaires that suppliers are required to complete and how to develop action plans around ensuring compliance. Further training is planned in 2020 to expand the scope of activity to other regions.

We set a target to engage with 61% of our existing global supplier spend by the end of 2020, selecting suppliers based on our risk-based approach. This requires the assessment of 269 suppliers through engaging them to take part and completing Ecovadis questionnaires. At the end of 2019, we had engaged 179 suppliers and had completed assessments for 54% (96 suppliers) with a further 18% (33 suppliers) assessments in progress. In some cases, our suppliers are struggling with the assessment process and we are actively engaged with
these suppliers to educate and influence their understanding of the benefits of and value associated with transparent supply.

We are pleased that the current average EcoVadis assessment score of Croda’s suppliers is 31% higher than the average scores of all suppliers assessed by EcoVadis.

To date, we have not found any evidence of slavery and human trafficking in our supply chains through the assessments. The process identified one supplier who was a higher risk. We are developing our approach on how to engage and support improving the sustainability credentials of suppliers in this category based on recommendations from the EcoVadis assessment.

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<th>A case study into how our knowledge of supply chains supported our suppliers to address human rights issues.</th>
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<td>During 2019, a newspaper report published in the Washington Post made us aware of human rights allegations brought against a palm oil producer, which also implicated several multinational companies who were potentially using products from the palm oil producer. One of the multinationals mentioned in the report was a supplier of palm oil derivatives to Croda. We were well position to immediately deploy our Transitions relationship to review the supply chain networks associated with the palm oil producer. Within a day, we were able to identify all palm oil derivative suppliers that were at some point in time directly or indirectly sourcing material from the palm oil producer. It quickly became apparent that the size of the network of plantations, mills and refineries owned by the company implicated many consumers of palm oil derivatives and much of the global supply network had connections with the palm oil producer. In parallel we worked with our multinational supplier, providing intelligence and direction to help them take rapid proactive action with the palm oil producer to drive improvement. The newspaper report attracted the attention of some of Croda’s multinational customers who requested information and reassurance of our compliance with their own human rights commitments. Given the level of activity underway, we were able to provide the reassurance sought by customers in detail and immediately.</td>
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**Our plans for 2020**

Given the growing importance of sustainable procurement, we made the decision during 2019 to create a new role of Global Head of Procurement and Sustainable Sourcing, reporting directly to a member of the Executive Committee. The primary aim of the new role is to drive faster progress and consistency in the procurement function’s sustainability programme in all our global locations. Recruitment is underway and is planned to be completed in 2020.

To start the due diligence process in North America and Latin America, we plan to complete EcoVadis training of our procurement teams in these regions which will cover engaging with suppliers on slavery and human trafficking, analysing assessment outputs and managing compliance. We will also carry out refresher training with our European and Asian procurement teams, sharing learnings so far, good practices and guidance on managing the outputs of EcoVadis assessments to drive improvement with our suppliers.

We will continue with our progress towards the target of 269 supplier EcoVadis engagements and move more attention to completing the EcoVadis assessments with a target to complete at least 160 assessments by the end of 2020. For suppliers that struggle with the assessments, we will continue to provide additional engagement and support where
this is required. Where assessments identify high priority actions, we will develop plans with these suppliers to support them improve.

Looking beyond 2020, we will review our longer-term targets and our delivery plans to further reduce the risks in our supply chains associated with slavery and human trafficking.

This Modern Slavery Statement was approved by the Board of Directors of Croda International Plc.

For and on behalf of Croda International Plc and its subsidiaries*

Steve Foots
Chief Executive Officer

23 April 2020

*Subsidiary companies of Croda International Plc meeting the criteria to require the preparation of an annual slavery and human trafficking statement, in accordance with section 54 of the Modern Slavery Act 2015, that are included within the scope of this Croda International Plc statement:

Croda Europe Limited