Directors' Remuneration Report

Report of the Remuneration Committee
for the year ended 31 December 2019

"Going forward, we will continue to seek out opportunities to develop and enhance the remuneration approach at Croda. We remain committed to ensuring that our remuneration policies reflect the evolving needs and expectations of our shareholders, stakeholders and the societies in which we operate."

Dr Helena Ganczakowski
Chair of the Remuneration Committee

A. Chair's letter

On behalf of the Board and the Remuneration Committee, I am pleased to present Croda's updated Remuneration Policy and the Director's Remuneration Report for the year ended 31 December 2019.

Over the past eight years, under Steve Foots' leadership, Croda has matured and developed as a global business; putting in place a strong foundation of structures, processes and capabilities to enable it to compete ever more effectively on the world stage. As the business enters its next strategic phase so the ambition level will increase, and more will be demanded from our senior team.

We strongly believe that reward should be aligned to Company performance and the delivery of our strategy. The Committee believes that Croda's remuneration approach plays a key role in the achievement of the Group's strategic ambition and in the delivery of sustainable, profitable growth. This year's Policy review gives us the opportunity to update and ensure alignment of both the Policy and its application to the delivery of Croda's evolving ambition.

Throughout the review we have also been mindful of new governance expectations, and shareholder sentiment, particularly in the area of alignment of executive pensions with the wider workforce.

Through the course of 2019 we have spent time consulting with shareholders and are very grateful for their continued support and engagement. As you will see in this Report and our updated Policy, we have responded in a number of areas, ensuring that our remuneration approach reflects the developing needs of all of our stakeholders.

Alignment to strategic objectives

Whilst Croda's strategy is evolving, the focus remains consistently on driving sustainable, profitable growth by meeting our customers' needs through innovation and thus delivering our Purpose: Smart Science to Improve Lives™. This sense of purpose aligns with our business culture which we believe to be a strong driver of performance. In updating and operating our Remuneration Policy we have paid close attention to all these factors.

Delivering sustainable, profitable growth is directly reflected in our performance measures and stretching targets. The Annual Bonus is based on a single operating profit metric with no pay-out unless the previous year's outcome is exceeded. For the longer-term Performance Share Plan (PSP), we are proposing that 35% of the award is based on Earnings per Share (EPS) growth and 35% is based on relative Total Shareholder Return (TSR) performance amongst a bespoke group of our most relevant competitors.

Sustainability has always been key for Croda; we are industry leaders in providing sustainable solutions for our customers and innovation in sustainable products is central to our long-term growth. To that end, we have developed a range of ambitious long-term sustainability targets and will be incorporating selected elements of these into the PSP metrics each year. For 2020 10% of the PSP award will be focused on these new metrics and 20% will continue to be focused on our innovation metric, New and Protected Products (NPP), i.e. products that will sustainably drive our future growth.

Performance is always considered holistically; each year the Committee applies a Discretion Framework to satisfy itself that the outcome in terms of primary performance metrics has not been to the detriment of other measures of corporate performance. Health and safety is a key metric of particular focus in this review.

Alignment of Executive reward with the wider workforce

In line with our "One Croda" culture, our senior leaders all share the same performance metrics for the global Annual Bonus Plan and PSP. Around 400 employees participate in the Annual Bonus Plan and 60 of these also participate in the PSP. We believe that this focuses our leadership on working together globally to deliver the best overall outcome for our customers and, in turn, our shareholders.

Pay for all employees is set in line with the market and closely monitored, and local bonus schemes are available for those below senior leader level in most regions. Around 84% of our UK workforce and 61% globally participate in share plans and therefore benefit from the rewards enjoyed by all shareholders.

In addition, we are proud to be one of only two FTSE 100 companies with a career average defined benefit pension scheme that is open to all new and existing employees. Our pension scheme is a generous and inclusive benefit for our UK workforce. An important part of the value to employees is that the level of pension is guaranteed up to the cap, as the Company bears all the investment risk. This security for our workforce is an important part of our 'One Croda' culture.

Remuneration Policy Review

We feel that the Remuneration Policy has served us well, but in the light of Croda's evolving strategy and shareholder feedback, we are proposing some updates to the Policy going forward, in the areas of pension, PSP metrics and quantum, and shareholding guidelines.

- Effective 1 January 2020 we have implemented a reduction in the pension cash supplement for the CEO and GFD from 25% to 20%, aligning all recipients of pension cash supplements at 20% across the whole UK workforce.

  Our defined benefit pension scheme is open to all employees in the UK up to a salary cap and is highly valued as the level of pension is guaranteed by the Company. As well as the security this provides, we estimate that the value of this benefit comfortably exceeds 20% of salary, based on current market values for savings and annuities. We are therefore confident that our proposed Executive Director pension arrangements are aligned to, or lower than, our wider UK workforce arrangements.
- As mentioned earlier, our increased focus on sustainability in Croda's evolving strategy has led to the proposed introduction of a set of sustainability metrics into the PSP. Our NPP metric will be incorporated into this set.

  To reinforce the importance of Return on Invested Capital, going forward, we will also be introducing a new Economic Value Added (EVA) underpin which will apply across the whole of the PSP award. This underpin would be based on an improvement in EVA over the three-year PSP performance period.
- Since the CEO's appointment in 2012 Croda has consistently outperformed the FTSE with significant long-term growth across all KPIs. Croda is now an established international FTSE 100 company, but executive reward has not kept pace with the increased scope and growth of the business. We therefore propose increasing maximum potential PSP for the CEO from 200% to 225% and for the GFD from 150% to 175%.

  In considering this change the Committee was conscious that any increase in total compensation should be focused on the delivery of long-term performance. Following the increase, total compensation will still remain in the lower quartile amongst FTSE 100 industrials.
- It is proposed that shareholding guidelines for the CEO and GFD increase in line with the increase in quantum proposed above. In addition, we propose the introduction of post-employment shareholding guidelines over two years; set at 100% for the first year after leaving employment and tapering to 0% by the end of year two.

We believe that these changes are aligned to strategy and respond to the needs of all our stakeholders as well as being aligned to the UK Corporate Governance Code.

Remuneration outturn for 2019

Against difficult trading conditions the Group's profit in 2019 was largely flat. This has demonstrated the resilience of the business to remain profitable with robust margins in subdued market conditions.

As the bonusable profit did not exceed the outcome for 2018, the threshold for the Annual Bonus Plan was not reached and no annual bonus is therefore payable.

Our longer-term performance in profitable growth and total shareholder return was more reflective of our long-term growth trajectory. For PSP, 2019 was the year in which grants made in 2017 concluded their three-year period, and the Committee has reviewed performance for the targets that were set at that time. Over the performance period, EPS growth was 18.7% resulting in 40.6% of this part of the award vesting. TSR performance was 84.2%, placing Croda in the top quartile against our bespoke comparator group resulting in 100% of this part of the award vesting. NPP growth was 1.8x non-NPP growth, falling just short of the target of twice growth, so this part of the PSP does not vest.

The PSP award is dependent on satisfactory underlying financial performance of the Group. The Committee considered this, and a range of other broader performance criteria using the Discretion Framework, and concluded that the awards were consistent with, and reflective of, the overall business performance over the time period. Therefore, after consideration of all factors, an overall PSP vesting of 56.2% of the total award was agreed.

Salaries for 2020

For 2020 the general increase set for the UK workforce was 2%. The Committee considered the salaries of the Executive Directors in the context of positioning against market benchmarks, as well as the performance of the Company. The Committee determined that the salary increase for Executive Directors should be in line with that of the UK workforce.

Looking ahead

We are confident that our updated Remuneration Policy will serve us well over the next three years.

Going forward, we will continue to seek out opportunities to develop and enhance the remuneration approach at Croda. We remain committed to ensuring that our remuneration policies reflect the evolving needs and expectations of our shareholders, stakeholders and the societies in which we operate.

Yours sincerely

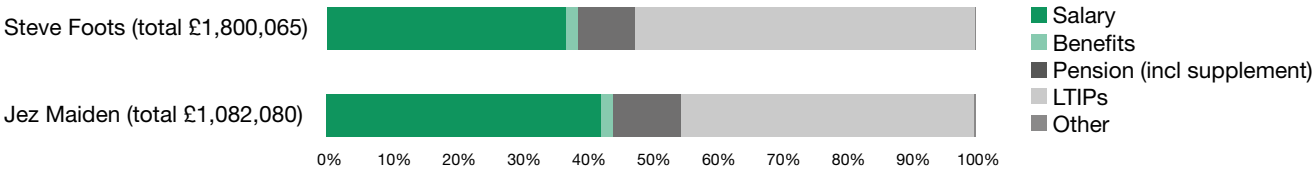
Dr Helena Ganczakowski
Chair of the Remuneration Committee

B. 2019 Remuneration at a glance

How we performed in 2019

Adjusted Operating Profit	Adjusted EPS	NPP
-0.8% to £339.7m	**-2.7% to 185.0p**	**28.1% of Group sales**

Single figure remuneration



How was our policy implemented in 2019?

Key component and timeline	Feature	Metrics and results	How we implemented in 2019: Chief Executive Officer (CEO)	How we implemented in 2019: Group Finance Director (GFD)
Basic salary and core benefits	Competitive package to attract and retain high calibre executives.	Pay rise of 3% awarded to Executive Directors. UK workforce was awarded a 3% increase	£662,337	£456,784
Annual bonus	Incentivise delivery of strategic plan, targets set in line with Group KPIs.	**Bonusable Profit** (see page 90 for definition of Bonusable Profit) Threshold: 2018 actual Maximum: 2018 actual plus 10% Actual: 2018 actual minus 3.7% 0% of maximum bonus paid	–	–
Deferred element of bonus	Compulsory deferral of one third of bonus into shares with three year holding period to align with long term business performance.	N/A	–	–
PSP	Incentivise execution of the business strategy over long term measuring profit, shareholder value and innovation.	**Vesting of the 2017 PSP award** EPS*: Threshold 5%, Maximum 11%, Actual over 3 years 6.23%, % payout 16.24% TSR: Median, Upper Quartile, Actual over 3 years 84.2% Above UQ, % payout 40.00% NPP: NPP sales growth to be at least twice non-NPP sales, subject to a minimum average of 5% growth per year and overall positive Group profit growth. Actual over 3 years Not met (1.8x), % payout 0% 56.24% total * EPS growth p.a. is calculated on a simple average basis over the three-year period.	£942,268	£487,382
Pension	Pension benefits are either a capped career averaged defined benefit pension plan with a cash supplement above the cap, or a cash supplement. For 2019, cash allowance of up to 25% of salary.	N/A	£158,829	£114,196
Shareholding requirements	Share ownership guideline to ensure material personal stake in business.	CEO 200% of salary GFD 150% of salary	>200% of target	>150% of target

C. Overview of the new Remuneration Policy

Our proposed Remuneration Policy will be presented to shareholders at the 2020 AGM and is intended to operate for three years until the AGM in 2023.

In reviewing the Policy the Committee has considered the following principal objectives to:

- achieve the closest possible alignment with the Company's evolving strategy;
- support the Company's ambition to be a purpose led organisation focused on Smart Science to Improve Lives™;
- ensure that business performance is appropriately measured and rewarded and that the scale of reward is proportionate;
- make certain that the Policy properly reflects the various interests of all our stakeholders in its structure and metrics;
- ensure that the Policy is fair and competitive and that it also considers reward more broadly in the organisation;
- disclose the Policy in an open and transparent way.

The Committee's method of operation will be flexible and dynamic taking account of external changes and business performance.

Main changes to the Remuneration Policy

It is proposed to make changes to the Policy and application of the Policy in four key areas:

1. Reduction of the pension cash supplement for the CEO and GFD to align with our UK workforce.
2. Introduction of sustainability metrics, incorporating NPP, into the Performance Share Plan (PSP) to align with our strategy to be industry leaders in sustainability and the introduction of an EVA underpin to further ensure long-term incentive awards are aligned with overall business performance.
3. Increasing the level of normal PSP awards for Executive Directors from 200%/150% to 225%/175% for the CEO and GFD respectively, reflecting the significant long-term growth of the business.
4. Increasing shareholding guidelines and introducing post-employment shareholding requirements to ensure compliance with the UK Corporate Governance Code.

The remainder of this section provides the context to these changes.

1. Reduction of the pension cash supplement for the CEO and GFD to align with our UK workforce

Background

Croda is proud to be one of only two FTSE 100 companies with a defined benefit scheme in the UK that is open to new employees. The current scheme is a career-average pension scheme (CARE) which was introduced in 2016.

Within CARE, in return for a 6% contribution, all of our UK workforce have the opportunity to earn a guaranteed pension of 1/80th of salary for every year of service. Once this 1/80th is earned it is ring fenced and linked to CPI up until retirement.

This is a generous benefit for our UK workforce. By way of illustration, our actuaries have estimated that employees would need to save significantly more than 20% of their salary to provide a guaranteed equivalent benefit based on current market rates for annuity and savings.

Summary of pension arrangements

	Arrangements	Value
Wider UK workforce	All UK based employees can join Croda's defined benefit plan based on career average earnings (CARE) up to a cap of c.£70k Level of pension is guaranteed and not subject to investment risk Reflects that security for all our UK workforce is an important part of our 'One Croda' culture	Greater than 20% of salary[1]
	UK workforce who earn above the cap also receive a cash supplement of 20% of salary	
Executive Directors Existing and new hires	Opportunity to join CARE subject to tax limits with cash supplement of 20%[2] of salary above the cap	c. 20% of salary
	OR	
	Cash supplement of 20% of salary[2]	20% of salary
Overall comments	Alignment between Executive Directors and UK workforce in terms of opportunity.	Thanks to the defined benefit scheme, the wider UK workforce pension arrangements deliver a higher percentage value[1] than those for the Executive Directors

1. Value is estimated by Lane, Clark and Peacock LLP based on an employee funding an equivalent pension by purchasing an annuity assuming current market rates for annuity and savings
2. Implemented 1 January 2020

The value to employees is also that the level of pension is guaranteed. Unlike a money purchase scheme Croda bears the investment risk and once the employee has paid their contribution the rest of the cost is borne by the Company. This security for all our UK workforce is an important part of our 'One Croda' culture.

Within CARE, salaries are currently capped at c.£70k and for earnings above this cap a cash supplement is paid. Previously this supplement was 25% for Executive Directors, 20% for other members of the Executive Committee and 15% for all other employees. The supplement is also paid to employees on the whole of their salary who are tax limited and have opted out of the pension scheme.

Implemented Changes

We believe that the CARE scheme, with its guaranteed outcome, is a generous and inclusive scheme which remains open to the whole workforce in the UK. We recognise however that there were differences in the percentages of supplements paid for those exceeding the CARE salary cap. We have therefore levelled the pension supplement at 20% for all eligible employees. This will result in a reduction in the cash supplement for Executive Directors from 25% to 20% effective 1st January 2020.

As a result, the ongoing pension arrangements for our current Executive Directors will be fully aligned with (or lower than) our workforce rates. This is illustrated in the diagram on the previous page.

In light of this new proposal, future Executive Directors appointments would be aligned at the 20% pension supplement.

Summary of legacy final salary defined benefit pensions

In addition to the CARE scheme, employees in the pension arrangements at the time CARE was introduced received generous protection of their previous pension benefits; this protection maintained the link to their final salary going forward for pension earned pre-2016.

Further protection was provided for all members who joined prior to 2000 as they were also able to retain an accrual rate of 1/60th in CARE in return for a higher contribution rate of 8%. As our CEO was hired in 1990 he also retained an accrual rate of 1/60th in CARE in line with the majority of the UK workforce at the time.

When our CEO was appointed in 2012 he agreed to have his salary capped at his lower pre-appointment salary of £187,500 (further reduced to £150,000 in 2014) to avoid a significant additional liability being placed on the pension scheme, which at that time was a final salary scheme. Subsequently his salary cap has been reduced again to £37,500 due to annual allowance limits (further details of our CEO's pension arrangements can be found on page 93).

2. Introduction of sustainability metrics, and an EVA underpin to further ensure our long-term incentive awards are aligned with overall business performance

Sustainability has always been key for Croda. We are industry leaders in providing sustainable solutions for our customers and innovation in sustainable products is central to our long-term growth. We have therefore developed a range of ambitious long-term targets aimed at Croda becoming Climate, Land and People Positive, monitored via a scorecard of progress. To align to our commitment and strategy, it makes sense to incorporate sustainability measures into our long-term incentive plan. Under our proposed approach, each year key elements of this scorecard will be selected for inclusion in our long-term incentive plan.

Our proposal is to retain the Earning per Share (EPS) and relative Total Shareholder Return (TSR) both set at 35% of the award, 70% in total. In addition we will introduce a new set of sustainability metrics. The sustainability metric set at 30% of the award will incorporate our existing New and Protected Products (NPP) metric (20% of target) and also include measures aligned to progress against our ambitious long-term targets in Climate, Land and People (10% of target).

For 2020 we propose:

35%	+	35%	+	30%
EPS		TSR		Sustainability
(growth over 3 yrs)		(against relative peer group)		(including NPP at 20%)

Success for our sustainability metrics will be based on meaningful progress towards our 2030 targets, measured over three years. The metrics will be subject to minimum performance criteria, but payments will be made for part progress.

For 2020 awards, the following sustainability metrics are proposed:

Sustainability metrics	PSP weighting
Development of Decarbonisation Roadmaps, covering all our Scope 1 and 2 emissions to define how we will achieve our target of net zero greenhouse gas emissions by 2050 across all our geographically dispersed and complex footprint. Due to the inherent nature of our manufacturing operations, the development of these roadmaps will require us to find innovative solutions beyond those that have already been identified and adopted. The achievement of this target in full where we create innovative roadmaps for 100% of our emissions would be a 5% pay-out with a 2.5% pay-out for a better than 95% achievement.	5%
In addition, we also expect to see measurable reductions in our Scope 1 and 2 emissions over the next three years and have set a target of 30,000 tonnes against an adjusted 2018 baseline of 232,000 tonnes. The achievement for this target in full would be a 5% pay-out with a 2.5% pay-out for a better than 75% achievement.	5%
NPP sales to grow at twice the rate of non-NPP, subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year, with payments being made on a sliding scale up to 5% growth per year.	20%

Definitions:

Decarbonisation Roadmap	A plan for a site, charting emissions reduction through for example, maximising use of renewable energy, novel process technologies and energy efficiency measures.
2018 baseline	2018 baseline has been independently verified by Carbon Smart, as has the breakdown of emissions per site. Adjustments have been made for the commissioning of the ECO plant and acquisitions.

EVA Underpin

Return on Invested Capital has always been an important internal metric for Croda and is already a key element of the Remuneration Committee's Discretion Framework. To reinforce the importance of Return on Invested Capital going forward, we will also be introducing a new Economic Value Added (EVA) underpin which will apply across the whole of the PSP award. This underpin would require an improvement in EVA over the three-year PSP performance period.

EVA, as a formal underpin, would use transparent and established methodologies and would be reviewed on an annual basis by the Committee and sit alongside our Discretion Framework. In circumstances where the Company did not see an improvement in EVA over the three-year performance period, the Committee would reduce or cancel any vesting of awards.

The Committee would retain the right to apply discretion to restrict the impact of the underpin in exceptional circumstances, for example material increases to tax rates or to the cost of capital or a major acquisition which had a significant effect on the Group's EVA.

EVA Calculation

EVA in the final year ('Year 3')	Minus	EVA in the year prior to the start of the performance period ('Year 0')

Definitions:

EVA	Net operating profit after tax ('NOPAT') less the charge for invested capital ('CIC') in that year
NOPAT	Adjusted operating profit less tax at the effective tax rate charged on adjusted profit in that year's income statement
CIC	Average of the opening and closing invested capital ('IC') for the year, multiplied by the post-tax cost of capital disclosed in the Annual Accounts for that year
IC	Adjusted invested capital represents net assets adjusted for net debt, earlier goodwill written off to reserves and accumulated amortisation of acquired intangible assets. Calculated on the same basis as shown in the Annual Report & Accounts.

Any awards made under this plan will remain subject to the Discretion Framework established in 2018; this framework provides assurance that the outcome of incentive plans are fair and reasonable in the context of overall company performance and shareholder experience.

3. Increasing the level of normal PSP awards for Executive Directors from 200%/150% to 225%/175% for the CEO and GFD respectively reflecting the significant long-term growth of the business

Since the CEO's appointment in 2012 Croda has consistently outperformed the FTSE with significant long-term growth across all KPIs. In this period our Market Capitalisation has increased from £2.5bn to £6.6bn and our share price from c.£17 to c.£50 per share. This expanded scope and growth means that Croda is now an established international FTSE 100 company.

As we now embark on a new strategic phase we will demand even more from our senior team; our ambition level has increased, and this will require bigger and bolder steps to deliver ever greater value.

In this context, we need to ensure appropriate compensation for Executive Directors. While our proposed approach has not been driven by benchmarking, as part of the review the Committee recognised that Croda is now placed below the lower quartile for total compensation compared to its industry and FTSE peers.

As a result, for 2020 the Committee proposes to increase the maximum potential PSP award, under normal circumstances, for the Chief Executive from 200% to 225% of salary and the Group Finance Director from 150% to 175% of salary; the current policy allows for normal maximum awards of up to 200%.

With this proposal the CEO and GFD will still remain in the lower quartile for total compensation against FTSE 100 industrials and the introduction of the EVA underpin will further ensure long-term incentive awards are aligned with overall business performance.

4. Increasing shareholding guidelines and introducing post-employment shareholding requirements to ensure compliance with the UK Corporate Governance Code and shareholders' expectations

Shareholding guidelines will continue to be set in line with 'normal' PSP awards; in line with the proposal above, levels for 2020 would increase to 225% for the CEO and 175% for the GFD.

We also propose to introduce post-employment shareholding guidelines, requiring Executive Directors to retain a shareholding guideline for two years after leaving the Company. They will be required to retain 100% of their shareholding guideline for one year after leaving employment, tapering down to zero by the end of the second year. This policy will apply only to awards that vest in 2020 and beyond.

During 2019 the rules relating to clawback were widened to include serious reputational damage and material corporate failure.

Proposed Remuneration Policy in full

The next section sets out our Remuneration Policy for 2020 to 2023 which will be subject to shareholder approval at the 2020 Annual General Meeting (AGM).

Croda's proposed Remuneration Policy will be presented to shareholders at the Company's 2020 AGM on 23 April 2020 and if approved will take effect from the date of the AGM. It would be intended to operate until its expiration at the Company's 2023 AGM.

The Policy was developed over the course of 2019 and early 2020. The Committee undertook a thorough review of arrangements with a particular focus on alignment to Croda's forward strategy and aspirations. Input was received from the Chair and management while ensuring that conflicts of interest were suitably mitigated. The Committee also considered carefully corporate governance developments, particularly in the area of pensions. Input was provided by the Committee's appointed independent advisors throughout the process.

Extensive shareholder consultation was undertaken during the second half of the year in good time for shareholder input to feed into the finalisation of proposals in early 2020.

The main changes to the Policy, as detailed on page 74 are:

- Reduction of the pension cash supplement for the CEO and GFD to 20% aligned to our UK workforce
- Introduction of sustainability metrics, incorporating NPP, into the Performance Share Plan (PSP) and the introduction of an EVA underpin
- Increased level of normal PSP awards for Executive Directors from 200%/150% to 225%/175% for the CEO and GFD respectively
- Increased shareholding guidelines and introduction of post-employment shareholding requirements.

Other minor changes have been made to improve the operation and effectiveness of the Policy.

Remuneration Policy table

The table below sets out the main components of Croda's Remuneration Policy for Executive Directors:

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Basic salary – to assist in the recruitment and retention of high-calibre Executives		
Normally reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee, considering: • The performance and experience of the individual concerned • Any change in scope, role and/or responsibilities • Pay and employment conditions elsewhere in the Group • Rates of inflation and market-wide wage increases across international locations • The geographical location of the Executive Director • Rates of pay in international manufacturing and pan-sector companies of a comparable size and complexity.	• Salaries may be increased each year in percentage of salary terms. • The Committee will be guided by the salary increase budget set in each region and across the workforce generally. • Increases beyond those linked to the region of the Executive Director or the workforce as a whole (in percentage of salary terms) may be awarded by the Committee at its discretion. For example, where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value or complexity of the Group. • The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to individuals performance.	• The Committee considers individual salaries taking due account of the relevant factors set out in this Policy, which includes individual performance.
Benefits – to provide competitive benefits to act as a retention mechanism and reward service		
The Group typically provides the following benefits: • Company car (or cash allowance) • Private fuel allowance • Private health insurance and other insured benefits • Other ancillary benefits, including relocation expenses/arrangements (including tax thereon) as required. Additional benefits might be provided from time to time (for example in circumstances where an Executive Director is deployed to, or recruited from overseas). The Committee will consider whether the payment of any additional benefits is appropriate and proportionate when determining whether they are paid.	• The cost of benefits is not pre-determined and may vary from year to year based on the cost to the Group.	None.

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Performance related annual bonus – to incentivise and reward delivery of the Group's key annual objectives and to contribute to longer term alignment with shareholders		
Normally one third of any bonus paid is compulsorily deferred into shares for three years through the Deferred Bonus Share Plan (DBSP). The Committee has the discretion to permit DBSP awards to benefit from dividends on shares that vest. The balance of the bonus is paid in cash.	Group Chief Executive: 150% of salary. Other Executive Director: 125% of salary.	• Bonus will typically be based on challenging financial targets set in line with the Group's KPIs (for example profit growth targets). • The Committee has the flexibility to include, for a minority of the bonus, targets related to other Group measures where this is considered appropriate. • For a profit measure, bonus normally starts to accrue once the threshold target is met (0% payable) rising on a graduated scale to 100% for outperformance. Were an additional KPI metric to be introduced, the threshold would not exceed 25%. • The Committee applies a Discretion Framework, which includes health, safety and environmental performance when determining the actual overall level of individual bonus payments and it may adjust the bonus awards if it considers it appropriate to do so. • Bonuses paid are subject to provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the bonus is paid.
Performance Share Plan (PSP) – to incentivise and reward the execution of business strategy over the longer term and to reward sustained growth in profit and shareholder value		
The PSP provides for awards of free shares (i.e., either conditional shares or nil-cost options) normally made annually which vest after three years subject to continued service and the achievement of challenging performance conditions. Shares are subject to a two-year post-vesting holding period. The Committee has the discretion to permit awards to benefit from the dividends paid on shares that vest.	Normal maximum opportunity of: • Group Chief Executive: 225% of salary • Other Executive Director: 175% of salary. In exceptional circumstances (e.g. recruitment), awards may be granted up to 300% of salary to compensate for value forfeited from a previous employer.	• Granted subject to a blend of challenging financial (e.g. EPS), shareholder return (e.g. relative TSR) and strategic targets (e.g. sustainability). The performance targets may also include an additional underpin (e.g. an EVA underpin). • Targets will normally be tested over three years. • In relation to financial targets (e.g. EPS growth and TSR) 25% of awards subject to such targets will vest for threshold performance with a graduated scale operating through to full vesting for equalling, or exceeding, the maximum performance targets (no awards vest for performance below threshold). In relation to strategic targets or underpin targets, the structure of the target will vary based on the nature of target set (e.g. for milestone strategic targets it may not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if the criteria are met in full). • Vesting is also dependent on application of the Discretion Framework, including satisfactory underlying financial performance of the Group over the performance period and the Committee may adjust outcomes if it considers it appropriate to do so. • There are also provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the PSP awards vest.

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
All-employee share plans – to encourage retention and long-term shareholding in the Company and to provide all employees with the opportunity to become shareholders in the Company on similar terms		
• Periodic invitations are made to participate in the Group's Sharesave scheme and Share Incentive Plan. • Shares acquired through these arrangements have significant tax benefits in the UK subject to satisfying certain HMRC requirements. • The plans can only operate on an all-employee basis. • The plans operate on similar terms but on a non-tax favoured basis outside the UK as appropriate. • In the event that Croda were to introduce an all-employee plan similar in nature to the current Sharesave and Share Incentive Plan, the Committee retains the discretion to allow Executive Directors to participate on the same basis as other employees.	• In relation to HMRC plans (or equivalent) the maximum participation level is as per HMRC limits. For any other all-employee plan the maximum will be equivalent to the maximum applying to all employees.	• There are no post-grant targets currently applicable to the Group's Sharesave and Share Incentive Plan.
Pension – to provide competitive long-term retirement benefits and to act as a retention mechanism and reward service		
Pension benefits are typically provided either through (i) participation in the UK's defined benefit pension plan with a cash supplement provided above any pension salary cap or (ii) a cash supplement provided in lieu of pension. Only basic salary is pensionable.	• Career average revalued earnings scheme (CARE) with a maximum $^{1}/_{60}$th accrual up to a capped salary plus cash allowance of 20% of salary above the cap or cash allowance of 20% of salary.	None.
Legacy arrangements		
For the current CEO, and in line with other employees, there is a legacy capped defined benefit pension scheme. While there are no future accruals, the arrangement remains inflation-linked.		

Annual Bonus Plan and Long-Term Incentive Policy

The Committee will operate the Annual Bonus Plan, DBSP, PSP and all-employee plans according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include the following (performance targets restricted to the descriptions detailed in the preceding policy table):

- Who participates in the plans
- The timing of grant of award and/or payment
- The size of an award and/or payment
- The determination of vesting
- Dealing with a change of control (e.g. the timing of testing performance targets) or restructuring
- Determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends)
- The annual review of performance conditions for the Annual Bonus Plan and PSP
- For DBSP, the extension of the length of the deferral period.

The Committee retains the ability to adjust the targets and/or set different measures and alter weightings for the Annual Bonus Plan and for the PSP if events occur (e.g. material divestment of a Group business or changes to accounting standards) which cause it to determine that an adjustment or amendment is appropriate so that the conditions achieve their original purpose.

The Committee may make minor amendments to the Remuneration Policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation).

Choice of performance measures and approach to target setting

Under the Annual Bonus Plan, an underlying profit-based objective such as profit growth will be used as the primary performance metric. Such a measure will be used as it aligns to growth in underlying profitability. The current profit-based measure also incentivises the efficient use of working capital. Other metrics may be used in the future where it is considered that they provide clear alignment with the evolving strategy of the Group.

In terms of long-term performance targets, PSP awards vest subject to:

- financial targets (e.g. EPS growth) that are informed by the Group's long-term financial ambitions (e.g. long-term targeted earnings growth)
- shareholder return targets (e.g. relative TSR) which provide clear alignment of interests between shareholders and Executives
- strategic targets (e.g. New and Protected Products (NPP) and sustainability targets) that align to our long-term strategic ambitions (e.g. commitment to being sustainability leaders, and to grow through innovation).

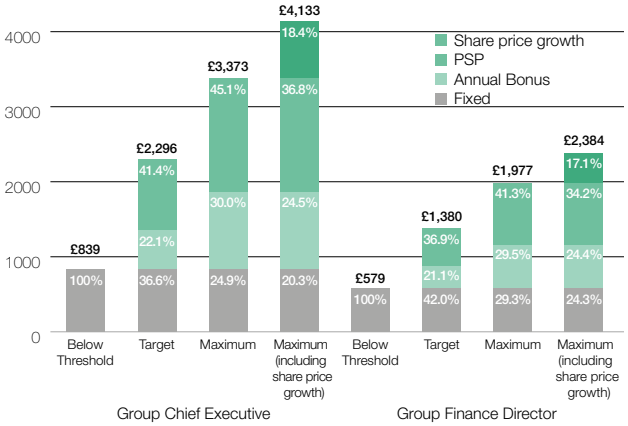
The Committee retains the discretion to adjust both the measures and weightings for each PSP award, subject to the broad framework above.

Financial and shareholder return targets (e.g. profit growth for the Annual Bonus Plan and EPS growth and relative TSR for the PSP) are set based on sliding scales that take account of internal planning and external market expectations for the Group. In relation to strategic targets or underpin targets, the structure of the target will vary based on the nature of target set. Targets and underpins may be set which provide for Committee judgement in assessing the extent to which they have been met.

In addition, prior to the determination of final outcomes, the Committee will apply its Discretion Framework to enhance the rigour and consistency of any payments and to ensure they truly align to overall Group performance and the wider stakeholder experience. While the Committee anticipates that any such discretion would normally result in a reduction, the Committee reserves the right to make an upwards adjustment if considered appropriate.

Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of the challenging plans approved at the start of each year. No payment will be made under the Annual Bonus Plan nor will any shares vest under the PSP for performance below threshold. The Committee may reduce (but not increase) the levels of vesting for threshold performance set out in the Remuneration Policy table.

Remuneration scenarios for Executive Directors



Assumptions:

Below target = fixed pay only (base salary, benefits and pension)

On-target = 50% payable of the 2020 annual bonus and 62.5% vesting of the 2020 PSP Awards

Maximum = 100% payable of the 2020 annual bonus, 100% vesting of the 2020 PSP awards

Maximum (including share price growth) = as per maximum but including 50% share price growth of the PSP award

Salary levels (on which elements of the package are calculated) are based on those applying on 1 January 2020. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed on page 91) for the year ended 31 December 2019. The pension value is based on the assumptions used to value pensions for the emoluments table (as disclosed on page 91) and a salary supplement in lieu of pension at 20% of salary where relevant. The Executive Directors can participate in the all-employee share plans on the same basis as other employees. The value that may be received from participating in these schemes has been excluded from the graph above.

Recruitment and Promotion Policy

For Executive Director recruitment and/or promotion situations, the Committee will follow the guidelines below:

Remuneration element	Policy
Base salary	Base salary levels will be set in accordance with the Group's Remuneration Policy, taking into account the experience and calibre of the individual. The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to individuals performance. Above market salaries may also be offered if the experience and calibre of the candidate is considered to justify such an approach being taken by the Committee.
Benefits	Benefits in accordance with the current policy. In addition, where necessary, the Committee may approve the payment of relocation expenses to facilitate recruitment.
Pension	Pension in accordance with the current policy. For an internal promotion, any legacy defined pension arrangements would be considered on a case by case basis.
Annual bonus	The annual bonus would operate in accordance with the current policy in terms of the maximum opportunity and performance targets, pro-rated for the period of employment as appropriate.
Long-term incentives	Share awards will be granted in accordance with the current policy in terms of maximum opportunity and performance targets. An award may be made shortly after an appointment (subject to the Company not being in a prohibited period). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant.
Buy-out awards	In the case of an external hire it may be necessary to buy-out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer). Any such buy-out would be provided for taking into account the form (cash or shares), timing and performance conditions of the remuneration being forfeited. Replacement share awards, if used, will be granted using the Company's existing share plans within the limits detailed in the Remuneration Policy table. Awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

Directors' service contracts and payments for loss of office

Executive Directors' service contracts are terminable by the Company on up to one year's notice and by the Director on at least six months' notice.

In respect of termination, the Committee's policy is to deal with each case on its merits, in accordance with the law and any further policy adopted by the Committee at the time. In the event of early termination, other than for cause, the relevant Director's current salary and contractual benefits would be taken into account in calculating any liability of the Company.

The principal contractual benefits provided in addition to salary are the provision of a car or car allowance, private fuel allowance, pension, medical insurance and life assurance. Annual bonuses and long-term incentives are non-contractual and are dealt with in accordance with the rules of the relevant schemes.

The Committee's policy is also for contracts to contain provisions which enable the Company to terminate contracts at any time with immediate effect. The Executive Director would be entitled to receive compensation equivalent to up to twelve months' salary plus the value of their pension benefits (currently valued at 20% of basic salary) and the value of other benefits, payable in equal monthly instalments over the full notice period or, if less, the remainder of any notice period not yet completed. Such payments would normally discontinue or reduce to the extent that alternative employment is obtained.

An Executive Director's service contract may be terminated without notice for certain events such as gross misconduct. No payment or compensation beyond sums accrued up to the date of termination will be made if such an event occurs.

Payments may be made in respect of the Director's legal and/or professional advice fees in connection with their cessation of office or employment and/or fees for outplacement assistance.

Other than in the event of a good leaver circumstance, at the discretion of the Committee, no bonus may be payable unless the individual remains employed and is not under notice at the payment date. In the event that an individual does cease employment as a good leaver, bonuses would become payable subject to performance assessment, and pro-rata based on the number of complete calendar months worked in the relevant year. A portion of any bonus payable will normally be deferred into shares in line with normal policy. Good leaver circumstances include circumstances such as injury, ill-health or disability, redundancy, transfer or sale of the employing company, retirement with the Company's agreement or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time).

The treatment for DBSP awards previously granted to an Executive Director will be determined based on the plan rules. DBSP awards will normally subsist, except in the circumstance where an individual is summarily dismissed. The default treatment is that deferred shares will be delivered at the normal time, although the Committee may permit the awards to vest earlier.

The treatment for PSP awards previously granted to an Executive Director will be determined based on the plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. In relation to awards granted under the PSP, in certain prescribed circumstances, such as injury, ill-health or disability, redundancy, transfer or sale of the employing company, retirement with the Company's agreement or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time) 'good leaver' status applies. If treated as a good leaver, awards will be eligible to vest subject to performance conditions, which will be measured over the performance period (unless the Committee permits the award to vest at an earlier date), and will be reduced pro-rata (unless the Committee considers it appropriate not to do so) to reflect the proportion of the period between grant and normal vesting date actually served.

Treatment of shares awarded under HMRC all-employee plans will be in line with the share plan rules.

Shareholding Guidelines

The Committee operates share ownership guidelines which apply to all Executive Directors and the Group Executive Committee. The Group Chief Executive is subject to a share ownership guideline of 225% of salary and the other Executive Directors to 175% of salary.

It is expected that the guideline will be met within a five-year time period from its adoption (or date of joining for new appointments) through a combination of share purchases and the retention of incentive shares. On the exercise of Sharesave options or the vesting of awards from the Company's long-term incentive plans, Executives are required to retain shares awarded representing 50% of the net of tax gain until the ownership target is met or exceeded.

Executive Directors will also normally be required to retain a shareholding for two years after leaving the Company. They will be required to retain 100% of their shareholding guideline (or the actual shareholding of relevant shares on leaving, if lower) for one year after leaving employment, tapering linearly down to zero by the end of the second year. This policy will apply only to awards that vest in 2020 and beyond. The Committee has the discretion to waive this requirement in certain circumstances (e.g. compassionate circumstances).

External Appointments

Executive Directors may accept external non-executive appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for non-executive Director appointments.

Non-Executive Directors' Letters of Appointment

The Chair and Non-Executive Directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case, this term can be extended by mutual agreement. Non-Executive Directors have no entitlement to contractual termination payments. The dates of the initial appointments of the Non-Executive Directors are set out in the Annual Report on Remuneration.

Non-Executive Directors' fees

The policy on Non-Executive Directors' fees is:

Operations	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
To provide a competitive fee which will attract those high calibre individuals who, through their experience, can further the interests of the Group through their stewardship and contribution to strategic development		
Fee levels are set by reference to the expected time commitments and responsibilities, and are periodically benchmarked against relevant market comparators, as appropriate, reflecting the size and nature of the role. The Chair and Non-Executive Directors are paid an annual fee which is paid monthly in cash and do not participate in any of the Company's incentive arrangements or receive any pension provision. The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairmanship of the Company's key Committees and for performing the Senior Independent Director role. Additional fees may be payable for other additional responsibilities. All Non-Executive Directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties (and associated tax on these expenses). The Chair's fee is determined by the Committee (during which the Chair has no part in discussions) and recommended by them to the Board. The Non-Executive Directors' fees are determined by the Chair and the Executive Directors.	• Fee levels will be eligible for increases during the period that the Remuneration Policy operates to ensure they continue to appropriately recognise the time commitment of the role, increases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity.	None.

How Executive Directors' Remuneration Policy relates to the wider Group

The Executive Directors' Remuneration Policy provides an overview of the structure that operates for the Group Executive Directors and those senior Executives forming the Group Executive Committee (noting, however, that there are some differences in PSP participation and application of holding periods and shareholding requirement, within this group).

The Committee is made aware of pay structures across the Group when setting the Remuneration Policy for Executive Directors. The key difference is that, overall, the Remuneration Policy for Executive Directors is more heavily weighted towards variable pay and share ownership, than for other employees.

The alignment of Executive Director pensions with those of the UK workforce was a key consideration for the review of the Remuneration Policy. The UK workforce pension scheme is a generous and inclusive benefit for our UK workforce. With the reduction in the cash supplement for incumbent Executive Directors, pension arrangements for Executive Directors are now considered to be aligned with those across the UK workforce.

Base salaries are operated under the same policy as detailed in the Remuneration Policy table with any comparator groups used as a reference point, being country and/or industry specific. The Committee considers the general basic salary increase for the broader Group and, in particular, the UK based employees when determining the annual salary review for the Executive Directors. The performance related bonus scheme operates on a tiered basis from 150% of salary down to 20% of salary across the most senior global grades. Outside of the most senior tiers of Executives, the PSP is not operated as this arrangement is reserved for those anticipated as having the greatest potential to influence Group level performance.

However, the Committee believes in wider employee share ownership and promotes this through the operation of the HMRC tax approved all-employee share schemes which are open to all UK employees. Other similar share schemes are offered in other jurisdictions where local securities laws allow.

How the views of employees are taken into account

The Group has a diverse workforce operating globally in 34 different countries, with various local pay practices. The Group Human Resources Director updates the Committee periodically on feedback received on remuneration practices across the Group. In developing this Remuneration Policy, the Committee devoted time at the outset in considering the principles which apply to remuneration across the workforce. This included consideration of the 'One Croda' culture, as well as Croda's values and purpose. While the views of the global workforce were not explicitly sought during the process, alignment across the workforce was a key theme of the review.

How the views of shareholders are taken into account

In developing this Remuneration Policy, the Committee undertook an extensive shareholder consultation exercise, and the Chair of the Committee met with key shareholders to discuss the principles for the review and initial proposals. The Committee also considered emerging shareholder views in key governance areas. Feedback received during the consultation period was taken into account when developing the final Remuneration Policy.

D. Report of the Remuneration Committee for year ended 31 December 2019

How our Remuneration Policy links to strategy and to reward across our wider workforce

This section of our report provides the broader context of how our Remuneration Policy links to strategy and to reward across our wider workforce. We hope that it will provide a useful summary of the context of our Reward Policy and will show how our Reward Policy has and will continue to evolve to meet the needs of the business, our workforce and align with the UK corporate governance standards.

How our reward strategy links to our business strategy

Delivering profitable growth

Delivering sustainable profitable growth, both top and bottom line, is central to our business success. The key metric of our Annual Bonus Plan is profit increase over prior year. Longer term growth and progress on sustainability are measured and rewarded through the metrics within the PSP. Both the Annual Bonus Plan and PSP are subject to our Discretion Framework, which includes general financial underpins, enabling the Remuneration Committee to use its discretion to reduce payments if success has been achieved at the expense of other measures.

Sustainable solutions

We are industry leaders in providing **sustainable solutions** for our customers, and innovation in sustainable products is central to our long-term growth. Many of our customers are well known brands with a direct connection to consumers who increasingly expect branded products to be made using sustainable ingredients. Sustainability is at the centre of Croda's evolved strategy and therefore we have introduced for 2020 a set of sustainability metrics within the PSP.

Driving innovation

The sustainability metrics incorporate our New and Protected Products (NPP) measure as we believe that **driving innovation** is the key differentiator between ourselves and our peers, making us the preferred supplier for our customers. We reward success in this area directly through this metric in the PSP but we also recognise that sustained EPS growth can only come about through relentless innovation and the creation of new ingredients for our customers.

'One Croda' culture

We are proud of our '**One Croda' culture** and believe sustaining this culture is key to our ongoing success. One of the principal pillars of our culture is a strong sense of fairness and transparency, therefore we have the same simple bonus metric for the top 400 employees within Croda and profit must increase over prior year for any bonus to be paid. Creativity and innovation are also key pillars of our culture and are supported by the NPP metric within the PSP.

Long-term shareholder return

We strongly believe that all the various metrics of our Remuneration Policy combine to incentivise **long-term shareholder return.**

How our remuneration practices support **our strategy**

		Delivering growth	Driving innovation	Sustainable solutions	'One Croda' culture	Long-term shareholder return
Bonus	Profit	✓	✓		✓	
Long term incentive plan	EPS	✓	✓	✓	✓	✓
	TSR	✓	✓		✓	✓
	Sustainability	✓	✓	✓	✓	✓
Underpins	Safety, health and environment	✓		✓	✓	✓
	EVA*	✓				✓
	General financial & Discretion Framework	✓				✓
Other features	Holding periods					✓
	Shareholding requirements					✓

* New for 2020 policy year

How our Remuneration Policy links to the UK Corporate Governance Code

When developing the proposed Remuneration Policy and considering its implementation for 2020, the Committee was mindful of the UK Corporate Governance Code and considers that the executive remuneration framework appropriately addresses the following factors:

Factors	How these are addressed
Clarity	• Our values of openness and transparency are reflected in our reward principles. The Committee is committed to providing open and transparent disclosure on executive remuneration for our stakeholders. • We have spent many months consulting with shareholders on our proposed policy for 2020. • We have sought to explain the changes to our proposed Remuneration Policy in a way that highlights their alignment to both our strategic ambitions as well as the provisions of the new UK Corporate Governance Code.
Simplicity	• Our executive remuneration arrangements, as well as those throughout the global organisation, are simple in nature and well understood by both participants and shareholders. • Our Annual Bonus Plan, in which around 400 of our global employees participate, is based on a single profit metric, with a simple key requirement that no bonus can be paid unless and until the previous year's profit is exceeded.
Risk	• The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. Performance is based on a balance of metrics which also reflect our broader stakeholders, for example inclusion of sustainability measures and health and safety underpins. We then take a holistic assessment of performance using our Discretion Framework. A copy of the Discretion Framework is provided on the next page. • Annual bonus deferral, the PSP holding period and our strengthened shareholding guidelines provide a clear link to the ongoing performance of the business as well as alignment with shareholders. Executives will be rewarded for sustainable long-term shareholder return. • Malus and clawback provisions also apply for both the annual bonus and PSP and have recently been updated to include serious reputational damage and material corporate failure.
Predictability	• Our Remuneration Policy contains details of maximum opportunity levels for each component of pay, with actual incentive outcomes varying depending on the level of performance achieved against specific measures.
Proportionality	• Our Remuneration Policy directly aligns to our strategy and financial performance as demonstrated above. The Committee considers performance from a range of perspectives. Poor financial performance is not rewarded.
Alignment to culture	• Alignment to our 'One Croda' culture is clearly established in our Remuneration Policy; our bonus scheme has the same metric for all participants, our PSP metrics reflect our commitment to sustainability and pensions are aligned across the workforce.

Our Discretion Framework

In order to enhance the rigour and consistency in the way in which performance is reviewed the Remuneration Committee has adopted a Discretion Framework which it applies when assessing bonus and long-term incentive plan outcomes:

What is the formulaic result following consideration of the existing underpins?

What is the single figure outcome?
Committee to consider year-on-year change and whether this mirrors the trend in performance

How does the outcome compare with shareholder experience?
Committee to consider total shareholder return in both relative and absolute terms over a number of different periods

How does the outcome compare with overall Company performance?
Consider performance against other KPIs, for example

- EVA*/ROIC
- Sales
- Profit growth
- Sustainability

Culture and conduct

- Culture
- Conduct
- Health and safety
- Systems and control

Are there any external headwinds or tailwinds which need to be considered?

Are there any other events that should be factored in?
Other events could be reputational/risk related or a change of accounting standards

As an additional reference point, are the bonus and PSP outcomes consistent?

Input from others?
Draw on input from other Committees as well as other management teams including HR, Legal, Internal Audit and Risk

Consider shareholder response to results
The Committee may also want to reflect on how the market is likely to respond to the preliminary results

Compare with historical use of discretion

Does the outcome appear reasonable/fair, or should an adjustment be considered?

* New for 2020 policy year.

Workforce Engagement

The engagement of the workforce to explain how executive remuneration aligns to the wider company pay policy is an area where we continue to develop our approach. By utilising pulse surveys and a dedicated email address for employees to contact the Chair of the Committee we hope to understand how best to consult with our geographically dispersed population. The following activities have been undertaken to date:

Global Employee Survey	During 2019 the Committee developed and approved a set of Reward Principles to guide the way we recognise and remunerate all our global employees. These principles focused on Total Reward including intangible rewards and were strongly influenced by our Global Employee Survey results.
Pulse surveys	A pulse survey, translated into 16 languages, has been used to draw employee's attention to the publication of the Remuneration Report and to help us understand the level of interest in the report; further pulse surveys will be issued following the publication of the 2019 report to generate more interest and stimulate questions and debate.
Dedicated email to Chair of Committee	A dedicated email address has been established for employees to send comments or questions to the Chair of the Remuneration Committee.
Overview of pay and policy decisions	Committee members are routinely updated on global employees' terms and conditions and are made aware of any significant changes to policies and other pay related matters.
Board roadshows	Our Executive Directors and Board regularly hold roadshows that allow a cross section of our global workforce to discuss business issues and provide feedback.

How our Remuneration Policy relates to reward in the wider employee context

When making decisions about executive remuneration the Committee considers the pay and reward structures across the business. During 2019, the Committee was provided with a review of workforce remuneration and this now forms part of our normal Remuneration Committee cycle.

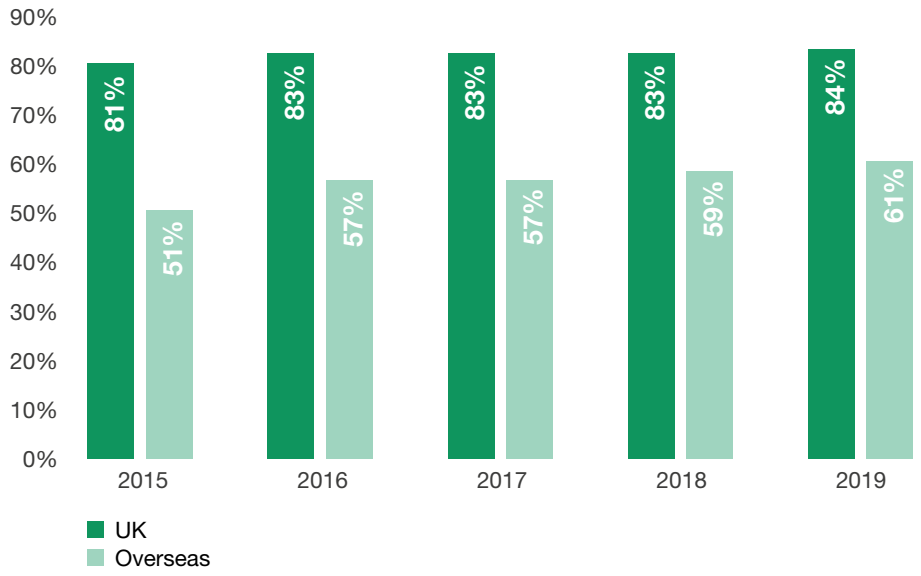
One of the principles of Croda's culture is to drive 'One Croda', therefore, many of the remuneration structures that apply to Executives also apply further in the global organisation:

Base pay	**All employees:** Pay is set in line with the market and closely monitored, our aim is to pay a 'living wage' globally. We are already a living wage employer in the UK.
Annual bonus	**Executive Directors, Executive Committee, Senior leaders and Senior managers:** Consistent global bonus scheme aligned to increase in annual profit. **All other employees:** Local schemes apply in many locations.
Performance Share Plan	**Executive Directors, Executive Committee and Senior leaders:** Consistent PSP based on EPS, TSR and sustainability.
All employee share plans[1]	**All-employees:** Employees can participate in our global Sharesave scheme, subject to qualifying service, allowing everyone to save monthly and purchase discounted shares.
Pension (UK only)[2]	**All-employees:** Defined benefit plan based on career average salary plus 20% cash supplement paid for salaries above the cap or to employees who are tax limited and have opted out of the pension scheme.

1. Sharesave or similar schemes are provided where local social security laws allow
2. Other pension arrangements, aligned to local practice and legislation are available in many of our locations

Employee participation in employee share schemes

Workforce participation in our employee share plans has remained consistently strong and is driven by our culture of employees feeling a strong loyalty to the business. We were proud that this performance was recognised by the Chartered Governance Institute who highly commended Croda in the ProShare award category of Best Overall Performance in Fostering Employee Share Ownership.



CEO Pay Ratio

Under the Government's regulations, for financial years beginning on or after 1 January 2019, quoted companies registered in the UK (with more than 250 UK employees) are required to publish the ratio of their CEO's 'single figure' total remuneration to the 25th, 50th and 75th percentile total remuneration of their full-time equivalent UK employees. The pay ratios are calculated on a group-wide basis by reference to UK employees only.

There are three methodologies that companies can choose to report their pay ratio, known as Option A, B and C, and for 2019 we have chosen to use the government's preferred option, Option A. Using this methodology, we have determined the fulltime equivalent total remuneration for all UK employees and have ranked this data to identify employees whose remuneration places them at 25th, 50th and 75th percentile. These three pay ratios are then calculated against our CEO 'single figure' total remuneration.

The table below sets out our headline CEO Pay Ratio at the 25th, 50th and 75th percentile.

	25th Percentile	50th Percentile	75th Percentile
FY 2019	**61:1**	**46:1**	**39:1**
FY 2018	85:1	67:1	57:1

1. Calculations for the workforce exclude severance pay, notice pay, SIP repayments, fractional share payments, SAR payments and relocation expenses.
2. The calculations for the workforce excludes the value of the defined benefit pension plan due to the difficulty of calculating these figures for our complex historic pension arrangements.
3. Excludes Non-Executive Directors, contractors and employees who left during 2019.
4. New starters during 2019, part time employees and employees on long-term sick and maternity are included; their salary has been grossed up to reflect a fulltime and full year salary.

The CEO Pay Ratio is calculated based on the total remuneration payable to the CEO in respect of 2019, as set out on page 91, which includes payments under the annual bonus and PSP. The outcomes of these elements are significantly linked to performance, with the value of the PSP also incorporating share price growth. It is therefore expected that the ratios will fluctuate year-on-year to reflect Croda's performance. In respect of the 2019 figures in the previous table, the ratios particularly reflect Croda's continued strong financial and share price performance.

Employee total remuneration

	Actual base salary 2019	Total remuneration 2019
75th percentile	£44,972	£46,113
50th percentile	£37,916	£38,856
25th percentile	£29,512	£29,552

We believe that the outcome of our CEO pay ratio calculation is consistent with our pay, reward and progression policies.

Comparison to 2018 Pay Ratio

The CEO Pay Ratio for 2018 was calculated using Option C, which enabled us to calculate, on an indicative basis, the total remuneration packages of three individual UK employees at the 25th, 50th and 75th percentile.

Option C was used in 2018 because the full administrative process to enable us to calculate the equivalent total remuneration for UK employees were not in place. These processes were established in January 2019 enabling us to use the preferred Option, Option A for the 2019 calculation.

Living Wage

We were pleased to announce in 2018 that we gained accreditation in the UK as a Living Wage Employer from the Living Wage Foundation. In 2020 we will continue to ensure that all our UK employees and regular contractors are paid at, or above, the rates advised by the Living Wage Foundation.

We have set ourselves a goal within the Sustainability KPI Framework to ensure that at every location globally we pay our employees at minimum a "living" wage, that goes beyond the legal minimums, ensuring that we can provide an appropriate standard of living for all of our employees (see the Sustainability Report for more information).

More than just pay

Our employees and our culture remain central to the continued success of Croda and in addition to pay and benefits we also have a range of other workforce initiatives:

- In 2019 we began the use of regular pulse surveys on a range of topics to gauge employee opinions and morale.
- We further developed our People Dashboard that provides senior management with data relating to a range of people topics including diversity, turnover, balanced shortlists, exit interviews and progress against employee engagement targets.
- We implemented a range of wellbeing and diversity initiatives including supporting various diversity days, improving flexible working and implementing Mental Health First Aiders in the UK.
- During 2019 we further progressed the implementation of our new Global HR system, including new Performance Management, Learning, Talent, Recruitment and Onboarding modules; this included the launch of over 250 on-line training programmes.
- We are proud of the training and development that we provide for employees. In 2019 our employees undertook 105,579 hours of training.
- We are also developing career paths which will provide structured career development, for employees in functional roles, including operations, sales, and R&D.

Gender Pay Gap

The table below shows a summary of the Gender Pay Gap for Croda Europe Ltd:

	2018	**2019**
Mean pay gap	27.68%	**27.06%**
Median pay gap	23.10%	**23.90%**
Mean bonus gap	63.05%	**67.08%**
Median bonus gap	33.26%	**33.36%**

We are confident that our gender pay gap is not an equal pay issue but is a result of a lack of female representation across our business at senior levels and particularly in production roles which represent the bulk of the workforce between the 25th and 75th percentile. Addressing this issue will require a long-term approach but we have already begun work to increase the number of females working in production and in senior positions.

Those actions include:

- Ensuring we have a balanced shortlist for all positions that we are recruiting for; we have a target of achieving balanced shortlists for 80% of roles by 2023
- Further improving our talent and succession planning processes to help identify and nurture talent early in their career
- Finding ways to reduce shift work (especially night work) and to examine the feasibility of part-time and job share arrangements in our production facilities
- Improving family friendly policies including flexible working, parental leave and other benefits; in 2019 we introduced a new Global Parental Leave Policy and many of our global locations have introduced flexible working
- Continuing to invest in our STEM activities to encourage a wide range of applicants to apply for roles in our business.

More information is available on the Croda website.

Remuneration Committee year ended 31 December 2019

Responsibilities

The Committee determines and agrees with the Board the Company's Remuneration Policy and framework. It determines the remuneration packages for all Executive Directors, members of the Executive Committee and the Chair and recommends and monitors the level and structure of remuneration for senior managers.

Key responsibilities of the Committee:

Detailed responsibilities are set out in the Committee's terms of reference, which can be found at croda.com/en-gb/investors/governance/board-committees/remuneration-committee. A summary is provided below:

- Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chair, the Group Chief Executive, the Executive Directors, the Company Secretary and other members of senior management
- In determining such policy, take into account factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the Code) and associated guidance
- Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting remuneration policy for Directors
- Feedback to the Board on workforce reward, incentives and conditions in support of the Board's monitoring of whether the workforce policies and practices of the Company are aligned with its purpose, values and strategy
- Review the ongoing appropriateness and relevance of the Remuneration Policy
- Establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee and obtain reliable, up-to-date information about remuneration in other companies
- Oversee any major changes in employee benefits structures throughout the Group.

The Company's remuneration policies and practices should:

- Support the Company's strategy and promote long-term sustainable success
- Ensure that the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Summary of key decisions for 2019

- Vesting of 2016 PSP awards; the EPS target representing 50% of the award was met in full as was the TSR target therefore the overall award vesting was at 100%
- Payment of the 2018 annual bonus in March 2019 at 36.19% of maximum target
- Granting of the 2019 PSP awards based on 40% EPS, 40% TSR and 20% NPP target
- Granting of new Restricted Share Plan awards to a small number of selected employees below the Executive Committee
- Establishing the annual bonus target for 2019
- The salary of the CEO and Group Finance Director to be increased by 2% effective 1 January 2020, in line with the UK workforce
- The fee of the Chair to also be increased by 2% effective from 1 January 2020.

Summary of Remuneration Committee Meetings

January 2019 **London, UK**	• Approved the targets for the 2019 Annual Bonus Plan • Agreed Chair and Executive Committee salary increases
February 2019 **York, UK**	• Reviewed the draft Director Remuneration Report • Approved the calculation for 2018 annual bonus award for payment in March 2019 • Approved the vesting outcome for the 2016 PSP awards • Approved the granting of PSP awards for 2019 • Approved the granting of the Restricted Share Plan awards • Reviewed the update on ABI headroom limits as they apply to the business
April 2019 **Harrogate, UK**	• Gave authority for UK employees to join the UK Sharesave scheme and non-UK employees to join the International Sharesave scheme • Reviewed workforce remuneration • Agreed dividend enhancement to the Deferred Bonus Share Plan
November 2019 **York, UK**	• Discussed outline policy changes • Considered and reviewed remuneration trends specifically the new UK Corporate Governance Code • Reviewed shareholder consultation feedback
December 2019 **York, UK**	• Agreed proposed policy changes • Approved salary increases for Executive Directors • Reviewed proposed targets for the 2020 annual bonus and PSP award • Considered the Committee's effectiveness review

In addition, the Board met in June 2019 for a Remuneration Policy 'Blue-Sky' day and considered the following:

- reward policy and strategy alignment
- companywide reward principles
- all stakeholders interest in reward.

Executive Directors Remuneration for the year ending 31 December 2020

Key component	Implementation in 2020

Basic salary

Executive Directors' base salaries were reviewed during the final quarter of the financial year ended 31 December 2019. Salaries for 2020 are as follows:

	Salary at Jan 2020	Salary at Jan 2019	Increase
Steve Foots	£675,584	£662,337	2%
Jez Maiden	£465,920	£456,784	2%

- UK based employees will be awarded an increase of 2% in 2020

Commentary

- The Committee considered each individual's progression in their role as well as their responsibilities, performance, skills and experience.
- The Committee also considered the wider pay levels and salary increases being proposed across the Group as a whole.

Other benefits

- Other benefits such as company cars or car allowances, fuel allowance and health benefits are made available to Executive Directors.

Performance related Annual Bonus Plan

Steve Foots 150% of salary | **Jez Maiden 125% of salary**

The targets for the awards are set out below

Level of award	*Bonusable Profit	% of bonus payable
Threshold	Equivalent to 2019 actual	0%
Maximum	2019 actual plus 10%	100%

* Bonusable Profit is the growth in underlying profitability (defined for bonus purposes as Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS2 share based payments) less a notional interest charge on working capital employed during the year. Target is measured after providing for the cost of bonuses on a constant currency basis.

Commentary

- No change to maximum awards or performance measures from last year.
- When determining bonus outcomes, the Committee applies the Discretion Framework which includes a range of factors, see page 85.
- One third of any bonus paid will be deferred into shares for a three-year period.
- Malus provisions apply.
- Full retrospective disclosure of targets and actual performance against these will be made in next year's Annual Report on Remuneration.
- The Committee remains comfortable that the structure of the annual bonus does not encourage inappropriate risk taking and that the mandatory deferral of one third of bonus into shares provides clear alignment with shareholders and fosters a longer-term link between annual performance and reward.
- The Committee considers the targets set for 2020 to be at least as demanding as in previous years and were set after taking due account of the Company's commercial circumstances and inflationary expectations.

Performance share plan

Steve Foots 225% of salary | **Jez Maiden 175% of salary**

The targets for the awards are set out below

Performance measure & weighting	Threshold vesting	Maximum vesting
EPS[1] (35%)	5% p.a.	11% p.a.
TSR[2] (35%)	Median	Upper quartile
NPP (20%)	NPP sales to grow at twice the rate of non-NPP, subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year, with payments being made on a sliding scale up to 5% growth per year	
Sustainability metrics (10%)	• Development of decarbonisation roadmaps[3], covering all our Scope 1 and 2 emissions to define how we will achieve our targets across all our geographically dispersed and complex footprint. The achievement of this target in full would be a 5% pay-out with a 2.5% pay-out for a better than 95% achievement. • Measurable reductions in our Scope 1 and 2 emissions over the next three years. We have set a target of 30,000 tonnes against an adjusted 2018 baseline of 232,000 tonnes[4]. The achievement for this target in full would be a 5% pay-out with a 2.5% pay-out for a better than 75% achievement. See page 75 for further details.	

EVA underpin which applies across the whole PSP award.

1. EPS growth p.a. is calculated on a simple average basis over the three-year period and therefore growth of 33% or more over three years is required for maximum vesting.
2. TSR peer group constituents: AzkoNobel, Albermarle, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.
3. Decarbonisation Roadmap: A plan for a site, charting emissions reduction through for example, maximising use of renewable energy, novel process technologies and energy efficiency measures.
4. 2018 baseline has been independently verified by Carbon Smart, as has the breakdown of emissions per site. Adjustments have been made for the commissioning of the ECO plant and acquisitions.

Commentary

- Changes made to both the maximum awards and performance measures from prior years.
- When assessing outcomes, the Committee applies the Discretion Framework which considers, for example, the management of ROIC, health and safety and sales growth and may adjust awards if it considers appropriate.
- An additional two-year holding period will apply for any shares vesting.
- Malus and clawback provision apply.
- Performance period 01 January 2020 to 31 December 2022.

Pension

Steve Foots | **Jez Maiden**

- Membership of CARE pension plan up to salary cap and 20% of salary as pension supplement above the cap.
- 20% of salary as pension supplement.

Commentary

- The 20% pension supplement aligns to our UK workforce. For full details see the diagram on page 74.

E. Directors' remuneration for the year ended 31 December 2019 – Audited Information

In this section

i. Directors' remuneration for the year ended 31 December 2019

Elements of remuneration

Executive Directors' remuneration

Executive Director		Salaries and fees[1] £	Benefits[2] £	Pension[3] supplement £	Pension[4] £	Annual bonus £	Long term Incentives[5A-B] £	Other[6] £	Total £
Steve Foots	**2019**	**662,337**	**33,476**	**156,209**	**2,620**	**–**	**942,268**	**3,155**	**1,800,065**
	2018	643,046	33,320	151,386	44,000	349,078	2,087,278	3,592	3,311,700
Jez Maiden	**2019**	**456,784**	**19,667**	**114,196**	**–**	**–**	**487,382**	**4,051**	**1,082,080**
	2018	443,480	16,055	110,870	–	200,619	1,079,637	4,048	1,854,709
Total	**2019**	**1,119,121**	**53,143**	**270,405**	**2,620**	**–**	**1,429,650**	**7,206**	**2,882,145**
	2018	1,086,526	49,375	262,256	44,000	549,697	3,166,915	7,640	5,166,409

1. Steve Foots' salary before salary sacrifice pension contributions of £3,000.
2. Benefits include benefit-in-kind for company car or cash allowance, benefit-in-kind for private medical insurance and private fuel allowance.
3. Represents the 25% supplement paid to Steve Foots and Jez Maiden in relation to benefits provided above the salary pension cap.
4. For defined benefit pensions the amount included is the additional value accrued during the year, calculated using HMRC's methodology for the purposes of income tax using a multiplier of 20. This methodology can result in year-on-year fluctuations due to underlying inflation inputs.
5. A. The PSP awards granted in March 2017 reached the end of their performance period on 31 December 2019. The awards will vest at 56.2% (see page 92). The values included in the table above are based on the three-month average price to 31 December 2019 of 4807p. Of these values, £240,575 and £124,436 is attributable to share price growth for Steve Foots and Jez Maiden, respectively. These values will be updated in next year's Annual Report based on the share price at vesting which will take place on 9 March 2020.
   B. The 2018 PSP award has been updated to reflect the actual share price at vesting of 5055.9p.
6. Represents the value received in the year from participation in all-employee share schemes. Steve Foots and Jez Maiden both received 33 matching shares as part of the Share Incentive Plan (SIP) with a transaction value of £1,811. Both Steve Foots and Jez Maiden also participated in the 2019 Sharesave scheme and were granted 138 and 230 shares respectively at a discounted rate of 3898p. The share price on the date of grant was 4872p representing a 20% discount.

Annual bonus

The 2019 bonuses for Executive Directors were calculated by reference to the amount by which the profit for the year exceeded the profit for 2018 (the 'bonusable profit'). Bonuses for 2019 are payable against a graduated scale once the 2019 Bonusable Profit exceeds the base profit with bonus targets set, and performance measured, based on constant currency actual exchange rates.

	Threshold target	Maximum target	Actual	Bonus outcome (% of maximum)
Bonusable Profit	£357.2m	£392.9m	£343.8m	0%

The Remuneration Committee has discretion to reduce (including to zero) the amount of any payment under the scheme if it considers the safety, health or environment (SHE) performance is in serious non-compliance with the Croda SHE policy statement, document of minimum standards. In addition, the Committee can also reduce any payment (including to zero) if it considers the underlying business performance of the Company is not sufficient to support the payment of any bonus. In addition, the Committee has developed a rigorous framework for the application of judgement and discretion in reviewing awards (see page 85).

PSP

PSP awards vesting in March 2020

The PSP awards granted in March 2017 reached the end of their three-year performance period on 31 December 2019.

Measure	Weighting	Threshold	Maximum	Actual performance	Out-turn (% of max element)
Relative TSR versus bespoke peer group[1]	40%	Median (50th percentile)	Upper quartile (75th percentile)	84.2 percentile	100%
Adjusted annual average EPS growth over three years[2]	40%	5% p.a.	11% p.a.	6.23% p.a.	40.6%
NPP	20%	Target vesting for NPP sales growth to be at least twice non-NPP sales, subject to a minimum average of 5% growth per year and overall positive Group profit growth.		1.8x	0%

1. TSR peer group constituents: AkzoNobel, Albemarle, Arkema, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.
2. EPS growth p.a. is calculated on a simple average basis over the three-year period; and therefore growth of 33% or more over three years is required for maximum vesting.

As well as considering the EPS, TSR and NPP targets under the rules of the PSP, the Remuneration Committee is obliged to consider the underlying performance of the Company over the performance period, which it did using the Discretion Framework on page 85. On review, the Committee considered the outcome of the PSP consistent with overall Company performance over the three-year performance period.

The forecast vesting value of the awards made in March 2017, subject to the above performance targets, is included in the 2019 single figure table on page 91. Any shares vesting will be subject to a two year holding period.

Gains made on exercise of share options and PSP

The gains are calculated according to the market price of Croda International Plc ordinary shares on the date of exercise, although the shares may have been retained.

Executive Director	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax)
Steve Foots	04 March 2019	41,284	PSP	0	5055.9p	£2,087,278
	04 March 2019	6,855	DBSP	0	5055.9p	£346,582
	08 November 2019	204	Sharesave	2639p	4814p	£4,437
Jez Maiden	04 March 2019	21,354	PSP	0	5055.9p	£1,079,637
	04 March 2019	3,779	DBSP	0	5055.9p	£191,062
	08 November 2019	341	Sharesave	2639p	4814p	£7,417

PSP awards granted in 2019

The PSP awards granted on 12 March 2019 were as follows:

Executive Director	Number of PSP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date[1]	% of award vesting at threshold (maximum)	Performance period
Steve Foots	27,494	200%	1,324,660	25% (100%)	01.01.19 – 31.12.21
Jez Maiden	14,221	150%	685,167	25% (100%)	01.01.19 – 31.12.21

1. Face value/maximum value is calculated based on a shares price of 4818p, being the average mid-market share price of the three dealing days prior to the date of grant.

Any shares vesting will be subject to a two year holding period.

The 2019 PSP awards are subject to a performance condition which is split into three parts; 40% EPS, 40% TSR, and 20% NPP. Vesting will take place on a sliding scale. Targets were consistent with the PSP awards granted in 2017, as stated above.

All employee share plans

Executive Directors are invited to participate in the HMRC tax-approved UK Sharesave scheme and the Croda Share Incentive Plan (SIP) in line with, and on the same terms as, the wider UK workforce.

SIP

Details of shares purchased and awarded to Executive Directors under the SIP are shown in the table below. A brief description of the SIP is set out in note 23 on page 147.

Executive Director	SIP shares held 01.01.19	Partnership shares acquired in year	Matching shares awarded in year	Total shares 31.12.19*	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.19
Steve Foots	5,662	33	33	5,728	104	5,403
Jez Maiden*	279	33	33	355	1	1

There have been no changes in the interests of any Director between 31 December 2019 and the date of this report, except for the purchase of six SIP shares and six matching shares by Steve Foots and Jez Maiden during January and February 2020.

* Jez Maiden also had 10 additional shares acquired through the Dividend Reinvestment Plan

Sharesave

Details of awards made under the UK Sharesave scheme are set out below:

Date of grant	Earliest exercise date	Expiry date	Face value*	Exercise price	Number at 01.01.19 (10.357143p shares)	Granted in year	Exercised in the year	Number at 31.12.19 (10.609756p shares)
Steve Foots								
16 September 2016	01 November 2019	30 April 2020	£6,728.94	2639p	204	–	204	–
13 September 2017	01 November 2020	30 April 2021	£6,725.10	3092p	174	–	–	174
27 September 2018	01 November 2021	30 April 2022	£8,959.67	4144p	173	–	–	173
12 September 2019	01 November 2022	30 April 2023	£6,723.36	3898p	–	138	–	138
					551	**138**	**204**	**485**
Jez Maiden								
16 September 2016	01 November 2019	30 April 2020	£11,247.89	2639p	341	–	341	–
27 September 2018	01 November 2021	30 April 2022	£11,238.43	2639p	217	–	–	217
12 September 2019	01 November 2022	30 April 2023	£11,205.60	3898p	–	230	–	230
					558	**230**	**341**	**447**

During 2019, the highest mid-market price of the Company's shares was 5377.5p and the lowest was 4545.42p. The year end closing price was 5120p. The year end mid-market price was 5150p.

* Face value is calculated using the market value on the day before the date of grant, multiplied by the number of shares awarded.

ii. Pension

The pension rights that accrued during the year in line with the policy on such benefits as set out in the Policy Report were as follows:

Executive Director	Normal retirement date under the CPS	Accrued pension 2019	Single remuneration figure 2019	Single remuneration figure 2018	Single remuneration figures excluding supplement
Steve Foots	14 September 2033	£125,915	£158,829	£195,386	£2,620
Jez Maiden	N/A	–	£114,196	£110,870	–

Note: Members of the CPS have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in this table. During 2019, Steve Foots was paid £156,209 (2018: £151,386) and Jez Maiden was paid £114,196 (2018: £110,870) in addition to their basic salary to enable them to make independent provision for their retirement.

Croda has a number of different pension plans in the countries in which we operate. Pension entitlements for Executives are tailored to local market practice, length of service and the participant's age. In 2016 a Career Average Revalued Earnings scheme was introduced with a cap applied to pension benefits, at this time the cap was set at £65,000, The cap is increased each year in line with inflation and from April 2020 will be £70,420. Employees who earn in excess of the pension cap or who cannot be members of the plan due to tax limitations receive a pension supplement. For current Executive Directors this supplement is up to 25% of salary. This percentage has reduced to 20% in 2020 for new and existing Executive Directors, which is in line with members of the UK workforce. See pages 74 to 75 for further details of our revised pension arrangements.

Steve Foots' pension provision

Steve Foots accrues pension benefits under the Croda Pension Scheme (CPS) with a CARE accrual rate of 1/60th and an entitlement to retire at age 60. From 6 April 2011 onwards, pension benefits accruing are based on a capped salary. This cap was £187,500 until April 2014 at which point it reduced to £150,000, and due to annual allowance regulations and changes to the pension scheme, reduced to £37,500 in April 2016 (reduced from the scheme cap of £65,650 due to annual allowance regulations) and is frozen at this amount. If Steve Foots retires before the age of 60, a reduction will be applied to the element of his pension accrued before 6 April 2006, unless he is retiring at the Company's request. In the event of death, a pension equal to two-thirds of the Director's pension would become payable to the surviving spouse. Steve Foots' pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum for benefits accrued before 6 April 2006, and in line with inflation up to a maximum of 2.5% per annum for benefits accrued from 6 April 2006 onwards.

Steve Foots is entitled to death-in-service benefits from the CPS. He also received a pension supplement at 25% of salary above his personal pension benefit cap in 2019. This pension supplement has reduced to 20% of salary in 2020.

Jez Maiden's pension provision

Jez Maiden has elected not to join CARE and was therefore paid a pension supplement of 25% of salary in 2019. This pension supplement has reduced to 20% of salary in 2020. He has an agreement with the Company to provide him with death-in-service benefits outside of the CPS.

iii. Payments for cessation of office

There were no payments for loss of office during the year under review.

iv. Payments to past directors

There were no payments to past directors during the year under review.

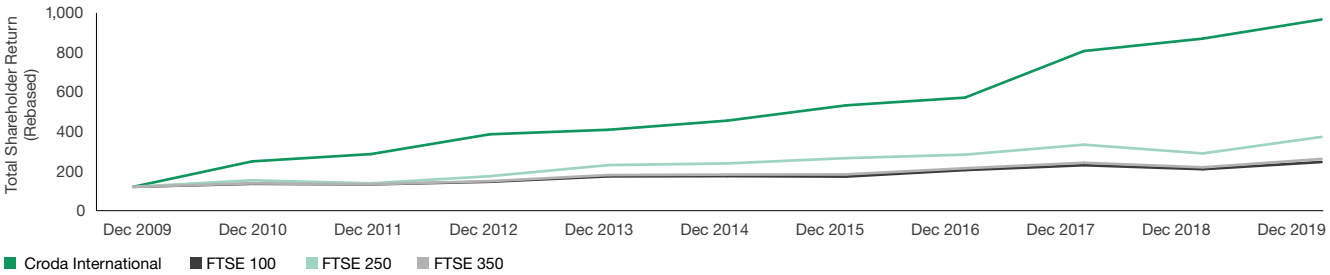
v. Share interests

The interests of the Directors who held office at 31 December 2019 are set out in the table below:

	Legally owned[1]					SIP			
	31.12.18	31.12.19	PSP (unvested)	DBSP (unvested)[2,3]	Sharesave (unvested)[4]	Restricted	Unrestricted	Total 31.12.19	% of salary held under shareholding guideline[4]
Executive Director									
Steve Foots	159,233	176,760	90,277	15,545	485	325	5,403	288,795	>200% target
Jez Maiden	16,184	27,167	46,695	8,755	447	354	1	83,419	>150% target
Non-Executive Director									
Roberto Cirillo	–	–	–	–	–	–	–	–	–
Alan Ferguson	2,414	2,357	–	–	–	–	–	2,357	–
Jacqui Ferguson	–	76	–	–	–	–	–	76	–
Anita Frew	9,655	9,425	–	–	–	–	–	9,425	–
Helena Ganczakowski	370	361	–	–	–	–	–	361	–
Keith Layden	78,993	80,400	–	3,883	–	–	–	84,283	–
Steve Williams*	11,983	–	–	–	–	–	–	–	–

* Steve Williams retired in April 2019.
1. Including connected persons.
2. Represents DBSP awards and, for Keith Layden in respect of his 2017 bonus, a deferred share award equivalent to a DBSP award.
3. During 2019 Steve Foots and Jez Maiden were granted 2,415 and 1,387 shares respectively under the DBSP. These awards relate to their 2018 bonus and were granted on 12 March 2019 based on a share price of £48.18 being the 3 day average consecutive share price from 7 March 2019 to 11 March 2019.
4. For 2020, the shareholding guidelines for the Chief Executive Officer and Group Finance Director will increase to 225% and 175% of salary, respectively.

vi. Performance graph (unaudited information)



vii. Ten-year remuneration figures for Group Chief Executive (unaudited information)

The total remuneration figure includes the annual bonus and long term incentive awards which vested based on performance in those years. The annual bonus and long term incentive award percentages show the payout for each year as a percentage of the maximum.

	2010*	2011*	2012^	2013^	2014^	2015^	2016^	2017^	2018^[1]	**2019^**
Total remuneration (£)	3,224,875	4,142,608	1,364,048	1,427,156	769,414	1,374,046	2,404,441	3,570,251	3,311,700	**1,800,065**
Annual bonus (%)	100%	100%	28%	0%	0%	76.38%	100%	78.36%	36.19%	**0%**
Long term incentives vesting (%)	100%	100%	100%	81.8%	0%	0%	43%	100%	100%	**56.2%**

* Relates to Mike Humphrey
^ Relates to Steve Foots
1. The 2018 PSP award has been updated to reflect the actual share price at vesting of 5055.9p.

viii. Board Chair and other Non-Executive Directors' fees 2019 and 2020

The fees paid to the Non-Executive Directors (including chairing of Committees) and to the Senior Independent Director were reviewed in January 2020 and increased by 2%. These changes will take effect from 1 January 2020. The revised fee structure for the Board Chair and other Non-Executive Directors for 2020 is detailed below.

Non-Executive Director	Position	2019 fee £	2020 fee £
Anita Frew	Board Chair	295,000	300,900
Roberto Cirillo	Non-Executive Director	62,000	63,240
Alan Ferguson[1]	Audit Committee Chair & Senior Independent Director	87,300	89,046
Jacqui Ferguson	Non-Executive Director	62,000	63,240
Helena Ganczakowski[1]	Remuneration Committee Chair	77,000	78,540
Keith Layden	Non-Executive Director	62,000	63,240
John Ramsay[2]	Non-Executive Director	–	63,240
Steve Williams[3]	Non-Executive Director	62,000	–

1. Committee Chairs received a supplementary fee of £15,000 in respect of their additional duties in 2019. This will increase in 2020 to £15,300. The Senior Independent Director received a supplementary fee of £10,300 in respect of his additional duties in 2019. This will increase in 2020 to £10,506. In addition, in 2020 the Non-Executive Director base fee will increase from £62,000 to £63,240.
2. John Ramsay was appointed to the Board in January 2020.
3. Steve Williams retired in April 2019. His fees were pro-rated accordingly.

ix. Non-Executive Directors' remuneration

The remuneration of Non-Executive Directors for the year ended 31 December 2019 payable by Group companies is detailed below, this table reflects actual payments in 2019.

		Non-Executive Director salaries and fees £	Benefits[1] £	Total £
Anita Frew	**2019**	**295,000**	**5,546**	**300,546**
	2018	245,140	8,636	253,776
Steve Williams[2]	**2019**	**20,667**	**2,787**	**23,454**
	2018	59,965	3,468	63,433
Alan Ferguson	**2019**	**87,300**	**3,004**	**90,304**
	2018	73,936	6,323	80,259
Helena Ganczakowski	**2019**	**77,000**	**4,805**	**81,805**
	2018	63,636	5,152	68,788
Jacqui Ferguson[3]	**2019**	**62,000**	**2,455**	**64,455**
	2018	18,883	1,623	20,506
Roberto Cirillo[4]	**2019**	**62,000**	**5,845**	**67,845**
	2018	38,420	2,599	41,019
Total	**2019**	**603,967**	**24,442**	**628,409**
	2018	499,980	27,801	527,781

1. The benefits relate to Directors undertaking business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax.
2. Steve Williams retired 24 April 2019.
3. Jacqui Ferguson was appointed to the Board in September 2018.
4. Roberto Cirillo was appointed to the Board in April 2018.

	Executive Director pay and benefits						Non-Executive Director pay and benefits		
Keith Layden[1]	Base pay £	Benefits £	Pension supplement £	Other £	Annual bonus £	PSP[2] £	Fee £	Benefits £	Total £
2019	**–**	**–**	**–**	**–**	**–**	**–**	**62,000**	**861**	**62,861**
2018	–	–	–	–	–	322,111	56,650	1,492	380,253

1. Keith Layden retired as an Executive Director in April 2017. Following his retirement, he was appointed as a Non-Executive Director. The 2018 PSP amounts shown relate to the 2016 PSP award, which was subject to performance conditions and pro-rating.
2. The 2018 PSP award has been updated to reflect the actual share price at vesting of 5055.9p.

Non-Executive Directors appointment

The effective dates of the letters of appointment for the Board Chair and each Non-Executive Director who served during 2019, are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Anita Frew	05 March 2015	05 March 2021
Roberto Cirillo	26 April 2018	26 April 2021
Alan Ferguson[1]	01 July 2011	30 June 2020
Jacqui Ferguson	01 September 2018	01 September 2021
Helena Ganczakowski	01 February 2014	31 January 2021
Keith Layden	01 May 2017	01 May 2020
Steve Williams[2]	01 July 2010	30 June 2019

[1] Alan Ferguson will retire at the AGM in 2020
[2] Steve Williams retired 24 April 2019.

x. Service contracts and outside interests

The Executive Directors have service contracts as follows:

Executive Director	Contract date	Termination provision
Steve Foots	16 September 2010	by the Company 12 months, by the Director 6 months
Jez Maiden	09 October 2014	by the Company 12 months, by the Director 6 months

External directorships

Executive Directors are permitted to accept external appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for Non-Executive Director roles. Jez Maiden was appointed as a Non-Executive Director of PZ Cussons on 16 October 2016 and received a fee of £65,990 for 2019.

xi. Remuneration Committee attendance and advisers

Members and attendance (eligibility) at meetings held during the year ended 31 December 2019:

Helen Ganczakowski – Chair	5 (5)
Alan Ferguson – Senior Independent Non-Executive Director	5 (5)
Steve Williams* – Independent Non-Executive Director	3 (3)
Roberto Cirillo – Independent Non-Executive Director	5 (5)
Jacqui Ferguson – Independent Non-Executive Director	5 (5)

* Steve Williams retired 24 April 2019.

In addition, the Committee invites individuals to attend meetings to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2019, invitees included other Directors and employees of the Group and the Committee's advisers (see below), including Steve Foots (Group Chief Executive), Jez Maiden (Group Finance Director), Keith Layden (Non-Executive Director), Tracy Sheedy (Group HR Director), Tom Brophy (Group General Counsel and Company Secretary) and Caroline Farbridge (Deputy Company Secretary).

Attendees at Committee meetings are excluded from discussions that determine their own remuneration.

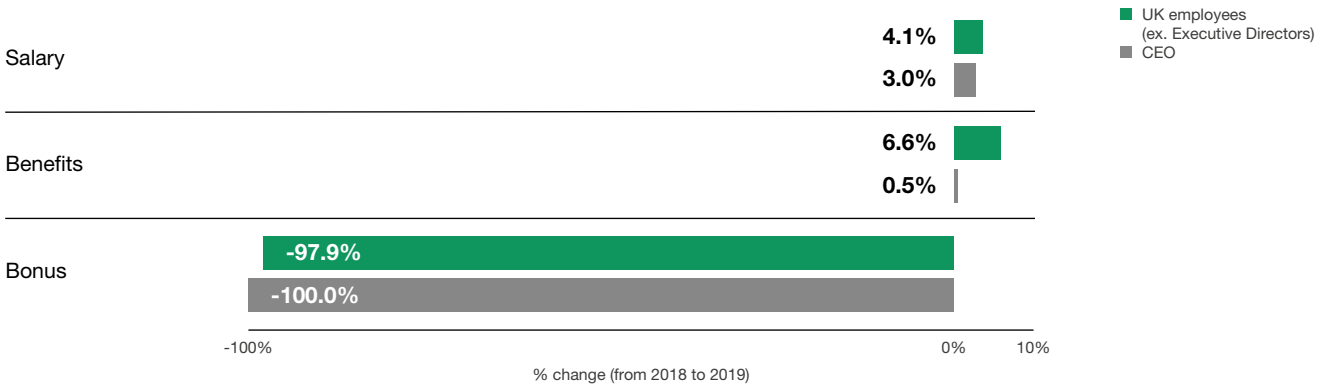
Remuneration Committee advisers (unaudited information)

Deloitte LLP were retained as the appointed adviser to the Committee for the whole of 2019, having been appointed in October 2017. As well as providing advice in relation to Executive remuneration and Non-Executive fees Deloitte LLP also provide advice to the Group in relation to global employer services, global business tax services and indirect tax. Deloitte LLP is a signatory to the Remuneration Consultants Group Code of Conduct. Deloitte LLP has no connection with any individual director of Croda. The total fees paid to Deloitte LLP for its services during the year in relation to Executive remuneration and Non-Executive fees were £83,275 (excluding VAT). The Committee regularly reviews the external adviser's relationship and is comfortable that the advice it is receiving remains objective and independent.

xii. Other disclosures (unaudited information)

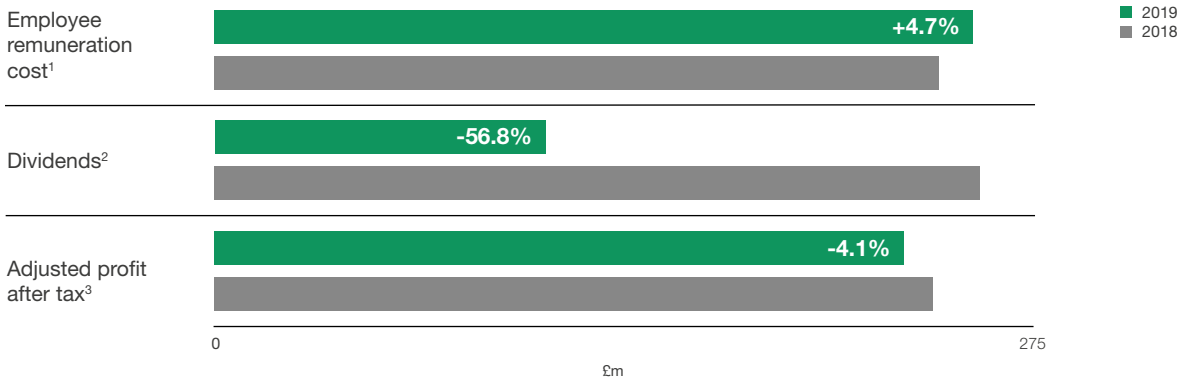
Percentage change in remuneration levels

The following chart shows the movement in the salary, benefits and annual bonus for the Group Chief Executive between the current and previous financial year compared with that of the average UK employee. The Committee has chosen this comparator as it feels it provides a more appropriate reflection of the earnings of the average worker than the movement in the Group's total wage bill, which is distorted by fluctuations in the number of employees and variations in wage practices in our overseas markets.



Relative importance of the spend on pay

The chart below shows the movement in spend on staff costs versus that in dividends and adjusted profit after tax.



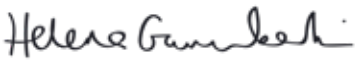
1. Employee remuneration costs, as stated in the notes to the Group accounts on page 127. These comprise all amounts charged against profit in respect of employee remuneration for the relevant financial year, less redundancy costs and share-based payments, both of which can vary significantly from year to year.
2. Dividends are the amounts payable in respect of the relevant financial year. The dividend amount shown in respect of 2018 includes a special dividend of 115.0p per share.
3. Adjusted profit after tax is profit for the relevant year adjusted for exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon.

xiii. Statement of voting (unaudited information)

	Remuneration Policy 2016		Annual Report on Remuneration 2018	
	number of votes	% of votes	number of votes	% of votes
Votes cast in favour	77,434,375	86.34%	85,949,463	88.70%
Votes cast against	12,253,393	13.66%	10,947,479	11.30%
Total votes cast	89,687,768	100%	96,896,942	100%
Withheld	320,236		173,343	

I will be available at the AGM to respond to any questions shareholders may raise on the Committee's activities.

On behalf of the Board



Helena Ganczakowski
Chair of the Remuneration Committee

24 February 2020