

# Fundamentals

Our social licence to operate is built on trust and is the foundation of everything we do. We consider all stakeholders in our ecosystem and strive to adopt best practices in environment, labour and human rights, ethics and sustainable procurement.



**FAIRWAGE NETWORK**

All employees temporary and permanent were paid a living wage at the end of 2021, according to Fair Wage Network criteria.

**17%**

reduction in process safety incident rates compared to 2020.



**WORLD SUSTAINABILITY AWARDS 2021**

Awarded Business of the Year at the World Sustainability Awards.

**94%**

of palm derivative volumes purchased have supply chain transparency achieved to refinery.

## Fundamentals

Health, Safety & Wellbeing			
Objectives	Targets	Milestones and metrics	2021 progress
We will protect the health, safety, and wellbeing at work of all of our people and contractors.	<ul style="list-style-type: none"> <li>• OSHA Total Recordable Injury Rate in the top 10% for the chemical industry</li> <li>• 30% increase in positive responses to the wellbeing areas in our Global Employee Culture Survey</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve OSHA Total Recordable Injury Rate of 0.3 by the end of 2024</li> </ul>	<ul style="list-style-type: none"> <li>• OSHA Total Recordable Injury Rate of 0.73*</li> <li>• Human Performance programme developed, to be rolled out in 2022</li> <li>• Leading with Empathy training for all managers to support improved wellbeing</li> <li>• Mind UK Mental Wellbeing eLearning module for employees, now completed by 1,900+ employees</li> </ul>
 SDG 3.4  SDG 8.8			
Process Safety			
We will protect the health and safety of all of our people, contractors and the communities in which we operate.	<ul style="list-style-type: none"> <li>• Zero significant process safety incidents per year</li> <li>• We will continue to investigate and apply learnings from minor incidents and near misses</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct an independent peer review of our Process Risk Reviews (PRR) for high-hazard processes by the end of 2023</li> <li>• Develop reporting capability against SASB process safety indicators by the end of 2021</li> </ul>	<ul style="list-style-type: none"> <li>• 22 (out of 40) PRRs have been peer reviewed</li> <li>• Now report process safety incidents against SASB Process Safety Indicators</li> <li>• Process Safety Total Incident Rate (PSTIR) 0.034 for 2021</li> </ul>
 SDG 3.9  SDG 8.8			
Environmental Stewardship			
We will protect the natural environment through the responsible management of our water consumption and waste production.	<ul style="list-style-type: none"> <li>• Reduce our water use impact by 50% from our 2018 baseline</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and implement a methodology for water impact assessment by the end of 2021</li> <li>• Reduce our water use impact by 25% from 2018 baseline by the end of 2024</li> <li>• Eliminate process waste to landfill across our operations by the end of 2024</li> </ul>	<ul style="list-style-type: none"> <li>• Avanti, Alabaster, US, received a notice of violation for operating without an appropriate permit for its emissions to air. The site has since resubmitted its application as part of its expansion project and approval is expected in the first half of 2022</li> <li>• Water Impact methodology refined and trialled with six manufacturing sites</li> <li>• Manufacturing site at Shiga, Japan reduced water withdrawal by 75% following investments to use recycled water</li> <li>• Process waste to landfill reduced by 21.4% from 2018 baseline</li> </ul>
 SDG 6.3-6.4  SDG 12.5			
Responsible Business			
We will verify and maintain our position as the most sustainable supplier of innovative ingredients within our industry.	<ul style="list-style-type: none"> <li>• Achieve outstanding CSR performance ratings across all themes within the EcoVadis assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve an EcoVadis score of at least 85 by end 2023</li> </ul>	<ul style="list-style-type: none"> <li>• Awarded Business of the Year at the World Sustainability Awards</li> </ul>

\* Excluding COVID-19 and including acquisition impact

## Fair Income



Objectives	Targets	Milestones and metrics	2021 progress
We will contribute to sustainable and inclusive economic growth by ensuring that everyone working at Croda sites receives a fair income.	<ul style="list-style-type: none"> <li>Everyone working at Croda locations, including temporary and permanent employees, and all contractors will receive a living wage that is monitored and reviewed annually</li> </ul>	<ul style="list-style-type: none"> <li>All employees, temporary and permanent, will be paid a living wage by the end of 2022</li> <li>All regularly employed contractors will be paid a living wage by end of 2024</li> </ul>	<ul style="list-style-type: none"> <li>All employees, temporary and permanent, were paid a living wage at the end of 2021, according to Fair Wage Network criteria, one year ahead of target</li> </ul>

## Knowledge Management



We will manage our intellectual capital, ensuring employees acquire the knowledge and skills needed to promote the sustainable development of our business and promote lifelong learning opportunities for all.	<ul style="list-style-type: none"> <li>Target to be finalised during 2022</li> </ul>	<ul style="list-style-type: none"> <li>100% of employees will receive a minimum of one week's training per year by the end of 2025</li> </ul>	<ul style="list-style-type: none"> <li>Partnered with Ashridge Hult to launch new Leadership Development Programme</li> <li>Ambitious 2030 target still in development, to be finalised during 2022</li> </ul>
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## Quality Assurance



We will maximise our resource efficiency and minimise all types of waste energy, water and materials across our operations.	<ul style="list-style-type: none"> <li>Achieve a 99.5% Right First Time (RFT) rate</li> </ul>	<ul style="list-style-type: none"> <li>Achieve a 99.0% RFT rate by the end of 2024</li> </ul>	<ul style="list-style-type: none"> <li>Ended 2021 with a RFT rate of 98.33%, ahead of the run rate required to meet our 2024 milestone</li> <li>Proactive roadmap developed to ensure continued progress to 2030 target</li> </ul>
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## Product Stewardship



We will take a leadership role in life cycle assessment of our ingredients and their impact on the life cycle of our customers' products. This will help the markets in which we operate move towards more circular economies and reduce consumer and employee exposure to chemical hazards.	<ul style="list-style-type: none"> <li>Full life cycle assessments (LCAs) of our top 100 ingredients</li> </ul>	<ul style="list-style-type: none"> <li>Finalise our LCA methodology with external input and verification by the end of 2021</li> <li>Complete 40 LCAs by the end of 2024</li> </ul>	<ul style="list-style-type: none"> <li>LCA methodology finalised, compliant with ISO 14040, supported and verified by Ricardo</li> <li>First full LCA completed for Coltide Radiance</li> </ul>
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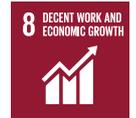
## Sustainable Sourcing and Supplier Partnerships



We will ensure that all our key suppliers are operating safely, ethically and responsibly, and will promote the equitable sharing of benefits within the supply chain.	<ul style="list-style-type: none"> <li>Ensure all key suppliers are responding to EcoVadis and engaging with us to improve practices</li> </ul>	<ul style="list-style-type: none"> <li>By the end of 2024, all key suppliers will be required to achieve a minimum of the average score from EcoVadis (or equivalent) or will have an action plan with timelines to close gaps</li> <li>By the end of 2024, key suppliers representing at least 50% of our raw material volumes will be required to sign up publicly to SBTi or equivalent carbon reduction targets</li> <li>By the end of 2024, suppliers of crop-based raw materials will be required to provide supply chain transparency in a fully traceable and certified sustainable manner</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers representing 65% of our spend have been evaluated using EcoVadis</li> <li>85% of our palm derivative purchases in 2021 were RSPO-certified</li> <li>&gt;94% of purchased volumes in 2020 were mapped back to either refineries, mills or plantations, working with Action for Sustainable Derivatives (ASD)</li> <li>We joined Together for Sustainability to collaborate on mutual supply chain transparency and to help develop industry-wide standards for data sharing</li> </ul>
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# Health, Safety & Wellbeing

SDG Targets:  
3.4, 3.9 and 8.8



We were disappointed to recognise that, in common with reports from other companies, our measure of personal injuries for employees and contractors under Croda direct supervision, the OSHA total recordable injury rate or TRIR, rose during 2021 to 0.73. This excluded the effect of a small number of work-related COVID-19 cases and includes acquisition impact. Other companies consulted agree that they have observed a similar pattern, ascribing this to the indirect effects of the continuing pandemic.

Personal injury rates for newly acquired sites are on average higher than those at more established Croda sites. As they integrate systems, undergo training and recruit specialist advisors, these acquisitions are already reducing the number of injuries.

The pandemic continued to present challenges, including requirements for home working, absence due to non-work-related infection, and self-isolation. Despite this, our sites have continued to focus on safe operation and making improvements.

### Evolving behavioural safety: Human Performance programme

We have deployed various approaches for behavioural safety improvement for many years. These were standardised in 2015 into a Group-wide Behavioural Safety Observation programme, implemented across all manufacturing sites. To work towards our ambitious low personal injury rate target for

## Wellbeing continued to be a focus in 2021 during the pandemic, with many employees working from home.

2020, in 2021 we continued evolving our approach with a new Human Performance programme, designed by a specialist in Group SHE. This redirects focus from purely frontline operational staff towards all levels in the organisation, and aims to maximise learning opportunities whenever our people interact.

Founded on a unique set of principles, the programme creates opportunities for meaningful conversations about how work is carried out, the real risks people face, and to empower all employees to get involved and provide solutions. Each trial site is applying the new principles to activities, including individual safety conversations, group meetings and incident investigations. Delivery of the full programme will start early in 2022 at six sites prior to adoption across all manufacturing sites.

### SHE leadership for acquisitions

In 2021 we extensively revised and updated our training in SHE leadership for new acquisitions and provided this to site management teams at Avanti, Iberchem, Parfex and Alban Muller. Five modules were delivered across Asia, Europe and the Americas, covering topics such as management systems and safety

culture maturity, and specifics including management of change, risk assessment and incident investigation.

### Wellbeing

Wellbeing continued to be a focus in 2021 during the pandemic, with many employees working from home. We expanded provision of our Employee Assistance Programmes to provide counselling support and introduced other mental health tools, such as the Shiny Mind app in the UK. Many sites ran wellbeing events including social activities, yoga classes, exercise challenges and leisure classes, such as painting.

We recognise that employee wellbeing is closely associated with how people are managed and so ran webinars for our managers in 2021 on Leading with Empathy. We also increased the number of communications shared with employees through podcasts and webinars, as well as online and printed newsletters.

Pleasingly, these actions have resulted in an improvement in employee satisfaction related to wellbeing questions, through an increase in the percentage of positive responses.

## Improving process safety and reducing air emissions at Atlas Point

The ECO operations team at Atlas Point, USA, has worked diligently to improve process safety and reduce air emissions in 2021. Following the higher-than-expected

emissions during commissioning in 2020, modifications were made allowing the plant to restart in March 2021. Working with local regulators, all hazardous emission sources have been eliminated. This involved evaluating all 190 pressure relief valve installations to ensure they exceeded the required standards and upgrading emergency response equipment.

Another significant milestone was completion of the plant's first annual maintenance

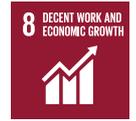
shutdown to inspect equipment and overhaul machinery, with no major issues found and a problem-free restart. A new system for operator training and competency assessment has also been implemented during 2021, this is now being emulated across several other sites in the Group as best practice.

Improvements to process and personal safety performance has enabled the site to achieve its target of zero recordable injuries in 2021.



# Process Safety

SDG Targets:  
3.9 and 8.8



## Sustainability Accounting Standards Board (SASB) process safety incident rate

Strong process safety management helps to reduce downtime, mitigate costs and regulatory risk, and maximise productivity. By contrast, a process safety incident (PSI) can lead to operational disruption, facility damage, reputational harm, and increased regulatory compliance and remediation costs. In line with investor and other stakeholder needs, we have devised a system for data collection and reporting in line with the criteria of the SASB.

Due to the small number of events taking place, these metrics are not appropriate to use in improvement processes; we will continue using our various internal measures to monitor and prioritise improvements, with internal leading and

lagging indicators of process safety performance at all relevant manufacturing sites. We will also publish a new suite of internal guidance documents created by Group SHE specialists in consultation with process safety specialists at manufacturing sites and with input from external risk management consultants.

In January, our manufacturing site at Gouda, the Netherlands, had a fire in an oil-water separation pit, which also damaged a raw material storage tank. We are pleased to report that there were no injuries or environmental harm, with all materials contained on site. Since the incident, the site has introduced a number of improvements to address the findings from our internal investigation.

In 2021, using our internal measure of performance:

# 17%

reduction in PSI rates compared to 2020, the majority being activation of protective systems to ensure plants remained within safe operating limits

# 25%

reduction in loss of containment events, none of which were significant releases

# Environmental Stewardship

SDG Targets:  
6.3, 6.4 and 12.5



## Water use impact

Water is a vital resource, and one to be conserved, yet it is also required at almost every stage of a product's life cycle. We are committed to pioneering corporate water stewardship practices and have taken important steps to reduce the water footprint within our direct operations.

By the end of 2021, our total water withdrawal had reduced 10.6% since 2018, whilst production volumes increased by 5.8%. Most notably, our manufacturing site at Shiga in Japan reduced water withdrawal by 75% in 2021 following investments in closed loop cooling towers that use recycled water.

In line with our 2030 target to halve our water use impact from a 2018 baseline, we are currently finalising the development of a methodology that goes beyond the volumetric reduction of water use and enables us to quantify the local environmental impact associated with our water management practices. Our methodology accounts for volumetric consumption, local water stress at source, water displacement effects and the quality of discharged water.

## Water stewardship

# 857,149m<sup>3</sup>

of water saved by our manufacturing site at Shiga, Japan

Developed as a questionnaire based on extensive environmental indicators (for example, physical, biological, chemical) and a weighted scoring system, our water use impact metric generates a single impact score for each manufacturing site. This score reflects the current environmental burden of water use and helps to define a realistic water reduction roadmap. We also used the WRI Water Risk Aqueduct tool and Ecolab Smart Water Navigator to identify the most substantive water-related risks within our direct operations. We plan to roll out our water impact methodology to sites using a risk based approach in 2022.

## Process waste to landfill

In 2021 we reduced our process waste sent to landfill by 21.4% from our 2018 baseline, which is good progress as we work towards zero process waste to landfill from our operations by the end of 2024. Of our 19 principal manufacturing sites, only eight sent waste to landfill during 2018 (baseline year).

## Waste management

Iberchem, our global fragrance and flavours business based in Spain, has championed waste management best practices through robust policies and employee education programmes. In recognition of its achievements, the company received a Zero Waste Certification from AENOR, the Spanish organisation responsible for the development and distribution of technical standards. Iberchem attained the certification by diverting more than 97% of its waste from landfills and incinerators to recycling and recovery facilities (7% above certification requirements). The evaluation covered 19 categories of waste, including paper, plastic, water and electronics. This represents a significant step in transitioning away from a linear model towards a circular economy.

Our Avanti, Alabaster site in the USA was given a notice of violation by the Alabama Department of Environmental Management (ADEM) for operating without an appropriate permit for its emissions to air. The site has since resubmitted its application as part of its expansion project and is working with the regulator to gain approval, which is expected in the first half of 2022.

# Responsible Business



## Responsible business

Since 2012 we have used the EcoVadis sustainability rating framework as a measure of our performance and a tool for continual improvement to maintain our position as a sustainability leader. The methodology is evidence based and covers assessment against environment, labour and human rights, ethics, and sustainable procurement.

We received a platinum award at our most recent assessment in 2020, placing us in the top 1% of more than 75,000 companies assessed globally.

During 2021 we engaged with stakeholders within the EcoVadis organisation to better understand our score and share ideas around potential methodology improvements.

In early 2022 we will submit our most up-to-date assessment and will also progress our engagement with the methodology team at EcoVadis, supporting further developments that will help drive continual improvement in sustainability practices for the benefit of all respondents to EcoVadis.



In October we were delighted that our sustainability leadership was recognised as we won Business of the Year at the World Sustainability Awards.

World Sustainability Awards is a global platform celebrating excellence in corporate and social sustainability. Organised by Sustainability Leaders, 73 companies were shortlisted across the 12 awards categories. The judges commended not only our ambitious Commitment to 2030, but also our achievements against our 2015-2020 sustainability targets, demonstrating that Croda are leading the way in reducing corporate CO<sub>2</sub> emissions and improving human rights. They remarked that our achievements are testament to how fully we have embedded environmental, social and corporate governance into our business model, also commenting that few organisations have embraced the full definition of sustainability as comprehensively as Croda, with our holistic approach to sustainability an example for others to follow.

## Increasing visibility of non-financial data

In 2021, we implemented SpheraCloud, cloud-based sustainability reporting software that has been rolled out to our global locations and other functional stakeholders for reporting of quarterly non-financial data. As well as automating data analysis and streamlining quarterly reporting, real value is generated by this software in the increased visibility of non-financial data across our business. Site, regional and sector leadership teams can view dashboards showing non-financial performance, trends and progress against our 2030 targets. This is helping inform decision making and elevating the profile of non-financial data, which is critically important to successfully deliver our sustainability strategy.

### EcoVadis

## Platinum

award received in 2020

### Global leader

## top 1%

of more than 75,000 companies assessed globally

# Fair Income

## Living wage

We continue to pursue our global living wage target, one of our sustainability KPIs linked to the UN Sustainable Development Goals (SDGs). In 2020 we forged a partnership with the Fair Wage Network (FWN) to establish living wage levels across the world using an independent and economically rigorous methodology. Throughout 2021, we compared our global wage levels to living wage comparators provided by the FWN and made all necessary adjustments to ensure all our employees are now paid a living wage as a minimum.

As far back as 2018 we gained accreditation in the UK as a Living Wage Employer from the Living Wage Foundation. In 2022 we will continue to ensure all UK employees and regular contractors are paid at, or above, the rates advised.

Our focus now is ensuring living wage levels are reviewed annually and necessary adjustments to wages are made to continue paying a living wage to all our employees. We are also beginning to progress towards our Commitment to pay a living wage to all regularly employed contractors globally by the end of 2024.



SDG Target: 8.5



FAIRWAGE NETWORK



# Knowledge Management

SDG Target:  
4.3



Our 2025 target is to ensure all employees have a minimum of one week of training each year. This can be on the job, classroom-based in person or virtually, self-study, an online programme, professional training or taking part in mentoring or coaching.

To support this ambition, and in response to the COVID-19 pandemic, we continued to support a significant number of online training programmes available to employees, with more than 2,000 courses available on our learning management system, MyCroda. These courses, many of which are available in multiple languages, cover topics including personal development, computer skills and leadership. We moved much of our classroom training to a virtual setting in conjunction with our internal learning and development teams and with external partners, such as Ashridge Hult (leadership development programme).

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## Customer insights

Recognising that the needs and expectations of our customers are evolving, in 2021 we established a Customer Insights Centre of Excellence to uncover opportunities to improve customer experience and enhance the value we add. This work is a “voice of the customer” research programme, consisting of three key feedback mechanisms: an online customer survey (qualitative and quantitative); customer interviews; and focus groups. The insights gained give a deeper understanding of our customers and how we can support their goals, as well as position Croda effectively for future success.

Sustainability is core to the insights approach, alongside other key metrics such as product quality, innovation, customer service and collaboration. As a result of the work completed in the first year we have gained intelligence that will inform more targeted and relevant interactions with customers on sustainability across regions and sectors.



# Quality Assurance

SDG Targets:  
12.2 and 12.5



**Maximising right first time, minimising waste**  
Minimising energy and material investment in our products means maximising right first-time rates in production. If a product requires additional processing, this increases CO<sub>2</sub> emissions. Where a batch is defective, that could mean tripling emissions based on producing the defective batch, recovery of that batch and manufacturing a replacement batch. This is an important perspective on preventing waste in product manufacture.

Previously, the focus on not-right first time incidents was purely on failures to meet the end specification. By now capturing and studying the underlying quality “near misses” and process deviations we halved the number of failures in three years. We are very pleased with the progress made in 2021, ending the year ahead of target and, to take this further in a proactive manner, we have taken a suite of quality tools and techniques and created a roadmap to help

manufacturing sites achieve our strategic goals. At many sites this means having only one or two deviations in production each year. With multiple manufacturing sites, all with their own unique features, the roadmap will allow each to select the right approach for their situation and maximise progress. The toolkit is being rolled out to all manufacturing sites in 2022, and the roadmap will ensure we make successful progress towards our 2030 target of 99.5% right first time.

### Quality GMP Certificates

We have contributed to the success of EFfCI and EXCiPACT GMP Certification Schemes for cosmetic ingredients and pharmaceutical excipients for 10 years. These certificates provide independent and reliable confirmation that the operations at our manufacturing sites conform to Good Manufacturing Practice (GMP) standards. Our sites hold 15 EFfCI GMP certificates and eight EXCiPACT certificates.

Many Croda customers demand physical audits of suppliers to ensure products are manufactured to a suitable standard of GMP, especially in pharmaceutical industries. Increasingly, the cosmetic sector is following this lead. We have opted to make these GMP certificates and audit reports available to customers to help with these auditing requirements.

Prior to the pandemic there was a reasonable uptake of this offer, but many customers still insisted on sending their own auditors to our sites. With travel restricted during the pandemic and the number of visitors to sites reduced, many customers changed their position and now accept our GMP certificates instead of sending auditors. This travel saving has contributed to an overall reduction in emissions while maintaining a high standard of audit.

# Product Stewardship

SDG Targets:  
3.9, 12.2 and 14.1



Our 2030 target to complete life cycle assessments (LCAs) for our top 100 ingredients is driven by our commitment to understand the impact of our products beyond factory gates and take a proactive role in the transition to a circular economy.

We are collaborating with LCA experts Ricardo to develop a bespoke cradle-to-grave LCA tool that follows ISO 14040 requirements and can be consistently applied to products across our business sectors. This tool examines raw materials, energy, transport, emissions and waste associated with core upstream procurement activities, manufacturing processes and downstream product use and disposal. It subsequently reports on product specific environmental indicators including global warming potential, ecotoxicity, land use, eutrophication and resource depletion. At product level, LCA outcomes will be used to understand the environmental burden of key stages, materials and processes, and so identify the hotspots in the life cycle of a product while also demonstrating the benefit of including Croda products in a customer formulation. At the corporate level, the results will inform

business decisions and prioritisation of sustainability actions, and add value to our commercial dialogue, creating opportunities for future collaboration and alignment with our stakeholders.

By the end of 2021 we had completed our first pilot LCA (see case study) using our new tool and methodology. In 2022 we will complete a further six full LCAs deploying central resources, with a view to training others throughout Croda in 2023 to use the tool. The results will then be owned across our business sectors, who will drive improvements, innovation and customer collaboration using the results of the LCAs. This will put Croda in a strong position to accelerate progress and remain on track to complete our LCA target by 2030.

LCAs and greater understanding of the environmental impacts of our product portfolio can also help us to anticipate and stay ahead of regulatory changes. Globally, registration schemes such as EU REACH are becoming more prevalent, having an impact on how we plan, launch and roll out products. Registration is

fast becoming the price of entry for ingredients, creating increased demands.

### Global Product Safety Team

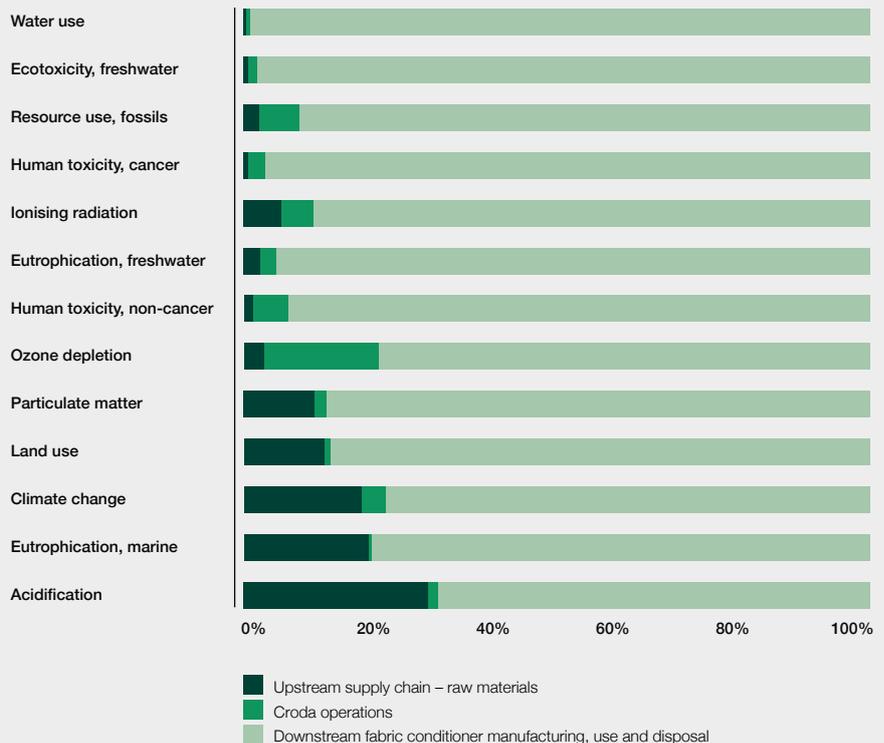
Our recently formed Global Product Safety Team ensures safety and sustainability considerations are built into a product through the innovation phases. Building on regional product safety expertise developed over many years, this new global function focuses on areas such as study design for existing testing requirements, while taking longer-term views such as next generation risk assessments. Our extensive regulatory expertise enables us to react to changing regulatory demands to meet our customers' expectations. The regulatory landscape is complex, with a total of 112 countries globally with cosmetic legislation, of which 48 countries have both chemical and cosmetic legislation, 52 countries have cosmetic legislation only and 12 countries have cosmetic legislation and draft chemical legislation. We work with external partners and customers to grow and develop our knowledge, to provide expert product support, and prepare for upcoming legislation such as the EU Green Deal.

## Coltide Radiance – sustainability in use

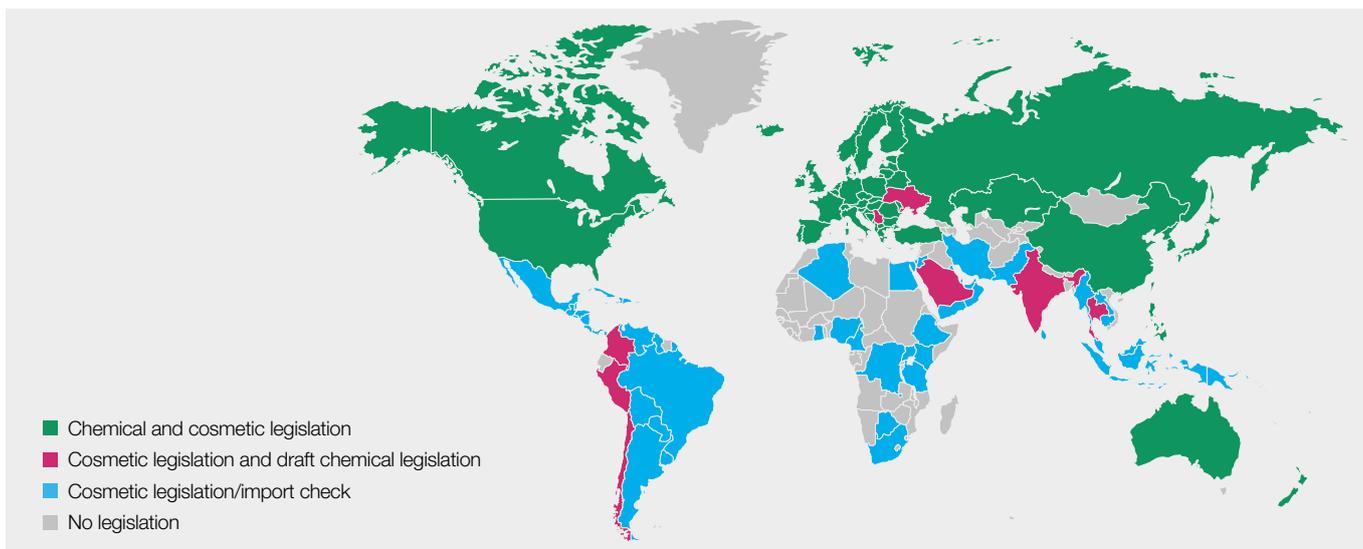
Given the verified downstream benefits of Coltide Radiance – prolonging the lifetime of garments and reducing clothes waste by 10%, 58.8 million m<sup>3</sup> water savings and 243,400 tonnes of CO<sub>2</sub> emissions avoided in 2021 – we wanted to understand the net environmental footprint of this biopolymer and get a better appreciation of its entire sustainability credentials. The LCA revealed a very low environmental burden associated with the manufacturing stage of Coltide Radiance, the biggest impacts being concentrated around the product in use stage (laundry washing).

The climate change and water use impacts for each 1kg of clothes washed are proved to be lower when using fabric conditioners containing Coltide Radiance than those without. This study highlighted an opportunity to collaborate with customers on pursuing environmental savings in the product in use stage, as this action, even if at the expense of higher manufacturing burdens, will yield a more sustainable result overall.

Coltide Radiance – environmental impact categories by life cycle stage



## Global reach and regulatory expertise



# Sustainable Sourcing and Supplier Partnerships

SDG Targets: 12.6 and 12.7

### Supplier engagement

Confirming environmental integrity and social accountability is an increasing prerequisite in our upstream supply chains. During 2021 we arranged sustainability training for all procurement individuals and engaged in discussions with suppliers. The current and future selection of global suppliers is based on collaboration and on aligning our goals, for example, SBTs, new sustainable innovations, public commitments for carbon reduction, and supplier understanding of their overall impacts on nature and the environment.

### Palm derivatives



Our use of palm-derived raw materials is strongly supported by RSPO supply chain certification, supply chain mapping and transparency.

In 2021 85% of our global palm derivatives consumption was RSPO physically certified by Mass Balance. In Europe and the Americas we achieved 99% transformation to RSPO, whereas in Asia we continue to face challenges completing the conversion.

Working with Action for Sustainable Derivatives,\* our 2020 supply chain mapping covered 96.8% of our total volumes of palm-based raw materials and suppliers responded to the upstream transparency investigations representing 99.31% of the palm feedstock volume equivalent.

Supply chain transparency was achieved for:

- 94% of volume to refineries
- 90% of volume to mills
- 27% of volume to plantations

Greater than 98% of traceable volumes originate from Indonesia (46%), Malaysia (51%) and

Thailand (1.2%), with 1,025 mills representing 90% of traceable volumes.

Our policy has been to preferentially source from suppliers with NDPE (no Deforestation, no Peat, no Exploitation) commitments and, in 2021, 81% of our volume was from suppliers with NDPE commitments and 74% of our volume is from suppliers with established grievance procedures. However, from 2022 we shall require that all suppliers comply with NDPE, ensuring elimination of links to deforestation.

With RSPO transformation of our consumer product supply chains 99% complete, we focused particular attention on our Performance Technologies palm derivative supply chains. In 2021 our palm derivative volume consumption

increased in absolute terms by 13% over 2020 and, despite unprecedented challenges with global restrictions in supply of RSPO-certified raw materials, we achieved a further 10% conversion over 2020 with 85% of our global volumes physically certified.

### Sustainable Palm Index

The Sustainable Palm Index (SPI), originally created in 2016 by L'Oréal, and later deployed within the ASD initiative, is a comprehensive evaluation scorecard for direct suppliers of palm oil (PO) and palm kernel oil (PKO) derivatives. Assessing commitments, efforts and practices towards responsible PO and PKO derivatives supply chains.

Our SPI score is 85/100 against the average scores of 56 and 72 in surfactants and oleochemicals respectively.



**Croda has been an invaluable founding member of Action for Sustainable Derivatives, actively supporting, engaging and promoting the initiative within the derivatives sector with upstream and downstream supply chain players, and more broadly in sustainable palm forums. Croda brings a wealth of experience and a voice of constructive input to help shape and deliver ASDs strategy to progress NDPE compliance and responsible palm derivatives sourcing through a collaborative, industry-wide and impact oriented approach.**

**Edwina McKechnie**  
Associate Director BSR

\* Action for Sustainable Derivatives (ASD) is a collaborative initiative driven by derivatives users to transform their supply chains by increasing transparency, monitoring risks, engaging the sector, and generating on-the-ground impacts.



**Michelle Fargen**  
Global Head of Procurement and Sustainable Sourcing

## Michelle Fargen on supply chain partnerships

**MF** To maximise the value gained from our sustainable supply chains, Croda has fully aligned with SDG17, Partnerships for the Goals, to increase our levels of transparency across all suppliers and supplier partnerships. This is important for the chemicals industry, and it is especially important to Croda given our high focus and use of bio-based raw materials which may have material environmental and socioeconomic impacts. To expedite the capture of this transparency information, Croda is working with suppliers, customers and industry groups to develop industry-wide standards for data sharing through our partnerships with Together for Sustainability and EcoVadis Supply Chain. Working together we can transition the provision of this information from our suppliers from its current complexity to business as usual.

In my newly created role as Global Head of Sustainable Sourcing, I have connected with 100+ procurement and supply chain professionals across Croda to increase their awareness regarding sustainability topics and how we can engage with suppliers to help meet our joint sustainability goals. I plan to continue this work in 2022 by further engaging with our key suppliers to discuss the importance of sustainability, transparency and collaboration – with a goal to reward suppliers who are aligned with Croda.

### Advocacy in supporting sustainable palm

Throughout 2021 we engaged in many forums and industry meetings, including:

- Active participation in the UK Sustainable Palm Oil Initiative (SPOI), including the industry-led UK Roundtable on Sourcing Sustainable Palm Oil, under the Partnerships for Forests programme
- Statement of support from businesses for an effective EU law to halt the trade in commodities and products linked to deforestation and conversion
- Participation in industry discussions in establishing due diligence legislation for deforestation-free supply chains
- Strong support and advocacy for ASD membership via global webinars

At the RSPO's 18<sup>th</sup> General Assembly held in December, a Resolution was proposed by WWF, the Zoological Society of London and individual member companies within Action for Sustainable Derivatives to enhance the robustness of the RSPO Mass Balance model to accelerate uptake of certified sustainable palm oil. Support for the resolution was delivered by Chris Sayner, Croda Vice President – Customer Alliances, at the General Assembly and was carried with 83.13% votes in favour.

### Ingredient integrity

>70

ingredients will be ISCC certified in 2022

### International Sustainability and Carbon Certification (ISCC)



ISCC is a globally applicable certification that promotes the reduction of greenhouse gas emissions, sustainable

land use, protection of the natural biosphere, and social sustainability for agricultural, forestry and other raw materials. Along with RSPO, it is one of the main international vegetable oil certifications for chain of custody.

Following a successful audit and certification of our Gouda site, and support from rapeseed raw material suppliers, more than 70 ingredients will be ISCC certified in 2022, confirming bio-based renewable carbon content originating from sustainable ISCC certified sources (mass balance), supporting the sourcing of sustainable vegetable oil.

With ISCC we are committed to supporting the shift towards the circular economy and bioeconomy. ISCC certification is a way to provide traceability and transparency throughout our vegetable oil supply chain and show customers that good agricultural practices are being used, human rights are respected and that our raw materials are not contributing to deforestation or harming biodiversity.

### Union for Ethical Biobased Trade (UEBT)



As a member of UEBT, Sederma together with Crodarom and Alban Muller have six ingredients verified according to UEBT responsible sourcing criteria. This verification focuses on important requirements from the UEBT standard, including

requirements on human rights, critical social and environmental considerations to meet company due diligence, and to ensure no negative practices.

### Sustainable Castor Association



We joined the Sustainable Castor Association in June 2021. This unites stakeholders from the various sectors of the industry – farmers, oil mills and refineries, derivatives processors and other organisations with a direct or indirect involvement in the castor oil supply chain – to develop and implement standards for sustainable castor. We will promote adherence to the SuCCESS (Sustainable Castor Caring for Environmental and Social Standards) code throughout our castor supply chains, in a similar approach to our successful work with RSPO and palm.



In 2021 we joined Together for Sustainability (TfS), an organisation that, in partnership with 33 major chemical companies, focuses on sustainable procurement activities. Members work together to align supplier assessments and audits, share supplier results, and influence suppliers to improve performance in key areas of sustainability: environment, labour and human rights, ethics, and sustainable procurement. TfS is working to create a uniform framework for capturing scope 3 emissions associated with the products purchased by its membership. As a result, we will have measurable results to support supplier collaboration discussions and to make purchasing decisions in support of the most sustainable supply chain partners.