Croda's Modern Slavery Act Transparency Statement 2018

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 2018, the Group employed 4,580 people who work together as one global team within 38 countries, reporting an annual turnover of £1.38 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 Policies and Values

The values of integrity, honesty and openness are embedded within Croda’s culture. We are committed to acting ethically and transparently in all our business dealings and we take our social responsibilities very seriously. The Croda Vision sets out six values inherent to our business, against which all our policies and procedures must be aligned. One of the six values is that we will continue to be an ethical and responsible company. A copy of the Croda Vision is shared with every employee upon joining the Group.

At the beginning of 2017 we formed an Ethics Committee to support the Executive Committee, and in turn the Board, in the promotion of the importance of ethics and compliance across the Group and amongst all those third parties who work with us. The Committee meets quarterly and is chaired by the Group General Counsel and Company Secretary. This Committee is responsible for overseeing the Group’s ethics strategy and monitoring the development, adoption and implementation of policies and procedures in support of that strategy.

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.

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.

**EcoVadis CSR Rating Methodology**

In 2018 we took the decision to partner with EcoVadis and utilise the EcoVadis CSR Rating Methodology. The EcoVadis solution is characterised by evidence-based sustainability assessments with supporting documentation to verify the data provided. The assessments are tailored to industry, size and country and the output is displayed in a clear and qualitative dashboard. This gives both our suppliers and our procurement teams clear indication on supply chain strengths and weaknesses and suggested steps to improve transparency.

Croda has approximately 9,000 suppliers globally. Taking a risk-based approach, we have a programme to assess our existing suppliers in conjunction with EcoVadis. In addition, all new suppliers with a forecast annual Croda spend of £50,000 or more will be required to register with EcoVadis and complete a self-assessment form.

We have used the Global Slavery Index, accessible via the Walk Free Foundation, to help us prioritise the suppliers we should be focusing on first. The Index highlights the prevalence of slavery and human trafficking (victims per 1000 population) in 185 countries and high risk sectors.

Members of our procurement teams across Europe and Asia have attended EcoVadis sponsored training sessions on how to engage with suppliers on slavery and human trafficking. Further training is being delivered on how to analyse the EcoVadis questionnaires that suppliers are required to complete and how to develop action plans around ensuring compliance.

So far, over 100 of our higher risk suppliers have been, or are in the process of being, risk assessed by EcoVadis. The assessments highlight areas of potential concern and actions for us to follow up with our suppliers. Most issues identified to date are as a result of the absence of supplier’s
supporting documentation to support their claim when completing the questionnaires. To date, we have not found any evidence of slavery and human trafficking in our supply chains.

The two case studies below provide examples of how we have worked closely with our suppliers and industry partners during the year to tackle risks of slavery and human trafficking.

**The Palm Oil Industry**

It is widely reported that the palm oil industry has been the subject of major environmental and human rights violations, including the use of forced labour from adults and children. Human rights violations in palm oil production receives relatively little attention on account of its complicated network of supply chains. In 2018, we further strengthened our commitment by working with a third party, independent organisation to confirm and verify transparency of our supply chains. This work involved collecting data from major suppliers, responsible for 80% of the volume of palm and palm kernel derivatives we use.

This work is now completed along with a list of potential mills connected to our supply chains. It is generally accepted that the market is not mature enough to allow companies like Croda to trace back raw materials at the level of plantations. We have however identified the mills associated with this volume and ongoing work will inform a risk assessment of the sourcing areas, including social criteria such as human rights, child labour and land-tenure conflicts.

We shall preferentially source from suppliers who can confirm NDPE compliance (No Deforestation, no Peat, no Exploitation). Amongst other things, this entails respect for workers’ rights (legal and customary rights as well as the Free Prior and Informed Consent of indigenous communities), no forced labour, no slave labour and no child labour. In the absence of a “Decent Living Wage” in a given country, palm oil growers must engage with their workers to mutually agree terms.

All palm-derivative suppliers to Croda will be audited in 2019 and verified fully compliant with NPDE.

Due diligence can be more effective when conducted in collaboration with other companies operating in the same sector. We are seeking to be a founder member of a Sustainable Palm Derivatives Platform, an open collaborative membership organisation striving to guide the personal care and oleochemicals industries towards transparency and sustainability.

**The Mica Industry**

Croda’s Incotec business uses mica as a drying aid and flow control agent in its seed coating business. A main component in these materials is Mica, which is mined in India and China. In India, the majority of mining takes place around the borders of the Jharkhand and Bihar States where poverty and illiteracy are viewed as the root cause of child labour.

Incotec has recently completed a global tender covering supplies of these materials to all of its global operations. One of the key aims of the tender was to identify long-term suppliers who are taking measures to ensure that their supply chains of the Mica are child-labour free and contributing to the education and well-being of children in the area. As a result of this focus in the tender process, Incotec successfully selected two suppliers, with the aim to switch the entirety demand of these materials to these two suppliers by mid-2020.
Looking ahead
Sustainable procurement continues to be a strategic priority for Croda, for which supply chain transparency is essential. Using our risk-based approach, we will continue to expand the number of suppliers upon whom we undertake due diligence and mitigate the risk of slavery and human trafficking in our supply chains.

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
28 June 2019

*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