



A record year driven by the commitment of our people



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Anita Frew
Chair

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After what has continued to be another challenging year for businesses around the world, I am pleased to report that Croda has delivered a record performance. This reflects strong growth in our existing business, significant benefits from recent acquisitions and our Health Care business performing exceptionally well.

The Croda team has met the demands of a rapid global recovery, combined with ongoing challenges presented by COVID-19. Customer demand and cost inflation have been at levels we have not seen for a decade; at the same time COVID-19 restrictions have remained in place in many countries around the world. This has presented many challenges for our people, carefully managing both employee wellbeing and customer expectations.

As always, our clarity of Purpose has been our guide, ensuring we deliver for our customers, whilst always looking after our business partners and one another. Our success is made possible by our people, who have risen to the challenges the year has presented. Their hard work, dedication and customer focus have been exceptional, and I want to thank all of our employees for their contribution to a successful year.

A Purpose-driven company

Our strategy will continue to evolve but our Purpose – Smart science to improve lives™ – will remain constant, guiding the choices we make. Our Purpose is illustrated by the contribution we are making to COVID-19 vaccination programmes around the world, supporting over 150 COVID-19 projects in more than 30 countries. This support has often involved considerable commitment from our people, not least from colleagues on our graduate programme who put personal lives on hold to travel to Alabama and help produce lipid systems that continue to play such a key role in the fight against the pandemic.

Sustainability as a strategic priority

In line with our Purpose, we have made a bold Commitment to be the world's most sustainable supplier of innovative ingredients. Our focus is now on execution, working with our suppliers and customers to ensure we are Climate, Land and People Positive by 2030. Only by working in partnership can we achieve our goals, and we recognise that the strength of our relationships with others helps drive our success and our positive impact on the world around us. During 2021, our communities also benefited from our longstanding volunteering programme and educational outreach. In addition we established the Croda Foundation, which is already helping over 50 million people by supporting vaccine infrastructure projects globally, extending the positive impact we are making.

Sustainability has been a strategic priority for Croda over more than a decade, influencing how we develop our business and product portfolio and our priorities for investment. Climate change, biodiversity loss and rising inequality are now changing consumer demands, making sustainability as important to consumer choice as performance. This is providing us with opportunities to leverage our leadership position in sustainability, to help our customers meet these changing consumer needs.

Board members engage regularly with our Sustainability Committee to track progress and were represented at the Executive review of our sustainability strategy in October (see page 65). When reviewing progress, I am particularly struck by the level of our employees' engagement around this topic and the ownership across Croda which will ensure we continue to achieve our goals.

A culture where we put people first

Croda has always had a unique culture, built on customer intimacy and innovation with an entrepreneurial spirit. Promoting this 'One Croda' culture is important to our long-term success, as it enables us to operate a decentralised model where decisions are taken as close to the customer as possible, ensuring that we are more agile than our competitors, whilst delivering the governance and consistency we expect across Croda. Our values, which we have worked hard to articulate over the last two years, are to be 'responsible', 'innovative' and to work 'together'. We expect managers to put people first, irrespective of whether they are colleagues or partners, and all of our people to look after one another.

In 2021 we implemented an eight-point plan to support the wellbeing of our employees facing the combined challenges of COVID-19 and a rapid recovery in demand. The wellbeing and engagement of all employees is a cornerstone of our success, and I am delighted that we have been able to adopt the Living Wage in 2021 for all employees. Employee share ownership remains at impressive levels, at over 80% in the UK and 60% internationally. We have augmented this with a new 'Free Share Plan', under which employees who do not participate in other bonus schemes were awarded ten shares in 2021 and will continue to receive free shares when those schemes pay out.

Putting lives on hold to meet the COVID-19 vaccine challenge

Through our contribution to various COVID-19 vaccination programmes we have been able to play our part in helping the world emerge from the COVID-19 crisis. Our contribution required the rapid ramp-up of lipid production capacity in Alabama and a project to expand production volumes that would typically take two years was completed in a matter of months. While it was Avanti's deep knowledge of lipid drug delivery combined with Croda's expertise in operational scale-up that made the project possible, it was our people who made it happen. Our teams worked around the clock running three shifts a day to produce the required quantities of lipids. The project involved diverting resources from around the business to support lipid production, including employees from Croda sites in the US and UK

who put their lives on hold and travelled to Alabama for five months. Many of these seconded employees were graduates, with a rotation added to our graduate programmes. Our people worked tirelessly, exemplifying the Croda values, to deliver for our customers. The immediate impact of this work is obvious, but beyond this the experience and knowledge gained will aid their development as they progress in their careers.

Ashlea Taylor-Hughes, pictured, a Croda research scientist from Cheshire, UK, who postponed her wedding due to the COVID-19 pandemic and spent time on secondment in Alabama, said: *"It was scary to come out here for five months but, just thinking of all the good that it would do, I was completely up for it."*



Promoting executive and workforce diversity

At the beginning of the 2021, we published a Board diversity and inclusion (D&I) policy and communicated our commitment to greater diversity within our business. We believe that the diversity of our people – in terms of ideas, skills, knowledge, experience, ethnicity, gender or any other characteristic – is very important for the continuing long-term success of the Company. We will report annually on the progress we are making. See pages 37 and 61 for further details.

The Board recognises the importance of developing diversity in senior management roles and oversees the objective of achieving gender balance in all leadership roles by 2030 and the doubling of the number of women in leadership positions. In this year's submission to the Alexander Hampton review, we were pleased to report that 36% of leadership positions were held by women. We will also develop a target aligned to increasing the number of ethnically diverse employees in executive roles by the end of 2022 and in leadership positions by the end of 2024.

Croda has not historically collected company-wide information about employee ethnicity. However, we understand the importance of having sufficient data to make good decisions about D&I and how this will enable us to track our progress. This year we conducted our first global diversity survey and are using the results to develop an action plan to drive improvements. The results are reported in the Culture section of this report on page 37, where you can read more about our approach to D&I and the work of our global steering committee. We expect to be able to implement routine monitoring and disclosure of employee ethnicity from 2023 for the UK and globally from 2024.

Evolved Board composition to reflect our ambition

This commitment to diversity applies to the makeup of the Board, ensuring it is well equipped to lead the business effectively, embraces new ideas and makes good use of differences in experiences, backgrounds and perspectives to satisfy all the different stakeholders we have as a global organisation.

In September 2021, Julie Kim was appointed as a Non-Executive Director (NED), bringing 25 years' experience of health care markets across Europe, Asia and Latin America. Julie is President Plasma-Derived Therapies at Takeda Pharmaceutical, a global, R&D driven biopharmaceuticals company. In early 2022, we welcomed Nawal Ouzren, CEO of biopharmaceutical company Sensorion, to the Board as a NED, adding further health care expertise through her first-hand experience of biologics and novel gene therapies.

Both appointments add relevant experience as we look to access higher growth markets in health care, and in regions beyond Europe and North America, such as Asia. They also bring even greater diversity to the Board in terms of gender, ethnicity, nationality and tenure. Overall, I am pleased to have fulfilled our commitment to meeting the requirements of the Parker Review on ethnic diversity and to achieving full gender balance on the Board.

I am confident that the diversity of thought and experience we have around the boardroom table will ensure we are able to provide effective support and guidance as Croda continues to focus on the fast-growth markets of the future. Despite the challenges presented by COVID-19, as a Board we have been able to continue our programme of engagement with employees across Croda, including virtual visits to Avanti and Iberchem, the businesses that we acquired in 2020. I would like to thank all Board members for their support and hard work throughout 2021.

Accelerated strategic progress in a transformational year

Our agile approach and resilient business model have allowed us to look beyond the immediate COVID-19 pandemic, with the Board and Executive Committee working together on our strategy driving sustainability and innovation to deliver growth.

In December 2021, we announced the sale of the majority of our Performance Technologies and Industrial Chemicals businesses to Cargill, the largest private company in the United States. This divestment, due to complete in Summer 2022, will progress Croda's transition to a pure-play Consumer Care and Life Sciences

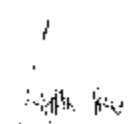
company, markets in which we can deliver on our Purpose of using Smart science to improve lives™. As Steve Foots, our Group Chief Executive, outlines further in his review on page 10, this focus on Consumer Care and Life Sciences will enable us to deliver consistent sales growth and an even stronger profit margin.

We committed to communicating openly with the employees of our Performance Technologies and Industrial Chemicals businesses during the strategic review, recognising that it was a period of uncertainty. Cargill is a company with a distinguished history and I am confident that our employees can look forward to a bright future under its ownership.

Committed to generating value for all stakeholders

The divestment will allow us to focus our resources on delivering sustainable solutions and scaling our consumer, health and crop care technologies. We have a clear capital allocation policy, with a focus on organic investment, given the exciting growth opportunities we see in the future in these markets. We will also provide regular returns to shareholders, invest in complementary acquisitions and retain our balance sheet strength. The Board is proposing a full year dividend for 2021 of 100 pence per share, representing growth of 10% over 2020, a year in which we were one of the few companies to continue to increase the dividend as we managed the impact of COVID-19.

2021 has been an excellent year for Croda in which we have delivered a record financial performance and strong progress against our non-financial targets. We are becoming a dedicated Consumer Care and Life Sciences company where our leadership in sustainability and innovation will deliver further profitable growth. With our clear Purpose, strong culture and committed workforce, we look forward to the future with confidence.



Anita Frew
Chair