Making a difference

Sales
£1,386.9m
2017: £1,373.1m

Core Business
sales growth
(constant currency)
+3.8%

IFRS profit before tax
(PBT)
£317.8m
2017: £314.1m

Adjusted PBT growth
(constant currency)
+6.2%

Ordinary dividend
(proposed full year)
+7.4%

NPP % Group sales
(constant currency)
28.2%
2017: 27.6%

Energy from
non-fossil fuels
21.1%
2017: 24.1%

Safety
(Total Recordable Injury Rate)
0.72
2017: 0.71

Contents

Strategic Report
Strategy and Operations
Making a difference to:
Sustainable supply chains 02
The changing population 04
The changing environment 06
The future 08
Chair’s Statement 10
Business Model 12
Our Stakeholders 14
Chief Executive’s Review 16
Our Strategy 20

Performance and Financials
Key Performance indicators 24
Sector Review 26
Sustainability 30
Finance Review 34
Risk Management 38

Directors’ Report
Our Board 44
Corporate Governance 46
Remuneration Report 69
Directors’ Report 90

Financial Statements
Independent Auditors’ Report 94
Group Consolidated Statements 100
Group Accounting Policies 105
Notes to the Group Accounts 112
Company Financial Statements 138
Notes to the Company Financial Statements 140

Other Information
Related Undertakings 145
Shareholder Information 148
Five Year Record 150
Glossary of Terms 151

Annual Report and Accounts 2018
Every day our global team of 4,580 employees, across 38 countries, work together to inspire and influence each other and our customers.

Sales by region

- North America: £372.7m
- Asia: £300.8m
- Latin America: £141.0m
- Europe, Middle East & Africa: £572.4m

Sales by sector

- Personal Care: £487.8m
- Life Sciences: £324.5m
- Performance Technologies: £456.4m
- Industrial Chemicals: £118.2m

About Us

At a glance

Making a difference

To Sustainable supply chains
- The changing population
- The changing environment
- The future

Personal Care

Personal Care focuses on ingredients for skin, hair, sun protection and colour cosmetic products

£160.3m

Adjusted operating profit

Life Sciences

Life Sciences comprises three complementary businesses, Health Care, Crop Protection and Seed Enhancement

£95.8m

Adjusted operating profit

Performance Technologies

Performance Technologies targets faster growth technologies in Smart Materials and Energy Technologies and continues to develop its presence in Home Care & Water

£85.2m

Adjusted operating profit

Industrial Chemicals

Industrial Chemicals is a small, diverse sector developing novel niche applications, selling co-streams and undertaking toll processing

£1.2m

Adjusted operating profit
Making a difference to Sustainable supply chains

Working together to address the world’s needs must be done ethically and responsibly, by businesses that understand they are accountable for the impact of how they operate and what they produce.

Transparency and trust are critical in our consumer-driven world

Today’s digitally empowered and environmentally aware consumers expect more from products and services than ever before. More choice and control, more visibility, more and quicker access to information and more robust sustainability credentials.

Increasingly, these expectations apply to businesses as well as the products they deliver. We must operate transparently, ethically and with social accountability, taking greater responsibility for our supply chains and the traceability and impact of our products and operations. All of this must be done with a focus on improving product performance and value.

Our opportunities to make a difference

With ever greater emphasis on sustainability, performance and value, at Croda we are well positioned to continue to build on our already extensive product claims substantiation capabilities to help customers make the right choices for their consumers. This goes hand-in-hand with our reputation as a supplier of high quality, high performance bio-based ingredients, aiming to exceed our customers’ requirements.

Increasingly, the sustainability of our solutions is not just measured on our operational performance, but on that of our whole supply chain. We therefore, for example, continue to identify, prioritise and address supply chain risks, which is overseen by our Ethics Committee. We are also working with specialists to assess and improve physical supply chains, such as palm oil derivatives, giving us an opportunity to lead our industry on transparency of provenance.

Striving to be a sustainable business also means active management of the key risks that could affect the reliability of our service. This gives us an opportunity to continually raise our performance, and that of our suppliers, in the areas of ethics, human rights, process safety, product safety, quality assurance and business continuity. In parallel, we are ensuring that manufacturing sites are certified against appropriate safety, environment, quality and Good Manufacturing Practice (GMP) standards, as well as meeting consumer demands for certifications such as halal and kosher.

Croda Personal Care

High performance, bio-based

Our heritage is built on bio-based raw materials, with 61% of the materials we use today originating from such sources. Sustainability touches every area of our business, particularly the Personal Care sector where it is central to how we design our ingredients, source our raw materials and the way we work with our customers. Increasingly, this encompasses the benefits in use of our ingredients that add value to our customers’ products, targeting premium, performance-led solutions for accelerating future growth.

As part of our focus on diversity and inclusion, we also recognise that not all performance benefits are relevant in all areas of the market. We are now working to identify the different needs of consumers in different cultures and parts of the world. For instance, our African Centre of Excellence is carrying out extensive research and testing into consumer sun care needs in Sub-Saharan Africa in order to develop the right ingredients for the market.

Minimising negative environmental impact

IRB by Sederma is one of the leaders in the development of cosmetic actives created from plant cell cultures. This offers the industry high performance and naturally derived active ingredients that add value to our customers’ products, targeting premium, performance-led solutions for accelerating future growth.

Sustainable sourcing and traceability

Extending our sustainability focus out to the supply chain, Crodacom is engaging in the development of ‘win-win’ partnerships, supporting the diversification of farming businesses that can offer ethically sourced ingredients with assured provenance and purity. Additionally, for many years now we have received peer recognition for our progressive work to deliver products containing certified sustainable palm oil derivatives. We have worked closely with the Roundtable for Sustainable Palm Oil to achieve certification across our manufacturing sites to support the production of deforestation-free sustainable palm oil.

Croda International Plc
Annual Report and Accounts 2018

Strategic Report
The changing population

The global population is growing and changing fast. Businesses must also change if they are to survive, turn challenges into opportunities and be part of a positive global response.

World demographics are undergoing unprecedented change

With global population set to reach 9.7bn by 2050, without action the world will face significant food shortages in the years to come. Alongside this, although wealth distribution is uneven, many developing countries report a growing ‘middle class’. The growth in this group means that more people can afford a more varied, protein-rich diet and have money to spend on preventative, as well as curative health care.

Meanwhile, populations are living for longer than ever before and the ageing population can access a wider range of medical and consumer products to meet their essential and desirable needs. Focus on anti-ageing, wellbeing and fitness self-care products continues to increase.

This unprecedented population growth and changing demographics create a dramatically different landscape for the future and the challenge will fall upon both governments and businesses to find sustainable solutions to meet the evolving demand.

Our opportunities to make a difference

Our high quality ingredients also play a central role in the new pharmaceutical, anti-ageing and beauty products demanded by today’s and tomorrow’s consumer. We aim to manufacture these ingredients sustainably by minimising the negative impact of our operations, which includes ongoing investment in technologies such as renewable energy sources to reduce our reliance on fossil fuels.

As our business grows, we are focusing on employing an increasingly diverse, multi-skilled global workforce that truly represents our changing societies, customers and consumers. We will attract and keep the very best by providing exciting opportunities to make a real difference in the changing world.

Croda Life Sciences

Feeding the world

Our high quality ingredients also play a central role in the new pharmaceutical, anti-ageing and beauty products demanded by today’s and tomorrow’s consumer. We aim to manufacture these ingredients sustainably by minimising the negative impact of our operations, which includes ongoing investment in technologies such as renewable energy sources to reduce our reliance on fossil fuels.

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Croda Life Sciences

Feeding the world

Our growing crop care portfolio is optimising the quality and yield of farmers’ crops. For instance, seed treatments increase the yield of vegetables and field crops by enhancing seed performance using innovative technologies. By providing film coatings to our customers, we can better optimise their seeds while reducing the amount of crop protectants used. In addition, our priming technology delivers fast and uniform germination under a wide variety of conditions; if seeds germinate quickly and all at the same time, the crop will develop faster and uniformly, and make cultivation and harvesting more efficient.

Croda Life Sciences

Feeding the world

Our recent acquisition of Plant Impact broadens our agricultural portfolio with biostimulants. These use non-GM, toxicologically benign and environmentally safe small molecule chemistry to work with the plant’s natural responses, improving productivity both in ideal climates and in conditions of high heat, drought or salinity. Meanwhile, our crop protection range of naturally derived formulation additives supports our customers in getting the most out of their active ingredients, in an environmentally sensitive way.

Improving agricultural yields through our extensive agricultural product and service offerings does not just mean more food for more people. It also means more food from the same amount of land, potentially reducing issues of deforestation while delivering better quality produce, with less food waste.

Croda Life Sciences

Supporting the ageing population

The ageing population is currently at its highest level in human history, placing a huge burden on health systems. Our range of high purity excipients supports the delivery of some of the most challenging drug molecules, getting them to where they are most needed within the body. They offer many benefits, including enhanced stability and extended release, meaning health care is increasingly accessible and convenient for the patient, with fewer clinic visits required.

We will continue to invest in innovative technologies that drive health and wellbeing. Most recently we acquired Biosector, which adds a range of advanced vaccine adjuvants to our portfolio that enable the efficient delivery of vaccines for widespread disease prevention.
Making a difference to

The changing environment

As the debate on the cause and impact of climate change continues, what is clear is that businesses must act now to do more with fewer of the planet’s precious resources, and with less negative environmental and social impact.

In a fragile world we must be part of the solution

The continuing accumulation of greenhouse gases is described as the main cause of global warming, with the predicted result that sea levels will rise by at least 30cm by the end of the century, along with more frequent extreme weather. Both affect food and water supply just when the growing global population needs it most, bringing increased international pressure to restrict climate change.

This, along with ever more scarce natural resources, means a growing demand for innovative sustainable products produced using fewer and more effective ingredients, from bio-based raw materials, made using more environmentally and socially sensitive processes.

Our opportunities to make a difference

From our unique position focused on using bio-based raw materials, rather than petrochemical, we have a real opportunity to contribute directly to the targets supporting the United Nations Sustainable Development Goals (SDGs) as our ingredients are used in a wide variety of consumer products.

In our businesses, there are many examples of our ingredients bringing about major reductions in greenhouse gas emissions when included in customers’ formulations, for example, in engine lubricants where one tonne of our Perfad™ friction modifier saves over 1,700t of CO2 emissions. In application, our Life Sciences products make a real difference to the lives of farmers in developing nations, addressing food supply and local economic development, and our drug excipients and newly acquired vaccine adjuvants business, Biosector, also directly address the SDGs for prevention of disease.

Reaching wider than our own products and operations, we are taking the opportunity to inform and shape future policy on climate change with our voice on industry committees. Being open and transparent, we also work to minimise environmental and social impact along our entire supply chains and report our performance publicly.

Croda Performance Technologies

Maximising positive impact

We are committed to minimising any negative environmental impact of our operations, but increasingly important are the positive impacts of our ingredients in customer applications.

Coupling performance advantages with increased bio-based content, our Home Care ingredients deliver sustainability and sensory effects across the whole value chain, from polymer fibre to end garment, at the same time reducing water and energy consumption in production.

For example, our Coltide™ surfactants extend the lifetime of garments by keeping them looking newer for longer.

Croda Energy Technologies lead the way in lubricant fluids and in 2018 launched the new range of Perfad™ friction modifiers that enhance engine durability, fuel economy and emission reduction. The business is also investing in phase change materials. These can be used, for instance, in temperature-controlled packaging and to store thermal energy, thereby saving energy and fuel in internal combustion engines, hybrid and electric vehicles, as well as to store heat generated by day in homes for use at night.

In Smart Materials, our environmentally friendly and durable Maxemul™ coating solutions are VOC free, reducing our carbon footprint. We also offer anti-scratch solutions to reduce the repair and replacement needs of high performance plastic components, reducing the use of scarce resources.

Minimising negative impact

Through a number of investments at our manufacturing sites, we have reduced our environmental impact. For example, our Performance Technologies sector benefits from the bio-fermentation plant at our Gouda manufacturing site in the Netherlands, which has reduced its external energy dependency by 25%.

Our Chocques site in France uses energy from the city incinerator, and in Hull in the UK, our £27m capital expansion project is re-using 95% of building demolition materials to save energy, keep waste out of landfill and reduce greenhouse gas emissions.

In addition, we have invested in a pipeline that enables us to use landfill gases at our Atlas Point manufacturing site. This site also uses solar energy, as we do at our Edison offices in North America and our Thane site in India.

As the debate on the cause and impact of climate change continues, what is clear is that businesses must act now to do more with fewer of the planet’s precious resources, and with less negative environmental and social impact.
As markets expand and diversify, businesses have a real opportunity to respond to demands for niche products and to the increase in small independent customers and virtual communities that demand a ‘different’ level of service. To survive and thrive, we must be able to keep pace with, and foresee changes in technology and consumer expectations.

Our opportunities to make a difference
We maintain a relentless focus on innovation to create new and improved ingredients in collaboration with our customers. Achieving this depends upon the deep knowledge of global markets, and customer objectives, products and applications, that we gain from our direct-selling model and focus on customer intimacy.

Our Open Innovation and Smart Partnering Programmes also play a crucial role. By working in entrepreneurial cells and partnering with world-leading academics, universities and start-ups, we identify unique opportunities and develop new solutions that will add value to our customers’ products and fulfill consumer demands. This is integral to our strategy of offering ever-higher levels of performance at ever-lower levels of negative environmental impact.

Innovation is not just applied to inventing the new, but also to adapting existing ingredients and ways of working. By taking our science and applying it in new and novel ways to different applications and in niche market areas, we are creating significant sustainability and performance benefits for our customers and their consumers.

Across the Croda world
Digital and data
Our future innovation will be supported and strengthened by our digital strategy, which has been developed by our new Digital Centre of Excellence, who work collaboratively right across our business to ensure that we take advantage of every opportunity.

We are also continuing to invest in artificial intelligence in R&D. Our investment in the Centre of Innovation for Formulation Science at the University of Liverpool’s Materials Innovation Factory (MIF) in the UK is building a data-centric approach to innovation. The capabilities available at the MIF allow us to gain a more detailed understanding of ingredient interactions, activies delivery and optimised formulation development for any given application. This is through design of experiment, high-throughput analytical testing and advanced data analysis. The result is our ability to better exploit the functionality of existing and new ingredients in a wider range of formulation systems, giving our customers greater choice of innovative formulations.

Product innovation
We are harnessing data science and robotics to shorten product development life cycles, automate manufacturing and invest in new product areas. In particular, we will leverage the cutting-edge technology we have invested in through our shareholding in Cutitronics, who are developing a patented handheld device that assesses skin health and prepares it for the optimum delivery of the skin care formulation it dispatches. As we proactively expand our collaboration strategy, we will continue to invest in these start-ups in niche applications, along with university partnerships, allowing us to commercialise and bring exciting innovations to market.

Operational innovation
We will continue to ensure that our manufacturing assets and supply chains are flexible to enable production and delivery of small batch sizes to meet changing customer demands. This is only part of the work that our Process Innovation Team focuses on, as they find ways to optimise the performance of our plants, whilst minimising their environmental impacts.
Chair's Statement

Delivering returns to shareholders

“We achieved consistent sales growth in our Core Business, at industry-leading margins, generating capital returns to shareholders.”

Anita Frew
Chair

Overview

I am pleased to report another year of strong progress for Croda. We achieved consistent sales growth in our Core Business at industry-leading margins, generating capital returns to shareholders.

We delivered growth in sales and adjusted profit in constant currency terms in all three of our Core Business sectors. We improved free cash generation as we came to the end of a significant programme of capital investment. We achieved greater innovation and increased the number of customers we serve.

Over the last three years, Croda has achieved a top quartile total shareholder return (TSR) versus comparator UK FTSE350 stocks. We also ranked first in our industry comparator group of 19 global chemical peers for both of the last two year period and 2018. Management Today, in the longest running annual survey of corporate reputation in the UK, placed Croda third overall in Britain's Most Admired Companies.

Our people are crucial to this success. My Board colleagues and I had the opportunity to meet many of them in 2018 through our programme of site visits, presentations and informal lunches. I would like to express the Board’s thanks for their hard work, commitment, innovation and agility.

Sustained sales and profit growth

In 2018, constant currency sales for the Core Business rose by 3.8%. With stronger margins, Croda’s adjusted profit before tax reached a new record of £331.5m (2017: £320.3m), up 6.2% in constant currency. Adjusted basic earnings per share were 8.8% higher in constant currency. On a statutory basis, Group sales rose to £1,386.9m (2017: £1,373.1m) and profit before tax to £317.8m (2017: £314.1m). Adjusted basic earnings per share increased from 115 pence to 120 pence (2017: 109 pence) and adjusted diluted earnings per share increased from 109 pence to 115 pence (2017: 109 pence).

Core Business rose by 3.8%. With stronger margins, Croda's adjusted profit before tax reached a new record of £331.5m, up 6.2% in constant currency. Adjusted basic earnings per share were 8.8% higher in constant currency. On a statutory basis, Group sales rose to £1,386.9m, up 8.8% higher in constant currency. Adjusted basic earnings per share were 8.8% higher in constant currency.

Delivering our strategy – the ‘Croda Difference’

As a Board, we reviewed our three year plan, which forms the basis for our short to medium term decisions. We have a clear strategy. Firstly, we are ‘Growing the Core’ – delivering top line growth with strong profitability and good free cash generation from our Core Business. Alongside this, we are ‘Stretching the Growth’ – investing in product innovation, creating new technologies and making selective acquisitions to drive superior shareholder returns for the future. In 2018 we invested £37m in R&D, supplemented by 450 university and enterprise partnerships through our Open Innovation programme, over £100m in new capacity across our 30 manufacturing sites and over £80m in acquiring technology-led companies.

During 2018, the Board undertook a ten year forward assessment of its markets, technologies and opportunities. This included two areas fundamental to our success – purpose and culture, and creating a sustainable business model. Whilst the Board sets the ‘tone from the top’, our culture is vital in aligning our people behind a common purpose and way of working. In Croda, many decisions are delegated across all levels in the organisation and so it is important to create and protect a culture where the world building an impressive number of hours participating at schools in and around our operations.

As a company, we understand our role in inspiring and empowering a new generation of young women to proactively seek out careers in science, technology, engineering and mathematics (STEM) industries. Part of ensuring that our business can grow sustainably and inclusively means engaging with local communities and schools. Our STEM programme has been active for 10 years with many STEM ambassadors around the world building an impressive number of hours participating at schools in and around our operations.

In 2018 STEM activities made up 43.2% of our recorded employee volunteering time, demonstrating how our employees are committed to inspiring and encouraging school children in chemistry and science.

Case study: Diversity and inclusion

In 2018 we achieved our objective of increasing the number of women making up at least a third of the Board. However, we need to replicate this across the Business. As part of our Diversity and Inclusion Programme, we are focusing on ensuring that all employees have, and are able to take, opportunities to progress and develop their careers, in particular women, who continue to be under-represented in senior positions across the chemical industry.

We recognise that improving this situation in our business is a primary objective of our Diversity and Inclusion Steering Committee. There are a number of ongoing and newly created activities that have been developed to facilitate opportunities for women and under-represented groups, such as balanced short-lists for recruitment. We are also encouraging flexible working and more opportunity for time to care for families.

As a company, we understand our role in inspiring and empowering a new generation of young women to proactively seek out careers in science, technology, engineering and mathematics (STEM) industries. Part of ensuring that our business can grow sustainably and inclusively means engaging with local communities and schools. Our STEM programme has been active for 10 years with many STEM ambassadors around the world building an impressive number of hours participating at schools in and around our operations.

Dividend

We have a clear capital allocation policy, with profits reinvested to drive growth, a regular ordinary dividend for shareholders, selective technology acquisitions and fund the periodic return of excess capital to shareholders. Given our performance in 2018, the Board has recommended an increase in the full year ordinary dividend of 7.4% to 87 pence per share (2017: 81p). In addition, with leverage at the lower end of the Board’s target range supported by improving cash generation, the Board is recommending a special dividend of 115 pence per share, reflecting the excess capital generated since the last special dividend in 2016.

Outlook

In 2018, Croda continued to deliver sustained sales and profit growth. Looking ahead, whilst global market conditions remain challenging, we continue to invest for the future and are confident that our strategy of Growing the Core and Stretching the Growth will deliver further progress in 2019.

Anita Frew
Chair

2018 Annual Report and Accounts
Our value chain

relationships and our commitment to sustainable innovation.

We create, make and sell innovative speciality chemical ingredients, generating long term value through collaborative relationships and our commitment to sustainable innovation.

How we create value

How we create value

Business Model

Consumer needs

Customer needs

Engage

Create

Make

Sell

Our value chain

Consumer
demand

Influenced by global mega trends, consumers dictate the unmet needs across our four market sectors.

Customer needs

Our customers seek innovative and sustainable ingredients that address consumer needs.

Engage

Working closely with our customers and supply chain, we identify unmet consumer needs around the world.

The Croda Difference

Customers may be central to everything we do. Our local sales and technical teams gain a deep understanding of our customers’ current and future needs, which we respond to through our agile global network, whether they are a small niche company or a large multinational.

Create

We create innovative and sustainable ingredients and technologies that meet consumer needs.

The Croda Difference

Our local specialists work as one global team, sharing knowledge to grow our extensive innovation pipeline and valuable protected intellectual property. Through our Open Innovation and Smart Partnering Programmes, we constantly pursue new and novel technologies to address unmet consumer needs.

Make

Our manufacturing sites run flexible operations to consistently high standards.

The Croda Difference

We produce high value ingredients on a customer demand driven basis. We are constantly developing new production technologies that improve flexibility and security of supply. We make superior ingredients while reducing our environmental burden.

Sell

We have a direct selling model with sales, technical and warehousing local to our customers.

The Croda Difference

We sell thousands of ingredients to thousands of customers of all sizes. Through our global network, customer focus and ability to manage complexity, we offer ingredients that address unmet consumer demands for high performing, low environmental impact products.

A powerful business model

Our sector sales

Our value chain

Our stakeholders

Customer product

Using our innovative and sustainable ingredients, our customers enhance their products to meet their consumers’ needs.

Consumer benefit

Through our customers’ products, our ingredients improve consumers’ lives by addressing their unmet needs in increasingly sustainable ways.

Our key assets

Culture

Innovation

Sustainability

Partnerships

The value we add

We are united as a global team through our culture, striving to be a fun, lively and exciting place to work, where everyone is treated fairly and equally. Our values and behaviours guide our progress, and as we constantly seek to evolve, we empower our people by recognising their commitment, creativity and innovation, allowing them autonomy to develop themselves and our business.

Innovation

Innovation is the lifeblood of our business. Success relies on our people’s drive for continuous improvement, especially our technical and commercial experts as we focus on increasing our sales of new and protected products. We therefore strive to attract a diverse array of talent, develop our people and foster a can-do attitude. As we expand into faster growth markets, we are increasing the number of our innovation centres in locations where our people can get closer to our customers.

Sustainability

Building on our bio-based raw material heritage, we are committed to sustainability across every aspect of our business. As a key differentiator, we will continue to invest in innovative product design and operations, working with our supply chain to minimise the negative impact we, and the ingredients we make, may have on the planet and maximise the positive benefits we deliver to improve lives.

Partnerships

Through our Open Innovation and Smart Partnering programmes with universities and small and medium enterprises, we identify unique opportunities that add value to our customers’ products and satisfy the unmet needs of consumers. We are focused on innovation, with teams across our business dedicated to creating new and improved ingredients in collaboration with our customers.

The value we add

93.7% of our Rising Star products, those expected to be a top 50 seller in the next five years, have a known sustainability benefit in use

32.8% increase in ordinary dividend over the past four years

50.0% of the suppliers we invited to connect with us through the EcoVadis supply chain risk assessment platform did so during 2018

28.2% of our sales in 2018 were from new and protected products

43.2% of our employees volunteering time was spend on science, technology, engineering and mathematics activities

82.7% of our people received training during 2018

£1,386.9m

Total sales

£487.8m

Personal Care

£324.5m

Life Sciences

£466.4m

Performance Technologies

£118.8m

Industrial Chemicals

Our people

Shareholders

Our people

Innovation partners

Regulators & trade associations

Customers

Suppliers

Local communities

Non-governmental organisations

Read more about our stakeholders on page 14-15

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£324.5m

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The importance of engaging with our stakeholders

Our People
We rely on the knowhow, creativity and entrepreneurial spirit of all our people. Our ability to innovate relies on a culture of openness and trust that fosters collaboration.

Why we engage
We recognise that the way we operate to deliver long term sustainable value is different to our peers, so it is critical that we communicate regularly with shareholders to ensure that our strategy and market trends are clearly understood.

How we engage
Our Investor Relations team regularly answers questions and presents to shareholders. We attend investor conferences and roadshows from ESG funds.

We have a loyal shareholder base in the UK and North America and are seeing growth in Europe and Asia. We are also seeing growth in investment from EISG funds.

Impact of engagement
We have a loyal shareholder base in the UK and North America and are seeing growth in Europe and Asia. With sustainability central to our strategy, we are also seeing growth in investment from EISG funds.

38 conferences and roadshows were attended in 2018 and we presented to 139 shareholders face to face.

Innovation Partners
We focus on Open Innovation and Smart Partnering, working closely with our customers, academics, universities start-ups and technology enterprises.

Why we engage
As an information and knowledge rich business, we ensure that everyone communicates effectively through formal and informal networks. Management regularly share important news to align our strategic direction and behaviours.

How we engage
We attend investor conferences and roadshows across the world and presents to shareholders.

Regulators & Trade Associations
Operating in a regulated industry, we embrace complexity. Our people have the expertise and networks to foresee and respond to opportunities and challenges.

Why we engage
As part of our commitment to transparency and trust, we keep informed of, lead and support legislative and regulatory change. The public voice and policy makers are increasingly demanding, so we anticipate and prepare for how issues, such as climate change, will impact our business.

How we engage
We recognise that a collaborative approach to innovation can often accelerate time to market, reduce costs and create product differentiation.

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Customers
By working collaboratively with our customers, we develop innovations to meet consumer needs and deliver thousands of ingredients directly to thousands of customers.

Why we engage
As well as being as close to our customers as possible, we add value by sharing market insight to identify future opportunities, engage R&D and provide sustainable solutions to improve performance. By becoming our customers’ indispensable strategic partner, we help them satisfy their consumers’ needs.

How we engage
Each of our market sectors has a dedicated research, sales and marketing team working closely with our customers’ R&D, purchasing, regulatory and sustainability departments. In addition to face-to-face meetings, we attend industry exhibitions, speak at many conferences and invite customers to our own seminars and workshops.

Impact of engagement
New products which have helped in supporting six successive years of new and protected product sales growth in 2018, this included: acquiring marine biotechnology company Nautilus following an open innovation partnership; investing in the university spin-out Cutsionics; and developing a strategic partnership with bio-pharmaceutical company SirLif.

100+ active memberships of industry associations, so in 2018 we attended over 85 ongoing projects in 2018 and over 450 Open Innovation partnerships established globally.

Suppliers
Supply chain integrity is a critical part of our business as we rely on our suppliers to help meet our customers’ needs.

Why we engage
In the specialty chemicals industry many supply chains are long and complex. We must source from suppliers who share our standards of ethics and transparency. Our work to characterise key physical supply chains continues to give us a major opportunity to lead on traceability and sustainability.

How we engage
Our strong partnerships with suppliers on a global, regional and local level enable us to deliver our extensive product portfolio. We also work with our supply chain through initiatives such as CDP (formerly Carbon Disclosure Project), Sedex and EcoVadis, and oversee their performance.

Impact of engagement
Through our work with CDP we encourage suppliers to look at their sustainability credentials, with the aim of reducing CO2 emissions in our supply chain. Using the scorecard systems of Sedex and EcoVadis to identify potential risks, we have meaningful conversations to empower ethical supply chains and secure product supply.

2,500 meetings with our raw material suppliers in 2018, in 19 countries.

Local Communities
We have a responsibility to operate safely and effectively within the communities we share and to give back to them in a number of ways.

Why we engage
Strong local relationships are essential to maintaining our social licence to operate. Our education activities support local schools, whilst enabling our people to develop new skills; helping us recruit new talent in the future; and ensuring that we have a positive societal impact.

How we engage
We focus on three key areas. We invite local community representatives to take part in our site committees and our local teams maintain open dialogue with government officials and emergency services. Our education programmes seek to raise the profile of science, technology, engineering, maths (STEM) and give our people the opportunity to help develop the next generation of STEM engineers.

Impact of engagement
Many of our operations have regular two-way conversations with community representatives to discuss our activities and the local topics that impact us both. Our STEM work is helping to improve the learning and career prospects of local people, at the same time as enhancing our reputation and helping to develop our people.

5,117 hours of 1% Club time recorded in 2018, with 43.2% of this used for STEM activities.

Non-Governmental Organisations
The consumer voice is getting more powerful and NGOs are increasing pressure on business to take greater responsibility for their impacts.

Why we engage
As a business to business company, it is typically our customers who receive NGO attention, but we have a responsibility to support them. Many NGOs work collaboratively to meet shared goals, although we are also proactive to understand areas of their focus to protect our reputation.

How we engage
Engagement on the ingredients we make and how we make them is increasingly important. Areas of focus include the environmental and social impact of our ingredients and operations, our approach to bribery, modern slavery, equal pay and the living wage.

Our activities include meetings with NGOs and working with government officials and emergency services. Our education programmes seek to raise the profile of science, technology, engineering, maths (STEM) and give our people the opportunity to help develop the next generation of STEM engineers.

Impact of engagement
Many of our operations have regular two-way conversations with community representatives to discuss our activities and the local topics that impact us both. Our STEM work is helping to improve the learning and career prospects of local people, at the same time as enhancing our reputation and helping to develop our people.

5,117 hours of 1% Club time recorded in 2018, with 43.2% of this used for STEM activities.
Delivering the Croda difference

“Our business model is working well – a dynamic innovation engine creating exciting products, balanced global manufacturing and unrivalled customer intimacy.”

Steve Foot
Group Chief Executive

Results are stated in adjusted terms unless otherwise stated. Alternative performance measures are defined in the Finance Review.

Our strategy – delivering across three strong legs of growth
Croda delivers consistently superior shareholder value by being a leading speciality ingredient company, driving sustainable innovation, superior performance and creating value for our customers and consumers. Our objectives are to:
- Deliver consistent top and bottom line growth
- Increase the proportion of protected innovation
- Accelerate our customers’ transition to sustainable ingredients.

In 2018 we made strong progress in delivering these three objectives by connecting to faster growth markets through our ‘Growing the Core’ and ‘Stretching the Growth’ strategy. Growing the Core is focused on delivering robust top line growth above the market rate, at industry-leading margins, with a capital-light model. Stretching the Growth is focused on accelerating future sales in core and adjacent markets and technologies to drive faster growth and future profitability.

Delivering sustained sales and profit growth
Croda continues to deliver sustained sales and profit growth through the economic cycle. In 2018 we further refined the Business, growing profit ahead of sales, ahead of volume. Our business model is working well – a dynamic innovation engine creating exciting new products to meet new consumer needs; a balanced global manufacturing footprint; and an unrivalled direct selling capability, with local customer intimacy. Within our Core Business there are three strong legs of growth – Personal Care, Life Sciences and Performance Technologies – which have robust market positions, leading technologies and focused innovation. These are driving profit growth and improved cash generation.

Safety – at the heart of everything we do
Safety is at the centre of everything we do. In 2018 our process safety programme passed a major milestone, with the successful completion of the evaluation of almost 200 higher hazard process risks identified across the Group against denoting new internal standards. Our occupational health and safety performance remained broadly flat at an OSHA recordable incident rate of 0.72. In 2018 we launched a safety leadership programme across the global management team. I am delighted with the commitment of the senior leadership across the Group, with more engagement, visibility and audits, putting safety at the top of the agenda. This programme is expected to deliver improvement over the coming years and help us meet our 2020 OSHA recordable incident rate target of 0.60.

Growing the Core – delivering strong performance
In 2018 we continued to Grow the Core, with the top-line momentum seen in 2017 continuing through 2018. Sales increased to £1,386.9m, with Core Business sales 3.8% higher, supported by volume growth across the Consumer businesses and stronger pricing and sales mix.

All three Core Business sectors grew sales and profit. Personal Care continued its strong performance, growing sales by 6.8% and profit by 4.9%. Life Sciences also delivered good year-on-year sales and profit growth, more than offsetting the headwind from the Active Pharmaceutical Ingredient (API) contract that we exited in December 2017. Performance Technologies continued to make encouraging progress on actively developing higher volume, lower margin products and driving growth in higher value applications, to create a more profitable, technology-rich business.

In line with our ‘value over volume’ philosophy, we continued to prioritise bottom line growth. Adjusted profit before tax was 6.2% higher in constant currency, at £331.5m in reported currency. Return on sales increased by 50 basis points to 24.7%. Basic earnings per share (EPS) grew by 8.8% and free cash flow increased by almost 60%.

Progress in reported results (IFRS)
On a reported basis, sales and profit rose slightly, as adverse currency translation reduced the growth in constant currency. Sales at reported rates increased 1.0% to £1,386.9m (2017: £1,373.1m). Profit before tax on an IFRS basis increased by 1.2% to £317.8m (2017: £314.1m). IFRS basic EPS were broadly flat at 181.4p (2017: 180.8p).

With free cash generation improving and capital investment reducing, the Board has proposed an increase in the full year ordinary dividend of 7.4% to 87.0p (2017: 81.5p). In addition, we are investing organically, seeking to acquire mid-sized businesses complementary to our existing markets. In 2015 we acquired Incotec, which gave us a presence in seed enhancement, a marine biotechnology company with a network of over 45 in-house technology specialists Biosector. Our 2018 strategic investment was supported by a successful Open Innovation programme, where we are working with over 450 university and small enterprise partners to supplement our R&D capabilities. This innovation was also supported by our Smart Partnering Programme, where we work jointly with other companies to leverage each other’s strengths and expertise. The output of this greater innovation investment saw sales of New andProtected Products (NPP) reach 22.8% (2017: 21.7%) of total Group sales.

In 2018 we invested in new technologies, both organically and inorganically. We completed construction of the biggest capital investment in Croda’s history in North America which will introduce our sustainable bio-surfactants to our markets for the first time. After an initial period of successful operation, in November 2018 a small leak occurred at the plant, found to be due to an incorrect gasket fitted during construction. A thorough investigation is underway and we will bring the plant back on stream in a safe manner later in 2019. Until that time, unrecovered operating costs of approximately £2m per quarter are being incurred. There is also a resultant delay in the expected capture of additional margin and growth from the exciting new market opportunities created by our ECO range of green surfactants.

We continue to invest in a number of smaller, organic capital projects to increase capacity and develop new technologies. In addition, we are investing inorganically, seeking to acquire mid-sized businesses complementary to our existing markets. In 2015 we acquired Incotec, which gave us a presence in seed enhancement, a marine biotechnology company with a network of over 45 in-house technology specialists Biosector. Our 2018 strategic investment was supported by a successful Open Innovation programme, where we are working with over 450 university and small enterprise partners to supplement our R&D capabilities. This innovation was also supported by our Smart Partnering Programme, where we work jointly with other companies to leverage each other’s strengths and expertise. The output of this greater innovation investment saw sales of New andProtected Products (NPP) reach 22.8% (2017: 21.7%) of total Group sales.

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We also continue to acquire smaller, disruptive technology companies, using a global network of over 45 in-house technology scouts across Croda. In 2017, we purchased IonPhasi, a novel electrostatic dissipative polymer technology for Performance Technologies, and in 2018 we made two nascent technology acquisitions – Nautilus, a marine bio-technology company focused on the potential applications in Personal Care and other markets, and Plug Impact, an innovative biosimulant technology for Crop Care. Whilst technology

Enriching our Health Care portfolio
Our acquisitions help us enhance our existing skillets across the Group. Through acquiring Biosector we are enhancing our capabilities and knowledge to strengthen our Health Care product portfolio, bringing significant benefits to our customers. Biosector has unprecedented industry experience as a vaccine adjuvant specialist, with its product portfolio comprising innovative aluminium and saponin-based adjuvants.

Why Biosector?
Vaccine adjuvants are a complementary extension of our existing pharmaceutical excipients portfolio and we can now offer our customers an industry renowned product portfolio, including over the counter brands Alhydrogel® and Adu-Phos®, as well as their technically advanced saponin and aluminium-based adjuvants. Biosector’s rich development pipeline is an excellent indication of their innovative thinking, with second and third generation adjuvant platforms in development.
Crodas making a difference in improving health and well-being, reducing the environmental burden on the planet, improving life on land and supporting our local communities. In Personal Care, we provide solar protection ingredients to protect consumers from harmful exposure to the sun. In Health and Personal Care, our newly acquired Biosector business is improving vaccine effectiveness to treat global diseases. In Crop Protection, we develop adjuvants that minimise spray-drift and reduce pesticide burden on-farm. In Seed Enhancement, we create coatings that allow precision treatment of active ingredients and reduce in pesticide application. In our recently acquired Plant Impact business, we develop biostimulants to enhance plant vigour, promote growth, crop quality and yields to get more out of the same planted land. In Performance Technologies, our phase change materials control temperature to ensure safe transportation of essential medicines, even in the remotest areas. This is the Crodas Difference and we will continue to enhance our sustainability leadership to improve lives.

**Outlook**

In 2018, Crodas has continued to deliver sustained sales and profit growth. Looking ahead, whilst global economic and political uncertainty continues to challenge, we will continue to invest for the future and are confident that our strategy of growing the Core and Stretching the Growth will deliver further progress in 2019.

**Steve F oots**

Group Chief Executive

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**Case study: Carbon neutral**

It is vital that we continue to identify ways to reduce our carbon emissions. We are proud to say that, through the offsetting of our emissions, our Beauty Actives business, Sederma’s scorecard, became carbon neutral for their manufacturing processes in 2018.

By working with ClimateCare for the purchase of carbon credits, we are able to support the Rima Rya project in Indonesia. The Rima Rya Biodiversity Reserve is protecting a large area of tropical rainforest, which was previously lined up for conversion to palm oil estates. With our support, not only will this rainforest be preserved, important local community employment opportunities will be funded as an alternative to deforestation. This project also benefits include clean water filters and low fuel cooking stoves for local families.

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**Strong sales growth and robust margin in Personal Care**

The Group’s largest sector, Personal Care, saw mid single digit percentage sales growth across our heritage ingredient programmes and ‘Indie’ brand customers emerging across the world. We also invested in high throughput screening – the ability to test large numbers of ingredients using artificial intelligence. Alongside this, we are enhancing our sustainability leadership in the industry, of which more later.

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**Strategic Report**
## Our Strategy

### ‘Growing the Core’ and ‘Stretching the Growth’

We deliver shareholder value by being a leading speciality ingredient company, driving sustainable innovation, superior performance and creating value for our customers and consumers.

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>Description</th>
<th>We achieve this through</th>
<th>What we have done in 2018</th>
<th>Our priorities in 2019</th>
<th>KPIs</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliver consistent top and bottom line growth</td>
<td>Through our powerful business model we connect to fast growing markets to grow profit ahead of sales, ahead of volume.</td>
<td>• Our unrivalled local direct selling capability • A balanced global footprint • Accelerating sales in our core markets • A disciplined approach to capital allocation • Investing in high return opportunities.</td>
<td>• Delivered sales and profit growth in all three core sectors in constant currency • Increased earnings per share • Increased free cash flow • Returned capital to shareholders.</td>
<td>• Deliver top line growth ahead of the markets in which we operate • Deliver bottom line growth • Deliver strong free cash flow • Maintain our disciplined approach to capital allocation.</td>
<td></td>
<td>• Return on sales % (p24) • Core Business sales growth % (p24)</td>
</tr>
<tr>
<td>Increase the proportion of protected innovation</td>
<td>Innovation is the lifeblood of our business, playing a key role in delivering sales and profit growth. Through our technical and commercial expertise, our focus is to increase the sales of new and protected products (NPP).</td>
<td>• Investing in our own R&amp;D • Expanding the number of regional innovation centres • Working closer with customers to better understand their specific needs • Identifying disruptive technologies • Developing our Open Innovation and Smart Partnering Programmes with universities and technology enterprises.</td>
<td>• Increased the number of innovation centres • Completed four technology investments: Nautilus, Plant Impact, Stilla and Cutitronics • Acquired Biosector, a specialist supplier of human and veterinary vaccine adjuvants • Expanded our Open Innovation network of partners to more than 450 and continued to expand our Smart Partnering Programme • Created a global technology scouting group • Established a Digital Centre of Excellence.</td>
<td>• Increase collaboration with customers across core sectors • Commercialise new technologies • Globalise open innovation • Acquire new technology-led companies with unique intellectual property • Expand our digital capabilities.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerate our customers’ transition to sustainable ingredients</td>
<td>Sustainability connects all aspects of our business. Building on our bio-based raw material heritage, we are evolving our products, technologies and supply chain to meet customer and consumer needs.</td>
<td>• Creating ingredients that provide a benefit in use with reduced environmental impact • Better understanding the sustainable ingredient needs of our customers • Acquiring technology-led companies with sustainable technologies • Aligning our business with the United Nations Sustainable Development Goals (SDGs) wherever possible.</td>
<td>• Acquired Nautilus, a sustainable marine biotechnology company • Acquired Plant Impact, a biostimulants business that improves crop yield and quality • Acquired Biosector, a leading adjuvant specialist for vaccines • Worked on open innovation projects to identify novel, low energy, sustainable technologies • Determined the mechanism for Carbon reduction targets, 50% by 2030 and 80% by 2050, from its 2006 level.</td>
<td>• Develop KPIs and targets for 2030, aligned with the SDGs • Demonstrate how our products save more greenhouse gas emissions • Identify low carbon technologies • Deliver an improvement in workplace safety • Demonstrate the net benefit of our use of land.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
How we invested in 2018

‘Stretching the Growth’ focuses on accelerating sales in our core sectors; creating more technology, new and protected products and intellectual property; and taking a disciplined approach to capital allocation.

In line with our disciplined capital allocation policy, we invest in high capital return opportunities to deliver superior shareholder value.

In order to achieve this, we are investing in six key areas.

Greater R&D
We have a relentless focus on innovation.

In constant currency, new and protected product (NPP) sales have grown by 85% since 2012, from 20.5% of total sales to 28.2% today. Personal Care has the richest innovation, with NPP sales accounting for 43% of total sector sales.

Life Sciences has a healthy innovation pipeline and is expected to deliver fast growth in NPP sales. Performance Technologies has increased its proportion of NPP sales to 18% as the sector transitions to a higher technology business.

We continue to invest in our global R&D capabilities with new facilities in North America, China and Singapore. We have also enhanced our R&D capabilities at Sederma and expanded our crop care facility in Brazil.

Premium niches
Many of our markets are experiencing a ‘flight to premium’. We continue to experience high levels of demand for our Sederma anti-ageing skin actives, which is why we have recently doubled R&D and enhanced production capacity.

We have increased capacity in our solar protection business to support the growth of our Solaveil™ range of ingredients.

We are expanding manufacture of our high purity excipients as demand continues to grow rapidly. In Brazil, we invested in capacity for our Crop Care adjuvants, providing us with new exciting opportunities. In the UK, we are expanding our polymer additive manufacturing capacity.

Disruptive Technology-led acquisitions
We continue to invest in disruptive technology as part of our strategy to ‘Stretch the Growth’. The integration of an innovative technology provider of static electricity dissipation for electronic and automotive applications, IonPhasE, is nearing completion. This acquisition has created openings in new fast-growing, niche end-markets.

In Health Care, we acquired Biocure, a vaccine adjuvant specialist, seen as a natural extension of our existing pharmaceutical excipients portfolio.

Digitalisation
Digitalisation is an emerging differentiator for our business, creating many opportunities. We have invested in global digital resource and established a Digital Centre of Excellence to take advantage of this fast-evolving digital world.

We focus our efforts on better connecting with our customers. We created entrepreneurial cells in Digital Marketing and Data Analytics that will drive an improved customer experience through our digital channels. In Canada, we opened the Nautilus Biosciences Croda Centre of Innovation for Marine Biotechnology.

Sustainability leadership
We are passionate about sustainability, because it is the right thing to do and an integral part of how our sustainable ingredients add value to our customers’ products. Our bio-surfactants plant will see the launch of our ECO range of sustainably focused ingredients.

The publication of the United Nations Sustainable Development Goals (SDGs) is providing growth opportunities for our business. The SDGs are a commitment to tackling some of the more pressing challenges facing the world today and, in 2018, our Executive Committee worked with Cambridge Institute for Sustainability Leadership to develop our sustainability strategy in alignment with the SDGs.

Innovation Partnering
Our Open Innovation and Smart Partnering Programmes continue to evolve. We now have more than 450 partners, comprising over 100 completed and 85 ongoing projects with universities, start-ups and technology enterprises.

In 2018 we acquired Nautilus, from one of our smart partners.

Along with our smart partner Glassflake, we developed and launched a range of Moonshine™ ingredients in 2018, a new offering in colour cosmetics. We also completed an investment and a commercial arrangement with SiSaf, a pioneering UK-based bio-pharmaceutical company.

We also completed an investment in a new offering in colour cosmetics.

In 2018 we launched a range of focused ingredients.

Ingredients add value to our customers’ products and protected products and intellectual property; and taking a disciplined approach to capital allocation.

Good capital discipline
Delivering a strong cash flow is core to our strategy; it enables us to invest in R&D, faster growth technologies that are both organic and acquired, expand production capacity and pay increased dividends.

We seek to deliver high quality returns, measured through a superior Return on Invested Capital (ROIC), earnings growth and strong cash returns. The Group’s capital allocation policy is to:

Reinvest for growth by:
• Investing in capital projects to grow sales, typically each year spending 1.5x depreciation
• Increasing product innovation
• Expanding in attractive geographic markets.

In 2018 we have invested 2x depreciation in:
• Funding asset replacement
• New investment in key technologies
• Completing the construction of our pioneering bio-surfactants plant in North America.

Provide regular returns to shareholders by:
• Paying a regular dividend representing 40% to 50% of adjusted earnings over the business cycle.
• In 2018 the Board has proposed:
  • An increase of 7.4% in the full year dividend to 87.0p (2017: 81.0p)
  • A special dividend of 115.0p per share.

Acquire promising technologies to:
• Supplement organic growth in existing and adjacent markets
• Enhance our strong innovation product pipeline.

In 2018 we:
  • Acquired Nautilus, a marine biotechnology company
  • Acquired Plant Impact, a biostimulants business
  • Acquired Biocure, a vaccine adjuvant specialist for human and veterinary vaccines
  • Invested in SiSaf, a novel drug delivery technology company.

Maintain appropriate balance sheet and return excess capital to:
• Meet future investment and trading requirements; with
• A target leverage of 1.0 to 1.5x (excluding deficits on retirement benefit schemes).

In 2018:
  • After the acquisition of Biocure, leverage increased to 1.1x. In light of our strong performance and improving cash generation, the Board is proposing a return of £150m excess capital to shareholders by way of a special dividend.
  • The effect of this return would have been to increase the 2018 year-end leverage towards the upper end of the Board’s target range.
Key Performance Indicators

How we performed

KPI

**On target Return on sales (ROS) %**

- **Comment:** The Group ROS increased by 50 basis points in the year. Personal Care delivered another strong profit, although the broader mix resulted in a marginal decline in ROS. Life Sciences had another good year with increased sales and profit at constant currency. ROS was adversely affected by the acquisition of Plant Impact and the API exit. Performance Technologies delivered double-digit percentage profit growth for the third consecutive year with ROS increasing significantly, reflecting an improved product mix. Industrial Chemicals profit declined as part of our strategy to create a smaller, more sustainable, innovation-focused business.

- **Target:**

- **Our performance:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Return on sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>32.0%</td>
</tr>
<tr>
<td>2015</td>
<td>29.2%</td>
</tr>
<tr>
<td>2016</td>
<td>30.3%</td>
</tr>
<tr>
<td>2017</td>
<td>26.9%</td>
</tr>
<tr>
<td>2018</td>
<td>24.7%</td>
</tr>
</tbody>
</table>

**KPI definition:** Adjusted operating profit as a percentage of sales.

**Non-fossil fuel energy %**

- **Comment:** The proportion of energy coming from non-fossil sources took a temporary step back in 2018 due to some operational challenges with our own generation facilities (which have since been resolved) and an increase in electricity consumption associated with commissioning our new bio-surfactants plant in North America.

- **Target:** 27% by 2020.

- **Our performance:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-fossil fuel energy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>21.1%</td>
</tr>
<tr>
<td>2017</td>
<td>24.1%</td>
</tr>
<tr>
<td>2016</td>
<td>23.1%</td>
</tr>
<tr>
<td>2015</td>
<td>20.5%</td>
</tr>
<tr>
<td>2014</td>
<td>22.6%</td>
</tr>
</tbody>
</table>

**KPI definition:** The proportion of our energy that comes from non-fossil fuel sources.

**Behind target Non-fossil fuel energy %**

- **Comment:** The proportion of energy coming from non-fossil sources took a temporary step back in 2018 due to some operational challenges with our own generation facilities (which have since been resolved) and an increase in electricity consumption associated with commissioning our new bio-surfactants plant in North America.

- **Target:** 27% by 2020.

- **Our performance:**

<table>
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<tr>
<th>Year</th>
<th>Non-fossil fuel energy %</th>
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<tbody>
<tr>
<td>2018</td>
<td>21.1%</td>
</tr>
<tr>
<td>2017</td>
<td>24.1%</td>
</tr>
<tr>
<td>2016</td>
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<tr>
<td>2015</td>
<td>20.5%</td>
</tr>
<tr>
<td>2014</td>
<td>22.6%</td>
</tr>
</tbody>
</table>

**KPI definition:** The proportion of our energy that comes from non-fossil fuel sources.

**KPI**

- **On target Core Business sales growth %**

- **Comment:** 2016 was another year of progress as we delivered against our strategy through our programme of ‘Growing the Core’ and ‘Stretching the Growth’. All core sectors contributed to the Group’s sales growth performance.

- **Target:**

- **Our performance:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Core Business sales growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>18.7%</td>
</tr>
<tr>
<td>2015</td>
<td>19.2%</td>
</tr>
<tr>
<td>2016</td>
<td>26.1%</td>
</tr>
<tr>
<td>2017</td>
<td>24.2%</td>
</tr>
<tr>
<td>2018</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

**KPI definition:** Total sales growth in the Core Business measured at constant currency.

**KPI**

- **On target New and Protected Products (NPP) sales %**

- **Comment:** We focus technically and commercially on increasing the percentage of sales from NPP. We have a relentless focus on innovation to create solutions that meet the needs of our customers and their consumers. This focus includes discovering novel ways of creating additional value from our existing portfolio (for example, through new application data), NPP sales increased for the sixth consecutive year.

- **Target:**

- **Our performance:**

<table>
<thead>
<tr>
<th>Year</th>
<th>NPP sales %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>22.5%</td>
</tr>
<tr>
<td>2015</td>
<td>24.1%</td>
</tr>
<tr>
<td>2016</td>
<td>24.6%</td>
</tr>
<tr>
<td>2017</td>
<td>26.1%</td>
</tr>
<tr>
<td>2018</td>
<td>28.2%</td>
</tr>
</tbody>
</table>

**KPI definition:** Proportion of sales from NPP (in constant currency). NPP products are where sales are protected by value of being either newly launched, protected by intellectual property or by unique characteristics.

**KPI**

- **On target Relative NPP sales growth %**

- **Comment:** The KPI definition has been amended to more closely align with the measurement of our FISP target. Our continued technical and commercial focus on creating novel, differentiated solutions for our customers delivered NPP growth in the year and the ratio to non-NPP sales was on target.

- **Target:**

- **Our performance:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Relative NPP sales growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.8%</td>
</tr>
<tr>
<td>2015</td>
<td>5.3%</td>
</tr>
<tr>
<td>2016</td>
<td>6.9%</td>
</tr>
<tr>
<td>2017</td>
<td>5.0%</td>
</tr>
<tr>
<td>2018</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

**KPI definition:** NPP sales growth; targeted to be at least twice the ratio of non-NPP sales.

**KPI**

- **On target Total Recordable Injury Rate (TRIR)**

- **Comment:** Employee TRIR decreased to 0.66, extending the improvement made since 2016. Contractor TRIR performance deteriorated versus 2016 and 2017, albeit on a reduced number of contractor hours worked, following the end of major capital investment projects. Combined TRIR was broadly flat at 0.72.

- **Target:**

- **Our performance:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Recordable Injury Rate (TRIR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.76</td>
</tr>
<tr>
<td>2015</td>
<td>0.84</td>
</tr>
<tr>
<td>2016</td>
<td>0.87</td>
</tr>
<tr>
<td>2017</td>
<td>0.72</td>
</tr>
<tr>
<td>2018</td>
<td>0.75</td>
</tr>
</tbody>
</table>

**KPI definition:** The number of incidents per 200,000 hours worked where a person has sustained an injury. This includes all lost time, restricted work and medical treatment cases.

**KPI**

- **On target Adjusted basic earnings per share (EPS)**

- **Comment:** We are pleased to report an adjusted EPS of 190.2p, representing an increase of 6.3% on last year. This places us within the target range of 5-11% with a CAGR of 11.0% since 2014.

- **Target:**

- **Our performance:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted basic earnings per share (EPS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>125.0p</td>
</tr>
<tr>
<td>2015</td>
<td>135.0p</td>
</tr>
<tr>
<td>2016</td>
<td>197.0p</td>
</tr>
<tr>
<td>2017</td>
<td>155.8p</td>
</tr>
<tr>
<td>2018</td>
<td>179.0p</td>
</tr>
</tbody>
</table>

**KPI definition:** Adjusted profit after tax divided by the average number of issued shares.

**KPI**

- **On target Return on Invested Capital (ROIC) %**

- **Comment:**

- **Target:**

- **Our performance:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Return on invested capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>18.2%</td>
</tr>
<tr>
<td>2015</td>
<td>19.2%</td>
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<td>19.3%</td>
</tr>
<tr>
<td>2017</td>
<td>20.1%</td>
</tr>
<tr>
<td>2018</td>
<td>21.2%</td>
</tr>
</tbody>
</table>

**KPI definition:** Adjusted operating profit after tax divided by the average invested capital for the year for the Group. Invested capital represents the net assets of the Group, adjusted for earlier goodwill written off, reserves, net debt, retirement benefit liabilities, provisions and deferred taxes.

**KPI**

- **Key Performance Indicators**

- **Delivering consistent top and bottom line growth**

- **Increase the proportion of protected innovation**

- **Accelerate our customers’ transition to sustainable ingredients**
Personal Care

Personal Care delivered a strong performance in 2018. In constant currency, sales grew by 6.8% and adjusted operating profit by 4.9%. Growth was driven by a 4% volume increase and almost 3% price/mix growth, reflecting richer innovation, with New and Protected Products (NPP) increasing to 43% of total sector sales (2017: 41%).

While growth was strongest in the first half of the year, momentum was maintained through the second half against tougher prior year comparators. Demand was strong across all three business units and in all regions. Growth by customer group was broad-based, with a notable improvement in sales to multinationals, driven by a stronger innovation pipeline.

In reported currency, sales increased by 4.5% to £487.8m (2017: £468.6m) and adjusted operating profit was £160.3m (2017: £155.5m), a rise of 3.1%. Return on sales declined slightly to 32.9% (2017: 33.3%), reflecting a small margin dilution from the broader basis of customer and business unit growth, together with transactional currency impact of a stronger Euro on Europe-manufactured sales into US dollar denominated markets and increased investment to deliver the Stretching the Growth programme.

Our strategy of Growing the Core is successfully delivering. Beauty Actives saw sales rise at high single digit percentage. Several new products were launched, including Crystalized™, a new peptide that preserves skin transparency and improves skin surface quality, and PoreTect™, an eco-designed active ingredient that brings firmness, tone and density to the skin. The trend towards more sustainable and ethical sourcing of ingredients supported growth in plant cell products and botanical ingredients, which included the launch of ‘Green Cavilor’, a sustainable skin hydration ingredient produced from algae.

Beauty Effects is a high value business, with similar returns and innovation to Beauty Actives. It focuses on creating ingredients for instant impact skin effects, particularly popular with the millennial generation of consumers. Also, in 2018 we expanded the Solavil™ solar protection range, with the launch of Solavil XT-200, an inorganic UV active and a better performing, sustainable alternative to traditional organic UV filters.

Beauty Formulation continued to improve sales momentum, with mid-single digit percentage growth. A commercially sharper approach, together with improved engagement with multinational customers, has seen the successful development and differentiation of our heritage ingredients portfolio, with Croda ingredients being formulated into several major multinational customer re launches. New ingredients included Cropure™ Mango Butter, an excellent natural moisturiser extracted from mango seed, and Citrophyl™ PSPTL, a 100% bio-based, efficient and versatile water in oil emulsifier which allows our customers to formulate creams with excellent sensory performance.

Regional growth was strong across Asia, North America and Europe, with signs of improvement in Latin America. Japanese Beauty trends were the standout area of growth, driving strong local sales. As part of our Stretching the Growth strategy, we have 28 active open innovation projects and several smart partnerships, including with pigments innovator Glassfite. This saw the launch in 2018 of the Moonshine™ range of colour cosmetic ingredients in Beauty Effects. We commissioned a €10 million capacity expansion in Beauty Actives, doubling R&D and manufacturing capacity. Technology investments included a marine biotechnology facility for delivery of new actives, Nautilus, which sustainably uses microbial biodiversity to create novel actives and ingredients, and our second investment in Cutitronics, a digital device company. Good progress has been made integrating Nautilus and Enza Biotech, our 2017 acquisition, into the Croda R&D network. As part of our digital programme, we have invested in a high throughput robotics laboratory at Nautilus and are developing online tools to meet the needs of a growing number of agile ‘Indie’ brands. A new range of green ECO ingredients will be launched later in 2019.

In Life Sciences we create IP-rich delivery systems for complex health and crop applications. The sector delivered a good performance in 2018, with strong growth in the mainstream business offsetting headwinds from the 2017 exit of the North American API contract and an initial loss from the acquisition of Plant Impact. Sales grew by 2.8% and adjusted operating profit by 3.1% in constant currency. Adjusted for the API exit, sales were 6.7% higher. Demand was robust across Crop Protection, Seed Enhancement and mainstream Healthcare. Growth was driven equally by volume increase and improved margins, without a new and Protected Products (NPP) was lower as a proportion of sector sales due to customer reformulation.

In reported currency, sales increased by 6.6% to £324.5m (2017: £302.8m) and adjusted operating profit fell slightly to £95.8m (2017: £97.0m), reflecting the adverse impact of the API contract exit and acquisition. Return on sales was only marginally lower at 29.5% (2017: 30.1%).

The strong growth, excluding APIs, demonstrates the success of Growing the Core in Life Sciences. Crop Protection saw good growth. Although the US/China trade dispute has had some impact on North American customers, Latin America appears to have benefited from some switching of supply. Good growth in multinational accounts reflected continued collaboration on the innovation pipeline. The business continued to expand outside of its traditional heartlands of Western Europe and North America, with Latin America benefiting from recent changes to local regulation, our investment in local manufacture and greater customer intimacy, meeting the needs of local customers, which included the launch of a new plant nutrient dispersant to meet increased demand for precision agriculture. The standout success in Seed Enhancement was overall profit in 2018 reaching double the level on acquisition three years previously. This reflected our investment in innovation, re-establishing Incotecto as a leader in its space, a stronger ECO excipients portfolio within Health Care.

The Health Care business successfully replaced the exited API business in a single year. This was driven by high purity drug supplies to existing and new customers, with 30% revenue growth reflecting increased demand from more complex drug actives and broader excipient applications, but the range of standard excipients also delivered solid growth. As part of our investment and partnering programme with Siltat, we launched Prosil®90, a novel drug delivery technology providing solutions to pharmaceutical development problems across multiple therapeutic areas.

Life Sciences offers exciting future opportunities through our strategy of delivering innovative, sustainable investment programmes. In 2018, the overall investment programme included doubling of production capacity for high purity excipients, alongside investment in new purification technologies. We opened new Seed Enhancement innovation centres in China and North America, and enhanced our existing crop laboratory in Brazil. Through smart partnering we launched Atplus™ DRT-6000 for sprayer drift control in Crop Care, developed in conjunction with the University of Nebraska.

Life Sciences also offers opportunities to grow inorganically, through technology and bolt-on acquisitions. Enza Biotech, acquired in 2017, continued to develop exploratory drug delivery technologies. In March 2018 we acquired Plant Impact, a plant stimulation business which increases crop performance. Its first major product is being marketed in Latin America and new products are expected to be launched in other global markets later in 2019, mitigating initial losses from cost investment. Alongside Crop Protection and Seed Enhancement, Plant Impact creates a third technology platform for Croda’s Crop Care business.

In December we acquired Biosector, a vaccine adjuvant specialist and a natural extension to our existing pharmaceutical excipients portfolio within Health Care. The acquisition gives Croda access to an industry-renowned portfolio of adjuvants, including well-known brands, such as Alydrogel® and Adu-Phos®, and new technically advanced systems. The acquisition brings a strong innovation pipeline, pharmaceutical certified manufacturing facility and the opportunity to develop sales through Croda’s existing sales network.
Performance Technologies

2018 was another year of good progress for Performance Technologies in its transition to a higher value business focused on the premium Smart Materials and Energy Technologies markets. Sales grew by 1.4% with higher sales of specialties largely offset by exiting lower margin business. Adjusted operating profit growth was 15.0% in constant currency, the third consecutive year of double digit percentage profit growth. This change in focus was reflected by a significant decline in volume, 8% lower, offset by an improvement in price/mix of 9%. The proportion of sales from New and Protected Products remained low but the innovation pipeline is improving.

At reported currency, sales were flat at £456.4m (2017: £456.9m), whilst adjusted operating profit increased by 13.0% to £85.2m (2017: £75.4m). The stronger product mix was reflected in return on sales up 220 basis points to 18.7% (2017: 16.5%), in line with our medium term target for the sector of 20% and benchmarking favourably with other specialty chemical peers.

As part of Growing the Core, Performance Technologies continued to drive ‘value over volume’. Profitability has continued to improve in the strategic growth businesses of Smart Materials and Energy Technologies. Technology change will make these markets increasingly attractive for Croda, supported by customers increasingly looking to improve their sustainability profile using Croda ingredients.

Energy Technologies achieved good growth and margin. The lubricant additive business continued to grow in its established automotive and marine markets, with emerging opportunities in renewable energy. Its range of flow assurance additives for oil pipelines included the launch of FlexiSolVine™ 140, a wax control additive that helps customers mitigate flow problems in a number of crude oils.

The Smart Materials business made good progress in growing sales of innovative products, whilst shedding low margin products in coatings and polymer applications. The business was impacted by some weakness in end markets towards the end of 2018. The integration of Leatheroid, acquired in December 2017, progressed well, with sales growth, a first product into North America for permanent anti-static protection and a promising innovation pipeline. In Home Care & Water, reliance on low margin business into oil and gas production has significantly reduced, replaced by more innovative home care applications, such as the Collิดe™ Radiance range for enhanced fibre protection.

In Stretching the Growth, Smart Materials is reinforcing its global leadership in polymer additives by doubling capacity in the UK. Successful innovation in 2018 included Incroisol™ 5L, exceeding £1 million of sales for the first time and self-healing adhesives for the mobile phone market. The sector is broadening its customer base beyond its traditional European heartland, into North America and Asia, with an innovation centre in Texas and a new laboratory in Belgium. The sector will also benefit from the new range of ECO bio-surfactants when the plant commissions.

Performance Technologies is focused on improving knowledge intensity, strengthening sales, marketing and technical resources in newer regions, and reducing capital deployed in asset intensity by transforming into a technology-based business with an ever improving product mix. Investment continues in improved testing capability, to generate better application data and support new novel niches. The progressive improvement in product mix will make the business more resilient and continue to improve profitability.

Case study: Looking to the future

Consumers will want to keep their next generation of ultra-lightweight and thin mobile devices looking pristine. To achieve this we have launched our first 100% bio-based, self-healing ingredient, Plasmiso™ 1075. Offering self-healing effects, even at room temperature, it is designed for adhesives and engineering plastic parts for 5G smart phones, also providing protection against moisture and extreme temperatures.

2019: £456.4m
2018: £456.4m

Industrial Chemicals

We continued to refine the product portfolio in Industrial Chemicals, reducing volumes of low value co-product and tolling business. In constant currency, sales declined by 5.4%. In reported currency, sales declined to £118.2m (2017: £127.0m) and adjusted operating profit decreased to £1.2m (2017: £4.3m). Profitability in China was also adversely impacted by raw material crop issues in 2019.

Case study: ECO benefits

Our commitment to sustainability is continually opening new markets for us and our customers. The completion of our bio-surfactants plant in North America has enabled us to launch ECO Renex, 100% bio-based Polyethylene Glycols (PEGs). Unique within the market place as the only 100% bio-based PEG option, they allow our customers to increase the bio-based content of their products, replacing what was a traditionally petrochemical-based ingredient.

PEGs are used in a range of items found in homes every day, such as urethane foam, which is used in mattresses, pillows, athletic shoes and make-up applicators. They also see applications in in air fresheners to keep moisture levels high, so they are effective for longer, and in fibre finishes to lubricate yarn during clothes and textile processing. Our ECO Renex products are available in a range of molecular weights to enable our customers to meet their varying formulation needs.

Case study: Launching our ECO range of bio-surfactants

Following our single largest capital investment project, 2018 saw us gain certification for our ECO range of bio-surfactants, which will be produced at our Atlas Point manufacturing site in North America.

These new and re-imagined ingredients are designed to meet the increasing market demand for sustainable, high-performance ingredient options across a range of markets including: cosmetics and hair care products; lubricants and coatings for the automotive industry; and air and surface-care products for the Home Care market. 100% bio-based and 100% renewable, this range of non-ionic surfactants will be the widest commercially available and is certified to meet the demanding criteria of the USDA BioPreferred® program.

It is the completion of our bio-surfactants plant on the Atlas Point site that enables us to launch this ECO range, the first site in the US to have such a capability. As with all our existing operations and construction projects, process safety is our primary responsibility and we are proud of the fact that on this project construction workers worked 800,000 hours with no lost-time accidents.

After a period of successful operation, an incident occurred at the plant, which was found to be due to an incorrect gasket fitted by contractors during its construction. As soon as the incident occurred, our emergency response plans were activated and the situation was brought under control by the plant operating team with the assistance of the emergency services. There was no harm to our local community or employees, with precautionary medical advice provided to employees who were working on site at the time. A thorough investigation involving external specialists is currently underway to ensure that we fully understand the incident and put measures in place to prevent any repetition.
The Croda difference

United Nations Sustainable Development Goals

In 2018, our Executive Committee worked with the Cambridge Institute for Sustainability Leadership to develop our sustainability strategy to 2030 and to align with the United Nations Sustainable Development Goals (SDGs). Following an assessment of the relevance of the SDGs to our business, which also addresses global megatrends, we divided these into two categories.

The ‘Drivers’ are SDGs that we directly contribute to through our strategy and sales of our products across all market sectors; for example, through the sustainability benefits our products offer in use and our emission reduction targets. The ‘Fundamentals’ SDGs are those that we impact through our day-to-day business activities or indirectly through our philanthropic activities, so, while they are equally important, they do not drive our strategy. Goal 17 sits between these two layers, as nearly all our contributions are dependent on partnerships between ourselves and other stakeholders.

Our 2018 Sustainability Report contains more information on our work to map the SDGs against our Material Areas (p19). We are currently updating existing, and developing new, KPIs with associated stretch targets for each of these Material Areas through to 2030 based on our assessment against the SDGs.

Drivers

Those we directly contribute to through our strategy

1 FOOD SECURITY & NUTRITION

2 CLEAN WATER & SANITATION

3 HEALTH

4 POVERTY ALleviation

5 QUALITY EDUCATION

6 GOOD HEALTH & WELL-BEING

7 SUSTAINABLE INDUSTRY

8 CLEAN AIR

9 CLIMATE ACTION

10 WATER QUALITY

11 LIFE ON LAND

12 LIFE below LAND

13 CLIMATE ACTION

14 LIFE ON LAND

15 LIFE below LAND

16 LIFE below LAND

17 CLIMATE ACTION

Fundamentals

Those we impact through our activities

1 CLIMATE ACTION

2 SUSTAINABLE INDUSTRY

3 SUSTAINABLE INDUSTRY

4 CLIMATE ACTION

5 SUSTAINABLE INDUSTRY

6 SUSTAINABLE INDUSTRY

7 SUSTAINABLE INDUSTRY

8 SUSTAINABLE INDUSTRY

9 SUSTAINABLE INDUSTRY

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16 SUSTAINABLE INDUSTRY

17 SUSTAINABLE INDUSTRY

Sustainability benefits in use

Inclusion of our ingredients in customer formulations can offer many kinds of benefits in use, which are social, economic and environmental, for both our customers and their consumers. Last year, we began to quantify the avoidance or reduction of greenhouse gas (GHG) emissions associated with the use of our products by our customers or consumers in the end application.

This work has been driven through the formation of a Product Sustainability Group within our Sustainability Steering Committee, bringing together representatives from all our businesses who each have close relationships with our customers and an understanding of the applications our products are used in. Although we have thousands of ingredient and customer combinations, we have already uncovered large savings through specific case studies.

One of our studies has shown that including our ingredient, Coltide™ Radiance, at low levels in fabric softener products demonstrates that clothes can be washed up to twice as many times before fading or becoming bobbly. Just 1kg of Coltide Radiance is enough to be included in the wash of 195kg of clothes throughout their lifetime. If we assume that 10% of clothes are disposed of due to washing damage, then this 1kg of Coltide Radiance will have avoided the manufacture of 19.5kg of cotton and polyester clothes, avoiding over 450kg of CO₂ emissions and saving 150,000 litres of water.

We contribute or impact:

• Our People
• Product Innovation
• Product Stewardship
• Customer Intimacy
• Climate Action.

Please read our 2018 Sustainability Report for more details.
How we engage

Highlights

82.7% of our people received training during 2018

5,117 employee 1% Club hours volunteered during 2018

50% of the suppliers we invited to connect with us through the EcoVadis assessment platform did so during 2018

Our people are at the heart of everything we do at Croda, fostering close relationships with our customers, our local communities, our suppliers and other stakeholders. Our culture provides a fun and inclusive working environment to allow the creativity and innovation of our talented employees to thrive. We understand the business value of diversity of thought, and in 2018 established a Diversity and Inclusion Programme. We continue to comply with our Fundamental Principles and Inclusion Programme. We have been rigorous in avoiding discrimination across the Business, which is a part of our ongoing Diversity and Inclusion Programme.

We embrace the differences of a multi-ethnic, multi-geographic and multi-skilset company. In 2018, we achieved our objective of women making up at least a third of the Board. However, we need to replicate this across the Business, which is part of our ongoing Diversity and Inclusion Programme.

We continue to comply with the ILO Declaration on Fundamental Principles and Rights at Work. Key policies can be found at www.croda.com/companypolicy

Steering Committee, a global network of ambassadors to promote best practice and additional activities in this important area. We look to continually train and develop our employees, monitoring global training hours annually. We are a knowledge rich business and we pride ourselves on our relentless innovation. Careful knowledge stewardship is required to ensure that we retain all of the business-critical knowledge that is held across the organisation. Digital tools are being developed to help us here, along with effective succession planning.

There is an increased need for transparency within our supply chains, and we must partner with our suppliers to achieve this. In 2018, we joined the CDP Supply Chain initiative, engaging with our largest suppliers to encourage them to set greenhouse gas (GHG) emissions reduction targets.

Our 1% Club programme continues to be successful, with 5,117 hours spent in our local communities volunteering in 2018, many of these in schools encouraging children to study science, technology, engineering and mathematics subjects to help develop the next generation of scientists.

The Material Areas that support this part of our sustainability programme are:

- Our People
- Diversity & Inclusion
- Knowledge Management
- Supplier Partnership
- Community Education & Involvement.

Please read our 2018 Sustainability Report for more details.

We contribute or impact:

GHG emissions

Since 2015, our baseline year, total scope 1 and 2 greenhouse gas emissions have risen by 8.9%. Within this, our scope 1 emissions have increased by 17.4%, while we have seen a 6.3% decrease in scope 2 emissions. More about the reasons behind these changes can be found in our 2018 Sustainability report.

We are reporting location based scope 2 emissions in order to directly compare to our baseline year of 2015. However, our verified market based scope 2 emissions, which reflect our efforts to purchase renewable electricity, were 45,974 tonnes CO₂e in 2018.

Our chosen measure of GHG emission intensity divides our GHG emissions by value added: a measure of our business activity. Since 2015, our GHG emissions intensity has fallen by 9.8%, illustrating how we are decoupling growth from our environmental impact.

We strive to minimise our impact on the environment through a focus on reducing water consumption, minimising energy usage, reducing greenhouse gas (GHG) emissions and reducing waste across our operations. Where we are investing in new infrastructure, we are incorporating sustainability from the very beginning of the project, at the design stage, utilising techniques such as Sustainable Operations (SUStainable OPerations®) to ensure that all aspects of sustainability and resource efficiency have been considered.

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All of our GHG emissions data is verified by Carbon Smart. Their formal Independent Verification Statement is available at www.croda.com/carbonverification.

GHG emissions intensity (TeCO₂e/Lm)

2018 153,211 67,176
2017 134,662 66,432
2016 128,550 67,350
2015 130,492 71,727

Scope 1 Scope 2

Our chosen measure of GHG emission intensity divides our GHG emissions by value added: a measure of our business activity. Since 2015, our GHG emissions intensity has fallen by 9.8%, illustrating how we are decoupling growth from our environmental impact.

2018 saw us achieve our target of ensuring all Process Risk Reviews for high hazard processes across our operations meet the corporate standard. This has involved a rigorous review of nearly 200 processes and a huge effort by our manufacturing sites and the in-house Group Safety, Health and Environment team.

We strive to minimise our impact on the environment through a focus on reducing water consumption, minimising energy usage, reducing greenhouse gas (GHG) emissions and reducing waste across our operations. Where we are investing in new infrastructure, we are incorporating sustainability from the very beginning of the project, at the design stage, utilising techniques such as Sustainable Operations (SUStainable OPerations®) to ensure that all aspects of sustainability and resource efficiency have been considered.

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Finance review

Currency
Sterling averaged US$1.334 (2017: US$1.330) and €1.130 (2017: €1.143). Currency translation reduced sales compared to 2017 by £26.2m (1.9%) and adjusted profit before tax by £9.7m (2.7%).

Sales
Sales (figure 1) reported currency grew by 1.0% to £1,386.9m (2017: £1,373.1m). Underlying growth was 31.2% (2017: 24.5%).

Adjusted operating profit rose by 3.1% (figure 3) to £342.5m (2017: £332.2m). Adjusted basic earnings per share increased by 6.3% in reported currency to 190.3p (2017: 179.0p).

IFRS profit
IFRS profit (figure 6, p36) is measured after exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition.

Adjusted results are stated before exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition.

Sales
Sales at constant currency were up 4.7% (figure 4) in constant currency were driven by organic growth and improved product mix across the Core Business, with all sectors seeing profit increase. Performance Technologies increased profits by 15.0%, the third consecutive year of double digit percentage profit growth. Group return on sales increased by 50 basis points to 24.7% (2017: 22.4%).

The net interest charge (figure 5, p36) was broadly flat at £11.0m (2017: £11.9m) at reported rates, with a lower charge on pensions liabilities. £3.3m of interest was capitalised on the construction of the North American bio-surfactants plant until the half year, reflecting completion of the principal project expenditure. Thereafter, the interest on this additional debt has been charged to the income statement. Adjusted profit before tax at reported rates increased by £11.2m to £311.5m (2017: £300.3m).

Adjusted operating profit
Adjusted operating profit rose by 3.1% (figure 3) to £342.5m (2017: £332.2m). Adjusted basic earnings per share increased by 6.3% in reported currency to 190.3p (2017: 179.0p).

IFRS profit
IFRS profit (figure 6, p36) is measured after exceptional items, acquisition costs and amortisation of intangible assets arising on acquisition.

The charge for these before tax was £13.7m (2017: £5.2m). Acquisition costs were £2.7m (2017: £3.8m), the charge for amortisation of intangible assets was £6.1m (2017: £3.7m) and exceptional items were £4.9m (2017: £1.7m). The latter related to a past service cost charged in 2018 to equalise benefits for the effects of unequal Guaranteed Minimum Pensions (GMPs). The profit before tax on an IFRS basis was £317.8m (2017: £314.1m). The profit after tax for the year on an IFRS basis was £238.3m (2017: £236.7m) and basic EPS were 181.4p (2017: 180.8p).

Cash management
Delivering good cash generation is core to Croda’s strategy (figure 7, p37). This is used to invest in R&D, faster growth technologies, both organically and by acquisition, to expand product capacity and to pay increased dividends. 2018 saw an increase of £56.9m in free cash flow to £155.4m (2017: £98.5m).

This reflected an increase in EBITDA to £392.6m (2017: £381.8m) and reduced net capital expenditure to £103.1m (2017: £157.2m), following the completion of the construction of the North American bio-surfactants plant. Working capital rose by £93.3m, reflecting a reduction in capital creditors, as the recent investment programme was completed, and an increase in inventories above planned levels; action has been taken to reduce the excess. Tax payments were reduced by fiscal rule changes and allowances on recent investment in North America.

After acquisition spend of £82.5m (2017: £30.4m), dividends and currency translation, net debt increased by £4.0m to £425.5m (2017: £381.5m). The leverage ratio (the ratio of net debt to EBITDA) increased to 1.1x (2017: 1.0x) and remains substantially below the maximum covenant level under the Group’s lending facilities of 3 times.

There were no material changes to committed debt facilities during the year. At 31 December 2018 the Group had £380.7m (2017: £333.7m) of cash and undrawn committed credit facilities available.

Dividend and capital allocation
Croda seeks to deliver high quality profits, measured through a superior ROIC, earnings growth and strong cash returns (figure 8, p37). The Group’s capital allocation policy is to:

1. Reinvest for growth – we invest in organic capital expenditure, product innovation and expansion in attractive geographic markets to drive sales and

2. Provide regular returns to shareholders – we pay a regular dividend to shareholders, representing 40 to 50% of adjusted earnings over the business cycle. The Board has proposed an increase of 7.4% in the full year dividend to 87.0p (2017: 81.0p), a pay out of 46% of adjusted EPS.

Investing in biotechnology
During 2018 we opened our Centre of Innovation for Marine Biotechnology at our Nautilus site in Canada. This investment, which includes automated, high-throughput analytical testing, will accelerate their research and product development programme, thereby increasing our ability to discover sustainable, natural sources of functional ingredients for a broad range of personal, health and crop care ingredients.

This investment in biotechnology demonstrates our commitment to new, truly sustainable ingredients to meet consumer demands.

The effective tax rate on this profit reduced to 24.6% (2017: 26.8%), reflecting a lower US Federal tax rate. There were no other significant adjustments between the Group’s expected and reported tax charge based on its accounting profit. The Group’s adjusted profit for the year at reported rates was £249.9m (2017: £234.4m). Adjusted basic earnings per share increased by 6.3% in reported currency to 190.3p (2017: 179.0p).

Advancing sustainability
Croda works with its stakeholders to use its business in a socially and environmentally acceptable manner. One important area is our ability to source and use sustainable, renewable resources, including renewable raw materials, such as sunflower, algae and meadowgrass. We are building a sustainable business platform, investing in biotechnology and moving to the right technology mix.

ROIC has declined modestly to 18.2% (2017: 19.2%) as increased capital investment, and technology acquisitions have reduced the return by close to three percentage points. As these investments start to generate profitable sales, we expect the ROIC to improve (subject to the impact of any further acquisitions).

Strategic Report

Figure 1
Sales (£m)

<table>
<thead>
<tr>
<th></th>
<th>2017 reported</th>
<th>2018 at constant currency</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,373.1</td>
<td>1,413.1</td>
<td>4.3%</td>
</tr>
<tr>
<td>Core Business</td>
<td>1,143.1</td>
<td>1,193.1</td>
<td>4.4%</td>
</tr>
<tr>
<td>Impact of currency translation</td>
<td>252.0 (1.9)</td>
<td>230.1 (1.7)</td>
<td>-8.8%</td>
</tr>
<tr>
<td>Underlying growth</td>
<td>312.1</td>
<td>2.3</td>
<td>204.8</td>
</tr>
</tbody>
</table>
| Impact of acquisitions | 8.6 | 0.6 | 0.5%

ROIC has declined modestly to 18.2% (2017: 19.2%) as increased capital investment, and technology acquisitions have reduced the return by close to three percentage points. As these investments start to generate profitable sales, we expect the ROIC to improve (subject to the impact of any further acquisitions).

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3. Acquire disruptive technologies – we have identified a number of exciting technologies to supplement organic growth in existing and adjacent markets. Some of these will be acquired, either as nascent opportunities for future scale-up or as larger complementary acquisitions. During 2018, we completed the complementary acquisition of Biosector, technology acquisitions of Nautilus and Plant Impact, invested in a minority interest in novel drug technology company SiSaf and increased our associate investment in Cutitronics; and

4. Maintain an appropriate balance sheet and return excess capital – we maintain an appropriate balance sheet to fund future investment and trading requirements. We target leverage of 1.0 to 1.5x (excluding retirement benefit schemes), although we are prepared to move above this range if circumstances warrant. We consider returning excess capital to shareholders when leverage falls below our target range and sufficient capital is available to meet our investment opportunities. With leverage at the end of 2018 close to 1x and our confidence in future cash generation, the Board is proposing to return 115p per share (£1.05m to shareholders by way of a special dividend with associated share consolidation. The effect of this return of capital, had it been made in 2018, would have been to increase the 2018 year end leverage towards the upper end of the Board’s target range.

Brexit update

With 96% of sales and 80% of production outside the UK, the overall impact of the UK leaving the European Union (EU) is expected to be limited for Croda. This includes potential impacts from WTO tariffs, restrictions on labour mobility and any impact on the UK economy. Croda has 30 manufacturing sites, of which four are located in the UK, and over 4,500 employees, with 1,000 based in the UK. Protecting our ability to manufacture product in the UK and to ship to customers, particularly in the EU, have been important elements of our contingency planning.

An orderly transition of the UK out of the EU is expected to be manageable for Croda. However, given uncertainty over the method and timing of the UK’s exit from the EU, we have progressed contingency plans for a ‘hard Brexit’. The objective has been to ensure that we can offer continuity of service and supply to our customers, wherever they are, and regardless of the type of exit. Following our risk assessment, we have focused on those areas that could have the most impact on our ability to service customers, in the event that the UK was to leave the EU abruptly, without a transition period:

- Having a Brexit-ready trading model. We have made minor changes to our trading model within Europe to ensure that our ability to move UK manufactured product onto the continent and vice versa is not at risk. These amendments have included reviewing which ports are best placed to protect service levels, as well as ensuring that we have full EU recognition for imports and exports;
- Maintaining effective customer service and supply chains. We are working to mitigate supply issues if there are delays at borders. We have secured additional warehousing capacity and are building finished goods inventory in our distribution network in continental Europe. To ensure continued effective operation of our UK manufacturing sites, we have also developed a plan to protect critical raw materials; and
- Ensuring compliance with regulatory frameworks, most notably the EU’s REACH programme. UK-held REACH registrations may no longer be valid for sale of products in the EU, although the UK government has confirmed that EU-held REACH registrations will continue to be valid in the short term for products coming to the UK. This risk is mitigated through greater inventory of UK manufactured goods on the continent and through re-registration of UK products sold in the EU.

In addition, with the vast majority of the Group’s sales outside the UK, reported profits are impacted by movements in Sterling, with reported profit benefiting from any weakening in Sterling. Overall, we have stress tested a range of potential financial outcomes and do not believe these would alter our view of viability of the Group.

Retirement benefits

The post-tax deficit on retirement benefit plans, measured on an accounting valuation basis under IAS19, decreased to £12.4m (2017: £21.1m), largely reflecting net actuarial gains. Cash funding of the various plans within the Group is driven by the schemes’ ongoing actuarial valuation reviews. No deficit funding payments are currently required to the Group’s largest pension scheme, the UK Croda Pension Scheme.

Future trading updates

The Board has decided to cease issuing quarterly trading updates from 2019 onwards, given developing market practice. Routine updates will occur as part of the half year and full year results, normally in July and February each year.

Alternative performance measures

We use a number of alternative performance measures to assist in presenting information in this statement in an easily analyzable and comprehensible form. We use such measures consistently at the half year and full year and reconcile them as appropriate. The measures used in this statement include:

- Constant currency results: these reflect current year performance for existing business translated at the prior year’s average exchange rates and include the impact of a small amount of current currency profit, translation is performed using the entity reporting currency. For constant currency sales, local currency sales are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year’s average rates for the corresponding period. Constant currency results are reconciled to reported results in the Finance Review;
- Adjusted results: these are stated before exceptional items (including discontinued business costs), acquisition costs and amortisation of intangible assets arising on acquisition and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results;
- Return on sales: this is adjusted operating profit divided by sales, at reported currency;
- Return on Invested Capital (ROIC): this is adjusted operating profit after tax divided by the average invested capital for the year for the Group. Invested capital represents the net assets of the Group, adjusted for earlier goodwill written off to reserves, net debt, retirement benefit liabilities, provisions, deferred taxes and acquisitions as appropriate. Acquisitions made at year end without a profit contribution in the period are excluded;
- Net debt: comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and obligations under finance leases;
- Leverage: this is the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA is adjusted operating profit plus depreciation and amortisation;
- Free cash flow: comprises EBITDA less movements in working capital, net capitalised expenditure on non-cash pension expense, and interest and tax payments.

Jez Maiden
Group Finance Director
Risk Management

Protecting value

The objective of our risk management programme, summarised in our Risk Framework, is to support the business in meeting its strategic and operational objectives and to deliver on its commitments. Each of our 50+ risks are owned by an Executive member, and are categorised into six main areas. The Risk Framework is used to drive an integrated, three lines of defence management approach through the culture of the organisation, across sectors, operations, regions and functions.

Our first line of defence, our employees, have a responsibility to manage day to day risk in their own areas, and it is the role of local management and ultimately the Executive to ensure that risks are managed, and risk registers are maintained, reviewed and actioned according to the framework. The second line of defence, the Risk Management Committee, monitors and reviews risks using a bottom up and top down approach. Our dashboard tool enables comparison across regions, operations and sectors and by risk category. The third line of defence is assurance.

This is provided over the mitigating controls identified in the framework via internal control audits and deep dive risk assurance audits, the results of which are monitored by three Executive Committees and reviewed by the Audit Committee and the Board.

Our key risks

Our Risk Heat Map identifies the key risks that we consider may threaten the delivery of our long term strategic goals. The Risk Framework includes longer lists of risks that are reviewed throughout the year, together with consideration of emerging risks. The key risks are explained in further detail in the table on pages 40 to 42, together with their link to business strategy and business model. The Board has carried out a robust assessment of these key risks and has taken them into consideration when assessing the long term viability of the Company on page 43.

Changes to our gross risk environment in 2018

A number of our key risks were elevated as a result of increased political and economic uncertainty, especially around the US/China trade relationship (p18), and the focus on digital strategy opportunities also identified on page 18.

With the completion of the biggest capital investment in Croda’s history, the bio-surfactants plant in North America (p29), the risk of major capital project failure is reduced (and has been removed from our key risks). The short term risk of major safety and environmental incident has been increased as that site moves into business as usual operation.

Risk heat map (unmitigated)

| Our principal risks are reported gross (before mitigating controls) |
|----------------------|-------------------|
| Strategic risk       | External environment risk |
| 1 Revenue generation in established and emerging markets | 9 Chemical regulatory compliance |
| 2 Product and technology innovation | 10 Ethics and compliance |
| 3 Protect new intellectual property | 11 Business systems risk |
| 4 Digital technology innovation | 12 Security of business information and networks |

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Risk management in action: Brexit risk

Our cross functional Brexit project team was formed in April 2016 to monitor and review the implications of the result of the UK referendum to leave the EU ("Brexit") on our strategy, business model and operations both within Europe and globally.

The project team conducted scenario analysis to assess the impact of individual risks and combinations of risks. The results were reviewed by the Board, the Risk Management Committee, who received quarterly updates on the progress of review, design and implementation of mitigating controls.

As the probability of a hard Brexit without a transition agreement recognising the existing trading rules increased, the Risk Management Committee approved the acceleration of the project team’s contingency plans, with the primary objective of ensuring the continuity of the European business across the whole business model.

Customer communication packs were developed for the sales teams summarising our preparations and updates continue to be posted on our website.

A summary of the current status is included in the Finance Review on p36.
Risk Management continued

1. Revenue generation in established and emerging markets

- **Key risk**: Failure to keep pace with our customers as they move into emerging markets, and increasing competition from mainstream and other chemical companies looking to move into our established markets. This would adversely impact delivery of our strategic objective to deliver consistent top and bottom line growth.

- **How we respond**: Through our global sector sales, marketing and technology teams, we develop consumer trends and respond swiftly to satisfy customer needs through key technologies. Our direct selling model enables us to get closer to our customers.

- **What we have done in 2018**: Delivered a year of significant progress through our organic growth strategy, ‘Growing the Core’ (p16), where all core sectors and major regions contributed to growth. The increased risk reflects current political and economic uncertainty, particularly around trade between the US and China (p16) and our Brazil contingency planning.

2. Product and technology innovation

- **Key risk**: Innovation plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margins. Failure to drive New and Protected Products (NPP) through innovation will impact on growth.

- **How we respond**: Our outstanding technical research and development (R&D) teams are fully integrated into our global sector leadership teams to focus innovation on customer requirements. Guided by our key technology platforms, we invest in R&D, Open Innovation and Strong Partnership programmes with universities, specialist research laboratories and SMEs, and disruptive technology acquisitions. We seek out and invest in premium niches which give us a competitive advantage with our customers.

- **What we have done in 2018**: In ‘Stretching the Growth’ (p17) we acquired Biosector and purchased two disruptive technology companies, Nautilus and Plant Impact (p17), introducing new markets to our business. We continued to invest in our product innovation pipeline, opening two new laboratory laboratories.

3. Protect new intellectual property

- **Key risk**: Failure to protect our intellectual property (IP) in both existing and new markets could undermine our competitive advantage.

- **How we respond**: We have a specialist IP team and participate in the technical and business planning and strategy meetings to identify ways to protect any new products and technologies. They defend our IP and challenge third party IP where appropriate.

- **What we have done in 2018**: Increased the proportion of our portfolio that is protected by patents, including products developed through collaborative and joint projects and those acquired through technology acquisitions such as IonPhasE and Nautilus (p17).

4. Digital technology innovation

- **Key risk**: Disruptive digital technology has an increasing impact, changing both how we interact with our customers and the way our current and future customers will increasingly select and research products through digital channels with an expectation of high levels of customer service.

- **How we respond**: We are investing in dedicated global digital technology resources to make full use of the digital world and deliver an integrated market facing environment that encompasses everything from product development to artificial intelligence enabled manufacture to customer service.

- **What we have done in 2018**: Following the appointment of our Chief Digital Officer in 2017, we invested in building a dedicated global Digital Centre of Excellence (p18) of cross functional specialists from IT, marketing, R&D and operations who will together evolve and deliver our digital strategy to grow global digital sales and marketing across our business.
Global regulatory expertise is provided by our in-house team of specialists (PSRA), who have in-depth knowledge of the regional and market regulatory frameworks within which we operate. They work proactively to influence regulation and they are an integral part of our new product development process. We use the SAP ERM module to ensure that regulatory changes are applied to existing products.

The PSRA team completed the final phase of product regulation under the phase-in provisions of REACH. This gave us the opportunity to influence the regulation and collection of product data and submission of comprehensive dossiers to the ECHA/EFSA for 194 materials. In addition we submitted 129 registrations on behalf of customers. This work forms a solid foundation for any changes which may arise post Brexit.

The roll out of our compliance reinforcement programme continued globally, and its implementation was audited as it moves to business as usual. We proactively assessed the compliance risk associated with supply chain partners, meeting suppliers, agents and distributors to emphasise our expectations of their behaviour when acting on our behalf, and enabled our supplier engagement programme, partnering with EcoVadis. We expanded our whistleblowing hotline to external third parties for increased transparency.

In 2018 we took advantage of the opportunity to reduce the proportion of return seeking assets to 50%, reducing the value at risk in the scheme. The remaining return seeking assets are well diversified to provide a degree of protection against economic or political risks. Approximately 85% of the fund liabilities are now hedged for changes in interest rates and inflation (p121).

We use the SAP ERM module to ensure that regulatory changes are applied to existing products.
I have served on Plc boards in the chemical, resources, engineering, water and financial services industries for over 20 years. Prior to joining Croda I was Chair of Victrex Plc and Senior Independent Director of Aberdeen Asset Management Plc and IMI plc. During my time as a director I chaired main boards, Remuneration, Responsible Business and Risk Committees. Currently, I am also Deputy Chair of Lloyds Banking Group plc and a Non-Executive Director of BHP Limited. I therefore bring to the Croda Board extensive experience as Chair and leadership in strategic management, mergers and acquisitions and risk experience from working internationally across many sectors.*

“I am an experienced Group Finance Director, having served in this role on five UK listed company boards. As a chartered management accountant, my expertise in all aspects of finance management, gained in specialty chemical, FMCG and other manufacturing environments, allows me to support the Board and Executive of Croda in managing the performance of the Business, risk management and control, and in capital allocation and investment evaluation. I act as business partner to the Group Chief Executive and lead the finance team globally. Outside of Croda I am a Non-Executive Director and Audit Committee Chair of PZ Cussons Plc.”

“I bring to the Board 33 years’ experience of working at Croda in a variety of executive and non-executive positions, most recently leading the Global Research, Development and Innovation function and President of the Global Life Sciences business. I also have an interest and background in organisational culture, which is a key consideration in the decision making of the Board. In my roles of Honorary Professor of Chemistry and Industry at the University of Nottingham, member of Council at the University of Sheffield and a Fellow of the Royal Society of Chemistry, I widen my network of emerging technology companies and research institutes and spot new talent that will aid Croda’s future success.”

“I was an experienced CEO from the technology industry with general management and M&A experience in international and emerging markets. I have first-hand insight of transformational disruptive digital, cyber security, technology and business process solutions. I spent three years in Silicon Valley as Chief of Staff at Hewlett Packard focused on a new company strategy and turnaround. I also chaired the public services strategy board for the CBI. Away from Croda, I am a Non-Executive Director of Wood Plc and Tesco Bank, a fellow of the IET, a Trustee of Engineering UK, and a member of the Scottish First Ministers Advisory Board.”

“I’ve been around boardrooms either in an executive or non-executive capacity for over 35 years, many of which were as General Counsel and Chief Legal Officer at Unilever Plc. My fellow Board members and I have a great capacity and willingness to learn; it is what helps make the Croda Board special. I know which behaviours work around the board table, and how to help frame an open and honest discussion in order to surface controversial issues without rancour. I’ve thoroughly enjoyed my nine years as a Director and send my very best wishes to everyone at Croda as I retire from the Board in April.”

“Their roles are to provide leadership to the Board, to act as the main link between the Board and the shareholders and to ensure that the Board carries out its duties and responsibilities properly.”

“With ten years’ experience as Country and Group CEO in the Service and Health Care industries, and many years spent as a strategy practitioner in Europe and Asia, I bring to the boardroom my knowledge and passion in growth and operations. I also share lessons-learned from large transformations and M&A. My engineering background enables me to link Croda’s R&D and production competences with the evolving demands of its multinational markets. Next to my role as Non-Executive Director for Croda, from April 2019 I will be CEO of Swiss Post. I was previously the Group CEO at Optegre Eye Health Care Ltd, France CEO and Group COO at Sodexos SA and Associate Partner at McKinsey & Co.”

“I bring to the Board 27 years of leadership in strategic management, and a Non-Executive Director of BHP Limited. I therefore bring to the boardroom my knowledge and expertise in all aspects of finance management, gained in specialty chemical, FMCG and other manufacturing environments, to assist the Board and Executive of Croda in managing the performance of the Business, risk management and control, and in capital allocation and investment evaluation. I act as business partner to the Group Chief Executive and lead the finance team globally. Outside of Croda I am a Non-Executive Director and Audit Committee Chair of the UK Chemistry Council.”

“I am a Non-Executive Director and Audit Committee Chair, I have worked for a number of large international businesses including Inchcape, BOC, Johnson Matthey and the Weir Group. This breadth of experience has given me exposure to diverse end markets, many of which Croda serves, and deep international financial experience. I have also seen what good looks like in areas such as leadership, compliance and health and safety. I share Croda’s passion for sustainability and working hard whilst having fun. I feel a deep responsibility to serve Croda’s shareholders well.”

“For the past eight years, I have been the Corporate Secretary of Greggs Plc.”

“I am an experienced corporate lawyer, having worked at City law firm Hogan Lovells and FTSE 100 company Ferguson. My expertise of public and private acquisitions supports Croda’s inorganic growth plans and my professional background and breadth of experience in insurance, risk and compliance enable me to lead Croda’s responsible business programme and Chair the Ethics Committee. I provide corporate governance knowhow to the Board and Croda. Having spent many years leading Global teams, I am proud to lead Croda’s HR team, as well as the Legal and Company Secretary teams.”

“I joined Croda as a graduate trainee in 1990, I bring to the Board a business, strategic and operational background gained from a number of senior leadership roles across the Group. Having spent several years leading many different Croda businesses, I also have great insight into the markets we serve, the importance of customer focus and the power of our innovative culture. Outside of Croda, my role as Chair of the UK Chemistry Council enables me to work alongside government ministers and industry peers to bring wider industry knowledge into our business.”

“With 23 years of experience in marketing and corporate strategy at Unilever and a further eight as a strategic consultant for other multi-national businesses, I aim to bring marketing skill and an end-consumer perspective to the boardroom, as well as challenge and support to the CEO in strategy development. My academic roots in engineering, with a PhD from Cambridge University, drive my passion and curiosity for both product and process innovation. I am also a Non-Executive Director of PZ Cussons Plc.”

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Chair’s letter

Dear fellow shareholder

In the wake of some recent high-profile corporate failures there is rightly a growing spotlight on accountability and business responsibility. I welcome the recent changes to corporate reporting requirements and corporate governance and I align with how Croda operates – with transparency and integrity. Our governance framework underpins the Board’s commitment to the highest standards of corporate governance and sets the tone for the rest of the organisation. The Board has a vital role to play in promoting and nurturing a culture and behaviours that are consistent with delivering our strategy and ensuring the success of Croda in the long term.

The Board is accountable to Croda’s shareholders for good governance and this report, together with the Directors’ Remuneration Report set out on pages 69 to 89, describe how the Code’s main principles of governance have been applied by the Company. This report includes insights into how our governance framework underpins and supports our business and the decisions we make every day.

I am pleased to report that the Company has complied with the UK Corporate Governance Code (April 2016) for the period under review and is also complying early with many of the provisions of the new UK Corporate Governance Code (July 2018) that we will be formally reporting on in next year’s Annual Report.

Culture and values

The Board spends a considerable amount of time meeting with employees and visiting our offices and manufacturing sites around the world. This year the Directors undertook 38 site visits between them, visiting a total of 26 sites and sales offices. This level of engagement, particularly by the Non-Executive Directors, provides our Board with insights and understanding of the Business that would not otherwise be gained in their role and which enhances the quality of decision making and debate. During the year the Board received the output from the Global Employee Culture Survey conducted at the end of 2017 and had regular discussions and oversight of the actions being undertaken across every country and business in the Group in response to the feedback from the survey. The Board’s site visits allow each Director to engage directly with our employees, ensuring they understand first-hand their views and insights into our culture, whilst at the same time creating opportunities for a cultural tone to be cascaded from the boardroom. On pages 50 and 57 we set out details of the Board’s programme of activities outside the boardroom and our engagement with our employees.

As a Board we ensure that we also understand the views of our other key stakeholders and take them into account in our discussions and decision-making. Page 66 describes how the Board engages with each key stakeholder, the issues that are important to each of them and some examples of how we have considered our key stakeholders in some of the Board’s decisions made during the year.

Leadership

We regularly assess the skills and experiences of the Board to ensure that we have the right balance and composition. This assessment enables us to identify areas of opportunity to bring fresh and alternative insights to the Board and enhance diversity in its broadest sense. Last year this assessment identified opportunities for us to strengthen the Board’s skills and experience in the areas of international/emerging markets, digital and general management/CEO experience. Following an extensive search summarised on page 66 I was delighted to welcome Roberto Cirillo and Jacqui Ferguson to the Board as independent Non-Executive Directors. Roberto joined the Board on 26 April 2018 and Jacqui joined on 1 September 2018. Both appointments have already been of enormous benefit to the Croda Board, supporting our strategic plans to connect more dynamically to customers through the use of technology and helping customers transition to more sustainable ingredients. Roberto brings with him a wealth of international experience in operations and strategy and Jacqui a deep knowledge of digital as well as experience in operating in emerging markets. The appointments also bring greater diversity to the Board in terms of gender, tenure, nationality and experience.

Having served nine years on the Board, Steve Williams will retire at this year’s Annual General Meeting. I would like to thank Steve for his outstanding contribution to Croda, in particular in his role as Chair of the Remuneration Committee. In preparation for Steve’s retirement, Helena Ganczakowski took over as Chair of the Remuneration Committee in April 2018. This gave Helena a good period as Chair to prepare for the Committee’s review of the Company’s remuneration policy. Helena has been a member of the Remuneration Committee since 1 February 2014.

We have continued our focus on succession planning to ensure that we have a healthy talent pipeline for future Executive Committee and Board roles. This year we have spent time on development plans for our most senior employees – those members of the Executive Committee and other key management identified as having Board potential – ensuring that their development plans are individually tailored and allow us to build up a talent pool for future Board and Executive Committee appointments. This work is described in more detail in the Nomination Committee report on page 66. We have also started to consider succession for Alan Ferguson, who will have served on the Board for nine years in 2020.

With Jacqui’s appointment to the Board I am pleased that we have fulfilled the commitment in our Board diversity policy to reach 33% female representation on our Board in the medium term. We have updated our diversity policy to reflect this and have committed to maintain this level of representation and stated our aim to reach a gender balanced Board in the future. More information on our Board diversity policy and on our efforts to increase diversity across the Company are on page 66.

Effectiveness

As Chair, I am responsible for leading and ensuring that we have an effective and functioning Board. Good progress has been made against the actions that the Board set itself following the 2017 Board effectiveness review. This progress is summarised on page 49.

The Board and Committee review for 2018 was conducted using an online questionnaire, designed by Lintstock, with input from me and the Company Secretary. The evaluation was very positive, and I was pleased that the Board dynamics and composition of the Board, including diversity, were rated highly – supporting the contribution and effectiveness of our new Directors Jacqui and Roberto. The changes we made to rebalance the Board agendas with the aim of freeing more Board time for high level strategic decisions are working well. Further details on the evaluation can be found on page 54.

Case study: Outside the boardroom

In May, the Board spent a day in our laboratories at Cowick Hall. Through multiple interactive and quick fire demonstrations, the Board gained insights into new technologies and research projects. The Board spent time engaging with the R&D teams on pipeline projects and customer unmet needs.

Anita Frew
Chair
Progress on focus areas for 2018:

<table>
<thead>
<tr>
<th>Key actions</th>
<th>What we did</th>
<th>Status</th>
</tr>
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</table>
| Perform longer term strategic reviews                                      | • Working with the Executive Committee, articulated the Group’s purpose – “Smart Science to Improve Lives”  
• Developed ambitious long term strategic objectives, built upon the United Nations Sustainable Development Goals.                                      | Ongoing    |
| Oversee the recruitment of a new Non-Executive Director and consider       | • Assessed the collective Board expertise and experience and identified opportunities for new appointments  
• Appointed Roberto Cirillo and Jacqui Ferguson as independent Non-Executive Directors  
• Appointed Alan Ferguson as Senior Independent Director upon Nigel Turner’s retirement  
• Appointed Helena Ganczakowski as Chair of the Remuneration Committee in preparation for Steve Williams’ retirement in April 2019. | Completed  |
| Non-Executive Director succession                                           |                                                                                                                                                                                                          |            |
| Refine risk appetite for key Company risks                                 | • Working with the Risk Management Committee and generic risk owners, reviewed and refreshed the risk appetite for each risk  
• Developed a risk appetite statement for risk sub-categories to be shared with the Board in 2019.                                           | Ongoing    |
| Commission an external gap analysis for succession                         | • External assessment of the Executive Committee completed to identify development areas and strengthen succession planning; assessment also included external benchmarking. | Completed  |
| Define those elements of the culture to preserve to support long term success | • Undertook a review of the Group’s core values  
• Developed a new code of conduct.                                                                                                                                                                         | Completed  |
| Develop mechanisms for the evaluation of past Board decisions              | • Received reports on performance of capital expenditure projects against the approved business plans  
• Received regular reports on the performance of recently acquired companies  
• Undertook a comprehensive review of the bi-o surfactants plant in North America and lessons learnt from the project  
• In 2019 we will undertake an evaluation of past decisions concerning innovation.                                                                 | Completed  |

Looking ahead to 2019

During the year the Board will:

- Continue our focus on safety leadership – at all levels of the organisation
- Continue to nurture and promote the Croda values and culture
- Spend time looking at insights and longer term trends from our customers and the external markets
- Ensure sustainability and digital become integral components of our long term strategy development.

Meetings

Membership of the Board and attendance (eligibility) at Board meetings held during the year ended 31 December 2018.

- Anita Frew (Chair) 10 (10)
- Roberto Cirillo 5 (5)*
- Alan Ferguson 10 (10)
- Jacqui Ferguson 3 (3)*
- Steve Foots 10 (10)
- Helena Ganczakowski 10 (10)
- Keith Layden 10 (10)
- Jez Maiden 10 (10)
- Nigel Turner 4 (5)**
- Steve Williams 10 (10)

* Roberto Cirillo joined the Board on 26 April 2018. Jacqui Ferguson joined the Board on 1 September 2018.
** Nigel Turner retired from the Board on 25 April 2018. He was unable to attend one Board meeting due to personal commitments.
Corporate Governance continued

Leadership
At the date of this report, the Board comprises nine Directors: the Chair, the Group Chief Executive; the Group Finance Director; five independent Non-Executive Directors and one non-independent Non-Executive Director, who was the Company’s Chief Technology Officer until his retirement in 2017. The size of our Board allows time for full discussion and debate of items and enables all Directors’ views to be heard. The Non-Executive Directors have a broad range of business, financial and international skills and experience, which provide appropriate balance and diversity within the Board. A key consideration for any new Board appointment will be the additional breadth a new Director could bring, in terms of skills, knowledge, experience, gender or ethnicity. Directors’ biographical notes appear on pages 44 and 45 and at www.croda.com.

With support from the Company Secretary, the Chair sets the annual Board agenda and Board meeting agendas and determines the number of meetings to be held during the year. She ensures enough time is devoted, during meetings and throughout the year, to discuss all material matters, including strategic, financial, operational, business, risk, human resources and governance issues. The Board has taken action to strike a balance between reporting, approvals and governance matters, whilst ensuring more time is devoted to major strategic issues.

Role and operation of the Board
The Board has ultimate responsibility for the overall leadership of the Group. In this role, it oversees the development of a clear Group strategy, monitors operational and financial performance against agreed goals and objectives and ensures that appropriate controls and systems exist to manage risk.

Specific Board matters
The matters reserved for the Board fall into four broad areas:

1. Matters required by law to be reserved for the Board’s decision, such as approving the Annual Report and Accounts, appointing new Directors and declaring dividends
2. The requirements of the UK Listing, Prospectus and Disclosure and Transparency Rules, such as approving circulars to shareholders and other significant communications
3. UK Corporate Governance Code recommendations, such as ensuring the Group has a sound system of internal control and risk management, and approving the Board and Committees’ terms of reference
4. Other matters, such as approval of the Group’s strategy and budget, material corporate transactions and capital expenditure.

The full schedule of matters reserved for the Board can be found at www.croda.com.

Outside the boardroom
In addition to formal Board meetings, the Board undertook two site visits during the year.

In May they spent a day in the laboratories at Cowick Hall where they gained insights into many of our new development and risk management, and approved the Board and Committees’ terms of reference.

The Chair spends a considerable time that the Board spent discussing material matters, including strategic, financial, operational, business, risk, human resources and governance issues.

The Board’s 2018 activities and priorities
The Board has an agenda programme that ensures strategic, operational, financial, human resources and corporate governance items are discussed at the appropriate time at Board meetings. The Board agenda has strong links to the Board’s 2018 strategy and purpose.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Financial, risk and performance management 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering growth (p20) (25%)</td>
<td>Board activity in 2018</td>
</tr>
<tr>
<td>Product manufacturing strategies</td>
<td>People (15%)</td>
</tr>
<tr>
<td>Consideration of various acquisition opportunities, with approvals for acquisitions of Plant Impact, Nautilus and BioSector</td>
<td>Sustainable solutions 20%</td>
</tr>
<tr>
<td>Digital strategy – including projects for digital marketing and e-commerce platforms</td>
<td>Strategy</td>
</tr>
<tr>
<td>Capital expenditure approvals – including approval of a new warehouse facility in the UK and expansion and development of manufacturing capacity and capability in China, France and the UK</td>
<td>Governance and reporting 10%</td>
</tr>
<tr>
<td>Adjacent market opportunities</td>
<td>People (15%)</td>
</tr>
<tr>
<td>Business presentations – including of the Company’s Beauty Actives business and Botanical Extracts business.</td>
<td>Financial, risk and performance management (20%)</td>
</tr>
<tr>
<td>The Board has taken action to strike a balance between reporting, approvals and governance matters, whilst ensuring more time is devoted to major strategic issues.</td>
<td>Strategy</td>
</tr>
</tbody>
</table>

The Board’s 2018 activities and priorities
The Board has an agenda programme that ensures strategic, operational, financial, human resources and corporate governance items are discussed at the appropriate time at Board meetings. The Board agenda has strong links to the Board’s 2018 strategy and purpose.

The Chair spends a considerable amount of time meeting with Steve Foots and the senior management team at the Company’s head office. This ensures that she is kept appraised of significant developments in the Business between Board meetings. In addition, the Chair and Non-Executive Directors met together without the Executive Directors present.

All of the Directors undertook one or more additional site visits outside of these two Board site visits. Further details are on page 57.

The Directors attended two off-site meetings to review the Group’s strategy, one focusing on the long term strategy and the other the three year plan. The Board met with the Group’s financial and public relations advisers to discuss the feedback from investors and analysts on the Group’s annual results.

The Chair spends a considerable amount of time meeting with Steve Foots and the senior management team at the Company’s head office. This ensures that she is kept appraised of significant developments in the Business between Board meetings. In addition, the Chair and Non-Executive Directors met together without the Executive Directors present.

Outside the boardroom
In addition to formal Board meetings, the Board undertook two site visits during the year.

In May they spent a day in the laboratories at Cowick Hall where they gained insights into many of our new development and risk management, and approved the Board and Committees’ terms of reference.

The Chair spends a considerable time that the Board spent discussing material matters, including strategic, financial, operational, business, risk, human resources and governance issues.

The Board’s 2018 activities and priorities
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<table>
<thead>
<tr>
<th>Strategy</th>
<th>Financial, risk and performance management 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering growth (p20) (25%)</td>
<td>Board activity in 2018</td>
</tr>
<tr>
<td>Product manufacturing strategies</td>
<td>People (15%)</td>
</tr>
<tr>
<td>Consideration of various acquisition opportunities, with approvals for acquisitions of Plant Impact, Nautilus and BioSector</td>
<td>Sustainable solutions 20%</td>
</tr>
<tr>
<td>Digital strategy – including projects for digital marketing and e-commerce platforms</td>
<td>Strategy</td>
</tr>
<tr>
<td>Capital expenditure approvals – including approval of a new warehouse facility in the UK and expansion and development of manufacturing capacity and capability in China, France and the UK</td>
<td>Governance and reporting 10%</td>
</tr>
<tr>
<td>Adjacent market opportunities</td>
<td>People (15%)</td>
</tr>
<tr>
<td>Business presentations – including of the Company’s Beauty Actives business and Botanical Extracts business.</td>
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Corporate Governance continued

Board roles

Chair
The Chair leads the Board and is responsible for promoting open and effective communication between the Executive and Non-Executive Directors and for creating an environment at Board meetings in which all Directors contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge.

The Chair leads the annual Board effectiveness review process and ensures that all new Directors have an appropriately tailored induction process.

Group Chief Executive
The Group Chief Executive has day-to-day responsibility for the effective management of the Group’s business and for ensuring that Board decisions are implemented. He plays a key role in devising and reviewing Group strategies for discussion and approval by the Board. The Group Chief Executive is tasked with providing regular reports to the Board on all matters of significance relating to the Group’s business, or reputation, to ensure that the Board has accurate, timely and clear information on all matters.

Group General Counsel and Company Secretary
The Group General Counsel and Company Secretary is secretary to the Board and its Committees. He ensures that Board procedures are complied with and advises on regulatory compliance and corporate governance. In addition, he develops Board and Committee agendas and collates and distributes meeting papers. He facilitates induction programmes for new Directors and provides briefings on governance, legal and regulatory matters.

Executive Directors
The role of an Executive Director is to bring a commercial and internal perspective to the Boardroom. Working with the Group Chief Executive, they are responsible for the leadership and management of the Company according to the strategic direction set by the Board.

Senior Independent Director
The Senior Independent Director provides a sounding board for the Chair and acts as an intermediary for the Non-Executive Directors, where necessary. He is available to shareholders where communication through the Chair or Executive Directors has not been successful or where it may not seem appropriate. The Senior Independent Director is responsible for leading the Non-Executive Directors in appraising the performance of the Chair and in their discussions of her term of appointment and fees.

Non-Independent Directors
Having served Croda for 33 years, the latter five of which were as a member of the Board, Keith Layden is not considered independent. However, because of that experience, Keith contributes strongly to the Board’s culture and personality, and adds unique and valuable insight and constructive challenge. With appropriate management of conflicts, Keith can constructively challenge the Executive Directors and scrutinise the performance of management in meeting agreed goals and objectives in a way largely unavailable to the independent Non-Executive Directors.

Non-Executive Directors

Independent Non-Executive Directors
The role of independent Non-Executive Director is central to an effective and accountable Board structure. They constructively challenge the Executive Directors and scrutinise the performance of management in meeting agreed goals and objectives. They help develop and monitor the delivery of the strategy within the risk and control framework set by the Board. They determine appropriate levels of remuneration for Executive Directors and have a prime role in succession planning and the appointment and, where necessary, the removal of Executive Directors.

Non-Independent Non-Executive Directors

Governance structure
The Board has three main Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The terms of reference for each Board Committee can be found at www.croda.com.

The day-to-day operational management of the Business is delegated by the Board to the Group Chief Executive, who uses several Committees to assist him in this task: the Group Executive Committee; the Group Finance Committee; the Risk Management Committee; the Group Safety, Health, Environment and Quality (SHEQ) Steering Committee; the Group Ethics Committee, and the Routine Business Committee. For further information on each of these Committees see page 68.
The nature of Board service has, with the exception of Steve Williams, all Directors time for his/her duties and remains fully satisfied that each Director continues to perform their role and from international markets.

The Board has a broad range of skills and experience from different industries, advisory expertise and values, which are a key differentiator of our business.

Visiting platforms and chemistries, as well as our employees across all functions and seniorities. They have visited a number of our manufacturing sites and sales offices in Singapore, Spain, USA, China, Spain, France and the UK. This includes time at dinners and social events. Through these interactions they were able to gain insights into the Croda culture and our values, which are a key differentiator between us and our competitors.

The results were discussed in detail by the Board, with facilitation by the Chair and the Company Secretary. The Board deliberations remain constructive and robust, with a healthy debate of ideas and opinions. The addition of new Directors has brought a positive dynamic to Board discussions. Board meetings are normally held by the Chair and the agendas are balanced. The changes made in 2017 to rebalance the Board agenda with the aim of freeing more time for high level strategic decisions are working well and the Board has continued with a consistent agenda structure.

The Board remains fully satisfied that each Director continues to contribute significantly to the Board. Each Director is provided with a questionnaire, including completion of questionnaires, which facilitated an evaluation of the effectiveness of the Board and its Committees and the support and information received from management and advisors.

Areas for focus and opportunities for 2019 were agreed by the Board, see page 49.

The Board also receives regular reports on Group activities and current concerns. Separate questionnaires were also used for the Audit, Remuneration and Nomination Committees. A report was prepared based on the completed questionnaires, which facilitated an evaluation of the effectiveness of the Board and its Committees and the support and information received from management and advisors.

The Board undertakes a formal review of its performance and that of its Committees each year. The 2017 review was conducted by Egon Zehnder, an external board review specialist. The key actions following the review and the progress in meeting them are summarised on page 49.

This year we conducted the review using an online questionnaire tailored to the various Board activities and current concerns. Separate questionnaires were also used for the Audit, Remuneration and Nomination Committees. A report was prepared based on the completed questionnaires, which facilitated an evaluation of the effectiveness of the Board and its Committees and the support and information received from management and advisors.

The Board does not consider that these matters should interfere with the performance of their duties for the Company.
Relations with stakeholders

During the year the Board undertook a key stakeholder review. Although the Company has multiple stakeholders, the Board considered that its key stakeholders were our employees, shareholders, customers, local communities and suppliers. The Board reviewed how the Directors and the Company engaged with these key stakeholders and refined its engagement strategy in certain areas to ensure that it continued to have a good understanding of their views and interests. In undertaking this review, the Board agreed that stakeholders it needs to engage with directly and where it could rely on information from management. The majority of our engagement with key stakeholders is carried out by our commercial and functional business teams. The Board engages directly with employees, shareholders and customers, but not directly with suppliers or local communities.

To read more about how we engage with our wider stakeholders see pages 14 and 15.

Employees:
The Board has direct engagement during site visits, Board presentations, Board dinners and informal lunches (see the case study on page 57 for more details.) The Board inputted into the design of the recent employee culture survey and has had good visibility of the results and actions. Engagement with employees also takes place through works councils, consultation committees, Listening Groups and Town Halls.

Shareholders:
Board engagement with shareholders is primarily through the Group Chief Executive and Group Finance Director.

Customers:
The Board engages with customers through the Group Chief Executive and receives regular information about customers in the Group Chief Executive’s Board Report and in other business Board reports.

Local communities:
Engagement takes place locally through our local offices and sites, including via the science, technology, engineering and mathematics (STEM) and 1% Club programmes and community consultation committees.

Suppliers:
We engage with our suppliers via our site and purchasing teams as well as through other functions such as Safety, Health, Environment and Quality (SHEQ) and legal. The Board receives information through Board reports.

Case study: Examples of how the Board considered the interest of its key stakeholders when making decisions

The Board reviewed the Company’s contributions to the UK defined benefit pension scheme. Balancing the funding risks that are inherent in maintaining an open defined benefit scheme with the material benefits for UK employees, the Board reached the decision that it was in the Company’s best interests to increase its contribution rates.

During the Board’s consideration of a potential acquisition of a company in an adjacent market, management presented its due diligence findings, which highlighted certain risks that could have an adverse reputational impact. The Board considered the importance of Croda’s reputation with its customers and employees and, notwithstanding the financial benefits of undertaking the acquisition, it concluded that it was best for the success of the Company not to proceed with the acquisition.

The Board approved a capital expenditure request to open a new warehouse in the North of England. The Board took account of a number of stakeholder factors in reaching this decision, including that existing warehouse employees would not be made redundant and would be relocated to the new facility; the positive impact on customer service; and the benefits of the investment to the local community. The Board also took account of the financial returns in the project and considered it was in the best interests of the Company to approve the expenditure.

Case study: Employee engagement

As well as the Board’s site visit in September, all of the Directors undertook one or more additional site visits. During these site visits the Directors met with a broad spectrum of employees from differing departments – including sales & marketing, R&D, SHEQ, HR, supply chain, finance, operations, production and customer services and discussed a wide range of topics. These included process safety, innovation, business ethics, the recent employee culture survey findings, site expansion plans and challenges and opportunities in each market. Whilst on site each Director had lots of informal interaction with employees – whether over lunches, dinners or site walk arounds, including when site senior managers were not present.

Site visits during 2018 by the Directors

- Manufacturing site visits
- Sales office visits

<table>
<thead>
<tr>
<th>Number of Visits</th>
<th>Number of Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>38</td>
</tr>
<tr>
<td>14</td>
<td>26</td>
</tr>
<tr>
<td>Times NEDs</td>
<td>Total number</td>
</tr>
<tr>
<td></td>
<td>of visits</td>
</tr>
</tbody>
</table>

Spouses and partners are invited to attend, reinforcing the family values of the Company.

The Company has numerous employee engagement mechanisms, with examples including local consultation committees, works councils, union meetings, Listening Groups and Town Hall meetings that incorporate Q&A sessions. Common topics discussed at these meetings are work practices, safety, benefits, business performance, site facilities and key people changes. Any issues of a material nature get reported to the Board via regular management reports, including reports from the HR Director.
Communication with shareholders

The Chair, Executive Directors and other senior managers maintain regular contact with existing and potential shareholders to ensure that our strategy and trading trends are clearly understood.

Recognising the importance of communicating with our shareholders, our Vice President, Investor Relations manages the day-to-day contact with the investment community, including investors and analysts, as well as co-ordinating site visits and presentations at investor conferences and roadshows.

The Board engages in active dialogue with shareholders through the Group Chief Executive, Group Finance Director and the Chair, who regularly meet with shareholders. These meetings provide an appropriate means of capturing shareholders’ opinions and the Chair ensures that the Board is regularly appraised of shareholders’ views and key issues. All Non-Executive Directors are available to attend meetings if requested by shareholders and the Senior Independent Director is available to discuss matters concerning the Chair if the need arises; no such meetings were requested by shareholders during the year.

During the year, numerous meetings were held with investors in the UK, North America, Europe and Asia, including face-to-face meetings, telephone and video conferences and hosted site visits in numerous regions. The Board invites the Company’s brokers and financial public relations advisers to attend at least one meeting each year, at which the economic and investment environment, Croda’s performance (generally and in comparison with its sector peers) and investor reactions are discussed.

The Company’s results presentations are webcast live, so all shareholders have access to them, and are also available to download. We answer all investor questions sent to our website.

Set out on page 59 are answers to the most commonly asked shareholder questions and a calendar of our investor events attended by senior management throughout the year.

Substantial shareholders

As at the date of this Annual Report and Accounts the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>% of issued capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock, Inc.</td>
<td>7,463,118</td>
<td>5.68%</td>
</tr>
</tbody>
</table>

Case study: Governance lunch

In June, the Company’s largest shareholders were invited to attend a lunch with the Chair, Anita Frew, Alan Ferguson (the Chair of the Audit Committee and Senior Independent Director) and Helena Ganczakowski (Chair of the Remuneration Committee).

The lunch was attended by representatives from six shareholders who between them held 6.61% of the total issued shares in Croda.

Discussions focused on a range of topics, including governance, remuneration, sustainability and succession planning.

The Chair reported back to the next Board meeting, where it was agreed by the Board to host a similar event in 2019.

Investor concentration

<table>
<thead>
<tr>
<th>Type of holder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private holders</td>
<td>3.42%</td>
</tr>
<tr>
<td>Institutional holders</td>
<td>93.61%</td>
</tr>
<tr>
<td>Other holders</td>
<td>2.97%</td>
</tr>
</tbody>
</table>

Geographical breakdown of shareholder base

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>33.10%</td>
</tr>
<tr>
<td>Continental Europe</td>
<td>16.72%</td>
</tr>
<tr>
<td>Asia</td>
<td>4.17%</td>
</tr>
<tr>
<td>UK</td>
<td>46.01%</td>
</tr>
</tbody>
</table>

Common investor questions

1. How does the Company manage its allocation of capital?
   The Company has good capital discipline that is aligned with its clearly defined Capital Allocation Policy (p35). Organic capital investment and a regular dividend are prioritised.

2. How does the Board assess whether to return capital to shareholders?
   In line with the defined Capital Allocation Policy, we target leverage of 1.5 to 1.5x (excluding deficits on retirement benefit schemes), although we are prepared to move above this range if circumstances warrant. The Board considers returning excess capital to shareholders if it feels that leverage is likely to be below the target range.

3. What are the sales and profit growth opportunities for the core sectors?
   Personal Care offers low to single digit percentage sales growth at improving margins. Performance Technologies offers low single digit percentage sales growth at improving margins.

4. What are the Company’s priorities in respect of merger and acquisition activity?
   The Company’s M&A priority targets are:
   - Nascent technologies
   - Small to medium sized businesses in adjacent markets with strong IP.

5. What is the target for New and Protected Products (NPP) sales growth?
   The aim is to grow NPP at twice the non-NPP sales growth rate (p24).

Our investor calendar

Set out below is a calendar of our investor events attended by senior management in 2018.

January
- Investor field trips in Singapore and the UK.
- Full year results announced.

February
- Roadshows in London.
- Conferences in London and New York.

March
- Q1 Trading Update published.
- Annual General Meeting in Harrogate
- Capital Markets Day held at Incotec in the Netherlands
- Roadshows in the Netherlands and Boston.

April
- Q1 Trading Update published.
- Annual General Meeting in Harrogate
- Capital Markets Day held at Incotec in the Netherlands
- Roadshows in the Netherlands and Boston.

May
- Roadshows in New York, Chicago, Toronto, Frankfurt, Edinburgh, Copenhagen and Oslo
- Conferences in London and New York.

June
- Roadshows in Stockholm and Paris
- Conferences in London, Nice and Paris
- Investor field trips to Brussels and in the UK
- Investor lunch in London with Board members.

July
- Half-year results announced in London
- Roadshow in London.

August
- Roadshows in US Mid-West, Dublin and Helsinki
- Investor field trips in Sweden.

September
- Conferences in London and Boston
- Roadshow in Madrid
- Investor field trip in UK.

October
- Roadshows in US Mid-West, Dublin and Helsinki
- Investor field trips in Sweden.

November
- Q3 Trading Update published.
- Conferences in New York, London and Boston
- Roadshows in London, Montreal and Toronto
- Investor field trips in UK.

December
- Conferences.

Annual General Meeting (AGM)

The AGM provides an opportunity for private shareholders to raise questions with Board members. The Directors are also available to answer questions afterwards, in an informal setting. The Annual Report and Accounts, including the notice of AGM, are sent to shareholders at least 20 working days before the meeting. There is a separate investor relations section on www.croda.com that includes, amongst other items, presentations made to analysts. The AGM will be held at the Pavilions of Harrogate, on 24 April 2019 at 12 noon.

Deadlines for exercising voting rights

Votes are exercisable at a General Meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy or, in relation to corporate members, by corporate representatives. The Company’s Articles of Association provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of a meeting or adjourned meeting.

58 Croda International Plc
Annual Report and Accounts 2018

59 Croda International Plc
Annual Report and Accounts 2018
Accountability
The Audit Committee

The Audit Committee’s report, which describes the membership of the Audit Committee, its responsibilities, main activities in 2018 and priorities for 2019, is set out on pages 61 to 65.

Risk management and internal control

The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. In accordance with the guidance set out in the Financial Reporting Council’s (FRC’s) Guidance on Risk Management, Internal Control and Related Financial Reporting, 2014, and in the Corporate Governance Code itself, an ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Group (p38). The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

In particular, there are clear procedures and defined authorities for:
- Financial reporting, with clear policies and defined authorities for:
  - In particular, there are clear procedures operating procedures, lines of responsibility and delegated authority.
  - The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.
  - The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

The Board discharged its responsibility for monitoring the operational effectiveness of the internal control and risk management systems throughout the financial year and up to the date on which the financial statements were approved by the Directors.

The process has been in place for the full financial year and up to the date on which the financial statements were approved by the Directors.

The Board discharged its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. The Board therefore established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

Non-financial information statement

The table below sets out where more information can be found in our Annual Report that relates to non-financial matters, as required under the Non-Financial Reporting Directive. We also publish a Sustainability Report, which includes further information on our financial position.

| Reporting requirement | What is said in the Annual Report | Page | Some of our relevant policies | Key risks relating to these matters | [pages 38 to 40]
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental matters</td>
<td>Making a difference to... Board activity in 2018 30-33</td>
<td>2-9</td>
<td>Group SHE Policy (p3)</td>
<td>Major safety or environmental incident</td>
<td>19</td>
</tr>
<tr>
<td>Social and employee matters, including diversity and inclusion</td>
<td>Our Stakeholders Sustainability Board activity in 2018 30-33</td>
<td>11</td>
<td>Group SHE Policy Group Performance Management Policy Equal Opportunities Policy (p3)</td>
<td>Talent development and retention</td>
<td>14-15</td>
</tr>
<tr>
<td>Business model</td>
<td>Business Model Our Strategy</td>
<td>3-13</td>
<td>All key risks link to our business model</td>
<td></td>
<td>20-21</td>
</tr>
</tbody>
</table>

1. Available to employees via the Company intranet, not published externally
2. Available to employees via the Company intranet and published on www.croda.com

Audit Committee

Report of the Audit Committee for the year ended 31 December 2018

Allen Ferguson Chair of the Audit Committee

Members and attendance

(eligibility) at meetings held during the year ended 31 December 2018

Alan Ferguson Chair 5 (5)
Roberto Grillo Independent Non-Executive 2 (2)
Jacqui Ferguson Independent Non-Executive 1 (1)
Helena Gangczakowski Independent Non-Executive 5 (5)
Nigel Turner Independent Non-Executive 2 (2)
Steve Williams Independent Non-Executive 5 (5)

In addition to the meetings during 2018, there were two meetings held subsequent to the year end, with full attendance at both. Nigel Turner missed one meeting during 2018 due to personal commitments.

Key responsibilities:
- To monitor the integrity of the financial statements and results announcements of the Group and to review significant financial reporting issues and judgements
- To recommend external auditor appointment and removal, assess audit quality, negotiate and approve the audit fee, assess independence, monitor non-audit services and be responsible for audit tendering
- To review the adequacy and effectiveness of the Group’s internal controls and risk management systems, and the adequacy, effectiveness and output of the internal audit function
- To review the adequacy of the Group’s whistleblowing arrangements and procedures for detecting fraud.

Dear fellow shareholder

In my capacity as Chair of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 31 December 2018, which provides detail of the activities carried out by the Committee during the year.

Committee membership

The Committee consists of five Non-Executive Directors. The experience of each member of the Committee is summarised on pages 44 and 45. I have held a number of senior finance director roles and am Chair of the Audit Committees of a FTSE 100 company and an AIM listed company. The Board considers each member of the Committee is independent within the definition of the Code and has relevant financial experience, as well as a broad and diverse spread of commercial experience, including competence in operating within the chemical industry. Such consideration provides the Board with assurance that the Committee has the appropriate skills, breadth and depth to ensure that it can be fully effective, and that it meets the Code requirements that at least one member has significant, recent and relevant financial experience and that the Committee as a whole is competent in the sector in which the Company operates.

The Chair of the Board, Professor Layden (a Non-Executive Director), the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Vice President of Risk and Assurance, who leads the internal audit function, and representatives from the external and internal auditors attend the meetings by invitation.

The Committee periodically, and I more regularly, meet or speak separately with the Vice President of Risk and Assurance and the external auditors without the Executives being present. While these discussions are invaluable, I also meet with the external auditors, the Group Finance Director and the Group Financial Controller at least twice each year to discuss the detail of the year end and half year results before the relevant Committee meetings. This helps me to better understand the key issues and to make sure enough time is devoted to them at the subsequent meeting.

Responsibilities

The Committee assists the Board in ensuring that the Group’s financial systems provide accurate and up-to-date information on its financial position.

Key responsibilities:
- To monitor the integrity of the financial statements and results announcements of the Group and to review significant financial reporting issues and judgements
- To recommend external auditor appointment and removal, assess audit quality, negotiate and approve the audit fee, assess independence, monitor non-audit services and be responsible for audit tendering
- To review the adequacy and effectiveness of the Group’s internal controls and risk management systems, and the adequacy, effectiveness and output of the internal audit function
- To review the adequacy of the Group’s whistleblowing arrangements and procedures for detecting fraud.

In addition to its business as usual activities, the Committee selects certain focus areas each year for detailed review.

Detailed responsibilities are set out in the Committee’s terms of reference, which can be found at www.croda.com.
Corporate Governance continued

Main (business as usual) activities of the Committee since the publication of the 2017 Annual Report and Accounts

The Committee met three times in 2018 after publication of the 2017 Annual Report and Accounts and twice between the year end and the publication of this Annual Report. The key issues covered at the Committee meetings were reported at the subsequent Board meeting.

The Committee’s main business as usual activities, excluding the focus areas, and an estimate of the proportion of time spent on them, are detailed below:

Committee activity in 2018

Financial reporting (20%)
The Committee:
• Reviewed the effectiveness of The Committee:
  Governance (15%)
• Monitored the Group’s financial reporting (20%) Committee activity in 2018
• Received presentations from the Head of Financial Planning and the Head of Global Data Analytics
• Undertook an effectiveness review, which included reviewing the results from a questionnaire, and concluded that the Committee was operating effectively. Areas for focus for the Committee included undertaking training in cyber security
• Reviewed its terms of reference and made only minor clarification changes. The Committee will undertake a self-review in 2019 to ensure the role and responsibilities of the Committee are aligned with the new UK Corporate Governance Code
• Completed its annual review of the Group’s tax strategy (which can be found on our website) and risks.

Internal audit and risk management (20%)
The Committee:
• Received a report from the Vice President Risk and Assurance at each meeting and monitored compliance with the Group Risk Management Programme. The Committee reviewed the reliance placed by management on the risk mitigating controls of the Group’s highest risks and analysed the types of assurance, both internal and external, that applied to these controls
• Assessed the 2018 risk assurance activity carried out by internal audit with reference to the Group’s principal risks, which included a review of: the Group’s NPP metric; GDPR implementation; cyber security assessment; and security of raw material supply
• Undertook a detailed review of the evolving approach our Internal Audit team is taking to controls assurance across all business processes, using increased data analytics across 100% of business transactions to focus site based manual testing on exceptions. This included the use of process mining to reconstruct how end-to-end Croda business processes operate, enabling comparison between sites to highlight potential opportunities to share best practice and leverage our SAP investment
• Considered the results of the 2018 controls assurance internal audits and the IT audits, the self-assessment process, the adequacy of management’s response to matters raised and the time taken to resolve such matters
• Reviewed and approved the 2019 budget and allowance for audit and risk management costs
• Reviewed and approved the 2019 internal audit plan and supported the plans to extend the use of data analytics to provide further insights to identify inefficient or inconsistent processes
• Conducted its annual review of the Group’s internal auditor, as further described on page 65.

External audit (25%)
The Committee:
• Discussed and approved the external audit plan, including: the assessment of significant audit risks; the engagement risk profile; the use of data analytics; the scope of the audit; the materiality level and the de minimus reporting thresholds; the approach to working with internal audit; and the key members of the engagement team. The resulting audit fee was approved
• Reviewed compliance with the FRC’s Ethical Standard for auditors and the restrictions on auditors to provide non-audit services
• Discussed the FRC’s 2017/2018 Audit Quality Inspection of KPMG in support of the Committee’s annual assessment of the quality of the external audit
• Considered and confirmed the independence of KPMG, as further described on page 65.

Financial reporting (20%)
The Committee:
• Reviewed the Group’s financial statements and results announcements, and reviewed significant financial reporting and accounting issues including the going concern assessment and exceptional items
• Undertook regular reviews of the Group’s material litigation and was satisfied with the approach to provisioning
• In conjunction with the Board, reviewed the financial modelling and stress testing based on plausible scenarios arising from selected key risks, noting the effect they would have during the viability period.
• Reviewed the Financial Reporting Council’s (FRC) review of the Company’s 2017 Annual Report and Accounts. Where questions were raised on alternative performance measures, Earnings Per Share and the cash flow statement, we discussed and approved the response to the FRC where we made some reporting enhancements. The FRC has closed its enquiry
• The Committee reviewed the UK payment practices report, discussed the data submitted and challenged management on some aspects of the report.

Governance (15%)
The Committee:
• Reviewed the effectiveness of the Group’s anti-bribery and fraud procedures, including those for whistleblowing. The Committee received a report on the independent investigations that had been conducted in response to concerns raised under the whistleblowing policy and were satisfied with the outcome, including follow up actions

Key focus areas for 2018 (20%)
The Audit Committee has delivered on our ‘business as usual’ work, as set out in our terms of reference, and from this perspective there is nothing to highlight for your attention. Last year, we noted four focus areas for 2018, which absorbed the balance of the Committee’s time of around 20%.

Key focus area
Monitor and assist in the transition to the new firms providing internal and external audit services with a focus on driving audit quality

Actions during the year
Under the guidance of the Committee a rigorous induction programme was undertaken with both internal and external audit which included site tours and presentations from both the sectors and the regions. A full day induction was held at Cowick Hall for the internal audit team, with a visit to Rawcliffe Bridge, with the partner and directors visiting sites during planned audit visits. The KPMG partner and Directors visited each region and the local partners held face-to-face meetings with key regional senior management. Where external and internal audit attended the same sites to perform business process walkthrough work, the visits were co-ordinated to minimise the impact of transitional year work on sites. Both internal and external audit have held regular meetings with the Group FD and have presented to the Audit Committee to discuss the transition. Lessons have been learnt around the efficiency of downloading data to support the analytical work.

Review the implementation of effective policies and procedures to comply with GDPR coming into force in May 2018

The Ethics Committee continued to monitor the global programme through quarterly meetings, and the Board and Audit Committee received progress updates during the year. Ethics controls included in the self-assessment framework were updated and all were included in the scope of internal audit visits in 2018, with findings reported. The Asia region is leading the move to embedding the procedures into ‘business as usual’. A post implementation risk assurance audit is planned to be performed by internal audit in 2019 to provide assurance over the embedding of the programme into business as usual globally.

Maintain our ongoing focus on cyber security risk

Our internal audit team undertook a cyber maturity review, using the National Institute of Standards and Technology framework, to update the holistic view of Croda’s information security maturity benchmarked against indicative industry data. The Audit Committee discussed this report and agreed a detailed action plan. Cyber security testing continues to form a core part of IT assurance work undertaken by internal audit which is reported and discussed by the Committee, together with the results of regular penetration testing and breach detection tool output.

We also undertook a review of our cyber risks with Marsh, to assess whether cyber insurance could provide us with cover in the event of a cyber-attack.

In October 2018 the Executive attended a face-to-face training session on the ‘Game of Threats’ which was followed by a crisis management test based on a cyber security threat scenario.

Completed

Completed

Ongoing

Completed

Completed

Completed

Completed
Significant financial statement reporting items

With support from the external auditors, the Committee reviewed those items in the Group’s financial statements which have the potential to significantly impact reporting. These are set out below.

**Pensions:** The Committee monitored the Group’s pension arrangements, in particular the funding of the defined benefit plans in the UK and the Netherlands, which are sensitive to assumptions made in respect of discount rates, salary increases and inflation. The Committee reviewed the actuarial assumptions used, compared them with those used by other companies, considered the views of the external auditors and found them to be reasonable.

**Risk and control portal:** The Committee considered the role of assurance and control in the performance and output of the internal audit function and aspects of risk management. The Vice President Risk and Assurance attended each Committee meeting and presented an internal audit function and aspects of risk management. The Committee agreed with the Committee.

**Audit function:** At each meeting, the Committee reviewed whether certain environmental, restructuring, litigation and other legal provisions were sufficient to cover estimated costs of potential and actual claims and decided that they were reasonable and appropriate. For larger areas of exposure, the Committee was reassured by legal opinions and insurance coverage. We also reviewed the contingent liability note.

**Taxation:** The global footprint of the Group necessitates an understanding of, and compliance with, complex tax regulations. The Committee reviewed the basis of calculation of the effective tax rate, including the impact of the recent US tax legislative changes, the status of the Group’s tax compliance, details of potentially significant challenges from tax authorities, the level of accruals and the relevant disclosures. The Committee concurred with management’s views.

**Internal audit and risk management**

In 2018 I met with the Vice President Risk and Assurance several times outside of the formal meetings to discuss the performance and output of the internal audit function and aspects of risk management. The Vice President Risk and Assurance attended each Committee meeting and presented an internal audit report that was reviewed and discussed, highlighting any major deviations from the annual plan agreed with the Committee.

At each meeting, the Committee considered the results of the audits undertaken and the adequacy of management’s response to matters raised, including the time taken to resolve such matters. Particular focus was addressed to those areas where there was a major divergence between the outcome of the internal audit and the scoring of the self-assessment questionnaire completed annually by each business unit. In these instances the Committee challenged management as to what actions it was taking to minimise the chances of divergences arising in the future. The Committee looked at recurring themes where issues were identified across a number of locations; these will inform the scope of the work undertaken in the 2019 audit plan.

In addition to the extended use of data analytics across 100% of data to identify business process inconsistencies and specific exceptions for follow up at sites, a programme of ‘Croda peer reviews’ was implemented within each area of the internal audit plan, under the direction of the Vice President Risk and Assurance, reporting back to the Audit Committee. This revised approach ensured that the internal audit resource added the greatest value to the internal control environment by focusing in the right areas.

**Case study: Data analytics**

Amongst the key selection criteria considered for the external and internal audit tender processes undertaken in 2017 was the requirement that the audit approach use data analytics to leverage the best value from Croda’s single instance of SAP.

In 2018, external and internal audit co-ordinated their planning to identify key data tables for download from SAP, and independently analysed this data using their proprietary tools. External audit analysis focused on financial risks and system access, internal audit used data to inform four areas of review including process mining to visually reconstruct end-to-end business processes, providing insight to the business and facilitating cross sites, to gauge continuous improvement through cross site learning, and identification of SAP business control exceptions for follow up at sites.

**Provisions:** The Committee reviewed whether certain environmental, restructuring, litigation and other legal provisions were sufficient to cover estimated costs of potential and actual claims and decided that they were reasonable and appropriate. For larger areas of exposure, the Committee was reassured by legal opinions and insurance coverage. We also reviewed the contingent liability note.

**Goodwill:** The strategy of the Group includes acquiring new technologies and businesses operating in adjacent markets. Goodwill represents a significant asset value on the balance sheet (£354.9m out of total net assets of £398.9m at 31 December 2018).

The Committee completed its annual impairment review of the carrying value of goodwill, as prepared by management, including the sensitivity to a number of underlying assumptions. After challenge, the Committee was satisfied that the assumptions were reasonable, no impairments were necessary and that disclosure was appropriate.

In addition to the ongoing issues, the Committee reviewed and discussed the alternative performance measures being used (IPI and the associated disclosures).

**External auditors’ effectiveness**

During the year, the Committee assessed the effectiveness of KPMG as Group external auditor. To assist in the assessment, the Committee considered the quality of reports from KPMG, the additional insights provided by the audit team, particularly at partner level, and their detailed reviews on areas such as segmental reporting. It took account of the views of the Group’s Finance Director and Group Financial Controller, who had met local audit partners when visiting some of the Group’s sites, to gauge the quality of the team and their knowledge and understanding of the business. The Committee considered how well the auditors assessed key accounting and audit judgements and the way they applied constructive challenge and professional scepticism in dealing with management.

The Committee also reviewed the output from a questionnaire completed by senior members of the finance team to obtain their views on KPMG’s effectiveness in carrying out the 2018 audit. The questionnaire covered:

- Quality of planning, delivery and execution of the audit
- Quality and knowledge of the audit team
- Effectiveness of communications between management and the audit team
- Professionalism of the audit, including the audit team’s ability to challenge management as well as demonstrate professional scepticism and independence

We reviewed the FRC’s 2017/2018 Audit Quality Inspection report of KPMG UK. The results were disappointing although given our focus on data analytics it was encouraging to see that audit work relating to the understanding and evaluation of systems and information flows was an area highlighted as an example of good practice. The main areas identified by the FRC as requiring action by KPMG were discussed by the Committee with a focus on the remedial actions being taken. We will follow up on these matters again in 2019. A review of effectiveness also forms part of KPMG’s own system of quality control and this was discussed with the Committee during the presentation of the 2018 audit plan.

Following the review, the Committee considered that the audit was effective and the Committee was pleased with the performance of KPMG in the first year since the tender.

**External audit tendering**

We are in compliance with the Statutory Audit Services Order 2014. As we reported in detail last year, we undertook an audit tender in 2017 and the Board appointed KPMG as external auditor with Chris Heard as the Lead Audit Partner. The first year to be audited by KPMG is the year to 31 December 2018.

Audit quality was at the forefront of the Committee’s mind during the tender process, as well as auditor independence.

**External auditors’ independence**

The Committee and the Board place great emphasis on the objectivity of the Group’s external auditors in reporting to shareholders.

Our Group policy on the provision of non-audit services by external auditors, which is on our website www.croda.com, sets out prohibited non-audit services and the controls over assignments awarded to the external auditor to ensure that audit independence is not compromised.

During the year, the Committee undertook a detailed review of the provision of non-audit services by KPMG and compliance with the FRC’s Revised Ethical Standard for auditors (the Standard). KPMG had not undertaken any services that would not be permissible under the Standard. The use of the derogation for certain tax services in respect of 2017 R&D tax claims and tax compliance was considered and approved by the Committee (£58k) as the work spanned the 31 December 2017 year end.

In 2018, non-audit fees were £3.1m, significantly less than the total audit fees of £3.6m; the non-audit to audit fees ratio stands at 0.1:1.

The Committee undertook its annual review of the Group’s policies relating to external audit, including the policy that governs how and when employees and former employees of the Group’s auditors can be employed by the Company. No changes were made. The Committee also reviewed and accepted KPMG’s independence letter.

In conclusion the Committee agreed that KPMG were independent.

**External auditor reappointment**

As noted above, the Committee recommended to the Board that KPMG be offered re-election at the forthcoming AGM.

I will be available at the AGM to respond to any questions shareholders may raise on the Committee’s activities in the year.
Dear fellow shareholder

I have pleasure in presenting the Nomination Committee report for the year ended 31 December 2018.

Main activities and priorities in 2018

Board appointments and succession planning

During the year the Committee carried out a review of the size and composition of the Board and the collective skills and experiences of the Directors to ensure we have the strongest leadership to deliver the Company’s strategy – both now and for the long term. The Committee focused on several areas that were identified from the most recent Board evaluations, against which the Committee assessed existing Board expertise and experience. The results of this analysis recognised the need to strengthen the Board’s experience and knowledge of digital technology, emerging markets and general management. These opportunities informed the candidate brief for the recruitment of a new Non-Executive Director to succeed Nigel Turner, as he retired from the Board at the 2018 AGM, having served nine years as a Director.

The recruitment process also focused on further improving the diversity of the Board and we required our external search firm to produce a gender balanced shortlist of candidates for interview by the selection panel (consisting of the Chair, Chief Executive and Senior Independent Director). The selection panel put forward two outstanding candidates, Jacqui Ferguson and Roberto Cirillo, both of whom met with each Board Director. The views of all Directors were provided to the Committee and a recommendation was made to the Board by the Committee to appoint both candidates to the Board. In making this recommendation, the Committee had regard to the tenure of Steve Williams, who will have served nine years on the Board in 2019.

Roberto Cirillo and Jacqui Ferguson joined the Board in April and September 2018 respectively, and we have announced that Steve Williams will retire from the Board at the AGM on 24 April 2019. Jacqui and Roberto are in the process of undertaking their induction programme (for further details of their induction see page 54).

Looking ahead, an updated version of the skills and experiences analysis will guide the Committee as we start to consider succession planning for Alan Ferguson, who will have served nine years on the Board in 2020.

The Committee considered a talent succession development profile for each member of the Executive Committee, ensuring that a healthy talent pipeline exists for future Board roles. In 2018 this included an external assessment of the Executive Committee to identify further areas for development and to benchmark our leaders externally. As part of this assessment, the development profiles were overlaid against the Board expertise analysis described above. Our leaders benchmarked well against an external lens and individual development plans are in place to further enhance our Executive Committee’s development. The Committee will regularly review the progress of these development plans over the coming year.

The Committee also considered emergency CEO succession, should the Board need to appoint a temporary CEO due to unforeseen circumstances.

Diversity

The Committee considers diversity on the Board and throughout the Company to be a key factor in the Company’s strategic and financial success. We see diversity of thought, skills, knowledge, experience, gender and ethnicity as critical to our sustainable future. Diversity was a central consideration for the new Board appointments made in 2018.

One recommendation of the Hampton-Alexander Review, an independent, business led review supported by the UK Government, is that all FTSE 350 boards should target 33% female membership. We achieved this milestone in 2018 and are particularly proud that our Board Chair and Chair of the Remuneration Committee are both female. Our Board Diversity Policy now reflects our commitment to maintain the 33% female membership and our aspiration to move towards a gender balanced Board. This policy will continue to guide our future appointments. We will do this by ensuring that the specification for any new Director role is equally suited to applicants of any gender and that no discrimination occurs at any stage in the selection process on any applicant characteristic. A copy of our Board Diversity Policy, which is regularly reviewed by the Board, is available at www.croda.com. For more information on our Board diversity see Governance at a Glance on page 48.

It is also vital that we have diversity throughout the Company, as this leads directly to more balanced decision making and helps generate a diverse talent pipeline for the Executive Committee, and ultimately the Board. It was gratifying that over 40% of attendees at our Senior Leadership Conference held in February 2018 were non-UK nationals, reflecting the diversity of our operations and markets.

We are intensifying our efforts across the Company to increase the diversity of our leaders, particularly focusing on gender and nationality. In 2018 we established a Diversity and Inclusion Steering Committee to create a global network of Diversity and Inclusion Champions and appointed a full time Diversity and Inclusion Manager to promote and drive our initiatives in this area. Examples of initiatives include a mentoring programme for high potential female employees on executive succession plans, unconscious bias training amongst management populations, greater internal promotion of flexible working approaches and ‘female friendly’ job adverts and gender balanced shortlists in our recruitment processes.

Routine business

As well as considering Board appointments, succession and diversity the Committee undertook its routine business – including reviewing the time commitment of the Non-Executive Directors. It was satisfied that all the Non-Executive Directors remain able to commit the required time for the proper performance of their duties. The Committee considered and concluded that, except for Keith Layden, all Non-Executive Directors continue to fulfil the criteria of independence. As Keith was formerly an Executive Director of the Company, he is not currently considered to be independent.

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

Anita Frew
Chair of the Nomination Committee

Looking ahead to 2019

In addition to our routine business, during the year the Committee will:

• Monitor the outcome and consider the effects of the interventions intended to increase diversity, in particular continuing to review the number of women on the Board and Executive Committee and in senior roles in the Company.

• Review and implement the relevant requirements of the Financial Reporting Council’s revised UK Corporate Governance Code 2018

• Consider succession planning for Alan Ferguson, who will have served nine years on the Board in 2020

Responsibilities

• The Committee is responsible for nominating candidates for appointment to the Board for approval by the Board, and for succession planning. It evaluates the balance of skills, knowledge, experience and diversity on the Board.

Key responsibilities

• To regularly review the structure, size and composition, including the skills, knowledge, experience and diversity, of the Board and make recommendations for any changes to the Board

• To give full consideration to succession planning for Directors and other senior Executives, taking into account the challenges and opportunities facing the Company and, consequently, what skills and expertise the Board will need in the future.

• Where a Board vacancy is identified, to evaluate the balance of skills, knowledge, experience and diversity on the Board, and prepare a description of the role and cap Board needs for the respective appointment

• To identify and nominate candidates to fill Board vacancies, for the approval of the Board, as and when openings arise

• To keep the organisation’s leadership needs, both Executive and Non-Executive, under review to ensure that the Company continues to compete effectively in the marketplace

• To review annually the time required from a Non-Executive Director and the Chair

• To make recommendations on succession planning for the Board.

Detailed responsibilities are set out in the Committee’s terms of reference, which can be found at www.croda.com
Corporate Governance continued

Other Committees

The operational management of the Business is delegated by the Board to the Group Chief Executive, who uses several Committees to assist him in this task. These Committees and their membership at the date of this Report and Accounts are shown in the table below.

Group Executive Committee
The Committee meets eight times a year and is responsible for: developing and implementing strategic, operational plans, policies, procedures and budgets; monitoring operational and financial performance; assessing and controlling risk; and prioritising and allocating resources.

Group Finance Committee
The Committee meets every month to review monthly operating results and examine capital expenditure projects.

Risk Management Committee
The Committee meets quarterly to monitor progress against the Group safety, health, environment and quality objectives and targets, review safety performance and audits, and determine the requirement for new or revised SHEQ policies, procedures and objectives.

Group Ethics Committee
The Committee meets quarterly in support of our culture of integrity, honesty and openness, and to promote the importance of ethics and compliance across the Group and amongst our supply chain partners.

Routine Business Committee
The Committee comprises the Group Chief Executive and Group Finance Director, with the Group General Counsel and Company Secretary and Group Financial Controller acting as alternates. The Committee attends to business of a routine nature and to the administration of certain matters, the principles of which have been agreed by the Board or the Group Executive Committee.

Committee membership (as at the date of this report)

<table>
<thead>
<tr>
<th></th>
<th>Group Executive Committee</th>
<th>Group Finance Committee</th>
<th>Risk Management Committee</th>
<th>Group SHEQ Steering Committee</th>
<th>Group Ethics Committee</th>
<th>Routine Business Committee</th>
</tr>
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<tbody>
<tr>
<td>Steve Foote</td>
<td>✓</td>
<td>✓</td>
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<td>Stuart Armit</td>
<td>✓</td>
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<tr>
<td>Sandra Breene</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Tom Brophy</td>
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<tr>
<td>Nick Challoner</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Anthony Fitpatrick</td>
<td>✓</td>
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<tr>
<td>Maarten Heybroek</td>
<td>✓</td>
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<tr>
<td>Jez Maiden</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Graham Myers</td>
<td>✓</td>
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Chair Member

Remuneration Report

A. Chair’s letter
On behalf of the Board and the Remuneration Committee, I have the pleasure of presenting the Directors’ Remuneration Report for the year ended 31 December 2018. This is my first report as Chair, having been a member of the Remuneration Committee for five years. I would like to thank Steve Williams for all his work as Committee Chair prior to my appointment, and welcome Jacqui Ferguson and Roberto Cirillo as new members of the Committee.

The Committee believes that Croda’s approach to remuneration plays a key role in the achievement of the Group’s strategic objectives and in the delivery of sustainable growth.

I am very grateful for the continued support and engagement of our shareholders, whilst recognising the ongoing need for proportionality, reform and responsiveness as outlined in the new UK Corporate Governance Code. As you will see in this report, we have already responded in part to the new Code (see page 72 for a summary), and we continue to review the need for further changes on an ongoing basis, and as part of the policy review that is due next year.

We strongly believe that pay should be aligned to company performance and the delivery of our strategy.

A. Chair’s Letter 69

B. 2018 Remuneration at a glance – including single figure remuneration at a glance 71

C. Our response to the new UK Corporate Governance Code – including new Discretion Framework 72

D. Report of the Remuneration Committee for the year ended 31 December 2018 74

a) Remuneration Policy links to strategy and to reward across our wider workforce 74

b) Remuneration Committee year 2018 77

c) Summary of Remuneration Policy adopted 2017 78

d) Executive Directors remuneration for the year ending 2019 80

e) Report of the Remuneration Committee 81

f) Summary components of the Remuneration Policy 88

“...remuneration is directly aligned with our performance and the delivery of our strategy.”
Dr Helena Ganczakowski
Chair of the Remuneration Committee

Remuneration Report

Report of the Remuneration Committee
for the year ended 31 December 2018

Our annual bonus targets are based on a single operating profit metric with the key requirement that no bonus can be paid unless and until the previous year’s operating profit is exceeded.

For our longer term Performance Share Plan (PSP), 40% of the award is based on Earnings Per Share (EPS) growth, and 40% is based on relative Total Shareholder Return (TSR) performance amongst a bespoke group of our most relevant competitors. Driving innovation is also an objective that is directly aligned with performance measures; 25% of our PSP award is based on the performance of New and Protected Products (NPP) – products that will drive our future growth.

Sustainable solutions continue to be key to our growth plans. We consider progress against a range of metrics here including safety, health and the environment, as a key underpin to our annual bonus plan.

Performance is always considered holistically; each year the Committee satisfies itself that the result in terms of primary incentive plan performance measures has not been to the detriment of other measures of corporate performance. It does this by reviewing a range of financial and non-financial measures at the time that the bonus outcome is determined.

Executive Directors, Executive Committee members and other senior leaders all share the same performance metrics for the global annual bonus plan and the PSP, in line with our “One Croda” culture; in 2018 around 400 leaders benefited from participation in the bonus plan with 65 of these also benefiting from participation in the PSP. We believe this reflects the focus everyone on working together to deliver the best overall result for our customers and, in turn, our shareholders.

Responding to shareholder feedback and expectations
At the 2018 Annual General Meeting (AGM), our Remuneration Report received support from 91% of the 69% of shareholders that voted. As the new Committee Chair, I have spent time meeting with shareholders to understand
their different perspectives and we will input this feedback, some of which has been on alternative performance measures, to our policy review next year.

Remuneration out-turn for 2018
The Group delivered another strong performance in 2018, with sales increasing by 2.9% and adjusted operating profit by 5.8%, on a constant currency basis.

This 2018 adjusted operating profit outcome translates to a 5.6% increase in the income growth metric for the annual bonus, on a constant currency basis. The annual bonus is subject to an overall performance underpin, including safety, health and environment, and this received explicit consideration by the Committee as part of its overall discretion review. I am pleased to confirm that the performance of the Company in respect to these underpinnings was good and in line with our internal objectives. This overall performance delivers an annual bonus outcome of 36.19% of the maximum potential for 2018.

With regard to PSP, 2018 was the year in which grants made in 2016 concluded their three year period, and the Committee reviewed performance against the EPS and TSR targets that had been set then. Over the performance period, EPS growth was 40.9%, resulting in 100% of this part of the award vesting. Our three year TSR performance was 89.4% which placed us in the upper quartile against our FTSE 350 peers, the relevant comparator for grants in the context of our policy review. As part of this process the Committee considered the expanded scope and growth of the Company over recent years. Croda is now an established international FTSE 100 company, and consequently the scope of the Board Chair role has changed. As part of the review it was found that Anita Frew’s fee for the role was significantly below the fees paid to other FTSE 100 Chairs. Against the background of the expanded scope and growth of the Company, the Committee felt that the Board Chair’s fee should be subject to a one-off adjustment, and determined that her fee would be increased from £245,140 to £295,000.

Sharing success with our employees
We have a high take-up for our employee share schemes. Around 82% of our UK workforce participate in our Share Investment Plan (SIP) and Sharesave and therefore share in the rewards enjoyed by all shareholders. For example, an employee saving £250 per month in the 2015 Sharesave plan would have been awarded 403 shares, if they chose to sell those shares at the end of January, they would have made in excess of £10,428 profit based on the recent share price.

Looking ahead to 2019
Going forward, we continue to look for opportunities to develop and improve the remuneration approach at Croda. As mentioned earlier, during 2018 your Committee actively engaged in and focused on the implications of the new UK Corporate Governance Code.

On pensions, I am pleased to confirm that, with the changes made last year, we were already in line with the Code guidance for new Executive Directors. Notwithstanding this, in light of recent investor guidance, we plan to review pension provisions further as part of next year’s policy review.

Board Chair fees
During 2018, the Committee also reviewed the Board Chair’s fee. As part of this process the Committee considered the expanded scope and growth of the Company over recent years. Croda is now an established international FTSE 100 company, and consequently the scope of the Board Chair role has changed. As part of the review it was found that Anita Frew’s fee for the role was significantly below the fees paid to other FTSE 100 Chairs. Against the background of the expanded scope and growth of the Company, the Committee felt that the Board Chair’s fee should be subject to a one-off adjustment, and determined that her fee would be increased from £245,140 to £295,000.

Targets for 2019 have been set in line with 2018, and we are confident that our policy will continue to serve us well over the coming year. We will continue to take on board the implications of the Code, together with input from all relevant stakeholders as we formally review and update our Remuneration Policy through the course of 2019, for delivery to shareholders at the 2020 AGM.

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 Ganczackowski
Chair of the Remuneration Committee

B. 2018 Remuneration at a glance
How we performed in 2018

<table>
<thead>
<tr>
<th>Key component and time line</th>
<th>Feature</th>
<th>Metrics and results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted Operating Profit</strong></td>
<td>+3.1% to £342.5m</td>
<td>How we implemented in 2018</td>
</tr>
<tr>
<td><strong>Adjusted EPS</strong></td>
<td>+6.3% to 190.2p</td>
<td>Chief Executive Officer (CEO) Group Financial Director (GFD)</td>
</tr>
<tr>
<td><strong>NPP as a % of Group Sales</strong></td>
<td>+0.6% pts to 28.2%</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>How was our policy implemented in 2018?</th>
<th>Chief Executive Officer (CEO) Group Financial Director (GFD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic salary and core benefits</strong></td>
<td>Pay rise of 3% awarded to Executive Directors. UK workforce was awarded a 3% increase,</td>
</tr>
<tr>
<td></td>
<td>£543,046 (£4,480,000)</td>
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<tr>
<td><strong>Annual bonus</strong></td>
<td>Incremental executive of strategic plan, targets set in line with Group KPIs,</td>
</tr>
<tr>
<td></td>
<td>Income growth (see page 80 for definition of income)</td>
</tr>
<tr>
<td></td>
<td>Threshold 2017 actual</td>
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<tr>
<td></td>
<td>Maximum 2017 actual plus 10%</td>
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<tr>
<td></td>
<td>Actual 2017 actual plus 3.6%</td>
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<tr>
<td></td>
<td>36.19% of maximum bonus paid</td>
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<tr>
<td><strong>Deferred element of bonus</strong></td>
<td>Compulsory deferral of one third of bonus into shares with three year holding period to align with long term business performance,</td>
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<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td><strong>PSP</strong></td>
<td>Incentive execution of the business strategy over long term measuring profit and shareholder value,</td>
</tr>
<tr>
<td></td>
<td>Vesting of the 2016 PSP award</td>
</tr>
<tr>
<td></td>
<td>EPS* TSB</td>
</tr>
<tr>
<td></td>
<td>Threshold 6% p.a. Median</td>
</tr>
<tr>
<td></td>
<td>Maximum 12% p.a. Upper quartile</td>
</tr>
<tr>
<td></td>
<td>Actual over 3 years 49.9% 89.4%</td>
</tr>
<tr>
<td></td>
<td>100% of maximum PSP vesting</td>
</tr>
<tr>
<td></td>
<td>* EPS growth p.a. is calculated on a simple average basis over the three-year period</td>
</tr>
<tr>
<td><strong>Pension</strong></td>
<td>Pension benefits are either a capped career averaged defined benefit pension plan with a cash supplement above the cap, or a cash supplement. Cash allowance up to 25% of salary; for future appointments this will be reduced to up to 15% of salary aligned to the UK workforce,</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Shareholding requirements</strong></td>
<td>Share ownership guideline to ensure material personal stake in business,</td>
</tr>
<tr>
<td></td>
<td>CEO 200% of salary</td>
</tr>
<tr>
<td></td>
<td>GFD 150% of salary</td>
</tr>
<tr>
<td><strong>Single figure remuneration at a glance</strong></td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Steve Foots (total £3,195,815)</td>
</tr>
<tr>
<td></td>
<td>Jez Maiden (total £1,792,578)</td>
</tr>
</tbody>
</table>

*Adjustment to 2018 adjusted operating profit and adjusted EPS to facilitate comparison with the last year.**
Our response to the new UK Corporate Governance Code

During the year the Committee has been discussing the impact of the new UK Corporate Governance Code on our current Remuneration Policy. A summary of these deliberations is below:

### Changes to the remuneration section of the Code

<table>
<thead>
<tr>
<th>Expansion of Remuneration Committee remit</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Remuneration Committee already determines the remuneration arrangements for senior management.</td>
<td></td>
</tr>
<tr>
<td>• During the year, the Committee discussed the process for the review of workforce remuneration and related policies as well as the relevant information that would be required. From 2019, the Committee will be provided with a review of workforce remuneration and this will form part of our normal Remuneration Committee cycle.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pension contribution rates for Executive Directors should align with those available to the workforce</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Croda operates a Defined Benefit pension plan in which all UK employees can participate on the same basis, with a 15% cash supplement available as an alternative.</td>
<td></td>
</tr>
<tr>
<td>• While current Executive Directors have pensions at a higher level, last year the policy for Executive Director pensions was reduced to 15% of base salary for future appointments which is aligned to the workforce. The policy is therefore in line with the Code guidance.</td>
<td></td>
</tr>
<tr>
<td>• Pension provisions will be considered as part of next year’s policy review in light of recent shareholder guidance.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total vesting and holding period of at least five years</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Following the end of the three-year PSP performance period, an additional two-year holding period applies for any shares vesting.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Development of a formal post-employment shareholding policy</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Our existing share restrictions (three-year deferral and holding period) continue to apply post-cessation of employment, resulting in a potential significant holding of shares in the two years following a Director’s departure.</td>
<td></td>
</tr>
<tr>
<td>• The policy will be reviewed in 2019 taking account of new shareholder guidance in this area.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application of judgement and discretion</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In order to determine whether outcomes are fair and reasonable in the broader context of overall company performance and the shareholder experience, we have introduced a framework to use when assessing incentive outcomes. A copy of the framework is provided over the page.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recovery provisions</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• During the year the malus and clawback provisions were reviewed in line with the Code guidance, and the potential events which could trigger malus and clawback were expanded to include corporate failure and serious reputational damage.</td>
<td></td>
</tr>
</tbody>
</table>

### Framework for the application of discretion

- **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 ROIC, Sales, Profit growth, Sustainability
- **Culture and conduct**
- **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?**
Remuneration Report continued

D. Report of the Remuneration Committee for year ended 31 December 2018

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

This updated and extended 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 will evolve to meet the needs of the business, our workforce and align with the new UK Corporate Governance standards.

How our reward strategy links to our business strategy

Delivering profitable growth, both top and bottom line, is central to our business success. Therefore, the key metric of our annual bonus plan is profit increase over prior year. Longer term growth is measured and rewarded through the EPS and TSR metrics within the PSP. Both the annual bonus plan and PSP have general financial underpins enabling the Remuneration Committee to use its discretion to reduce payments if profit growth has been achieved at the expense of other financial measures.

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 the New and Protected Products (NPP) 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. 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 direct connection to consumers who increasingly expect branded products to combine to deliver long term shareholder return.

Therefore, our sustainability agenda is integral to our business success. Our commitment to sustainability is also directly reflected within the discretion framework used to determine PSP and bonus outcomes.

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; 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.

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

How our remuneration practices support our strategy

<table>
<thead>
<tr>
<th>Bonus</th>
<th>Long term incentive plan</th>
<th>Underpins</th>
<th>Other features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>EPS</td>
<td>Safety, health and environment</td>
<td>Holding periods &amp; deferrals</td>
</tr>
<tr>
<td>Driving innovation</td>
<td>TSR</td>
<td>General financial</td>
<td>Shareholding requirements</td>
</tr>
<tr>
<td>Sustainable solutions</td>
<td>NPP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One Croda culture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term shareholder return</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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. 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:

<table>
<thead>
<tr>
<th>Base pay</th>
<th>Annual bonus</th>
<th>Performance Share Plan</th>
<th>Employee share plans1</th>
<th>Pension (UK only)2</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees – pay is set in line with market and closely monitored. Our aim is to pay a ‘living wage’ globally</td>
<td>Executive Directors, Executive Committee, Senior leaders and Senior managers: Consistent global bonus scheme aligned to increase in annual profit</td>
<td>Executive Directors, Executive Committee and Senior leaders: Consistent PSP based on EPS, TSR and NPP</td>
<td>All employees – can participate in our global Sharesave plan, subject to qualifying service, allowing everyone to save monthly and purchase discounted shares</td>
<td>All employees – Defined benefit plan based on career average salary</td>
</tr>
</tbody>
</table>

Employee participation in share plans

Employee 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.

Employee participation in employee share plans %

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

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. 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:

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Employee participation in employee share plans %

- Shareesave or similar schemes are provided where local social security laws allow.
- Other pension arrangements, aligned to local practice and legislation, are available in many of our locations.
The table below sets out the CEO figures to calculate the ratios.

<table>
<thead>
<tr>
<th>Percentile</th>
<th>25th</th>
<th>50th</th>
<th>75th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay Gap</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Bonus Gap</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Salary Gap</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
</tr>
</tbody>
</table>

The CEO Pay Ratio is calculated based on the total remuneration payable to the CEO in respect of 2018, as set out on page 71, 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 2018 figures in the table above, the ratios particularly reflect Croda’s strong share price performance, see chart below. If Company performance reduced, these ratios would be lower.

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 2017 we launched our first Global Employee Survey and having identified several actions from the feedback, we are working hard to deliver on these actions.
• We have ongoing dialogue with our employees through various mechanisms – listening groups, works councils, trade unions and employee forums.
• We have developed a new set of values that will be launched in 2019 and include at their heart confirmation that we will continue to treat all our employees fairly and consistently.

We are proud of the training and development that we provide for employees. In 2018 our employees undertook 95,000 hours of training.

• In 2019 we launched a new global HR system which included a Learning Management System giving employees access to a wide range of online learning material.
• We are also developing career paths which will provide structured career development, for employees in functional roles, including operations, sales, and R&D.

For 2019
During the coming year the Committee will be considering a new Remuneration Policy for 2020 and will debate further ways of sharing the Company’s success with all employees; the Committee will examine whether the Company’s wider policies on employee pay, reward and progression continue to be fair and reasonable.

Global Parental Leave Policy
In 2019 Croda introduced a Global Parental Leave Policy, setting a minimum standard for maternity, paternity and adoption leave globally.

This policy provides a minimum of 16 weeks’ maternity leave. 2 weeks’ paternity leave and full pay and finally adoption leave that corresponds to maternity and paternity pay for primary and secondary carers. This initiative is aimed at improving the living standards of new parents at Croda as well as supporting our drive for better gender equality.

Living Wage
We were pleased to announce in 2018 that we gained accreditation as a Living Wage Employer from the Living Wage Foundation. In 2019 we will continue to ensure that all our employees and regular contractors are paid at, or above, the rates advised by the Living Wage Foundation. Globally we are also working on proposals to ensure that at every location we pay a minimum wage, that goes beyond the legal minimums ensuring that we can provide an appropriate standard of living for all our employees.

Gender Pay Gap
The table below shows a summary of the Gender Pay Gap for Croda Europe Ltd for 2018:

<table>
<thead>
<tr>
<th>Year</th>
<th>Mean pay gap</th>
<th>Median pay gap</th>
<th>Mean bonus gap</th>
<th>Median bonus gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>27.68%</td>
<td>23.10%</td>
<td>63.05%</td>
<td>32.26%</td>
</tr>
</tbody>
</table>

This includes:
• Ensuring we have a balanced shortfall for all positions that we are recruiting for
• 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 – see our new Global Parental Leave Policy
• Continuing to invest in our science, technology, engineering and mathematics (STEM) activities to encourage a wide range of applicants to apply for roles in our business.

More information is available on the Croda website.
Summary of Remuneration Committee meetings

January 2018
- Approved the targets for the 2018 bonus plan
- Reviewed the outcome of the Committee effectiveness review

February 2018
- Reviewed the draft Directors' Remuneration Report
- Approved the calculation for 2017 annual bonus award for payment in March 2018
- Approved the vesting outcome for the 2015 Performance Share Plan (PSP) awards
- Approved the granting of PSP awards for 2018
- Approved the granting of the Restricted Share Plan awards
- Ensured adherence to ABI headroom limits as they apply to the business

April 2018
- Confirmed appointment of new Committee Chairs
- Gave authority for UK employees to join the UK Sharesave Scheme and non-UK employees to join the International Scheme

October 2018
- Considered and reviewed remuneration trends specifically the new UK Corporate Governance Code
- Reviewed shareholder consultation feedback resulting from engagement by the Committee Chair

December 2018
- Approved the Discretion Framework
- Approved salary increases for Executive Directors and Board Chair
- Reviewed and approved proposed targets for 2019 annual bonus and PSP award
- Considered the Committee’s effectiveness

c. Summary of Remuneration Policy adopted 2017
An updated Remuneration Policy was presented and approved by shareholders at the 2017 AGM and will operate until the AGM in 2020. Changes to the policy at that time were minimised and the Committee believes that the changes made then are still right for the business, reflect the values of the organisation and remain reasonable and proportionate.

Objectives of the policy
The Committee spent several months considering the effectiveness of the previous policy and any potential changes for the future. This review was completed with the following five principal objectives in mind:
- To achieve the closest possible alignment with the Company’s strategy
- To raise the profile of performance and to ensure that it is judged against true business competition
- To ensure that the policy properly reflects the various concerns of shareholders as to structure and metrics
- To ensure that year by year target setting sets truly stretching ambitions and that the scale of reward is proportionate
- The Committee’s method of operation will be flexible and dynamic taking account of external changes and business performance

Summary of policy

Salary
Set taking into account an individual’s responsibilities, performance and experience, as well as external factors, pay and employment conditions elsewhere in the Group.

Annual bonus
Maximum annual bonus opportunities:
- Group Chief Executive 150% of salary
- Group Finance Director 125% of salary
Income growth targets, with no bonus payable until the previous year’s income is exceeded. General financial and safety, health and environmental underpinnings apply. One third deferred for three years. Malus and clawback provisions apply.

Performance Share Plan
Maximum Performance Share Plan award:
- Group Chief Executive 200% of salary
- Group Finance Director 150% of salary
Awards based on EPS, Relative TSR and NPP. Subject to satisfactory underlying financial performance of the Group. Three-year performance period with an additional two-year holding period. Malus and clawback provisions apply.

Pension and benefits
Pension benefits are either a capped career averaged defined benefit pension plan with a cash supplement above the cap, or a cash supplement. Cash allowance for existing Executive Directors of up to 25% of salary. For future appointments this has been reduced up to 15% of salary, which aligns to the UK workforce. Typical other benefits include company car, private fuel allowance, private health insurance and other insured benefits.

Shareholding guidelines
Shareholding guidelines apply.

Further details about the policy can be found on pages 88 and 89.
Remuneration Report continued

d. Executive Director’s remuneration for the year ending 2019

Key component

<table>
<thead>
<tr>
<th>Implementation in 2019</th>
<th>Executive Directors' Base salaries were reviewed during the final quarter of the financial year ending 31 December 2018. Salaries for 2019 are as follows:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic salary</td>
<td><strong>Salary at Jan 2019</strong></td>
</tr>
<tr>
<td>Steve Fowks</td>
<td>£662,337</td>
</tr>
<tr>
<td>Jez Maiden</td>
<td>£456,784</td>
</tr>
</tbody>
</table>

- UK workforce will be awarded an increase of 3% in 2019.

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

<table>
<thead>
<tr>
<th>Steve Fowks 100% of salary</th>
<th>Jez Maiden 100% of salary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level of award</strong></td>
<td><strong>Bonusable Profit % of bonus payable</strong></td>
</tr>
<tr>
<td><strong>Threshold</strong></td>
<td><strong>Equivalent to 2018 actual 0%</strong></td>
</tr>
<tr>
<td><strong>Maximum</strong></td>
<td><strong>2018 actual plus 10% 100%</strong></td>
</tr>
</tbody>
</table>

- Income growth 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 IFRS 2 share based payments) less a notional interest charge on working capital employed during the year. Income 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 will take a range of factors into consideration (see Discretion Framework on page 78) and may reduce the bonus awards if it considers it appropriate.

- One third of any bonus paid will be deferred into shares for a three-year period.

- MKs and clawback provisions apply.

- Full retrospective disclosure will be made.

- The Committee remains confident 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 2019 will be 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

<table>
<thead>
<tr>
<th>Steve Fowks 80% of salary</th>
<th>Jez Maiden 100% of salary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The targets for the awards are set out below</strong></td>
<td></td>
</tr>
<tr>
<td>Performance measure &amp; weighting</td>
<td><strong>Threshold vesting</strong></td>
</tr>
<tr>
<td>Relative TSR (40%)</td>
<td>Median</td>
</tr>
<tr>
<td>EPS growth (40%)</td>
<td>NPP (20%)</td>
</tr>
</tbody>
</table>

- 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.

Commentary

- No change to maximum awards or performance measures from last year.

- When determining the outcome the Committee will take a range of factors into consideration (see Discretion Framework page 73) and may reduce awards if it considers it appropriate.

- An additional two-year holding period will apply for any shares vested.

- MKs and clawback provisions apply.

- Performance period 01.01.19 to 31.12.21.

Pension

<table>
<thead>
<tr>
<th>Steve Fowks</th>
<th>Jez Maiden</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Membership of CARE pension plan up to salary cap and 25% of salary as pension supplement.</strong></td>
<td></td>
</tr>
</tbody>
</table>

Commentary

- Last year the policy for Executive Director pensions was reduced to 15% of salary for future appointments which is aligned to the UK workforce.

- Pension supplement will be subject to further review as we consider our new Remuneration Policy for implementation in 2020.

Full retrospective disclosure of the targets and actual performance will be provided in next year’s Annual Report on Remuneration.

e. Report of the Remuneration Committee for the year ended 31 December 2018 – Audited Information

In this section

1. Directors remuneration for the year ending 2018

   - Pension
   - Payment for cessation of office
   - Payments to past directors
   - Share interests
   - Performance graph
   - Ten-year remuneration figures for Group Chief Executive
   - Board Chair and other Non-Executive Directors’ fees 2018 and 2019
   - Non-Executive Directors’ remuneration
   - Service contracts and outside interests
   - Remuneration Committee attendance and advisers
   - Other disclosures
   - Statement of voting

2. Directors’ remuneration for the year ending 2018

Elements of remuneration

Executive Directors’ remuneration

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Salaries and fees</th>
<th>Bonus</th>
<th>Pension supplement</th>
<th>Pension</th>
<th>Annual bonus</th>
<th>Long term incentives</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Fowks</td>
<td>£643,046</td>
<td>£16,000</td>
<td>£144,704</td>
<td>£17,000</td>
<td>£420,619</td>
<td>£2,996,539</td>
<td>£3,195,815</td>
</tr>
<tr>
<td>Jez Maiden</td>
<td>£443,480</td>
<td>£17,000</td>
<td>£144,704</td>
<td>£17,000</td>
<td>£420,619</td>
<td>£2,996,539</td>
<td>£3,195,815</td>
</tr>
</tbody>
</table>

- NPP: New People's Plan
- EPS: Earnings Per Share
- TSR: Total Share Return

Annual bonus

- The 2018 bonuses for Executive Directors were calculated by reference to the amount by which the income for the year exceeded the basic income for 2017 (the ‘base income’). Bonuses for 2018 are payable against a graduated scale once the 2018 income exceeds the base income with bonus targets set, and performance measured, based on constant currency actual exchange rates.

- 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 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 73).
Remuneration Report continued

Audited Information

PSP

PSP awards vesting in March 2019

The PSP awards granted in March 2016 reached the end of their three-year performance period on 31 December 2018.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighting</th>
<th>Threshold</th>
<th>Minimum</th>
<th>Actual performance</th>
<th>Out-turn (% of max element)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative TSR versus FTSE 350 constituents</td>
<td>50%</td>
<td>Median</td>
<td>Upper quartile</td>
<td>89.4</td>
<td>100%</td>
</tr>
<tr>
<td>Adjusted annual average EPS growth over 3 years*</td>
<td>50%</td>
<td>6% pa</td>
<td>12% pa</td>
<td>40.9%</td>
<td>100%</td>
</tr>
</tbody>
</table>

* EPS growth p.a. is calculated on a simple average basis over the three-year period; and therefore, growth of 36% or more over three years is required for maximum vesting.

As well as considering the EPS and TSR 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 73.

The forecast vesting value of the awards made in March 2016, subject to the above performance targets, is included in the 2018 single figure table on page 81.

Gains made on exercise of share options and PSP

The gains are calculated according to the market price of Croda International Plc ordinary shares of 10.35143p each on the date of exercise, although the shares may have been retained.

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Exercise date</th>
<th>Shares exercised</th>
<th>Scheme</th>
<th>Exercise price</th>
<th>Market price</th>
<th>Gain (before tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Foots</td>
<td>12 May 2017</td>
<td>20,701</td>
<td>PSP</td>
<td>0</td>
<td>£3932.5p</td>
<td>£812,204</td>
</tr>
<tr>
<td></td>
<td>5 March 2018</td>
<td>44,974</td>
<td>PSP</td>
<td>0</td>
<td>£4469p</td>
<td>£2,005,391</td>
</tr>
<tr>
<td></td>
<td>25 April 2018</td>
<td>102</td>
<td>Sharesave</td>
<td>1763p</td>
<td>£4402p</td>
<td>£2,710</td>
</tr>
<tr>
<td></td>
<td>1 November 2018</td>
<td>161</td>
<td>Sharesave</td>
<td>2322p</td>
<td>£4784p</td>
<td>£4,109</td>
</tr>
<tr>
<td>Jez Maiden</td>
<td>5 March 2018</td>
<td>23,262</td>
<td>PSP</td>
<td>0</td>
<td>£4469p</td>
<td>£1,037,253</td>
</tr>
<tr>
<td></td>
<td>1 November 2018</td>
<td>403</td>
<td>Sharesave</td>
<td>2322p</td>
<td>£4784p</td>
<td>£10,285</td>
</tr>
</tbody>
</table>

PSP awards granted in 2018

The PSP awards granted on 14 March 2018 were as follows:

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Number of PSP shares awarded</th>
<th>Ratio of award granted (% of salary)</th>
<th>Facemaximum value of awards at grant date</th>
<th>% of award vested at threshold (maximum)</th>
<th>Performance period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Foots</td>
<td>27,903</td>
<td>200%</td>
<td>£1,286,049</td>
<td>25% (100%)</td>
<td>01.01.18 – 31.12.20</td>
</tr>
<tr>
<td>Jez Maiden</td>
<td>14,433</td>
<td>150%</td>
<td>£665,216</td>
<td>25% (100%)</td>
<td>01.01.18 – 31.12.20</td>
</tr>
</tbody>
</table>

* Face value/maximum value is calculated based on a share price of £46.09, being the average mid-market share price of the three dealing days prior to the date of grant.

The 2018 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 2019 PSP as stated on page 82.

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 22 on page 136.

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>SIP shares held</th>
<th>Partnership shares acquired in year</th>
<th>Total shares</th>
<th>Total SIP shares that became unrestricted in the year</th>
<th>Total unrestricted SIP shares held at 31.12.18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Foots</td>
<td>5,717</td>
<td>38</td>
<td>38</td>
<td>5,793</td>
<td>93</td>
</tr>
<tr>
<td>Jez Maiden</td>
<td>199</td>
<td>38</td>
<td>38</td>
<td>279</td>
<td>–</td>
</tr>
</tbody>
</table>

There have been no changes in the interests of any Director between 31 December 2018 and the date of this report, except for the purchase of 6 SIP shares and 6 matching shares by Steve Foots and Jez Maiden during January and February 2019.

Jez Maiden also had 4 additional shares acquired through the Dividend Reinvestment Plan.

Sharesave

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

<table>
<thead>
<tr>
<th>Date of grant</th>
<th>Earned exercise date</th>
<th>Expiry date</th>
<th>Face value</th>
<th>Exercise price</th>
<th>Number of shares at 31.12.18</th>
<th>Granted in year</th>
<th>Exercised in year</th>
<th>Number of shares at 31.12.18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Foots</td>
<td>18 September 2014</td>
<td>1 November 2017</td>
<td>30 April 2018</td>
<td>£2,247,06</td>
<td>3163p</td>
<td>102</td>
<td>102</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>17 September 2015</td>
<td>1 November 2018</td>
<td>30 April 2019</td>
<td>£4,480,29</td>
<td>2322p</td>
<td>161</td>
<td>161</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>16 September 2016</td>
<td>1 November 2019</td>
<td>30 April 2020</td>
<td>£6,728,94</td>
<td>2639p</td>
<td>204</td>
<td>204</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>13 September 2017</td>
<td>1 November 2020</td>
<td>30 April 2021</td>
<td>£6,725,10</td>
<td>3092p</td>
<td>174</td>
<td>174</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>27 September 2018</td>
<td>1 November 2021</td>
<td>30 April 2022</td>
<td>£8,959,67</td>
<td>4144p</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

During 2018, the highest mid-market price of the Company’s shares was £599p and the lowest was £468p. The year end closing price was £468p. The year end mid-market price was £470p.

* 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:

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Normal retirement age under the CPS</th>
<th>Accrued pension 2018</th>
<th>Single remuneration figure 2018</th>
<th>Single remuneration figure 2018 including supplement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Foots</td>
<td>14 September 2033</td>
<td>£122,121</td>
<td>£195,386</td>
<td>£174,792</td>
</tr>
<tr>
<td>Jez Maiden</td>
<td>N/A</td>
<td>–</td>
<td>£107,870</td>
<td>–</td>
</tr>
</tbody>
</table>

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 2018, Steve Foots was paid £151,386 (2017: £148,704) and Jez Maiden was paid £110,870 (2017: 107,641 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 Company Executives are tailored to local market practice, length of service and the participant’s age.

Following a review of pension provision in the UK conducted in 2014, a Career Average Revalued Earnings scheme was introduced with a cap applied to pension benefits. The plan was rolled out in 2016, and at this time, the cap was set at £85,000; it is increased each year in line with inflation and from April 2019 it will be £93,243.

Employees who earn in excess of the pension cap receive a pension supplement. For current Executive Directors this supplement is up to 25% of salary; however, from 2018, any new appointments to the role of Executive Director or to the Executive Committee will receive a supplement of 15% in line with the UK employee population.

Where employees elect not to join the pension plan, cash is paid in lieu of a Company pension contribution. Again, for current Executive Directors this is set at 25% of salary; however, from 2018, any new appointments to the role of Executive Director or to the Executive Committee will receive a supplement of 15% in line with the UK employee population.

Steve Foots’ pension provision

Steve Foots accrues pension benefits under the Croda Pension Scheme (CPS) with an 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, reduced from the scheme cap of £65,650 due to annual allowance regulations. 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 in either instance, 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 receives a pension supplement at 25% of salary above his personal pension benefit cap.

Jez Maiden’s pension provision

Jez Maiden has elected not to join the CPS and is therefore paid a pension supplement of 25% of salary. He has an agreement with the Company to provide him with death-in-service benefits outside of the CPS.
Remuneration Report
continued

Audited Information

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 2018 are set out in the table below:

<table>
<thead>
<tr>
<th>Name</th>
<th>SIP (unvested)</th>
<th>PSP (unvested)</th>
<th>DBSP (unvested)</th>
<th>Sharesave (unvested)</th>
<th>Restricted</th>
<th>Unrestricted</th>
<th>Total 31.12.18</th>
<th>% of salary held under shareholding guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Director</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steve Foots</td>
<td>135,177</td>
<td>159,233</td>
<td>104,067</td>
<td>19,712</td>
<td>551</td>
<td>458</td>
<td>5,335</td>
<td>&gt;200% target</td>
</tr>
<tr>
<td>Jez Maiden</td>
<td>3,475</td>
<td>16,184</td>
<td>53,828</td>
<td>10,995</td>
<td>558</td>
<td>279</td>
<td>81,844</td>
<td>&gt;150% target</td>
</tr>
<tr>
<td><strong>Non-Executive Director</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roberto Cirillo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alan Ferguson</td>
<td>2,414</td>
<td>2,414</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,414</td>
<td></td>
</tr>
<tr>
<td>Jacqui Ferguson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anita Frew</td>
<td>9,655</td>
<td>9,655</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9,655</td>
<td></td>
</tr>
<tr>
<td>Helena Ganczakowski</td>
<td>370</td>
<td>370</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>370</td>
<td></td>
</tr>
<tr>
<td>Keith Layden</td>
<td>72,143</td>
<td>78,993</td>
<td>16,532</td>
<td>6,742</td>
<td></td>
<td></td>
<td>102,267</td>
<td></td>
</tr>
<tr>
<td>Nigel Turner</td>
<td>14,482</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11,983</td>
<td></td>
</tr>
<tr>
<td>Steve Williams</td>
<td>11,824</td>
<td>11,983</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11,983</td>
<td></td>
</tr>
</tbody>
</table>

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.

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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Base pay</th>
<th>Benefits</th>
<th>Fee</th>
<th>Annual bonus</th>
<th>PSP</th>
<th>Tax</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>236,917</td>
<td>19,712</td>
<td>7,295</td>
<td>69,864</td>
<td>63,433</td>
<td></td>
<td>41,219</td>
</tr>
<tr>
<td>2009</td>
<td>245,140</td>
<td>21,373</td>
<td>964</td>
<td>73,936</td>
<td>68,960</td>
<td></td>
<td>41,019</td>
</tr>
<tr>
<td>2010</td>
<td>221,337</td>
<td>15,532</td>
<td>929</td>
<td>69,171</td>
<td>66,132</td>
<td></td>
<td>38,420</td>
</tr>
<tr>
<td>2011</td>
<td>257,351</td>
<td>22,337</td>
<td>1,623</td>
<td>73,636</td>
<td>68,788</td>
<td></td>
<td>41,373</td>
</tr>
<tr>
<td>2012</td>
<td>244,212</td>
<td>20,506</td>
<td>1,623</td>
<td>63,636</td>
<td>68,788</td>
<td></td>
<td>38,420</td>
</tr>
<tr>
<td>2013</td>
<td>227,779</td>
<td>11,710</td>
<td>1,623</td>
<td>63,636</td>
<td>68,788</td>
<td></td>
<td>38,420</td>
</tr>
<tr>
<td>2014</td>
<td>227,779</td>
<td>11,710</td>
<td>1,623</td>
<td>63,636</td>
<td>68,788</td>
<td></td>
<td>38,420</td>
</tr>
<tr>
<td>2015</td>
<td>227,779</td>
<td>11,710</td>
<td>1,623</td>
<td>63,636</td>
<td>68,788</td>
<td></td>
<td>38,420</td>
</tr>
<tr>
<td>2016</td>
<td>227,779</td>
<td>11,710</td>
<td>1,623</td>
<td>63,636</td>
<td>68,788</td>
<td></td>
<td>38,420</td>
</tr>
<tr>
<td>2017</td>
<td>227,779</td>
<td>11,710</td>
<td>1,623</td>
<td>63,636</td>
<td>68,788</td>
<td></td>
<td>38,420</td>
</tr>
</tbody>
</table>

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.

The fees paid to the Non-Executive Directors (including chairing of Committees) and to the Senior Independent Director were reviewed in December 2018 and increased. These changes will take effect from 1 January 2019. The revised fee structure for the Board Chair and other Non-Executive Directors for 2019 is detailed below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Fee 2018</th>
<th>Fee 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anita Frew</td>
<td>246,140</td>
<td>253,775</td>
</tr>
<tr>
<td>Roberto Cirillo</td>
<td>236,917</td>
<td>244,219</td>
</tr>
<tr>
<td>Alan Ferguson</td>
<td>64,917</td>
<td>69,864</td>
</tr>
<tr>
<td>Steve Williams</td>
<td>59,965</td>
<td>63,433</td>
</tr>
<tr>
<td>Helena Ganczakowski</td>
<td>63,636</td>
<td>68,788</td>
</tr>
<tr>
<td>Keith Layden</td>
<td>54,917</td>
<td>61,147</td>
</tr>
<tr>
<td>Steve Williams</td>
<td>38,420</td>
<td>41,019</td>
</tr>
</tbody>
</table>

1 During 2018, the Committee also reviewed the Board Chair’s fee. As part of this process the Committee considered the expanded scope and growth of the Company over recent years. Croda is now an established international FTSE 100 company, and consequently the scope of the Board Chair role has changed. As part of the review it was found that Anita Frew’s fee for the role was significantly below the fees paid to other FTSE 100 Chairs. Against the background of the expanded scope and growth of the Company, the Committee felt that the Board Chair’s fee should be subject to a one-off adjustment, and determined that the fee would be increased from £245,140 to £253,775.

2 Committee Chairs received a supplementary fee of £10,300 in respect of their additional duties in 2018. This will increase in 2019 to £15,000. The Senior Independent Director received a supplementary fee of £10,300 in respect of their additional duties in 2018, which will be unchanged in 2019. In addition in 2019 the Non-Executive Director base fee increased from £56,650 to £62,000.

IX) Non-Executive Directors’ remuneration

The remuneration of Non-Executive Directors for the year ended 31 December 2018 payable by Group companies is detailed below. This table reflects actual payments in 2018 and also reflects several appointments and changes to Board Chairs and the Senior Independent Director.

<table>
<thead>
<tr>
<th>Name</th>
<th>Fee 2018</th>
<th>Fee 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annette Frew</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Roberto Cirillo</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Alan Ferguson</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Steve Williams</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Helena Ganczakowski</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Keith Layden</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Steve Williams</td>
<td>2018</td>
<td>2019</td>
</tr>
</tbody>
</table>

1 N.B. Nigel Turner retired 26 April 2018.

2 Includes directorships.

3 The benefits relate to Directors undertaking business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax.
Remuneration Report continued

Audited Information

Non-Executive Directors appointment
The effective dates of the letters of appointment for the Board Chair and each Non-Executive Director who served during 2018 are shown in the table below:

<table>
<thead>
<tr>
<th>Non-Executive Director</th>
<th>Original appointment date</th>
<th>Expiry date of current term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alan Ferguson</td>
<td>01-Jul-11</td>
<td>30-Jun-19</td>
</tr>
<tr>
<td>Roberto Cirillo</td>
<td>26-Apr-18</td>
<td>28-Apr-21</td>
</tr>
<tr>
<td>Allan Ferguson</td>
<td>01-Sep-18</td>
<td>01-Sep-21</td>
</tr>
<tr>
<td>Jacqui Ferguson</td>
<td>01-Sept-18</td>
<td>31-Jan-20</td>
</tr>
<tr>
<td>Helena Ganczakowski</td>
<td>01-Feb-14</td>
<td>31-Jan-20</td>
</tr>
<tr>
<td>Steve Williams</td>
<td>01-Oct-20</td>
<td></td>
</tr>
<tr>
<td>Keith Layden</td>
<td>01-May-17</td>
<td>01-May-20</td>
</tr>
</tbody>
</table>

X) Service contracts and outside interests
The Executive Directors have service contracts as follows:

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Contract date</th>
<th>Termination provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Foots</td>
<td>16 September 2010</td>
<td>by the Company 12 months, by the Director 6 months</td>
</tr>
<tr>
<td>Jez Maiden</td>
<td>09 October 2014</td>
<td>by the Company 12 months, by the Director 6 months</td>
</tr>
</tbody>
</table>

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 roles. Jez Maiden was appointed as a Non-Executive Director of PZ Cussons on 16 October 2016 and received a fee of £50,946 for 2018.

XI) Remuneration Committee attendance and advisers
Members and attendance (eligibility) at meetings held during the year ended 31 December 2018:

<table>
<thead>
<tr>
<th>Non-Executive Director</th>
<th>Original appointment date</th>
<th>Expiry date of current term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helena Ganczakowski</td>
<td>01-Feb-14</td>
<td>31-Jan-20</td>
</tr>
<tr>
<td>Alan Ferguson</td>
<td>01-Jul-11</td>
<td>30-Jun-19</td>
</tr>
<tr>
<td>Nigel Turner</td>
<td>01-Sept-18</td>
<td>31-Jan-20</td>
</tr>
<tr>
<td>Steve Williams</td>
<td>01-Oct-20</td>
<td></td>
</tr>
<tr>
<td>Jacqui Ferguson</td>
<td>01-Feb-14</td>
<td>31-Jan-20</td>
</tr>
</tbody>
</table>

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.

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.

XIII) Statement of voting (unaudited information)
At the 2018 AGM, the Directors’ Remuneration Report received the following votes from shareholders:

<table>
<thead>
<tr>
<th>Remuneration Policy</th>
<th>Annual Report on Remuneration</th>
<th>Annual Report on Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 number of votes</td>
<td>% of votes</td>
<td>2017 number of votes</td>
</tr>
<tr>
<td>Votes cast in favour</td>
<td>77,434,375</td>
<td>86.34%</td>
</tr>
<tr>
<td>Votes cast against</td>
<td>12,253,393</td>
<td>13.66%</td>
</tr>
<tr>
<td>Total votes cast</td>
<td>89,687,768</td>
<td>100%</td>
</tr>
<tr>
<td>Withheld</td>
<td>320,236</td>
<td>0.36%</td>
</tr>
</tbody>
</table>

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
26 February 2019
Remuneration Report continued

E. Summary of the Remuneration Policy

An updated Remuneration Policy was presented and approved by shareholders at the 2017 AGM and will operate until the AGM in 2020.

Changes to the application of Remuneration Policy effective 2018

In direct response to shareholder concerns the Committee agreed that for all new Executive Director or Executive Committee appointments the cash supplement element of their pension will be up to 15% of base salary, which is aligned to the UK workforce.

Main components of the Remuneration Policy

Link to strategy | Operation | Maximum opportunity |
--- | --- | --- |
**Basic salary**
To assist in the recruitment and retention of high-calibre Executives.
- 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 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
  - 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 guide the salary increase budget set in each region and across the workforce generally.
- Increases beyond those linked to the region of the Executive or the workforce as a whole (in percentage of salary terms) may be awarded in certain circumstances such as 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 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 as required.
- Additional benefits might be provided from time to time (for example in circumstances where an Executive Director is recruited from overseas).
- The Committee will consider whether the payment of any additional benefits is appropriate and in line with market practice when determining whether they are paid.
- Cost of benefits is not pre-determined and may vary from year to year based on the cost to the Group.

**Performance related bonus**
To incentivise and reward delivery of the Group’s key annual objectives.
- Compulsory deferral of one third of any bonus paid 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.
- To contribute to longer term alignment with shareholders.
- The balance of the bonus is paid in cash.

**Framework used to assess performance and for the recovery of sums paid**

None.

**Framework used to assess performance and for the recovery of sums paid**

None.

**Performance Share Plan (PSP)**
To incentivise and reward the execution of business strategy over the longer term.
- To reward sustained growth in (i) profit and (ii) shareholder value.
- To a two-year post-vesting holding period.
- The Committee has the discretion when awards are granted to permit awards to benefit from the dividends paid on shares that vest.

**Framework used to assess performance and for the recovery of sums paid**

Granted subject to a blend of challenging financial (eg EPS), shareholder return (eg relative TSR) and strategic targets (eg NPI).
- Targets will normally be tested over three years.
- In relation to financial targets (eg 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, the structure of the target will vary based on the nature of target set (ie it will not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if specific criteria are met in full).
- Vested shares will also be dependent on satisfactory underlying financial performance of the Group over the performance period and subject to potential claw back in the event of a material misstatement of results, serious misconduct, serious reputational damage, or corporate failure. The claw back provisions will operate for a three-year period following the date on which the awards vest.

**All-employee share plans**
To encourage retention and long term shareholding in the Company.
- 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 Plan and Share Incentive Plan.
- Shares acquired through these arrangements have significant tax benefits in the UK subject to satisfying certain HMRC requirements.
- The maximum participation level (for UK-based employees) is as per HMRC limits (see Annual Report on Remuneration for current maximum limits).

**Framework used to assess performance and for the recovery of sums paid**

There are no post-grant performance targets applicable to these awards.

**Pension**
To provide competitive long term retirement benefits.
- To act as a retention mechanism and reward service.
- Pension benefits are typically provided either through 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 with up to 1/60th accrual up to a capped salary currently set at up to £67,620 plus cash allowance of up to 15% of salary above the cap. The salary cap may be reduced due to annual allowance regulations. Or Cash allowance aligned to the workforce of up to 15% of salary.
- (A cap of 25% applies to Executive Directors appointed prior to 2018).

**Framework used to assess performance and for the recovery of sums paid**

None.
Remuneration Report on page 86.

Research and development
Research and development activities are undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Dividends
The Directors are recommending a final dividend of 49p per share (2018: 46p). If approved by shareholders, total dividends for the year will amount to £7p per share (2017: 8p). All dividends are shown in note 8 on page 116; details of the Company’s Dividend Reinvestment Plan can be found on page 148. The Company has established various Employee Benefit Trusts (EBTs) in connection with the obligation to satisfy future share awards under employee share incentive schemes. The trustees of the EBTs have waived their rights to receive dividends on certain Ordinary Shares of the Company held in the EBTs. Such waivers represent less than 1% of the total dividend payable on the Company’s Ordinary Shares. Further details of the EBTs can be found in note 24 on page 136.

Directors
The Company’s Articles of Association (Articles) give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The present Directors of the Company are shown on pages 44 and 45. In line with the UK Corporate Governance Code, each Director will be standing for election or re-election at the AGM, with the exception of Steve Williams, who will retire at the AGM. Details of the Directors’ service contracts are given in the Directors’ Remuneration Report on page 86.

Apart from the share option schemes, long term incentive schemes and service contracts, no Director had any beneficial interest in any contract to which the Company or a subsidiary was a party during the year.

A statement indicating the beneficial and non-beneficial interests of the Directors in the share capital of the Company, including share options, is shown in the Directors’ Remuneration Report on page 84.

The Directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company’s Memorandum and Articles and any directions given by special resolution.

Directors’ indemnities
The Company maintains Directors’ and Officers’ liability insurance that gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors and the Company Secretary, which represent ‘qualifying third party indemnity provisions’ (as defined by Section 234 of the Companies Act 2006), in relation to certain losses and liabilities that the Directors or the Company Secretary may incur to third parties in the course of acting as Directors or the Company Secretary or as employees of the Company or of any associated company. In addition, such indemnities have been granted to other officers of the Company who are Directors of subsidiary companies within the Group. The Company has also granted an indemnity representing ‘qualifying pension scheme indemnity provisions’ (as defined by Section 235 of the Companies Act 2006) to a paid Director of the corporate trustee of the Group’s UK pension scheme. Such indemnities were in place during 2018 and at the date of approval of the Group financial statements.

Share capital
At the date of this Report, 135,124,108 Ordinary Shares of 10.367143p each have been issued and are fully paid up and quoted on the London Stock Exchange. At the date of this Report, the Company has issued and fully paid up 21,900 7.5% Cumulative Preference Shares, 498,434 6.6% Cumulative Preference Shares and 615,562 5.9% Cumulative Preference Shares, all of £1 each (the Preference Shares). The rights and obligations attached to the Company’s Ordinary Shares and Preference Shares are set out in the Articles, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

There are no restrictions on the voting rights attached to the Company’s Ordinary Shares or on the transfer of securities in the Company. The 7.5% Cumulative Preference Shares do not confer on the holders any right to receive notice of or to be present or to vote at any general meeting of the Company, unless the cumulative preferential dividend on such shares is more than 12 calendar months in arrears. The 6.6% and 5.9% Cumulative Preference Shares do not confer on the holders any right to receive notice of or to be present or to vote at any general meeting of the Company, unless the cumulative preferential dividend on such shares is more than six calendar months in arrears or the business of the general meeting includes the consideration of a resolution for reducing the share capital of the Company, to sell the undertaking of the Company or to alter the Articles. No person holds securities in the Company that carry special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Power to issue or buy back shares
At the 2018 AGM, authority was given to the Directors to allot unissued shares in the Company up to a maximum amount equivalent to approximately one third of the issued share capital, excluding shares held in treasury, for general purposes, plus up to a further one third of the Company’s issued share capital, excluding shares held in treasury, but only in the case of a rights issue. No such shares have been issued.

A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. Both of these authorities expire on the date of the 2019 AGM, that is 24 April 2019, and so the Directors propose to renew them for a further year.

At last year’s AGM the members renewed the Company’s authority to purchase up to 15% of its Ordinary Shares. No purchases were made during the year. As a result the Company will be seeking to renew its authority to purchase its own shares at the 2019 AGM. Shares will only be purchased if the Board believes that such purchases will improve earnings per share and be in the best general interest of shareholders. It is the Company’s intention that any shares purchased will be held as treasury shares. At the date of this report the Company holds 3,491,067 shares in treasury.

Employees
Diversity: We are committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, race, ethnic origin, religion, disability, sexuality or age, or is disadvantaged by conditions or requirements that cannot be shown to be justified. Group human resources policies are clearly communicated to all of our employees and are available through the Company intranet.

Recruitment and progression:
It is established policy throughout the Business that decisions on recruitment, career development, promotion and other employment related issues are made solely on the grounds of individual ability, achievement, expertise and conduct.

We give full and fair consideration to applications for employment from people with disabilities, having regard to their particular aptitudes and abilities. Should an employee become disabled during their employment with the Company, they are fully supported by our Occupational Health provision. Efforts are made to continue their employment with reasonable adjustments being made to the workplace and role where feasible. Retraining is provided if necessary.

Development and learning: The Company recognises that the key to future success lies in the skills and abilities of its dedicated global workforce.

The continuous development of all of our employees is key to meeting the future demands of our customers, especially in relation to enhanced creativity, innovation and customer service. During 2018, 82.7% of our employees received training, totalling over 85,000 hours.

Investment: We are committed to ensuring that employees share in the success of the Group. Owning shares in the Company is an important way of strengthening involvement in the development of the Business and bringing together employees and shareholders’ interests. In 2018, 82.2% of our UK employees and 60.1% of our non-UK employees participated in one of our all-employee share plans, indicating employees’ continued desire to be involved in the Company.

Employees are kept informed of matters of concern to them in a variety of ways, including the Company magazine, Croda Way; quarterly updates; the Company intranet, Connect; team briefing webinars; and Croda Now email messages. These communications help achieve a common awareness of the financial and economic factors affecting the performance of Croda and of changes within the Business. We are committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. In 2017 we undertook a Global Employee Culture Survey and in 2018 we held Listening Groups across all levels of our organisation to gain a deeper understanding of our people’s feelings towards our Business. More details can be found on page 26 of our 2018 Sustainability Report.

90

91
The Group has borrowing facilities which may require the immediate repayment of all outstanding loans together with accrued interest in the event of a change of control. The rules of the Company’s employee share plans set out the consequences of a change in control of the Company on participants’ rights under the plans. Generally, such rights will vest and become exercisable on a change of control subject to the satisfaction of performance conditions. None of the Executive Directors’ service contracts contains provisions that are affected by a change of control and there are no other agreements that the Company is party to that take effect, alter or terminate in the event of a change of control of the Company, which are considered to be significant in terms of their potential impact on the Group.

The Company does not have any contractual or other arrangements that are essential to the business of the Group.

Articles of Association
Unless expressly specified to the contrary in the Articles, the Company's Articles may be amended by a special resolution of the Company’s shareholders.

Significant contracts and change of control
The Group has borrowing facilities which may require the immediate repayment of all outstanding loans together with accrued interest in the event of a change of control. The rules of the Company’s employee share plans set out the consequences of a change in control of the Company on participants’ rights under the plans. Generally, such rights will vest and become exercisable on a change of control subject to the satisfaction of performance conditions. None of the Executive Directors’ service contracts contains provisions that are affected by a change of control and there are no other agreements that the Company is party to that take effect, alter or terminate in the event of a change of control of the Company, which are considered to be significant in terms of their potential impact on the Group.

The Company does not have any contractual or other arrangements that are essential to the business of the Group.

Political donations
No donations were made for political purposes during the year (2017: £nil).

Financial risk management
The Group’s exposure to and management of capital, liquidity, credit, interest rate and foreign currency risks are contained in note (11) to that information.

Capitalised interest
The Group’s policy for capitalising borrowing costs directly attributable to the purchase or construction of fixed assets is set out on page 110.

Other disclosures
Certain information that is required to be included in the Directors’ Report can be found elsewhere in this document as referred to below, each of which is incorporated by reference into the Directors’ Report:

- Information on greenhouse gas emissions can be found on page 33
- An indication of likely future developments in the Group’s business can be found in the Strategic Report, starting on page 2
- An indication of the Group's overseas branches is on pages 145 to 147.

There have been no events affecting the Company since the financial year end to report to shareholders in accordance with the Accounts Regulations and Disclosure and Transparency Rules.

For the purposes of Listing Rule (LR) 9.8.4R, the information required to be disclosed by LR 9.8.4R can be found on the following pages of this Annual Report and Accounts:

Audit information
The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company’s auditors are unaware, and that they have each taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

Statement of Directors’ responsibilities
The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors’ Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the performance and position of the business as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy.

Tom Brophy
Group General Counsel and Company Secretary
26 February 2019
Independent Auditor’s Report to the Members of Croda International Plc

1. Our opinion is unmodified

We have audited the financial statements of Croda International Plc ("the Company") for the year ended 31 December 2018 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, Group Statement of Cash Flows, the Group and Company Statements of Changes in Equity, and the related notes, including the accounting policies on pages 105 to 111 and on page 140.

In our opinion:

• the financial statements give a true and fair view of the state of the Group’s and of the parent Company’s affairs as at 31 December 2018 and of the Group’s profit for the year then ended;
• the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
• the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is sufficient and appropriate for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 25 April 2018. The period of uninterrupted engagement is for the one financial year ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standards as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:

<table>
<thead>
<tr>
<th>Group financial statements as a whole</th>
<th>£16 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% of group profit before tax</td>
<td></td>
</tr>
</tbody>
</table>

Coverage:

79% of group profit before tax

Key audit matters

Recurring risks

Valuation of defined benefit pension scheme liabilities and certain of its assets

Environmental provision

Taxation

Recoverability of parent company’s intercompany receivables

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us in our audit. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Group

The risk

Our response

Valuation of defined benefit pension scheme liabilities and certain of its assets

Subjective valuations:

- The Group has three defined benefit pension schemes that are material in the context of the overall balance sheet and the results of the Group.
- Significant estimates, including the discount rate, the inflation rate, the mortality rate and GMP equalisation adjustment, are made in valuing the Group’s defined benefit pension obligations (before deducting the schemes’ assets). The UK scheme is still open to future accrual and new members, and small changes in the assumptions and estimates would have a significant effect on the financial position of the Group. The Group engages external actuarial specialists to assist them in selecting appropriate assumptions and calculate the obligations.
- The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the defined benefit obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 11) disclose the sensitivity estimated by the Group.
- Judgements and estimations are also applied when valuing certain of the schemes’ unlisted real estate and infrastructure assets, including the choice of valuation methodology.

Our procedures included:

- Benchmarking assumptions: challenged key assumptions applied (discount rate, inflation rate, and mortality rate) with the support of our own actuarial specialists, including a comparison of key assumptions against market data.
- Sensitivity analysis: assessed the sensitivity of the defined benefit obligation to changes in key assumptions.
- Test of details: obtained third party valuation confirmations directly from fund managers, and compared those confirmations with unaudited Net Asset Value (NAV) statements. Tested the ability of fund managers to prepare accurate valuations by validating the unaudited NAV statements to audited financial statements.
- Actuary’s and fund managers’ credentials: assessed the competence, independence and integrity of the Group’s actuarial expert and third party fund managers.
- Accounting analysis: challenged the accounting subjectivities such as GMP equalisation treatment that have been applied.
- Assessing transparency: considered adequacy of the Group’s disclosures in respect of the sensitivity of the net deficit to changes in key assumptions.

Our results:

- The results of our testing were satisfactory and we found the valuation of retirement benefit liabilities and certain unlisted assets to be acceptable.

Environmental provision

(£39.9 million; 2017: £10.2 million)

Refer to page 64 (Audit Committee Report), page 108 (accounting policy) and note 110 on pages 118 to 121 (financial disclosures).

Omitted exposure:

- The Group has numerous operating and legacy manufacturing sites worldwide. Environmental issues and related legal proceedings are inherent within the chemicals industry. There are a number of ongoing claims against the Group for soil and potential groundwater contamination and environmental damage.

- The accounting risk is that there is a material exposure which has not been provided for. The determination of the resulting environmental provision is inherently subjective and involves a significant level of judgement, including the interpretation of local environmental legislation.

Our procedures included:

- Enquiry with lawyers: obtained legal confirmation letters and inspected legal correspondence in relation to ongoing claims, and held discussions with the Group’s in-house legal team and specialists.
- Third party expert credentials: assessed the competence, independence and integrity of the Group’s third party experts used in estimating the provision.
- Comparisons: assessed legal expenses incurred and reviewed due diligence performed on acquisitions made in the period and compared these with the provisions identified.
- Assessing transparency: considered the adequacy of the Group’s disclosures in respect of the nature and extent of the exposure and the subjectivity in the forecasts.

Our results:

- We found the judgements made around accounting for environmental provisions and contingent liabilities to be acceptable.
Independent Auditor’s Report to the Members of Croda International Plc continued

In our evaluation of the Directors’ conclusions, we considered the inherent risks to the Group’s and Company’s business model and analysed how those risks might affect the Group’s and Company’s financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group’s and Company’s available financial resources over this period were:

- The impact of a significant business continuity issue affecting the Group’s manufacturing facilities or those of its suppliers;
- A potential significant legal settlement relating to a compliance issue; and
- The impact of Brexit on the Group’s supply chain.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company’s and the Group’s financial position remains sufficient for the achievement of the going concern basis. The Directors also considered that the Group is not in a position of an office to continue as a going concern for at least a year from the date of approval of the financial statements (the “going concern period”).

Our responsibility is to conclude on the appropriateness of the Directors’ conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this auditor’s report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Group and the Company will continue in operation.
Independent Auditor’s Report to the Members of Croda International Plc continued

As these were risks that could potentially cast significant doubt on the Group’s and the Company’s ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group’s financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from Brexit, and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of erosion of customer or supplier confidence arising from Brexit, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if:
• we have anything material to add or draw attention to in relation to the Directors’ statement in the Accounting Policies on pages 105 and 140 on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company’s use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
• if the related statement under the Listing Rules set out on page 92 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, or as set out formally below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit and the Directors’ confirmation on page 39 in relation to the viability statement, we have anything material to add or draw attention to in relation to:
• the Directors’ confirmation on page 39 in relation to the viability statement on page 43 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
• the Directors’ confirmation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group’s and Company’s longer-term viability.

Corporate governance disclosures

We are required to report to you if:
• we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors’ statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy; or
• the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if in our opinion:
• adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
• the parent Company financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns; or
• certain disclosures of Directors’ remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors’ responsibilities

As explained more fully in their statement set out on page 93, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view, such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, assessing the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and in our management (as required by listing standards), from inspection of the Group’s regulatory and legal correspondence, and discussed with the Directors and other management, the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of compliance throughout our audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, the Companies Act 2006, the Companies legislation, distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or liquidation of the Group’s licence to operate. We identified the following areas as those most likely to have such an effect: health and safety and product safety, anti-bribery and corruption, employment law, tax and environmental legislation, recognising the nature of the Group’s activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to only the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we may state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Heard (Senior Statutory Auditor) on behalf of KPMG LLP, Statutory Auditor Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
26 February 2019
### Group Consolidated Statements

#### Group Income Statement

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Adjusted £m</th>
<th>Adjustments £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,366.9</td>
<td>-</td>
<td>1,386.9</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(884.6)</td>
<td>-</td>
<td>(864.6)</td>
<td>(50)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>522.3</td>
<td>-</td>
<td>522.3</td>
<td>-</td>
</tr>
<tr>
<td>Operating costs</td>
<td>(179.6)</td>
<td>(13.7)</td>
<td>(193.3)</td>
<td>(5.2)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>342.6</td>
<td>(13.7)</td>
<td>328.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Financial costs</td>
<td>4</td>
<td>(12.1)</td>
<td>(12.1)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Financial income</td>
<td>4</td>
<td>1.1</td>
<td>1.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>331.5</td>
<td>(13.7)</td>
<td>317.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Tax</td>
<td>81.5</td>
<td>2.1</td>
<td>79.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Profit after tax for the year</td>
<td>249.9</td>
<td>(11.6)</td>
<td>238.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>

#### Group Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Adjusted £m</th>
<th>Adjustments £m</th>
</tr>
</thead>
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</tr>
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<td>(11.6)</td>
<td>238.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>

#### Group Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Adjusted £m</th>
<th>Adjustments £m</th>
</tr>
</thead>
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<td>-</td>
</tr>
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<td>(0.2)</td>
</tr>
<tr>
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</tr>
<tr>
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<td>81.5</td>
<td>2.1</td>
<td>79.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Profit after tax for the year</td>
<td>249.9</td>
<td>(11.6)</td>
<td>238.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>

### Notes

- **Non-controlling interests**
  - **Total comprehensive income for the year**
  - **Profit for the year**
  - **Profit after tax for the year**
  - **Attributable to:**
    - **Non-controlling interests**
    - **Owners of the parent**

#### Other comprehensive income/(expense):

- **Items that will not be reclassified subsequently to profit or loss**: 
  - **Remeasurements of post-retirement benefit obligations**
  - **Tax on items that will not be reclassified**

#### Gains per 100 ordinary shares:

- **Basic**
  - **Diluted**

---

**Owners of the parent**

**Continuing operations**

**Discontinued operations**

**Currency translation**

**Deferred tax assets**

**Deferred tax liabilities**

**Current tax liabilities**

**Current assets**

**Current liabilities**

**Non-current assets**

**Non-current liabilities**

**Revenue**

**Cost of sales**

**Gross profit**

**Operating costs**

**Operating profit**

**Financial costs**

**Financial income**

**Profit before tax**

**Tax**

**Profit after tax for the year**

**Attributable to:**

**Non-controlling interests**

**Owners of the parent**

**Profit for the year**

**Other comprehensive income/(expense):**

- **Items that will not be reclassified subsequently to profit or loss**: 

**Remeasurements of post-retirement benefit obligations**

**Tax on items that will not be reclassified**

**Items that may be reclassified subsequently to profit or loss:**

- **Currency translation**

**Other comprehensive income for the year**

**Total comprehensive income for the year**

**Attributable to:**

- **Non-controlling interests**

**Owners of the parent**

**Arising from:**

**Continuing operations**

**Discontinued operations**

**The financial statements on pages 100 to 137 were signed on behalf of the Board who approved the accounts on 26 February 2019.**

---

*Anita Frew*

Chair

Jez Maiden

Group Finance Director
### Group Consolidated Statements continued

#### Group Statement of Cash Flows

**for the year ended 31 December 2018**

<table>
<thead>
<tr>
<th>Note</th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated by operations</td>
<td>ii</td>
<td>331.7</td>
</tr>
<tr>
<td>Interest paid</td>
<td></td>
<td>(14.7)</td>
</tr>
<tr>
<td>Tax paid</td>
<td></td>
<td>(55.0)</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td></td>
<td>262.0</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** | | |
| Acquisition of subsidiaries | 27 | (79.3) | (29.0) |
| Acquisition of associates and other investments | 15 | (3.2) | (1.4) |
| Purchase of property, plant and equipment | 13 | (100.2) | (155.8) |
| Purchase of other intangible assets | 12 | 0.5 | 2.1 |
| Proceeds from sale of property, plant and equipment | | 0.4 | – |
| Cash paid against non-operating provisions | 20 | (1.0) | (0.0) |
| Interest received | | 1.1 | 0.6 |
| Net cash used in investing activities | | (185.1) | (189.5) |

| **Cash flows from financing activities** | | |
| New borrowings | | 437.1 | 369.3 |
| Repayment of borrowings | | (421.9) | (331.8) |
| Capital element of finance lease repayments | | (0.5) | (0.8) |
| Net transactions in own shares | | 0.4 | 0.7 |
| Dividends paid to equity shareholders | | 110.5 | 100.0 |
| Net cash used in financing activities | | (85.4) | (72.6) |

| **Net movement in cash and cash equivalents** | | |
| Cash and cash equivalents brought forward | | (18.5) | 0.4 |
| Cash and cash equivalents carried forward | i, ii | 54.9 | 56.4 |
| Exchange differences | | 3.9 | 1.9 |
| Cash and cash equivalents carried forward | | 40.3 | 54.9 |

| **Cash and cash equivalents carried forward comprise:** | | |
| Cash at bank and in hand | 71.2 | 63.3 |
| Bank overdrafts | (30.9) | (8.4) |
| | 40.3 | 54.9 |

#### Group Cash Flow Notes

**for the year ended 31 December 2018**

(i) **Reconciliation to net debt**

<table>
<thead>
<tr>
<th>Note</th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Movement in cash and cash equivalents</strong></td>
<td></td>
<td>ii</td>
</tr>
<tr>
<td>Movement in debt and lease financing</td>
<td></td>
<td>(14.7)</td>
</tr>
<tr>
<td>Change in net debt from cash flows</td>
<td></td>
<td>(33.2)</td>
</tr>
<tr>
<td>New finance lease contracts</td>
<td></td>
<td>(0.7)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td></td>
<td>(10.1)</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td></td>
<td>(44.9)</td>
</tr>
<tr>
<td>Net debt brought forward</td>
<td></td>
<td>(381.5)</td>
</tr>
<tr>
<td>Net debt carried forward</td>
<td></td>
<td>(425.5)</td>
</tr>
</tbody>
</table>

(ii) **Cash generated by operations**

<table>
<thead>
<tr>
<th>Note</th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating profit</td>
<td></td>
<td>342.5</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>iv</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Acquisition costs and amortisation of intangible assets arising on acquisition</td>
<td></td>
<td>(8.8)</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td>328.8</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td></td>
<td>56.2</td>
</tr>
<tr>
<td>Profit/loss on disposal of property, plant and equipment</td>
<td></td>
<td>(0.1)</td>
</tr>
<tr>
<td>Net provisions charged (note 20)</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Share-based payments</td>
<td></td>
<td>8.3</td>
</tr>
<tr>
<td>Cash paid against operating provisions (note 20)</td>
<td></td>
<td>(1.1)</td>
</tr>
<tr>
<td>Non-cash pension expense</td>
<td></td>
<td>8.7</td>
</tr>
<tr>
<td>Share of loss of associate</td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td>Movement in inventories</td>
<td></td>
<td>(22.2)</td>
</tr>
<tr>
<td>Movement in receivables</td>
<td></td>
<td>(26.3)</td>
</tr>
<tr>
<td>Movement in payables</td>
<td></td>
<td>(20.8)</td>
</tr>
<tr>
<td>Cash generated by continuing operations</td>
<td></td>
<td>331.7</td>
</tr>
</tbody>
</table>

(iii) **Analysis of net debt**

<table>
<thead>
<tr>
<th>2018 £m</th>
<th>Cash flow equivalents</th>
<th>Exchange movements</th>
<th>Other movements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>412.9</td>
<td>(22.5)</td>
<td>–</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>(30.9)</td>
<td>–</td>
<td>(8.4)</td>
</tr>
<tr>
<td>Movement in cash and cash equivalents</td>
<td></td>
<td>(18.0)</td>
<td>3.9</td>
</tr>
<tr>
<td>Borrowings repayable within one year</td>
<td>(17.9)</td>
<td>(7.8)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Borrowings repayable after more than one year</td>
<td>(446.9)</td>
<td>(7.4)</td>
<td>(426.0)</td>
</tr>
<tr>
<td>Finance leases</td>
<td>(1.0)</td>
<td>0.5</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Movement in borrowings and other financial liabilities</td>
<td>(14.7)</td>
<td>(14.5)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Total net debt</td>
<td>(425.5)</td>
<td>(33.2)</td>
<td>(10.1)</td>
</tr>
</tbody>
</table>

(iv) **Cash flow on exceptional items**

The total cash outflow during the year in respect of exceptional items, including those recognised in prior years’ income statements, was £2.1m (2017: £4.7m). Details of exceptional items can be found in note 3 on page 113.
Group Consolidated Statements continued

Group Statement of Changes in Equity
for the year ended 31 December 2018

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Share premium account</th>
<th>Own shares</th>
<th>Other reserves</th>
<th>Retained earnings</th>
<th>Non controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td></td>
<td>93.3</td>
<td>7.3</td>
<td>0.7</td>
<td>14.8</td>
<td>256.2</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>–</td>
<td>–</td>
<td>237.0</td>
<td>(0.3)</td>
<td>236.7</td>
</tr>
<tr>
<td>Other comprehensive (expense)/income</td>
<td></td>
<td>–</td>
<td>(22.3)</td>
<td>98.1</td>
<td>(0.3)</td>
<td>75.5</td>
</tr>
<tr>
<td>Total comprehensive (expense)/income for the year</td>
<td></td>
<td>–</td>
<td>(22.3)</td>
<td>335.1</td>
<td>(0.3)</td>
<td>312.2</td>
</tr>
<tr>
<td>Transactions with owners:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on equity shares</td>
<td>B</td>
<td>–</td>
<td>(100.0)</td>
<td>–</td>
<td>(100.0)</td>
<td></td>
</tr>
<tr>
<td>Share-based payments</td>
<td></td>
<td>–</td>
<td>8.2</td>
<td>–</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Transactions in own shares</td>
<td></td>
<td>–</td>
<td>0.7</td>
<td>–</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td></td>
<td>–</td>
<td>(91.1)</td>
<td>–</td>
<td>(91.1)</td>
<td></td>
</tr>
<tr>
<td>Total equity at 31 December 2018</td>
<td></td>
<td>93.3</td>
<td>53.9</td>
<td>660.0</td>
<td>7.6</td>
<td>829.9</td>
</tr>
</tbody>
</table>

At 1 January 2018

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Share premium account</th>
<th>Own shares</th>
<th>Other reserves</th>
<th>Retained earnings</th>
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</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>–</td>
<td>–</td>
<td>238.5</td>
<td>(0.3)</td>
<td>238.3</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td>–</td>
<td>14.8</td>
<td>256.2</td>
<td>(0.1)</td>
<td>270.9</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>–</td>
<td>14.8</td>
<td>256.2</td>
<td>(0.1)</td>
<td>270.9</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on equity shares</td>
<td>B</td>
<td>–</td>
<td>(110.5)</td>
<td>–</td>
<td>(110.5)</td>
<td></td>
</tr>
<tr>
<td>Share-based payments</td>
<td></td>
<td>–</td>
<td>7.3</td>
<td>–</td>
<td>7.3</td>
<td></td>
</tr>
<tr>
<td>Transactions in own shares</td>
<td></td>
<td>–</td>
<td>0.4</td>
<td>–</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td></td>
<td>–</td>
<td>(102.8)</td>
<td>–</td>
<td>(102.8)</td>
<td></td>
</tr>
<tr>
<td>Total equity at 31 December 2018</td>
<td></td>
<td>93.3</td>
<td>68.7</td>
<td>813.4</td>
<td>7.5</td>
<td>998.0</td>
</tr>
</tbody>
</table>

Group Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards Interpretations Committee (IFRSC) and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU as at 31 December 2018. A summary of the more important Group accounting policies is set out below.

Going concern

The financial statements which appear on pages 103 to 137 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence.

Critical accounting judgements and key sources of estimation uncertainty

The Group’s significant accounting policies under IFRS have been set by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group’s results are likely to occur from period to period.

The critical accounting judgements required when preparing the Group’s accounts are as follows:

(i) Provisions – the Group has recognised potential environmental liabilities and other provisions. The Group’s assessment of whether a constructive or legal obligation has arisen from a past event (and can be measured reliably) is a key judgement in determining the appropriate accounting treatment. The rationale behind these judgements is discussed in note 20, with consideration of contingent liabilities disclosed in note 28.

(ii) Goodwill and fair value of assets acquired (note 12) – management are required to undertake an annual test for impairment of indefinite lived assets such as goodwill. Accordingly, the Group tests annually whether goodwill has suffered any impairment and the Group’s goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying Cash Generating Units (‘CGUs’). These calculations require the use of estimates to enable the calculation of the net present value of cash flow projections of the relevant CGU. The critical assumptions are as follows:

- Rate of growth in EBITDA (calculated as operating profit before depreciation and amortisation) – estimated at 3% long term (a prudent estimate given the Group’s historical growth rates) unless the profile of a particular acquired business warrants a different treatment.
- Selection of appropriate discount rates to reflect the risks involved – typically the Group’s weighted average cost of capital would be used as a starting point unless the risk profile of a particular acquired business warrants a different treatment.
- Recoverable amounts currently exceed carrying values including goodwill. Goodwill arising on acquisition is allocated to the CGU that is expected to benefit from the synergies of the acquisition. Such goodwill is then incorporated into the Group’s standard impairment review process as described above.
Group Accounting Policies continued

Changes in accounting policy

(i) New and amended standards adopted by the Group for the first time on the financial year beginning on 1 January 2018:
   
   IFRS 15 ‘Revenue from contracts’ requires revenue to be recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. It replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The Group has amended its accounting policy appropriately (as disclosed on page 107) but the impact of the new standard on the Group’s revenue and profit is not material. This reflects the relatively non-complex and largely standardised terms and conditions applicable to the Group’s revenue contracts. Accordingly, the Group has only adopted IFRS 15 from 1 January 2018 and no adjustment has been recognised in opening equity at the date of initial application.
   
   IFRS 9 ‘Financial Instruments’ replaced the classification and measurement models for financial instruments in IAS 39 with three classification categories: amortised cost, fair value through other comprehensive income, and no adjustment has been recognised in opening equity at the date of initial application.

Group accounts

General information

Croda International Plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. It is registered in England and Wales and the address of its registered office can be found on page 149.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Parent Company has control. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group’s share of identifiable net assets acquired is recorded as goodwill.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Intangible assets

Goodwill

On acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalised and carried at cost less accumulated impairment losses. Goodwill is subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as CGUs. If the recoverable amount of the CGU is less than the carrying value of the goodwill, an impairment loss is recognised immediately against the goodwill value. The recoverable amount of the CGU is the higher of fair value less costs to sell and value in use. Value in use is estimated with reference to estimated future cash flows discounted to net present value using a discount rate that reflects the risks specific to the CGU. Typically the Group’s weighted average cost of capital would be used as a starting point unless the risk profile is such that a particular acquired business warrants different treatment. The Group uses prudent growth estimates that track below the Group’s historical growth rates.

Other intangible assets arising on acquisition

On acquisition, intangible assets other than goodwill are recognised if they can be identified through being separable from the acquired entity or purchased from specific contractual or legal rights.

Once recognised, such intangible assets would be initially valued using either the ‘market approach’ (where a well-defined external market for the asset exists), the ‘income approach’ (which looks at the future income the asset will generate) or the ‘cost approach’ (the cost of replacing the asset), whichever is most relevant to the asset under consideration. Following initial recognition, the asset will be written down on a straight-line basis over its useful life, which range from 7 to 10 years for technology processes and trade secrets and 20 years for trade names and customer relationships. Useful lives are regularly reviewed to ensure their continuing relevance.

Research and development

Research expenditure, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is charged to the income statement in the year in which it is incurred. Internal development expenditure, whereby research findings are applied to a plan for the production of new or substantially improved products or processes, is charged to the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 ‘Intangible Assets’. Development uncertainties typically mean that such criteria are not met, most commonly because the Group can only demonstrate the existence of a market at a late stage in the product development cycle, at which point the material element of project spend has already been incurred and charged to the income statement. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch.

Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off to the income statement.

Computer software

Acquired computer software licences covering a software package greater than a year are capitalised on the balance sheet. Licences acquired after a year are amortised over their estimated useful lives (3 to 7 years).

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes intra-group sales. The Group recognises revenue when it transfers control over a product or service to a customer.

Sale of goods

The treatment of revenues from which the Group generates revenue is the supply of products to customers from its various manufacturing sites and warehouses, and in some limited instances from consignment inventory held on customer sites. Products are supplied under a variety of standard terms and conditions, and in each case, revenue is recognised when contractual performance obligations between the Group and the customer are satisfied. This will typically be on dispatch or delivery. When sales discount and rebate arrangements result in variable consideration, appropriate provisions are recognised as a deduction from revenue at the point of sale (to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not be required). The Group typically uses the expected value method for estimating variable consideration, reflecting that such contracts have similar characteristics and a range of possible outcomes.

Royalties and profit sharing arrangements

Revenues are recognised when performance obligations between the Group and the customer are satisfied in accordance with the substance of the underlying contract.

Interest and dividend income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.
### Group Accounting Policies continued

#### Segmental reporting

An operating segment is a group of assets and liabilities that involve providing products and services that are subject to risks or returns that are different from those of other segments. Operating segments presented in the financial statements are consistent with the internal reporting provided to the Group’s Chief Operating Decision Maker, which has been identified as the Group Executive Committee.

#### Employee benefits

**Pension obligations**

The Group accounts for pensions and similar benefits under IAS 19 ‘Employee Benefits’ (revised). In respect of defined benefit plans (pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation), obligations are measured at discounted present value whilst plan assets are recognised as assets and liabilities recognised in the balance sheet in respect of defined benefit pension plans are the net of plan obligations and assets. A scheme surplus is only recognised as an asset in the balance sheet when the Group has the unconditional right to future economic benefits in the form of a refund or a reduction in future contributions. The Group currently expects to recover its accounting surplus through reduced future contributions. No allowance is made in the past service cost for contributions required to maintain the level of benefits in the future.

**Other post-retirement benefits**

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Remeasurements are recognised in the statement of comprehensive income. These obligations are valued annually by independent qualified actuaries.

**Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

**Share-based payments**

The Group operates a number of cash and equity settled, share-based incentive schemes. These are accounted for in accordance with IFRS 2 ‘Share-based Payments’, which requires an expense to be recognised in the income statement over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black-Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting for non-market based performance criteria.

**Currency translations**

**Functional and presentation currency**

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The consolidated financial statements are presented in Sterling, which is the Company’s functional and presentation currency.

**Transactions and balances**

Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**Group companies**

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
2. income and expenses for each income statement are translated at average exchange rates.
3. all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders’ equity.

When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

**Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise on differences between the carrying value of assets and liabilities in the financial statements and their tax base and primarily relate to the difference between tax allowances on tangible fixed assets and the corresponding depreciation charge, and upon the net pension fund deficit. Full provision is made for the tax effects of these differences. No provision is made for unwritten earnings of foreign subsidiaries where there is no commitment to remit such earnings.

Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised, using the balance sheet liability method, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

All taxation is calculated on the basis of the tax rates and laws enacted or substantially enacted at the balance sheet date.

**Exceptional items**

Exceptional items are those items that in the Directors’ view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group’s financial performance. In the current year exceptional items relate to a past service cost for the UK defined benefit pension scheme to equalise benefits for the effects of unequal guaranteed Minimum Pensions following the precedent set by the 2018 High Court judgement in the Lloyds Bank case. Exceptional items in the prior year related to environmental costs of discontinued businesses. Details can be found in note 3 on page 113.

**Income statement presentation**

The acquisition of Eriza Biotech AB and ForPsdia ABY in 2017 and Nautilus Biosciences Canada Inc, Plant Impact plc and Bremtag Biosector A/S in 2018 and the associated assumption and amortisation of acquired intangible assets. If the right targets can be found, these costs are likely to increase in the future. To avoid distorting the underlying trend in profitability, the Group introduced the definitions ‘Adjusted operating profit’, ‘Adjusted profit before tax’ and ‘Adjusted earnings per share’. In each case acquisition costs, amortisation of intangible assets arising on acquisition and exceptional items, including the respective tax effect, are excluded. The Group income statement has been produced in a columnar format to further aid this analysis.

**Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation, with the exception of assets acquired as part of a business combination. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The Group’s policy is to write-off the difference between the cost of all property, plant and equipment, except freehold land, and their residual value on a straight-line basis over their estimated useful lives.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear, and adjustments are made where appropriate.

**Impairment of non-financial assets**

The Group assesses at each year-end whether an asset may be impaired. If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate. The recoverable amount is the higher of an asset’s value in use and fair value less costs to sell. In addition to this, goodwill is tested for impairment at least annually. Non-financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**Leases**

Assets acquired under finance leases are included in the balance sheet under property, plant and equipment at an amount reflecting the lower of the present value of future rentals and the fair value of the asset and are depreciated over the shorter of the lease term and their estimated useful lives. The capital element of future lease rentals is included in borrowings. Finance charges are allocated to the income statement each year in proportion to the capital element outstanding.

The cost of operating leases is charged to the income statement on a straight-line basis over the lease period.

**Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to interest rates and short term currency rate fluctuations.

Derivative financial instruments are recorded initially at cost. Subsequent measurement depends on the designation of the instrument as either: (i) a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) a hedge of highly probable forecast transactions (cash flow hedge).
(i) Fair value hedge
Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories
Inventories are stated at the lower of cost and net realisable value on a first in first out basis. Cost comprises all expenditure, including related production overheads, incurred in the normal course of business in bringing the inventory to its location and condition at the balance sheet date. Net realisable value is the estimated selling price in the ordinary course of business less any applicable variable selling costs. Provision is made for obsolete, slow moving and defective inventory where appropriate. Profits arising on intra-group sales are eliminated in so far as the product remains in Group inventory at the year end.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprises balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the change being made to operating expenses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and bank overdrafts are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, there is an intention to settle on a net basis and interest is charged on a net basis.

Environmental, restructuring and other provisions
The Group is exposed to environmental liabilities relating to its operations and liabilities following the acquisition of Unipema. Provisions are made immediately where a legal obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation. The Group does consider the impact of discounting when establishing provisions and provisions are discounted when the impact is material and the timing of cash flows can be estimated with reasonable certainty.

Share capital
Investment in own shares
(i) Employee share ownership trusts – shares acquired by the trustees of the employee share ownership trust (the Trustees), funded by the Company and held for the continuing benefit of the employees. Any cash received is treated as a reduction in equity attributable to owners of the parent. Movements in the year arising from additional purchases by the Trustees of shares or the receipt of cash proceeds due to the exercise of options by employees are accounted for within reserves and shown as a movement in equity attributable to owners of the parent in the year. Administration expenses of the trusts are charged to the Company’s income statement as incurred.

(ii) Treasury shares – where any Group company purchases the Company’s equity share capital as treasury shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

Dividends
Dividends on ordinary share capital are recognised as a liability when the liability is irrevocable. Accordingly, final dividends are recognised when approved by shareholders and interim dividends are recognised when paid.

Investments
Investments in equity securities are measured at fair value, with movements in the fair value being recognised in equity. Investments in associates are initially recorded at cost and subsequently adjusted for the Group’s share of results. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.
Notes to the Group Accounts

1. Segmental analysis
The Group’s sales, marketing and research activities are organised into four global market sectors, being Personal Care, Life Sciences, Performance Technologies and Industrial Chemicals. These are the segments for which summary management information is presented to the Group’s Executive Committee, which is deemed to be the Group’s Chief Operating Decision Maker. A review of each sector can be found within the Strategic Report on pages 26 to 29.

There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and trade and other receivables.

Adjusted operating profit

The Group manages its business segments on a global basis. The operations are based in the following geographical areas: Europe, with manufacturing sites in the UK, France, the Netherlands, Spain, Finland and Denmark; the Americas, with manufacturing sites in the US, Brazil and Argentina; Asia, with manufacturing sites in Singapore, Japan, India, China and Indonesia; and Australia and South Africa.

The Group’s revenue from external customers in the UK is £55.4m (2017: £50.2m), in Germany £113.0m (2017: £113.6m), in the US £343.2m (2017: £356.5m) and the total revenue from external customers from other countries is £875.3m (2017: £852.8m). No single external customer represents more than 3% of the total revenue of the Group.

The total of non-current assets other than financial instruments, retirement benefit assets and deferred tax assets located in the UK is £119.6m (2017: £94.0m), and the total of the non-current assets located in other countries is £766.4m (2017: £658.3m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

2. Operating costs

In the following table, revenue has been disaggregated by sector and destination. This is the primary management information that is presented to the Group’s Executive Committee.

3. Profit for the year

The Group profit for the year is stated after charging/(crediting):

- Depreciation and amortisation (note 12 & 13)
- Exceptional items

Additional information on the operation of the Group in its external activities and on the Group’s income statement is given in note 3.

4. Adjustments (including exceptional items)

Adjustments in the Group income statement of £13.7m (2017: £6.2m) include a £3.7m exceptional cost relating to the UK defined benefit pension scheme, being a past service cost to equalise benefits for the effects of unequal Guaranteed Minimum Pensions following the precedent set by the 2018 High Court judgement in the Lloyds Bank case (2017: £1.7m relating to environmental costs of businesses discontinued in prior years). Also included are acquisition costs of £2.7m (2017: £0.8m) and amortisation of intangible assets arising on acquisition of £6.1m (2017: £3.7m). The tax impact on adjustments in the Group income statement was £2.1m (2017: £0.8m). In the prior year, the US Tax Cuts and Jobs Act also led to a revaluation of the Group’s net deferred tax liability, resulting in a £7.7m exceptional tax credit.

5. Services provided by the Group’s auditors

Services provided by the Group’s auditors in 2018 relate to services provided by KPMG LLP. Fees disclosed as payable in 2017 relate to services provided by PricewaterhouseCoopers LLP.
Notes to the Group Accounts continued

4. Net financial costs

<table>
<thead>
<tr>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial costs</td>
<td></td>
</tr>
<tr>
<td>US$100m 5.94% fixed rate 10 year bond</td>
<td>4.5</td>
</tr>
<tr>
<td>2014 Club facility due 2021</td>
<td>2.5</td>
</tr>
<tr>
<td>2016 Club facility due 2021</td>
<td>-</td>
</tr>
<tr>
<td>£30m 1.08% fixed rate 7 year bond</td>
<td>0.3</td>
</tr>
<tr>
<td>£30m 1.43% fixed rate 10 year bond</td>
<td>0.9</td>
</tr>
<tr>
<td>£30m 2.54% fixed rate 7 year bond</td>
<td>0.8</td>
</tr>
<tr>
<td>£70m 2.80% fixed rate 10 year bond</td>
<td>2.0</td>
</tr>
<tr>
<td>Net interest on retirement benefit liabilities</td>
<td>0.6</td>
</tr>
<tr>
<td>Other bank loans and overdrafts</td>
<td>3.8</td>
</tr>
<tr>
<td>Capitalised interest</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Total interest</td>
<td>12.1</td>
</tr>
<tr>
<td>Financial income</td>
<td></td>
</tr>
<tr>
<td>Bank interest receivable and similar income</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Net financial costs</td>
<td>11.0</td>
</tr>
</tbody>
</table>

5. Tax

(a) Analysis of tax charge for the year

<table>
<thead>
<tr>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK current corporate tax</td>
<td>15.0</td>
</tr>
<tr>
<td>Overseas current corporate taxes</td>
<td>42.1</td>
</tr>
<tr>
<td>Current tax</td>
<td>57.1</td>
</tr>
<tr>
<td>Deferred tax (note 6)</td>
<td>22.4</td>
</tr>
<tr>
<td>Total tax</td>
<td>79.5</td>
</tr>
</tbody>
</table>

(b) Tax on items charged/(credited) to equity

Deferred tax on remeasurement of post-retirement benefits | 4.9 | 23.8 |
Deferred tax on share-based payments | (0.8) | (1.7) |
Deferred tax charged directly to equity (note 5(b)) | 4.1 | 22.1 |

(c) Factors affecting the tax charge for the year

<table>
<thead>
<tr>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>317.8</td>
</tr>
<tr>
<td>Tax at the standard rate of corporation tax in the UK, 19.00% (2017: 19.25%)</td>
<td>60.4</td>
</tr>
<tr>
<td>Effect of:</td>
<td></td>
</tr>
<tr>
<td>Deferred tax rate change</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Prior year overprovisions</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Tax cost of remitting overseas income to the UK</td>
<td>0.6</td>
</tr>
<tr>
<td>Expenses and write-offs not deductible for tax purposes</td>
<td>0.6</td>
</tr>
<tr>
<td>Net effect of higher overseas tax rates</td>
<td>21.2</td>
</tr>
<tr>
<td>Total tax</td>
<td>79.5</td>
</tr>
</tbody>
</table>

Corda’s 2018 effective adjusted corporate tax rate of 24.6% is significantly higher than the UK’s standard rate of 19%. Corda operates in many tax jurisdictions other than the UK, both as a manufacturer and distributor, with the majority of those jurisdictions having rates higher than the UK; considerably so in some cases. It is the exposure to these different tax rates that increases the effective tax rate above the UK standard rate and also makes it difficult to forecast the Group’s future tax rate with any certainty given the unpredictable nature of exchange rates, individual economies and tax legislators. Other than the exposure to higher overseas tax rates, there are no significant adjustments between the Group’s expected and reported tax charge based on its accounting profit. Given the global nature of the Group, and the number of associated cross-border transactions between connected parties, we are exposed to potential adjustments to the price charged for those transactions by tax authorities. However, the Group carries appropriate provisions relating to the level of risk.

The main rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. Further reductions to the UK tax rate have been announced that will reduce the rate to 17% by 1 April 2020, although for 2018 the rate is 19%. The future changes to rates were substantively enacted on 6 September 2016. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

6. Deferred tax

The deferred tax balances included in these accounts are attributable to the following:

Deferred tax assets

<table>
<thead>
<tr>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement benefit liabilities</td>
<td>10.2</td>
</tr>
<tr>
<td>Tax losses</td>
<td>24.4</td>
</tr>
<tr>
<td>Provisions</td>
<td>21.6</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>56.2</td>
</tr>
</tbody>
</table>

Deferred tax liabilities

<table>
<thead>
<tr>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated capital allowances</td>
<td>98.4</td>
</tr>
<tr>
<td>Revaluation gains</td>
<td>1.9</td>
</tr>
<tr>
<td>Acquired intangibles</td>
<td>19.2</td>
</tr>
<tr>
<td>Retirement benefit assets</td>
<td>4.1</td>
</tr>
<tr>
<td>Other</td>
<td>1.1</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>124.7</td>
</tr>
</tbody>
</table>

The movement on deferred tax balances during the year is summarised as follows:

Deferred tax (charged)/credited through the income statement

<table>
<thead>
<tr>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations before adjustments</td>
<td></td>
</tr>
<tr>
<td>Adjustments and exceptional items</td>
<td>2.1</td>
</tr>
<tr>
<td>Deferred tax charged directly to equity (note 5(b))</td>
<td>(4.1)</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Total deferred tax charged</td>
<td>(38.2)</td>
</tr>
<tr>
<td>Net balance brought forward</td>
<td>(30.3)</td>
</tr>
<tr>
<td>Net balance carried forward</td>
<td>(68.5)</td>
</tr>
</tbody>
</table>

Deferred tax (charged)/credited through the income statement relates to the following:

Retirement benefit obligations | 1.3 | (0.2) |
Accelerated capital allowances | (48.4) | 4.8 |
Tax losses | 23.2 | | 
Provisions | 0.3 | (2.7) |
Other | 1.2 | 2.6 |
| Total deferred tax charged through the income statement | (22.4) | 4.5 |

Deferred tax is calculated in full on temporary differences under the balance sheet liability method at rates appropriate to each subsidiary. Deferred tax expected to reverse in the year to 31 December 2019 and beyond has been measured using the rate due to prevail in the year of reversal.

Deferred tax assets have been recognised in all cases where such assets arise, as it is probable the assets will be recoverable. Deferred tax is only recognised on the unremitted earnings of overseas subsidiaries to the extent that remittance is expected in the foreseeable future. If all earnings were remitted, an additional £3.0m (2017: £3.2m) of tax would be payable.

All movements on deferred tax balances have been recognised in income with the exception of the charges shown in note 5(b), which have been recognised directly in equity.

Of the deferred tax assets, £26.6m are expected to reverse within 12 months of the balance sheet date. No material reversal of any of the deferred tax liability is expected within 12 months of the balance sheet date based on the Group’s current capital expenditure programme.
Notes to the Group Accounts continued

7. Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted profit after tax for the year attributable to owners of the parent</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Exceptional items, acquisition costs and amortisation of intangible assets</td>
<td>(13.7)</td>
<td>(6.2)</td>
</tr>
<tr>
<td>Tax impact of exceptional items, acquisition costs and amortisation of intangible assets</td>
<td>2.1</td>
<td>8.5</td>
</tr>
<tr>
<td>Profit after tax for the year attributable to owners of the parent</td>
<td>238.5</td>
<td>237.0</td>
</tr>
</tbody>
</table>

| Weighted average number of 10.36p ordinary shares in issue for basic calculation | 131.5| 131.1 |
| Average number of 10.36p ordinary shares for diluted calculation | 132.2| 132.4 |

Basic earnings per share is calculated by dividing the profit after tax attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding those shares held in treasury or employee share trusts (note 24). Shares held in employee share trusts are treated as cancelled because, except for a nominal amount, dividends have been waived.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Additional earnings per share calculations are included above to give a better indication of the Group’s underlying performance.

8. Dividends

<table>
<thead>
<tr>
<th></th>
<th>Pence per share</th>
<th>2018</th>
<th>Pence per share</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017 Interim, paid October 2017</td>
<td>–</td>
<td>–</td>
<td>35.00</td>
<td>45.8</td>
</tr>
<tr>
<td>2018 Interim, paid October 2018</td>
<td>38.00</td>
<td>50.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Final</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016 Final, paid June 2017</td>
<td>–</td>
<td>–</td>
<td>41.25</td>
<td>54.1</td>
</tr>
<tr>
<td>2017 Final, paid May 2018</td>
<td>46.00</td>
<td>60.4</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Preference (paid June and December)</td>
<td>84.00</td>
<td>112.4</td>
<td>76.25</td>
<td>99.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.1</td>
<td>0.1</td>
<td></td>
</tr>
</tbody>
</table>

The Directors are recommending a final dividend of 49.0p per share, amounting to a total of £64.5m, in respect of the financial year ended 31 December 2018.

Subject to shareholder approval, the dividend will be paid on 30 May 2019 to shareholders registered on 12 April 2019 and has not been accrued in these financial statements. The total dividend for the year ended 31 December 2018 will be 87.5p per share amounting to a total of £114.5m.

The Directors are also proposing a £150m return to shareholders by way of a special dividend of 115p per share.

9. Employees

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group employment costs including Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and salaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based payment charges (note 22)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social security costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post-retirement benefit costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redundancy costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted basic earnings per share from continuing operations</td>
<td>190.2</td>
<td>179.0</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>180.4</td>
<td>179.0</td>
</tr>
<tr>
<td>Adjusted diluted earnings per share from continuing operations</td>
<td>189.2</td>
<td>177.3</td>
</tr>
</tbody>
</table>

Average employee numbers by function

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling and distribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees at each month end and include Executive Directors. At 31 December 2018, the Group had 4,580 (2017: 4,389) employees in total.

10. Directors’ and key management compensation

Detailed information concerning Directors’ remuneration, interests and options is shown in the Directors’ Remuneration Report, which is subject to audit, on pages 69 to 89 forming part of the Annual Report and Accounts.

Aggregate compensation for key management, being the Directors and members of the Group Executive Committee, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key management compensation including Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short term employee benefits</td>
<td>5.6</td>
<td>6.6</td>
</tr>
<tr>
<td>Post-retirement benefit costs</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Share-based payment charges</td>
<td>3.6</td>
<td>3.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
</table>

The Directors are recommending a final dividend of 49.0p per share, amounting to a total of £64.5m, in respect of the financial year ended 31 December 2018.

Subject to shareholder approval, the dividend will be paid on 30 May 2019 to shareholders registered on 12 April 2019 and has not been accrued in these financial statements. The total dividend for the year ended 31 December 2018 will be 87.5p per share amounting to a total of £114.5m.

The Directors are also proposing a £150m return to shareholders by way of a special dividend of 115p per share.
## 11. Post-retirement benefits

The table below summarises the Group’s net year end post-retirement benefits and activity for the year.

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance sheet:</strong></td>
<td></td>
</tr>
<tr>
<td>Retirement benefit assets</td>
<td>24.6</td>
</tr>
<tr>
<td>Retirement benefit liabilities</td>
<td>43.1</td>
</tr>
<tr>
<td>Net liability in Group balance sheet</td>
<td>(18.5)</td>
</tr>
</tbody>
</table>

### Net balance sheet liabilities for:

- **Defined pension benefits:** (6.0) (17.1)
- **Post-employment medical benefits:** (2.5) (13.4)
- **Total:** (18.5) (30.5)

### Income statement charges included in profit before tax for:

- **Defined pension benefits:** 23.9 22.1
- **Post-employment medical benefits:** 0.9 1.0
- **Total:** 24.8 23.1

### Remeasurements included in other comprehensive income for:

- **Defined pension benefits:** (20.3) (119.9)
- **Post-employment medical benefits:** (2.3) (2.5)
- **Total:** (22.6) (122.4)

### Defined benefit pension schemes

The Group operates defined benefit pension schemes in the UK, US and several other territories under broadly similar regulatory frameworks. All of the Group’s final salary type pension schemes (which provide benefits to members in the form of a guaranteed level of pension payable for life based on salary in the final years leading up to retirement) are closed to future service accrual with the exception of a small number of ‘grandfathered’ employees in the UK scheme. The UK scheme operated on a final salary basis until 5 April 2016, following which the scheme changed to a Career Average Revalued Earnings (CARE) defined benefit scheme, with annual pensionable earnings capped and pensions in payment indexed based on CPI (previously RPI), for service accrued from 6 April 2016. This change is expected to reduce the future comparability cost and risk of the UK scheme. Material defined benefit pension schemes in other territories operate on a similar basis to the UK, except in the US, which (other than for ‘grandfathered’ employees) operates a cash balance pension scheme that provides a guaranteed rate of return on pension contributions until retirement. From 1 October 2017 the US scheme was closed to new joiners who will receive defined contribution benefits. The US plans also do not generally receive inflationary increases once in payment.

### Post-retirement benefits

The amounts recognised in the balance sheet in respect of these schemes are as follows:

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Present value of funded obligations:</strong></td>
<td></td>
</tr>
<tr>
<td>UK pension scheme</td>
<td>(961.6)</td>
</tr>
<tr>
<td>US pension scheme</td>
<td>(126.1)</td>
</tr>
<tr>
<td>Netherlands pension scheme</td>
<td>(165.6)</td>
</tr>
<tr>
<td>Rest of world</td>
<td>(15.0)</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>(1,268.7)</td>
</tr>
</tbody>
</table>

### Fair value of schemes’ assets

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK pension scheme</td>
<td>986.0</td>
</tr>
<tr>
<td>US pension scheme</td>
<td>124.1</td>
</tr>
<tr>
<td>Netherlands pension scheme</td>
<td>149.7</td>
</tr>
<tr>
<td>Rest of world</td>
<td>12.9</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>1,227.2</td>
</tr>
</tbody>
</table>

### Net asset/(liability) in respect of funded schemes

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net asset:</strong></td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Present value of unfunded obligations:</strong></td>
<td>(10.0)</td>
</tr>
<tr>
<td><strong>Net liability in Group balance sheet (excluding post-employment medical benefits):</strong></td>
<td>(6.0)</td>
</tr>
</tbody>
</table>

### Movement in present value of retirement benefit obligations in the year:

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening balance:</strong></td>
<td>1,321.9</td>
</tr>
<tr>
<td>Current service cost</td>
<td>18.9</td>
</tr>
<tr>
<td>Past service cost – plan amendments</td>
<td>4.9</td>
</tr>
<tr>
<td>Interest cost</td>
<td>31.5</td>
</tr>
<tr>
<td>Remeasurements</td>
<td>–</td>
</tr>
<tr>
<td>Change in demographic assumptions</td>
<td>(6.3)</td>
</tr>
<tr>
<td>Change in financial assumptions</td>
<td>(78.0)</td>
</tr>
<tr>
<td>Experience gains</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Contributions paid in</td>
<td>2.6</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(40.7)</td>
</tr>
<tr>
<td>Exchange differences on overseas schemes</td>
<td>10.9</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>1,216.1</td>
</tr>
</tbody>
</table>

### Movement in fair value of schemes’ assets in the year:

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening balance:</strong></td>
<td>1,304.8</td>
</tr>
<tr>
<td>Interest income</td>
<td>31.4</td>
</tr>
<tr>
<td>Remeasurements</td>
<td>(51.2)</td>
</tr>
<tr>
<td>Return on scheme assets, excluding amounts included in financial expenses</td>
<td>–</td>
</tr>
<tr>
<td>Contributions paid in</td>
<td>2.8</td>
</tr>
<tr>
<td>Employer</td>
<td>15.2</td>
</tr>
<tr>
<td>Benefits paid out including settlements</td>
<td>(40.7)</td>
</tr>
<tr>
<td>Exchange differences on overseas schemes</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>1,227.7</td>
</tr>
</tbody>
</table>

As at the balance sheet date, the present value of retirement benefit obligations comprised approximately £360m in respect of active employees, £327m in respect of deferred members and £592m in relation to members in retirement.

### Total employer contributions to the schemes in 2019

- **UK:** £14.8m
- **US:** £21.0m
- **Netherlands:** £12.9m
- **Rest of world:** £2.4m

### Exchange differences on overseas schemes

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exchange differences on overseas schemes:</strong></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>10.9</td>
</tr>
<tr>
<td>US</td>
<td>19.9</td>
</tr>
<tr>
<td>Netherlands</td>
<td>11.1</td>
</tr>
<tr>
<td>Rest of world</td>
<td>12.7</td>
</tr>
</tbody>
</table>

### Remaining working life

- **Average:** 12.7 10.9 13.4 12.7 11.1 13.0

The majority of benefit payments are from trustee administered funds; however, there are also a number of unfunded plans where the relevant Group company meets the benefit payment obligation as it falls due.

Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition. Responsibility for governance of the schemes, including investment decisions and contribution schedules, predominately lies with the particular scheme’s board of trustees with appropriate input from the relevant Group company. The board of trustees must be composed of representatives in accordance with each scheme’s regulations and any relevant legislation.
Notes to the Group Accounts continued

11. Post-retirement benefits continued
Mortality assumptions are based on country-specific mortality tables and where appropriate allow for future improvements in life expectancy.
Where credible data exists, actual plan experience is taken into account. Applying the mortality tables adopted, the expected future average lifetime of members currently at age 65 and members at age 65 in 20 years’ time is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Current age 65</th>
<th>Age 65 in 20 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK</td>
<td>US</td>
</tr>
<tr>
<td>Male</td>
<td>21.9</td>
<td>21.1</td>
</tr>
<tr>
<td>Female</td>
<td>24.1</td>
<td>23.0</td>
</tr>
</tbody>
</table>

The weighted average duration of the defined benefit obligation is 19.3 years (2017: 19.3 years).

Unquoted assumptions relating to the long term increase in health care costs of 5.0% a year (2017: 5.0%).

and the frequency of valuations are similar to those used for defined benefit pension schemes set out above with the addition of actuarial

120

Movement in present value of retirement benefit obligations in the year:

Opening balance          13.4  16.2
Current service cost      0.4   0.4
Interest cost             0.5   0.6
Remeasurements
Change in demographic assumptions 0.1  —
Change in financial assumptions (0.4) (1.3)
Experience gains          (0.7) (0.7)
Benefits paid             (0.3) (0.3)
Exchange differences on overseas schemes 0.8  1.5

12.5  13.4

Post-employment medical benefits
The Group operates an unfunded post-employment medical benefit scheme in the US. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long term increase in health care costs of 5.0% a year (2017: 5.0%).

The amounts recognised in the balance sheet in respect of this scheme are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of unfunded obligations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US scheme</td>
<td>12.5</td>
<td>13.4</td>
</tr>
</tbody>
</table>

Pension and medical benefits – risks and volatility
Through its defined benefit pension schemes and post-employment medical schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility
The schemes’ liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, a deficit will be created. Both the UK and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. Whilst our Dutch scheme is less mature, regulatory pressures result in lower equity holdings. As the schemes mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. However, the Group and the pension trustees (Trustees) believe that due to the long term nature of the scheme liabilities and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group’s long term strategy to manage the schemes efficiently. See below for more details on the Group’s asset-liability matching strategy.

Changes in bond yields
A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the schemes’ bond holdings.

Inflation risk
Some of the Group’s pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the level of inflationary increases are usually capped to protect the scheme against extreme inflation. The majority of the schemes’ assets are either unaffected by inflation in the case of fixed interest bonds or loosely correlated in the case of equities, meaning that an increase in inflation will thus increase the deficit. In the US schemes, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy
The majority of the schemes’ obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes’ liabilities. This is particularly significant in the UK scheme, where inflationary increases result in higher sensitivity to changes in life expectancy. In the case of the funded schemes, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long term investments that are consistent with the obligations under the pension schemes. Within this framework, the Group’s ALM objective is to match a portion of assets to the pension obligations by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group and Trustees actively monitor how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous years. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A significant portion of assets in 2018 consist of equities and bonds, although the schemes also invest in property, cash and infrastructure funds. The Group believes that equities offer the best returns over the long term with an acceptable level of risk. Both the UK and Dutch schemes make use of a portfolio of derivative instruments to mitigate interest rate and inflation risk.

The latest triennial valuation of the UK scheme was completed as at 30 September 2017. The results showed that there was no actuarial deficit with the funding level standing at 109% on a technical provisions basis, a surplus of £74.7m. During 2018 the UK scheme took advantage of its favourable funding level to reduce the investment risk it was carrying. This de-risking resulted in the proportion of return-seeking assets in the schemes’ bond holdings.

The latest triennial valuation of the UK scheme was completed as at 30 September 2017. The results showed that there was no actuarial deficit with the funding level standing at 109% on a technical provisions basis, a surplus of £74.7m. During 2018 the UK scheme took advantage of its favourable funding level to reduce the investment risk it was carrying. This de-risking resulted in the proportion of return-seeking assets in the schemes’ bond holdings.
### 12. Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>Goodwill £m</th>
<th>Software £m</th>
<th>Other intangibles £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>307.1</td>
<td>18.6</td>
<td>46.7</td>
<td>372.4</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>1.1</td>
<td>(0.3)</td>
<td>1.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>3.5</td>
<td>–</td>
<td>3.5</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>12.8</td>
<td>–</td>
<td>18.1</td>
<td>30.9</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>(3.8)</td>
<td>(0.1)</td>
<td>(1.9)</td>
<td></td>
</tr>
<tr>
<td>Reclassification</td>
<td>–</td>
<td>1.5</td>
<td>–</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>320.2</td>
<td>22.4</td>
<td>66.4</td>
<td>409.0</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>320.2</td>
<td>22.4</td>
<td>66.4</td>
<td>409.0</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>1.2</td>
<td>0.6</td>
<td>0.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>2.4</td>
<td>1.0</td>
<td>3.4</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>32.6</td>
<td>–</td>
<td>38.4</td>
<td>71.0</td>
</tr>
<tr>
<td>Reclassification</td>
<td>–</td>
<td>0.3</td>
<td>–</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>At 31 December 2018</strong></td>
<td>354.0</td>
<td>25.7</td>
<td>106.7</td>
<td>486.4</td>
</tr>
</tbody>
</table>

**Accumulated amortisation and impairment losses**

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2017</td>
<td>-12.9</td>
<td>4.2</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(0.3)</td>
<td>0.2</td>
</tr>
<tr>
<td>Additions</td>
<td>1.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>(1.0)</td>
<td>0.1</td>
</tr>
<tr>
<td>Reclassification</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>-14.5</td>
<td>8.2</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>-14.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>-0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Additions</td>
<td>1.8</td>
<td>6.3</td>
</tr>
<tr>
<td><strong>At 31 December 2018</strong></td>
<td>-16.7</td>
<td>14.8</td>
</tr>
</tbody>
</table>

**Net carrying amount**

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2018</td>
<td>354.0</td>
<td>9.0</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>320.2</td>
<td>7.9</td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>307.1</td>
<td>5.7</td>
</tr>
</tbody>
</table>

Intangible asset amortisation is recorded in operating costs within the income statement on page 103.
Notes to the Group Accounts continued

13. Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings £m</th>
<th>Plant and equipment £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>186.7</td>
<td>808.7</td>
<td>995.4</td>
</tr>
<tr>
<td>Additions</td>
<td>10.1</td>
<td>150.7</td>
<td>160.8</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>3.0</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Other disposals and write-offs</td>
<td>(5.7)</td>
<td>(9.6)</td>
<td>(15.3)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>0.1</td>
<td>(1.6)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>186.6</td>
<td>919.1</td>
<td>1,105.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>186.6</td>
<td>919.1</td>
<td>1,105.7</td>
</tr>
<tr>
<td>Additions</td>
<td>5.5</td>
<td>98.0</td>
<td>103.5</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>7.7</td>
<td>7.7</td>
<td>15.4</td>
</tr>
<tr>
<td>Other disposals and write-offs</td>
<td>–</td>
<td>(2.4)</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>–</td>
<td>(0.8)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>205.6</td>
<td>1,060.9</td>
<td>1,266.5</td>
</tr>
</tbody>
</table>

Accumulated depreciation and impairment losses

|                      |                       |                        |          |
| At 1 January 2017    | 66.6                  | 330.7                  | 397.3    |
| Exchange differences | (1.3)                 | (8.5)                  | (9.8)    |
| Charge for the year (note 3) | 5.6             | 42.3                   | 47.9     |
| Other disposals and write-offs | (3.8)     | (9.7)                  | (12.5)   |
| Reclassifications    | –                     | (1.2)                  | (1.2)    |
| At 31 December 2017  | 67.1                  | 354.6                  | 421.7    |
|                      |                       |                        |          |
| At 1 January 2018    | 67.1                  | 354.6                  | 421.7    |
| Exchange differences | 2.5                   | 15.9                   | 18.4     |
| Charge for the year (note 3) | 6.0             | 42.1                   | 48.1     |
| Other disposals and write-offs | (2.0)     | (2.0)                  |          |
| At 31 December 2018  | 75.6                  | 410.6                  | 486.2    |

Net book amount

|                      |                       |                        |          |
| At 31 December 2018  | 130.0                 | 650.3                  | 780.3    |
| At 31 December 2017  | 119.5                 | 564.5                  | 684.0    |

The net book amount of assets held by the Group under finance leases for plant and equipment at 31 December 2018 was £1.4m (2017: £1.0m). The leased equipment secures the lease obligations in note 19. No other property, plant or equipment have been pledged as security for liabilities.

The value of assets under construction not yet subject to depreciation at 31 December 2018 was £318.1m (2017: £249.8m).

14. Future commitments

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group capital projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted, but not provided for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>28.4</td>
<td>22.7</td>
</tr>
<tr>
<td>Authorised, but not contracted for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>84.5</td>
<td>83.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>113.8</td>
<td>106.0</td>
</tr>
</tbody>
</table>

Operating leases – minimum lease commitments

At 31 December the Group’s future minimum lease commitments were due as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>9.7</td>
<td>9.2</td>
</tr>
<tr>
<td>From one to five years</td>
<td>19.1</td>
<td>14.1</td>
</tr>
<tr>
<td>After five years</td>
<td>6.8</td>
<td>7.4</td>
</tr>
<tr>
<td></td>
<td>35.6</td>
<td>30.7</td>
</tr>
</tbody>
</table>

The Group leases various buildings, vehicles and other plant and equipment under non-cancellable operating lease arrangements. The leases have various terms typical of lease agreements for the particular class of asset.

15. Investments

The amounts recognised in the balance sheet are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associate</td>
<td>2.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Other investments</td>
<td>2.5</td>
<td>0.9</td>
</tr>
</tbody>
</table>

On 17 December 2018, the Group increased its minority shareholding in Cutitronics Limited from 24.9% to 38.6% for consideration of £1.2m.

This additional investment will enable Cutitronics to develop and test design updates for its innovative CutiTron™ device, which is anticipated to result in the first customisable commercial device. This investment continues to be recognised as an associate on the Group balance sheet.

Other investments of £2.5m (2017: £0.9m) increased during the year as, on 30 July 2018, the Group acquired a 4.0% minority shareholding in SiSaf Limited. SiSaf is a pioneering UK based bio-pharmaceutical company and this investment is part of a wider strategic partnership to use and develop SiSaf’s patented bio-courier, ProSilic®, a novel drug delivery technology. All remaining assets recognised as other investments on the Group balance sheet are non-quoted equity securities measured at fair value.

The Group believes the carrying value of the investments is supported by their underlying net assets.

The amounts recognised in the income statement are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of loss of associate</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Other investments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>0.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>

16. Inventories

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>56.5</td>
<td>48.6</td>
</tr>
<tr>
<td>Work in progress</td>
<td>49.0</td>
<td>36.8</td>
</tr>
<tr>
<td>Finished goods</td>
<td>181.7</td>
<td>173.1</td>
</tr>
<tr>
<td></td>
<td>287.2</td>
<td>258.5</td>
</tr>
</tbody>
</table>

The Group consumed £747.5m (2017: £741.9m) of inventories during the year.
17. Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>197.8</td>
<td>175.3</td>
</tr>
<tr>
<td>Less: provision for impairment of receivables</td>
<td>(3.0)</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Trade receivables – net</td>
<td>194.8</td>
<td>170.5</td>
</tr>
<tr>
<td>Other receivables</td>
<td>29.4</td>
<td>26.1</td>
</tr>
<tr>
<td>Prepayments</td>
<td>9.4</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>233.6</td>
<td>202.2</td>
</tr>
</tbody>
</table>

The ageing of the Group’s year end overdue receivables against which no provision has been made is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not impaired</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than three months</td>
<td>30.6</td>
<td>24.2</td>
</tr>
<tr>
<td>Three to six months</td>
<td>1.8</td>
<td>–</td>
</tr>
<tr>
<td>Over six months</td>
<td>0.3</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>32.7</td>
<td>26.7</td>
</tr>
</tbody>
</table>

The provision for impairment of receivables principally relates to customers in unexpectedly difficult economic circumstances. The overdue receivables against which no provision has been made relate to a number of customers for whom there is no recent history of default, nor any other indication that settlement will not be forthcoming. The other classes within trade and other receivables do not contain impaired assets and are considered to be fully recoverable.

The carrying amounts of the Group’s receivables are denominated in the following currencies:

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>26.1</td>
<td>13.7</td>
</tr>
<tr>
<td>US Dollar</td>
<td>66.5</td>
<td>59.2</td>
</tr>
<tr>
<td>Euro</td>
<td>71.1</td>
<td>72.1</td>
</tr>
<tr>
<td>Other</td>
<td>73.9</td>
<td>57.2</td>
</tr>
<tr>
<td></td>
<td>233.6</td>
<td>202.2</td>
</tr>
</tbody>
</table>

18. Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>68.2</td>
<td>69.8</td>
</tr>
<tr>
<td>Taxation and social security</td>
<td>7.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Other payables</td>
<td>41.7</td>
<td>44.2</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>72.7</td>
<td>78.6</td>
</tr>
<tr>
<td></td>
<td>180.6</td>
<td>207.4</td>
</tr>
</tbody>
</table>

All trade payables are payable within one year.

19. Borrowings, other financial liabilities and other financial assets

This note should be read in conjunction with the further liquidity disclosures in our accounting policies note and the Finance Review on pages 34 to 37.

<table>
<thead>
<tr>
<th></th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>4.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Trade and other receivables (excluding prepayments)</td>
<td>224.2</td>
<td>196.6</td>
</tr>
<tr>
<td></td>
<td>229.0</td>
<td>198.8</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables (excluding taxation, social security, accruals and deferred income)</td>
<td>109.9</td>
<td>114.0</td>
</tr>
<tr>
<td>Unsecured bank loans and over drafts due within one year or on demand</td>
<td>35.6</td>
<td>15.1</td>
</tr>
<tr>
<td>Other loans</td>
<td>13.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>159.1</td>
<td>132.4</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014 Club facility due 2021</td>
<td>131.7</td>
<td>144.4</td>
</tr>
<tr>
<td>2016 Club facility due 2021</td>
<td>20.0</td>
<td>–</td>
</tr>
<tr>
<td>US$100m 5.94% fixed rate 10 year bond</td>
<td>78.8</td>
<td>73.9</td>
</tr>
<tr>
<td>£33m 1.08% fixed rate 7 year bond</td>
<td>27.1</td>
<td>26.6</td>
</tr>
<tr>
<td>£70m 1.43% fixed rate 10 year bond</td>
<td>63.1</td>
<td>62.1</td>
</tr>
<tr>
<td>£33m 2.54% fixed rate 7 year bond</td>
<td>30.0</td>
<td>30.0</td>
</tr>
<tr>
<td>£70m 2.80% fixed rate 10 year bond</td>
<td>70.0</td>
<td>70.0</td>
</tr>
<tr>
<td>Other secured bank loans</td>
<td>0.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Other unsecured bank loans</td>
<td>29.9</td>
<td>18.8</td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>447.5</td>
<td>426.4</td>
</tr>
</tbody>
</table>

The Group’s 2014 and 2016 Club facilities fall due for repayment upon expiry of the agreements in July 2021. Interest is charged on both agreements at a floating rate based on ICE GBP LIBOR, ICE LIBOR or EURIBOR, depending upon the drawdown currency, plus a variable margin. The margin the Group pays on its borrowings over and above standard rates is determined by the Group’s net debt to EBITDA ratio.

The Group’s Sterling and Euro denominated US private placement bonds have an average maturity of 6.6 years and carry an average fixed rate of interest of 2.1% at 31 December 2018.
The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £13.1m (2017: £11.1m) of the interest falls due within one year of the balance sheet date, £8.8m (2017: £11.1m) within one to two years, £13.3m (2017: £16.2m) within two to five years and £7.3m (2017: £10.7m) beyond five years.
Notes to the Group Accounts continued

19. Borrowings, other financial liabilities and other financial assets continued

Financial risk factors

The Group’s activities expose it to a variety of financial risks: currency risk, interest rate risk, liquidity risk, and credit risk. The Group’s overall risk management strategy is approved by the Board and implemented and reviewed by the Risk Management Committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. Regular reports are received from all operating companies to enable prompt identification of financial risks so that appropriate action may be taken. In the management and definition of capital the Group includes ordinary and preference share capital and net debt.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the Group use foreign currency bank balances to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. The Group’s risk management policy is to manage transactional risk up to three months forward. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group’s foreign operations is not specifically hedged but is reduced primarily through borrowings denominated in the relevant foreign currencies where it is efficient to do so.

For 2018, had the Group’s basket of reporting currencies been 10% weaker/stronger than the actual rates experienced, post-tax profit for the year would have been £17.6m (2017: £17.4m) lower/higher than reported, primarily as a result of the translation of the profits of the Group’s overseas entities, and equity would have been £58.6m (2017: £56.6m) lower/higher.

Interest rate risk

The Group has both interest bearing assets and liabilities. In 2016, the Group had a policy of maintaining no more than 60% of its gross borrowings at fixed interest rates in normal circumstances. During 2016, the Group increased its amount of fixed rate debt following payment of the £136m special dividend and consequent increase in core debt requirements. Bonds were issued in the amounts of £100m and €100m of the £136m special dividend and consequent increase in core debt requirements. Bonds were issued in the amounts of £100m and €100m.

On a regular basis, management monitors forecasts of the Group’s cash flows against both internal targets and those targets imposed by external lenders. The Group has a share buyback programme that is managed to ensure the efficiency of available funds for operations and planned investments. The Group also has a share buyback programme that is managed to ensure the efficiency of available funds for operations and planned investments. The Group also has a share buyback programme that is managed to ensure the efficiency of available funds for operations and planned investments.

Interest rate risk

The Group has both interest bearing assets and liabilities. In 2016, the Group had a policy of maintaining no more than 60% of its gross borrowings at fixed interest rates in normal circumstances. During 2016, the Group increased its amount of fixed rate debt following payment of the £136m special dividend and consequent increase in core debt requirements. Bonds were issued in the amounts of £100m and €100m of the £136m special dividend and consequent increase in core debt requirements. Bonds were issued in the amounts of £100m and €100m.

On a regular basis, management monitors forecasts of the Group’s cash flows against both internal targets and those targets imposed by external lenders. The Group has a share buyback programme that is managed to ensure the efficiency of available funds for operations and planned investments. The Group also has a share buyback programme that is managed to ensure the efficiency of available funds for operations and planned investments.

The Group actively maintains a mixture of long term and short term committed facilities designed to ensure that the Group has sufficient funds available for operations and planned investments. The Group also has a share buyback programme that is managed to ensure the efficiency of available funds for operations and planned investments.

Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly. The level of environmental provision is based on management’s best estimate of the most likely outcome for each individual exposure. The Group has also considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is not material.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any individual financial institution.

Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as maintaining an optimal capital structure to reduce overall cost of capital.

In order to maintain this optimal structure, the Group may adjust the amount of dividends paid, issue new shares, return capital to shareholders or dispose of assets to reduce net debt. Given the Group’s strong balance sheet and sustained trading growth, the Group announced a dividend policy in 2011 of paying a dividend of between 40% and 50% of sustainable earnings. Further details can be found in the Finance Review on pages 34 to 37.

Underlying growth coupled to Return on Invested Capital (ROIC) is the key perceived driver of shareholder value within the Group. The Group’s ROIC now stands at 18.2% against a post-tax Weighted Average Cost of Capital (WACC) of 5.1%, thus hitting the Group’s target of maintaining ROIC at a higher level than the WACC. In addition, the Group employs two widely used ratios to measure its ability to service its debt. Both net debt/EBITDA and EBITDA interest cover were well ahead of target in 2018. Further details can be found in the Finance Review on pages 34 to 37. The Group was in compliance with its covenant requirements throughout the year. Additional information on progress against Key Performance Indicators can be found on pages 24 and 25.


Environmental Restructuring Other Total

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences</td>
<td>0.6</td>
<td>–</td>
</tr>
<tr>
<td>Released to the income statement</td>
<td>(0.3)</td>
<td>–</td>
</tr>
<tr>
<td>Charged to the income statement</td>
<td>0.1</td>
<td>–</td>
</tr>
<tr>
<td>Cash paid against provisions and utilised</td>
<td>(1.0)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>5.9</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Analysis of total provisions

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>4.0</td>
<td>5.2</td>
</tr>
<tr>
<td>Non-current</td>
<td>7.1</td>
<td>7.4</td>
</tr>
<tr>
<td>Total</td>
<td>11.1</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Provisions are made where a constructive or legal obligation has arisen from a past event, can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty.

The environmental provision relates to soil and potential groundwater contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas.

In relation to the environmental provision, the Directors expect that the balance will be utilised within ten years. Provisions for remediation costs are made when there is a present obligation, it is probable that expenditures for remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts and prior experience. Environmental liabilities are recorded at the estimated amount at which the liability could be settled at the balance sheet date. Remediation of environmental damage typically takes a long time to complete due to the substantial amount of planning and regulatory approvals normally required before remediation activities can begin. In addition, increases in or releases of environmental provisions may be necessary whenever new developments occur or additional information becomes available. Consequently, environmental provisions can change significantly. The level of environmental provision is based on management’s best estimate of the most likely outcome for each individual exposure. The Group has also considered the impact of discounting on its provisions and has concluded that, as a consequence of the significant utilisation expected in a relatively short timescale, the impact is not material.
21. Ordinary share capital

Ordinary shares of 10.36p (2017: 10.36p)

Authorised at 1 January and 31 December 2018 2017
Ordinary shares of 10.36p each (2017: 222,788,170 ordinary shares of 10.36p each) 23.1 23.1
Allotted, called up and fully paid at 1 January and 31 December 2018 2017

During 2018 options were granted to employees under the Croda International Plc Sharesave Scheme to subscribe for 71,178 ordinary shares at an option price of 4144p per share and under the Croda International Plc International Sharesave Plan to subscribe for 225,581 ordinary shares at an option price of 4144p per share. Conditional awards over 157,340 ordinary shares were granted under the Performance Share Plan during the year. Also granted in the year were 18,392 shares under the Deferred Bonus Share Plan, 621 shares under the Deferred Bonus Discretionary Arrangement and 7,188 shares under the Restricted Share Plan.

During the year consideration of £1.5m was received on the exercise of options over 66,689 shares. The options were satisfied with shares transferred from the Group’s employee share trusts. Since the year end a further 2,189 shares have been transferred from the trusts.

The outstanding options to subscribe for ordinary shares were as follows at the balance sheet date:

<table>
<thead>
<tr>
<th>Year option granted</th>
<th>Number of shares</th>
<th>Price</th>
<th>Options exercisable from</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>5,321</td>
<td>2232p</td>
<td>1 Nov 2018 to 30 Apr 2019</td>
</tr>
<tr>
<td>2016</td>
<td>106,784</td>
<td>2638p</td>
<td>1 Nov 2019 to 30 Apr 2020</td>
</tr>
<tr>
<td>2017</td>
<td>80,234</td>
<td>3092p</td>
<td>1 Nov 2020 to 30 Apr 2021</td>
</tr>
<tr>
<td>2018</td>
<td>70,772</td>
<td>4144p</td>
<td>1 Nov 2021 to 30 Apr 2022</td>
</tr>
</tbody>
</table>

Notes to the Group Accounts continued

22. Share-based payments

The impact of share-based payment transactions on the Group’s financial position is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Weighted average exercise price</th>
<th>Number</th>
<th>Weighted average exercise price</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2655p</td>
<td>2655p</td>
<td>2675p</td>
</tr>
<tr>
<td></td>
<td>257,091</td>
<td>279,032</td>
<td>277,811</td>
<td>282,032</td>
</tr>
<tr>
<td>Outisling at 1 January</td>
<td>285,481</td>
<td>294,951</td>
<td>301,051</td>
<td></td>
</tr>
<tr>
<td>Grantd</td>
<td>71,178</td>
<td>74,214</td>
<td>79,581</td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(7,859)</td>
<td>(10,128)</td>
<td>266,079</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(66,688)</td>
<td>(73,266)</td>
<td>179,111</td>
<td></td>
</tr>
<tr>
<td>Outstanding at 31 December</td>
<td>262,111</td>
<td>271,744</td>
<td>286,011</td>
<td></td>
</tr>
<tr>
<td>Exercised at 31 December</td>
<td>5,321</td>
<td>5,490</td>
<td>6,100</td>
<td>176,351</td>
</tr>
<tr>
<td>For options exercised in year, weighted average share price at date of exercise</td>
<td>4754p</td>
<td>4115p</td>
<td>316,351</td>
<td></td>
</tr>
<tr>
<td>Weighted average remaining life at 31 December (years)</td>
<td>2.2</td>
<td>2.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A reconciliation of option movements over the year as follows:

<table>
<thead>
<tr>
<th>Date out of date</th>
<th>Total number of shares exercised</th>
<th>Weighted average exercise price</th>
<th>Date out of date</th>
<th>Weighted average exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6,751</td>
<td>2275p</td>
<td>2017</td>
<td>5,321</td>
</tr>
</tbody>
</table>

Croda International Plc Sharesave Scheme ('Sharesave')

The Sharesave scheme, established in 1983 and renewed in 2013, grants options annually in September to employees of the Group at a fixed exercise price, being the market price of the Company’s shares at the grant date discounted by up to 20%. Employees then enter into a savings contract over three to five years and, subject to continued employment, purchase options at the end of the period based on the amount saved. Options are then exercisable for a six month period following completion of the savings contract. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

<table>
<thead>
<tr>
<th>Grant date</th>
<th>Share price at grant date</th>
<th>Exercise price</th>
<th>Number of employees</th>
<th>Shares under option</th>
<th>Vesting period</th>
<th>Three years</th>
<th>Three years</th>
<th>Expected volatility</th>
<th>Option life</th>
<th>Six months</th>
<th>Six months</th>
<th>Dividend yield</th>
<th>Possibility of forfeiture</th>
<th>Fair value per option at grant date</th>
<th>Option pricing model</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 Sep 2016</td>
<td>5200p</td>
<td>4144p</td>
<td>634</td>
<td>71,178</td>
<td>Three years</td>
<td>Three years</td>
<td>20%</td>
<td>20%</td>
<td>1.0%</td>
<td>0.3%</td>
<td>1.6%</td>
<td>2.0%</td>
<td>7.5% p.a.</td>
<td>7.5% p.a.</td>
<td>Black</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Croda International Plc International Sharesave Plan 2009 ('International')

The International scheme, established in 1999 and renewed in 2009, has the same option pricing model, savings contract and vesting period as the Sharesave scheme. At exercise, employees are paid a cash equivalent for each option purchased, being the difference between the exercise price and market price at the exercise date. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

<table>
<thead>
<tr>
<th>Grant date</th>
<th>Share price at grant date</th>
<th>Exercise price</th>
<th>Number of employees</th>
<th>Shares under option</th>
<th>Vesting period</th>
<th>Three years</th>
<th>Three years</th>
<th>Expected volatility</th>
<th>Option life</th>
<th>Six months</th>
<th>Six months</th>
<th>Dividend yield</th>
<th>Possibility of forfeiture</th>
<th>Fair value per option at grant date</th>
<th>Option pricing model</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 Sep 2016</td>
<td>5200p</td>
<td>4144p</td>
<td>634</td>
<td>71,178</td>
<td>Three years</td>
<td>Three years</td>
<td>20%</td>
<td>20%</td>
<td>1.0%</td>
<td>0.3%</td>
<td>1.6%</td>
<td>2.0%</td>
<td>7.5% p.a.</td>
<td>7.5% p.a.</td>
<td>Black</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
22. Share-based payments continued

A reconciliation of option movements over the year is as follows:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>2018 Weighted Average Exercise Price</th>
<th>2017 Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at 1 January</td>
<td>782,416</td>
<td>2723p</td>
</tr>
<tr>
<td>Granted</td>
<td>225,591</td>
<td>4144p</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(54,328)</td>
<td>2783p</td>
</tr>
<tr>
<td>Exercised</td>
<td>(143,567)</td>
<td>2253p</td>
</tr>
</tbody>
</table>

For options exercised in year, weighted average share price at date of exercise 4790p 4179p

Weighted average remaining life at 31 December (years) 1.7 2.1

Croda International Plc Performance Share Plan 2014 (‘PSP’)

The PSP scheme was established in 2014 and replaced the Company’s previous Executive long term incentive plans. The PSP provides for awards of free shares (ie either conditional shares or nil-cost options) normally made annually which vest after three years dependant upon an EPS performance related sliding scale (non-market condition), an NPP growth measure (non-market condition) and the Group’s total shareholder return (market condition). The PSP is discussed in detail in the Directors’ Remuneration Report (pages 69 to 89). Shares (on an after tax basis) are subject to a one year post vesting holding period for awards granted in 2014 and a two year post vesting holding period for awards granted in subsequent years. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

- Share price at grant date
- Weighted average remaining life at 31 December

A reconciliation of option movements over the year is as follows:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>2018 Weighted Average Exercise Price</th>
<th>2017 Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at 1 January</td>
<td>782,416</td>
<td>2723p</td>
</tr>
<tr>
<td>Granted</td>
<td>225,591</td>
<td>4144p</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(54,328)</td>
<td>2783p</td>
</tr>
<tr>
<td>Exercised</td>
<td>(143,567)</td>
<td>2253p</td>
</tr>
</tbody>
</table>

For options exercised in year, weighted average share price at date of exercise 4790p 4179p

Weighted average remaining life at 31 December (years) 1.7 2.1

Croda International Plc Deferred Bonus Share Plan (‘DBSP’)

The DBSP scheme was established in 2014. Under the DBSP, one third of any annual bonuses due to certain senior executives are deferred. The size of award is determined by the amount of the total bonus divided by one third and converted into a number of Croda shares using the market value of shares at the time the award is granted. Awards are increased by the number of shares equating to the equivalent value of any dividend paid during the option period. The awards vest on the third anniversary of the date of grant, unless the recipient has been dismissed for cause. There are no performance conditions applied to the award. The DBSP is also discussed in the Directors’ Remuneration Report (pages 69 to 89).

A reconciliation of option movements over the year is as follows:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>2018 Weighted Average Exercise Price</th>
<th>2017 Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at 1 January</td>
<td>175,340</td>
<td>–</td>
</tr>
<tr>
<td>Granted</td>
<td>18,392</td>
<td>–</td>
</tr>
<tr>
<td>Dividend enhancement</td>
<td>3,076</td>
<td>–</td>
</tr>
<tr>
<td>Forfeited</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exercised</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Outstanding at 31 December</td>
<td>196,808</td>
<td>–</td>
</tr>
</tbody>
</table>

For options exercised in year, weighted average share price at date of exercise 4790p 4179p

Weighted average remaining life at 31 December (years) 0.9 1.7

Croda International Plc Deferred Bonus Discretionary Share Arrangement

In addition to the awards under the DBSP, no cost options over 1,728 shares have been awarded to similarly defer bonus entitlement where the DBSP cannot be used due to employment having ceased before the grant date. These options will be deemed to be exercised automatically on the date falling three years after the date of grant. As of 31 December 2018, the weighted average remaining life was 0.9 years.

Croda International Plc Restricted Share Plan (‘RSP’)

The RSP scheme was established in 2018 and provides for awards of free shares or cash equivalent to a limited number of employees not eligible for the PSP scheme, based on a percentage of salary. The awards vest on the three year anniversary of the date of grant, subject to the condition that the employee remains employed by the Group. There are no performance conditions applied to the award. On the vesting date, UK employees will be awarded free shares and non-UK employees will be paid a cash equivalent based on the market price.

A reconciliation of option movements over the year is as follows:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>2018 Weighted Average Exercise Price</th>
<th>2017 Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at 1 January</td>
<td>798,825</td>
<td>–</td>
</tr>
<tr>
<td>Granted</td>
<td>157,340</td>
<td>–</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(26,802)</td>
<td>–</td>
</tr>
<tr>
<td>Exercised</td>
<td>(272,679)</td>
<td>–</td>
</tr>
<tr>
<td>Outstanding at 31 December</td>
<td>655,684</td>
<td>–</td>
</tr>
</tbody>
</table>

For options exercised in year, weighted average share price at date of exercise 4490p 3924p

Weighted average remaining life at 31 December (years) 1.0 1.1

Financial Statements
Notes to the Group Accounts continued

22. Share-based payments continued
Croda International Plc Share Incentive Plan (SIP)
The SIP was established in 2003 and has similar objectives to the Sharesave scheme in terms of increasing employee retention and share ownership. Under the SIP scheme, employees enter into an agreement to purchase shares in the Company each month. For each share purchased by an employee, the Company awards a matching share which passes to the employee after three years’ service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

23. Preference share capital

The authorised, issued and fully paid preference share capital comprises:

<table>
<thead>
<tr>
<th>Class</th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>615,562 5.9% preference shares of £1</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>498,434 6.6% preference shares of £1</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>21,903 7.5% preference shares of £1</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

The authorised preference share capital comprises 498,434 6.6% preference shares of £1 each, of which 447,267 (2017: 447,267) shares were fully paid and 51,167 (2017: 51,167) shares held at nil cost.

The preference shares have redemption rights and carry no voting rights other than in certain circumstances affecting the rights of the preference shareholders, details of which are set out in the Company’s Articles of Association. The three classes of preference shares rank pari passu with each other but ahead of the ordinary shares on a winding up. Rights on a winding up are limited to repayment of capital and any arrears of dividends.

24. Shareholders’ equity

Croda International Plc Qualifying Share Ownership Trust (QUEST), Croda International Plc Employee Benefit Trust (CIPEBT) and Croda International Plc AESOP Trust (AESOP), each hold shares purchased on the open market or transferred from treasury shares to satisfy the future issue of shares under the Group’s share option schemes. As at 31 December 2018 the QUEST had a net amount due from the Company of £8.4m (2017: £5.9m) and held 46,358 (2017: 113,706) shares transferred at a nil cost (2017: nil cost) with a market value of £2.2m (2017: £5.0m). As at 31 December 2018 the CIPEBT was financed by a repayable on demand loan to the Company of £5.5m (2017: £8.4m) and held 43,167 (2017: 43,167) shares transferred at a nil cost (2017: nil cost) with a market value of £2.0m (2017: £1.9m).

As at 31 December 2018 the AESOP had issued all its previously held shares, as financed by the Company, and thus had no residual loan balance with the Company. All of the shares held by the QUEST and CIPEBT were under option at 31 December 2018 and, except for a nominal amount, the right to receive dividends has been waived.

As at 31 December 2018 the total number of treasury shares held was 3,481,087 (2017: 3,731,314) with a market value of £163.1m (2017: £165.1m).

25. Non-controlling interests in equity

<table>
<thead>
<tr>
<th>Class</th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td>7.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>0.1 (0.3)</td>
<td></td>
</tr>
<tr>
<td>Income allocated to non-controlling interests</td>
<td>0.3 (0.3)</td>
<td></td>
</tr>
<tr>
<td>At 31 December</td>
<td>7.5</td>
<td>7.6</td>
</tr>
</tbody>
</table>

26. Related party transactions

The Group has no related party transactions, with the exception of remuneration paid to key management and Directors which is included in note 10.

27. Business combinations

2018 Acquisitions

On 17 January 2018, the Group acquired Nautilus Biosciences Canada Inc, a technology-rich marine biotechnology company based in Charlottetown, Prince Edward Island, Canada. Nautilus uses marine microbial biodiversity to discover novel actives and materials innovative science that will be utilised in applications for Personal Care Beauty Actives and other markets.

On 28 March 2018, the Group acquired Plant Impact Plc, an innovative crop enhancement business which researches and develops chemical biostimulants to sustainably improve crop yield and quality, headquartered in the UK. The acquisition represents an exciting opportunity in combination with the Group’s existing Crop Protection and Seed Enhancement businesses (Life Sciences sector), bringing together technical and marketing expertise which will deliver an enhanced portfolio of products to our global customer base.

On 28 December 2018, the Group acquired Brenntag Biosector A/S, a market leading specialist in the manufacture and supply of adjuvants for the human and veterinary vaccine markets, based in Frederikssund, Denmark. Biosector’s adjuvant platforms are a complementary extension to the Group’s existing pharmaceutical excipients portfolio within our Health Care business (Life Sciences sector). The acquisition will enable the Group to better support our existing customers through an increased breadth of offering and additional technical expertise, and we will leverage our dedicated global sales network to accelerate Biosector’s growth.

The following table summarises the Directors’ provisional assessment of the consideration paid in respect of the acquisitions, and the fair value of assets acquired and liabilities assumed.

<table>
<thead>
<tr>
<th>Class</th>
<th>Nautilus</th>
<th>Plant Impact</th>
<th>Biosector</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td></td>
</tr>
<tr>
<td>Consideration (inclusive of net debt)</td>
<td>5.6</td>
<td>9.3</td>
<td>63.8</td>
</tr>
<tr>
<td>Fair value of assets and liabilities acquired</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>0.9</td>
<td>11.4</td>
<td>26.1</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>0.1</td>
<td>0.4</td>
<td>14.9</td>
</tr>
<tr>
<td>Inventories</td>
<td>–</td>
<td>0.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>–</td>
<td>0.4</td>
<td>2.6</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>– (3.8)</td>
<td>(1.6)</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>0.5 (1.1)</td>
<td>(7.6)</td>
<td></td>
</tr>
<tr>
<td>Total identifiable net assets</td>
<td>1.5</td>
<td>7.4</td>
<td>37.2</td>
</tr>
<tr>
<td>Goodwill</td>
<td>4.1</td>
<td>1.9</td>
<td>25.6</td>
</tr>
</tbody>
</table>

The goodwill is attributable to the synergies expected to arise from the combination of the acquired technologies and the Group’s global sales and marketing network. It will not be deductible for tax purposes.

Acquisition-related costs of £2.7m have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2018 (2017: £0.8m).

2017 Acquisitions

On 7 July 2017, the Group acquired Enza Biotech AB, a research enterprise established as a spin-out company from Lund University, for consideration of £10.7m (inclusive of deferred consideration). Identifiable net assets of £4.8m were acquired, with the acquisition generating goodwill of £5.9m. During 2018, the Group paid £0.6m of deferred consideration related to its obligations under the purchase agreement.

On 8 December 2017, the Group acquired IonPhase OY, an innovative technology provider of static electricity dissipation solutions for electronic and automotive applications, for consideration of £20.9m (inclusive of debt). Identifiable net assets of £14.0m were acquired, with the acquisition generating goodwill of £6.9m.

During 2018, the Group completed fair value reviews relating to its 2017 acquisitions. This review did not identify any changes to the asset base or goodwill.

28. Contingent liabilities

The Group is subject to various claims which arise in the course of business. These contingent liabilities are reviewed on a regular basis and where possible an estimate is made of the potential financial impact on the Group.

The Group is also involved in certain environmental legal actions and proceedings. Whilst the Group cannot predict the outcome of any current or future actions or proceedings with any certainty, it currently believes the likelihood of any material liabilities to be low, and that the liabilities, if any, will not have a material adverse effect on its consolidated income, financial position or cash flows. The Group also considers it has insurance in place in relation to any significant contingent liabilities. The environmental actions and proceedings the Group is subject to relate to a discontinued business in the USA and are a matter of public record.
Company Financial Statements

Company Balance Sheet

at 31 December 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>2018 £m</th>
<th>2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets D</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Tangible assets E</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares in Group undertakings F</td>
<td>569.8</td>
<td>492.5</td>
</tr>
<tr>
<td>Other investments other than loans G</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Retirement benefit assets L</td>
<td>1.2</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>573.4</td>
<td>495.6</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors H</td>
<td>1,702.6</td>
<td>1,853.7</td>
</tr>
<tr>
<td>Deferred tax asset I</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>0.8</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>1,703.4</td>
<td>1,858.8</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors: Amounts falling due within one year J</td>
<td>(55.2)</td>
<td>(57.9)</td>
</tr>
<tr>
<td>Borrowings K</td>
<td>(13.3)</td>
<td>(8.3)</td>
</tr>
<tr>
<td></td>
<td>(68.5)</td>
<td>(66.2)</td>
</tr>
<tr>
<td>Net current assets</td>
<td>1,634.9</td>
<td>1,792.6</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td>2,208.3</td>
<td>2,288.2</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>(0.2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Borrowings K</td>
<td>(243.4)</td>
<td>(248.2)</td>
</tr>
<tr>
<td>Retirement benefit liabilities L</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(243.6)</td>
<td>(248.4)</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,964.7</td>
<td>2,039.8</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary share capital</td>
<td>14.0</td>
<td>14.0</td>
</tr>
<tr>
<td>Preference share capital</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Called up share capital</td>
<td>15.1</td>
<td>15.1</td>
</tr>
<tr>
<td>Share premium account</td>
<td>93.3</td>
<td>93.3</td>
</tr>
<tr>
<td>Reserves1</td>
<td>1,856.3</td>
<td>1,931.4</td>
</tr>
<tr>
<td>Total shareholders’ funds</td>
<td>1,964.7</td>
<td>2,039.8</td>
</tr>
</tbody>
</table>

1 Included within reserves is profit after tax of £28.1m (2017: £28.2m).

The financial statements on pages 138 to 144 were approved by the Board on 26 February 2019 and signed on its behalf by

Anita Frew  Jez Maiden
Chair  Group Finance Director

Company Statement of Changes in Equity

for the year ended 31 December 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital £m</th>
<th>Share premium account £m</th>
<th>Capital redemption reserve £m</th>
<th>Revaluation reserve £m</th>
<th>Retained earnings £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2017</td>
<td>15.1</td>
<td>93.3</td>
<td>0.9</td>
<td>2.1</td>
<td>1,991.6</td>
<td>2,103.0</td>
</tr>
<tr>
<td>Profit for the year attributable to equity shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>28.1</td>
<td>28.2</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Transactions with owners:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on equity shares 8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(94.6)</td>
<td>(94.6)</td>
</tr>
<tr>
<td>Total equity at 31 December 2017</td>
<td>15.1</td>
<td>93.3</td>
<td>0.9</td>
<td>2.1</td>
<td>1,928.4</td>
<td>2,039.8</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>15.1</td>
<td>93.3</td>
<td>0.9</td>
<td>2.1</td>
<td>1,928.4</td>
<td>2,039.8</td>
</tr>
<tr>
<td>Profit for the year attributable to equity shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>28.1</td>
<td>28.1</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Transactions with owners:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on equity shares 8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(110.5)</td>
<td>(110.5)</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6.4</td>
<td>6.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(103.6)</td>
<td>(103.6)</td>
</tr>
<tr>
<td>Total equity at 31 December 2018</td>
<td>15.1</td>
<td>93.3</td>
<td>0.9</td>
<td>2.1</td>
<td>1,853.3</td>
<td>1,964.7</td>
</tr>
</tbody>
</table>

Of the retained earnings, £860.1m (2017: £653.0m) are realised and £993.2m (2017: £1,275.4m) are unrealised. Details of investments in own shares are disclosed in note 24 of the Group financial statements.
Notes to the Company Financial Statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

A. Accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the Company has adopted FRS 101 ‘Reduced Disclosure Framework’ and has ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore the recognition and measurement requirements of EU-adopted IFRS have been applied, with amendments where necessary in order to comply with the requirements of the Companies Act 2006 (‘the Act’). The financial statements have been prepared under the Historical cost convention, in compliance with the provisions of the Act and the requirements of the Listing Rules of the Financial Conduct Authority.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are provided in the Group financial statements of Croda International Plc.

Going concern

The financial statements which appear on pages 138 to 144 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence.

Principal accounting policies

The accounting policies which have been applied by the Company when preparing the financial statements are in accordance with FRS 101. FRS 101 is based on the recognition and measurement requirements of EU-adopted IFRS, under which the Group financial statements have been prepared. As a result, the accounting policies of the Company are consistent with those used by the Group as presented on pages 105 to 111, except for those relating to the recognition and measurement of goodwill and the recognition of revenue, which are not directly relevant to the Company financial statements.

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 130 and 131.

B. Profit and loss account

Of the Group’s profit for the year, £28.1m (2017: £28.2m) is included in the profit and loss account of the Company which was approved by the Board on 26 February 2019 but which is not presented as permitted by Section 408 Companies Act 2006.

Included in the Company profit and loss account is a charge of £0.1m (2017: £0.1m) in respect of the Company’s audit fee.

C. Employees

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company employment costs including Directors</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>8.0</td>
<td>9.6</td>
</tr>
<tr>
<td>Share-based payment charges (note M)</td>
<td>4.3</td>
<td>5.1</td>
</tr>
<tr>
<td>Social security costs</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Post-retirement benefit costs</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.0</strong></td>
<td><strong>16.4</strong></td>
</tr>
<tr>
<td><strong>Average employee numbers by function</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>22</td>
<td>24</td>
</tr>
<tr>
<td>Administration</td>
<td>38</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>58</strong></td>
</tr>
</tbody>
</table>

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees at each month end and include Executive Directors. At 31 December 2018, the Company had 62 (2017: 57) employees in total.

Detailed information concerning Directors’ remuneration, interests and options is shown in the table within the Directors’ Remuneration Report which is subject to audit on pages 69 to 89 which forms part of the Annual Report and Accounts.

D. Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>344.4</td>
<td>254.5</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(27.8)</td>
<td>(13.3)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>316.6</td>
<td>252.2</td>
</tr>
</tbody>
</table>

E. Tangible assets

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost or valuation</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>332.2</td>
<td>240.6</td>
</tr>
<tr>
<td>Additions</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Disposals</td>
<td>(0.1)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>332.4</td>
<td>240.5</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Disposals</td>
<td>(0.1)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>1.4</td>
<td>0.9</td>
</tr>
</tbody>
</table>

F. Shares in Group undertakings

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>342.1</td>
<td>179.5</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(1.8)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Additions</td>
<td>8.4</td>
<td>332.2</td>
</tr>
<tr>
<td>Disposals</td>
<td>(6.1)</td>
<td>(259.0)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>344.4</td>
<td>254.5</td>
</tr>
</tbody>
</table>

The undertakings which affect the financial statements are listed on pages 145 to 147.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.
Notes to the Company Financial Statements continued

G. Other investments other than loans

Other investments other than loans

Cost or valuation of net equity
At 1 January 2018 and 31 December 2018
0.6

Other investments comprise non-quoted equity securities measured at fair value.

H. Debtors

2018 £m 2017 £m
Amounts owed by Group undertakings 1,676.4 1,809.1
Corporation tax 26.5 43.6
Other receivables 0.4 0.8
Prepayments 0.3 0.2
1,702.6 1,853.7

The amounts owed by Group undertakings are current and have no fixed date of repayment. Of the amount at 31 December 2018, £1,673.9m will continue to attract interest from 1 January 2019 at a floating rate based on the main facility agreement. The remainder will continue to be interest free.

I. Deferred tax

The deferred tax balances included in the balance sheet are attributable to the following:

2018 £m 2017 £m
Retirement benefit obligations (0.2) 0.2

The movement on deferred tax balances during the year is summarised as follows:

At 1 January
Retirement benefit obligations (0.2) 0.7
Deferred tax charged through the profit and loss account – –
Deferred tax charged directly to equity – (0.9)
At 31 December (0.2) (0.2)

Deferred tax assets were recognised in all cases where such assets arose, as it was probable that the assets would be recovered.

J. Creditors: Amounts falling due within one year

2018 £m 2017 £m
Amounts falling due within one year
Trade payables 0.4 0.3
Taxation and social security 1.3 1.2
Amounts owed to Group undertakings 46.7 47.0
Other payables 5.8 5.7
Accruals and deferred income 1.0 3.7
55.2 57.7

The amounts owed to Group undertakings are interest free, unsecured and have no fixed date of repayment.

K. Borrowings

The Company’s objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on pages 109 and 110 which forms part of the Annual Report and Accounts. Short term receivables and payables have been excluded from all of the following disclosures.

2018 £m 2017 £m
Maturity profile of financial liabilities
2014 Club facility due 2021 33.3 59.5
2016 Club facility due 2021 19.9 –
€30m 1.06% fixed rate 7 year bond 27.1 26.6
€70m 1.43% fixed rate 10 year bond 63.1 62.1
€30m 2.54% fixed rate 7 year bond 30.0 30.0
€70m 2.80% fixed rate 10 year bond 70.0 70.0
Bank loans and overdrafts repayable on demand 13.3 8.3
256.7 255.5

Repayments fall due as follows:
Within one year
Bank loans and overdrafts 13.3 8.3
13.3 8.3
After more than one year
Loans repayable
Within one to five years 110.3 59.5
After five years 133.1 188.7
243.4 248.2

L. Post-retirement benefits

In line with the requirements of FRS 101, the Company now recognises its share of the UK pension fund assets and liabilities. A full reconciliation of the Group retirement benefit obligation can be found in note 11 of the Group financial statements on pages 118 to 121. The table below shows the movement in the obligation during the year.

2018 £m 2017 £m
Opening balance:
Assets 48.6 47.5
Liabilities (47.7) (51.5)
Net opening retirement benefit asset/(liability) 0.9 (4.5)
Movements in the year:
Service cost – current (0.3) (0.3)
Service cost – past (0.2) –
Interest cost –
Contributions 0.6 0.5
Remeasurements 0.4 4.9
Closing balance 1.2 0.9
Notes to the Company Financial Statements continued

M. Share-based payments
The total charge for the year in respect of share-based remuneration schemes was £4.3m (2017: £5.1m). The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The key elements of each scheme along with the assumptions employed to arrive at the charge in the profit and loss account are set out in note 22 to the Group financial statements.

N. Contingent liabilities
The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £104.3m (2017: £91.2m).

O. Dividends
Details of dividends are disclosed in note 8 of the Group financial statements.

P. Related party transactions
The Company has taken advantage of the exemption available under FRS 101 from disclosing transactions with other Group undertakings. There were no other related party transactions during the year. Information on the Group can be found in note 26 on page 136 of the Group financial statements.

Related Undertakings

Related undertakings of Croda International Plc
All companies listed below are owned by the Group and all interests are in ordinary share capital, except where otherwise indicated. All subsidiaries have been consolidated. All companies operate principally in their country of incorporation. Unless otherwise indicated, all shareholdings represent 100% of the issued share capital of the subsidiary.

Wholly owned subsidiaries:

Incorporated in the UK
- Cowick Hall, Snainton, Goole, East Yorkshire, DN14 9AA
- Bio Futures Limited
- Brookstone Chemicals Limited
- Cowick Hall Trustees Limited
- Croda (Goole) Limited
- Croda Application Chemicals Limited
- Croda Bakery Services Limited
- Croda Bowman Chemicals Limited
- Croda CE Limited
- Croda Chemicals Limited
- Croda Colloids Limited
- Croda Cosmetics & Toiletries Limited
- Croda Distillates Limited
- Croda Enterprises Limited
- Croda Europe Limited
- Croda Fire Fighting Chemicals Limited
- Croda Food Services Limited
- Croda Hydrocarbons Limited
- Croda Investments Limited
- Croda Investments No 2 Limited
- Croda Investments No 3 Limited
- Croda JDH Limited
- Croda Leek Limited
- Croda Limited
- Croda Overseas Holdings Limited
- Croda Pension Trustees Limited
- Croda Polymers International Limited
- Croda Resins Limited
- Croda Solvents Limited
- Croda Trustees Limited
- Croda Universal Limited
- Croda World Traders Limited
- P.I. Bioscience Limited
- Plant Impact Limited
- John L Seaton & Co Limited
- Southern Investments Limited
- Sowerby & Co Limited
- Technical and Analytical Services Limited
- Uniqema Limited
- Uniqema UK Limited
- c/o Thornton's Law LLP, Cultspoint, 3rd Floor, 66 Haymarket Terrace, Edinburgh, EH12 5HD
- Croda (CPI) Limited

Incorporated in China
- Unit BCD, 19 Floor, Urban City Center, No.49, Nanchang Road, Shanghai
- Croda China Trading Company Ltd
- No. 1 Hongda Road, Xihuai Beikou, Changping District, Beijing
- Incotec (Beijing) Agricultural Technology Co. Ltd
- No. 2 Plant, No. 1 QuanFeng Road, Wuqing Development Zone, Wuqing District, Tianjin
- Incotec (Tianjin) Agricultural Technology Co. Ltd
- Room 3010, No. 1, Linhui Road, Guangzhou
- IonPhasE (Guangzhou) Special Polymers Co., Ltd

Incorporated in France
- 1, rue de Lapugnoy, 62920 Chocques
- Croda Chocques SAS
- Route Nationale 10, Innomparc, 78190 Trappes
- Croda France SAS
- Croda Holdings France SAS
- Zone artisanale, 48230 Chanac
- Crodarom SAS
- 29 rue du Chemin Vert, 78610, Le Plessis en Yvelines
- Sederma SAS

Incorporated in the Netherlands
- Buurije 1, 2802 EE Gouda
- AM Coatings BV
- Croda EU BV
- Croda Nederland B.V.
- Unicorn Power BV
- Westeinde 107, 1601 BL Enkhuizen
- Incotec Europe B.V.
- Incotec Group B.V.
- Incotec Holding B.V.

Shareholder Information
Related Undertakings continued

**Incorporated in the USA**

- **300-A Columbus Circle, Edison, NJ 08837-3907**
  - Croda Americas LLC (viii)
  - Croda Finance Inc (viii)
  - Croda Inc (viii)
  - Croda Inks Corp (viii)
  - Croda Investments Inc (viii)
  - Croda Storage Inc (viii)
  - Croda Synthetic Chemicals Inc (viii)
  - Mona Industries Inc (viii)
  - Sedema Inc (viii)

- **1293 Harkins Road, Salinas, CA 93901**
  - Incotec Integrated Coating and Seed Technology, Inc (viii)

**Incorporated in other overseas countries**

- **Argentina – Av. Alcira Moreau de Justo 2030 Piso 1, Oficina 117, Buenos Aires**
  - Croda Argentina SA (vii)
- **Argentina – Avenida del Libertador 498, Piso 12, Oficina 1250 Buenos Aires**
  - Incotec Argentina S.A. (viii)
- **Argentina – Peru 590, Piso 8, Buenos Aires**
  - Plant Impact Argentina SA (vii)
- **Australia – Suite 2, Level 6, 111 Phillip Street, Parramatta, NSW 2150**
  - Croda Australia (viii)
- **Australia – 18 Doveton Street North, Ballarat, Victoria 3350**
  - Kritis Pty. Ltd (vii)
- **Belgium – “Corporate Village”, Da Vincilaan 9/E6 Elsionor, 1930 Zaventem**
  - Croda Belgium BVBA (vii)
- **Brazil – Rua Croda, 560, Distrito Industrial, Campinas, São Paulo, CEP 13.074-710**
  - Croda do Brasil Ltd (vii)
- **Brazil – Avenida das Nações Unidas 18801, Sala 501, Chacara Sto Antonio, São Paulo, Estado de São Paulo, CEP 04795-100**
  - Plant Impact Tecnologia em Nutricao Ltda (vii)
- **Canada – 1700 Langstaff Road, Suite 1000, Vaughan, Ontario, L4K 5Z2**
  - Croda Canada Ltd (vii)
- **Chile – Santa Beatriz 100, 12th Floor, Office 1205, Providencia Santiago**
  - Croda Chile Ltda (viii)
- **Colombia – Calle 90 8B 19-41 Office 601, Bogotá**
  - Croda Colombia (viii)
- **Czech Republic – Praha 5, Pekářská 603/12, 150 00**
  - Croda Spol. s r.o (viii)
- **Danmark – Elisenbekken 23, 3600 Frederikssund**
  - Croda Denmark A/S (viii)
- **Finland – Helsinginmäki 29, 33720 Tampere**
  - IonPhaeSolv Oy (viii)
- **Germany – Herrenpad Süd 33, 41343 Nettetal**
  - Sedema GmbH (vii)
- **Guernsey – Maison Trinity, Trinity Square, St Peter Port, GY1 4AT**
  - Cowick Insurance Services Ltd (viii)

**Incorporated in other overseas countries continued**

- **Hong Kong – Room 908, East Ocean Centre, No.9 Science Museum Road, Tsim Sha Tsui, East Kowloon**
  - Croda Hong Kong Company Ltd (vii)
- **Hong Kong – Kreoston CAC CPA Ltd, Rooms 2703-3, 27th Floor, Bank of East Asia Harbour View Centre, 58 Gloucester Road, Wan Chai**
  - IonPhaeSolv (H.K.) Limited (vii)
- **Hungary – 1117 Budapest XI, Bőlcső utca 6.1. emelef 4.**
  - Croda Magyarország Kft (viii)
- **India – Plot No. 1/1 Part, TTC Industrial Area, Thane Belapur Road, Koparkhairane, Navi Mumbai 400710, Maharashtra**
  - Croda India Company Private Ltd (vii)
- **India – 47, Mahajyotirama Industrial Estate, Opp. Pharma Lab, Sarkhej–Baroda Highway, At. Moraya, Ta. Sanand, Ahmedabad-382213, Gujarat**
  - Integrated Coating and Seed Technology India Pvt. Ltd (vii)
- **Indonesia – Kawasan Industri Jababeka, Jl. Jababeka IV Blok V Kav 74-75, Cikarang Belakas 17500**
  - PT Croda Indonesia (vii)
- **Iran – Apt. 305, 3rd Floor, No 14 Golestan Avenue, Alikhani Avenue, Southern Shahrz Street, Tehran**
  - Croda Pars Trading Co (vii)
- **Italy – Via P. Grocco 915, 29036 Mortara**
  - Croda Italiana Sp.A (viii)
- **Japan – 4-3 Hitsuibushi 2-chome, Chiyoda-ku, Tokyo 101-0003**
  - Croda Japan KK (viii)
- **Malaysia – Unit no. 203, 2nd floor, block C, Damansara Intan no. 1, Jalan SS20/27, Petaling Jaya, Selangor**
  - Incotec Malaysia Sdn. Bhd (vii)
- **Mexico – Hamburgo 213, Piso 10, Colonia Juarez, Delegacion Cuauhtemoc, D.F., C.P. 06600**
  - Croda México SA de CV (vii)
- **Peru – Avenida La Encalada 1388 Oficina 801, Polo Hunt 1, Surco**
  - Croda Peruana S.A.C (vii)
- **Poland – ul. Wadowicka 6, 30-415 Kraków**
  - Croda Poland Sp. z o.o (vii)
- **Portugal – u. Wadowicka 6, 30-415 Kraków**
  - Croda Korea (vii)
- **Republic of Korea – Rm. 1201, 12th Floor, Office 2112, 2113, 21st Floor, Jijiga One, Jikei A Free Zone, Daeb**
  - Croda Middle East FZE (vii)
- **Zimbabwe – 4a Knightsbridge Crescent, Highlands, Harare**
  - Croda Chemicals Zimbabwe Pvt Ltd (vii)
- **Zimbabwe (Pvt) Ltd (vii)**

**Non-wholly owned subsidiaries and associates:**

- **Incorporated in the UK**
  - Torus Building, Bankside Avenue, East Kilbride, Scotland, G75 9GQ
  - Cuttrolinds Ltd
  - 3 Huxley Road, Surrey Research Park, Guildford, GU2 7RE
  - Sirat Ltd

- **Incorporated in other overseas countries**
  - **Brazil – Rua das Sementes nr. 291, Holambra, State of São Paulo**
    - Incotec America do Sul Tecnologia em Sementes Ltda (vii)
  - **China – No 659 East Tanganq Road Economic and Technological Development Zone Mianyang Sichuan**
    - Croda Sipo (Sichuan) Co., Ltd (vii)
  - **India – Plot No. 1 Part, TTC Industrial Area, Thane Belapur Road, Koparkhairane, Navi Mumbai 400710, Maharashtra**
    - Integrated Coating and Seed Technology India Pvt. Ltd (vii)
  - **Mexico – Hamburgo 213, Piso 10, Colonia Juarez, Delegacion Cuauhtemoc, D.F., C.P. 06600**
    - Croda México SA de CV (vii)
  - **Arab Emirates – P. O. BOX 17916, Office 2112, 2113, 21st Floor, Jijiga One, Jikei A Free Zone, Daeb**
    - Croda Middle East FZE (vii)
  - **Zimbabwe – 4a Knightsbridge Crescent, Highlands, Harare**
    - Croda Chemicals Zimbabwe Pvt Ltd (vii)
  - **Zimbabwe (Pvt) Ltd (vii)**
Shareholder Information

2019 Annual General Meeting
2018 Final ordinary dividend payment
2019 Half year results announcement
2019 Interim ordinary dividend payment
2019 Preference dividend payments
2019 Full year results announcement

Investor relations
Shareholders can now get up to date information on Stock Exchange announcements, key dates in the corporate calendar, the Croda share price and brokers’ estimates by visiting our corporate website at www.croda.com and clicking on the section called ‘investors’.

Shareholders can receive shareholder communications electronically by registering on the Registrars’ website, www.signalshares.com and following the instructions. To register, shareholders will require their investor code (ICG): this is an 11 digit number starting with five or six zeros and can be found on your dividend tax voucher or your share certificate. Receiving corporate communications by email has a number of benefits including being more environmentally friendly, reducing unnecessary waste, faster notification of information to shareholders and eventually leading to a reduction in company costs.

Shareholders who register on the above website can also check their shareholding, view their dividend history, elect to receive shareholder communications by email has a number of benefits including being more environmentally friendly, reducing unnecessary waste, faster notification of information to shareholders and eventually leading to a reduction in company costs.

Payment of dividends
You can arrange to have your dividends paid direct to your bank account. This means that:
• your dividend reaches your bank account on the payment date;
• it is more secure - cheques can sometimes get lost in the post;
• you don’t have the inconvenience of depositing a cheque; and
• helps reduce cheque fraud.

Share price information
The latest ordinary share price is available on our website at www.croda.com.

The middle market values of the listed share capital at 31 December 2018, or last date traded, were as follows:

Ordinary shares 470p
5.9% preference shares 109p
6.6% preference shares 118p

Overseas shareholders – choose to receive your next dividend in your local currency
If you live outside the UK, Link has partnered with Deutsche Bank to provide you with a service that will convert sterling dividends into your local currency at a competitive rate.

You can choose to receive payment directly to your local bank account or alternatively you can be sent a currency draft. You can sign up to this service on Signal Shares (www.signalshares.com by clicking on ‘your dividend options’ and following the on-screen instructions) or by contacting the Customer Support Centre.

Dividend reinvestment plan (‘DRIP’)
Ordinary shareholders may wish to know about this plan, which allows you to use your dividends to buy further shares in Croda. The DRIP is provided by Link Asset Services, a trading name of Link Market Services Trustees Ltd which is authorised and regulated by the Financial Conduct Authority.

For information and an application pack please call 0371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Alternatively you can email shares@linkgroup.co.uk or log on to www.signalshares.com.

Payment of dividends
You can arrange to have your dividends paid direct to your bank account. This means that:
• your dividend reaches your bank account on the payment date;
• it is more secure - cheques can sometimes get lost in the post;
• you don’t have the inconvenience of depositing a cheque; and
• helps reduce cheque fraud.

If you have a UK bank account you can sign up to this service on Signal Shares (www.signalshares.com by clicking on ‘your dividend options’ and following the on-screen instructions) or by contacting the Customer Support Centre.

Share dealing
A simple and competitive service to buy and sell shares is provided by Link Asset Services. There is no need to pre-register and there are no complicated application forms to fill in. Visit www.linksharedeal.com to access a wealth of stock market news and information free of charge. For further information on this service, or to buy and sell shares, visit www.linksharedeal.com or call 0371 664 0440 (calls are charged at the standard geographic rate and will vary by provider). Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 4.30pm, Monday to Friday, excluding public holidays in England and Wales.

The Financial Conduct Authority (‘FCA’) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

Protect yourself
If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:
• Treat all unexpected calls, emails and text messages with caution. Don’t assume they’re genuine, even if the person seems to know some basic information about you.
• Don’t be pressured into acting quickly. A genuine bank or financial services firm won’t mind waiting if you want time to think.
• Get the name of the person and organisation contacting you.
• Check the Financial Services Register at www.fca.org.uk to ensure they are authorised.
• Use the details on the FCA Register to contact the firm.
• Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
• Search the list of unauthorised firms and individuals to avoid doing business with them. If the firm isn’t on the list, don’t assume it’s legitimate, it may not have been reported yet.
• Remember: if it sounds too good to be true, it probably is!
• If you are approached about a share scam, you should tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out about the latest investment scams.

Report a scam
If you are approached about a share scam, you should tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.
### Five Year Record

#### Earnings

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<tr>
<th>Year</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Adjusted operating profit¹</td>
<td>£m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted profit before tax¹</td>
<td>£m</td>
<td></td>
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<td></td>
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<tr>
<td>Profit after tax</td>
<td>£m</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>£m</td>
<td></td>
<td></td>
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<tr>
<td>% of Turnover</td>
<td>%</td>
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</tr>
</tbody>
</table>

#### Summarised Balance Sheet

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets, property, plant and equipment</td>
<td>£m</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Inventories</td>
<td>£m</td>
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<tr>
<td>Trade and other receivables</td>
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<tr>
<td>Trade and other payables</td>
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<tr>
<td>Capital employed</td>
<td>£m</td>
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<td></td>
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<tr>
<td>Tax, provisions and other</td>
<td>£m</td>
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<tr>
<td>Retirement benefit liabilities</td>
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<td>Shareholders' funds</td>
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<tr>
<td>Non-controlling interests</td>
<td>£m</td>
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<tr>
<td>Net debt</td>
<td>£m</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Gearing (%)</td>
<td>%</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

1. Before exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon where applicable
2. ROIC reasure is adjusted for acquisitions where applicable
3. Interest excludes pension scheme net financial expense

### Glossary of Terms

- **Adjusted** Before exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon where applicable
- **AGM** Annual General Meeting
- **AIM** Alternative Investment Market
- **ALM** Asset-Liability Matching
- **API** Active Pharmaceutical Ingredient
- **CARE** Career Average Revalued Earnings
- **CDG** Carbon Disclosure Project
- **CEO** Chief Executive Officer
- **CGU** Cash Generating Unit
- **CIPET** Croda International Plc Employee Benefit Trust
- **Core Business** Personal Care, Life Sciences and Performance Technologies
- **CPI** Consumer Price Index
- **CPS** Croda Pension Scheme
- **DRIP** Dividend Reinvestment Plan
- **DBSP** Deferred Bonus Share Plan
- **EBITDA** Earnings Before Interest, Taxation, Depreciation and Amortisation
- **EBT** Employee Benefit Trust
- **EPS** Earnings Per Share
- **EU** European Union
- **FCA** Financial Conduct Authority
- **FRNC** Financial Reporting Council
- **FRS** Financial Reporting Standard
- **FSCS** Financial Services Compensation Scheme
- **GDPR** General Data Protection Regulation
- **GHG** Greenhouse Gas
- **GHG emissions** Greenhouse Gas emissions from sources that we own or control
- **GMP** Good Manufacturing Practice
- **HR** Human Resources
- **IAS** International Accounting Standards Board
- **IFRS** International Financial Reporting Standards
- **IFRSIC** International Financial Reporting Standards Interpretation Committee
- **ILD** International Labour Organization
- **IP** Intellectual Property
- **ISO** International Organization for Standardization
- **IT** Information Technology
- **KPI** Key Performance Indicator
- **M&A** Mergers & Acquisitions
- **Market segments** Personal Care, Life Sciences, Performance Technologies, Industrial Chemicals
- **Material Areas** Our 14 most important sustainability areas
- **Net debt** Borrowings and other financial liabilities less cash and cash equivalents
- **NPE** New and Protected Products
- **OH&SAS** Occupational Health and Safety Advisory Series
- **OSHA** Occupational Safety and Health Administration
- **PSP** Performance Share Plan
- **QUEST** Croda International Plc Qualifying Share Ownership Trust
- **R&D** Research and Development
- **REACH** Registration, Evaluation, Authorisation & restriction of Chemicals
- **Return on sales** Adjusted operating profit divided by revenue
- **ROIC** Adjusted operating profit after tax divided by the average invested capital for the year for the Group
- **SAP BHS** Safety, Health and Environment module in the SAP reporting system
- **SGD** United Nations Sustainable Development Goals
- **SHC** Safety, Health, Environment
- **SHEQ** Safety, Health and Environment module in the SAP reporting system
- **SMEs** Small and Medium Enterprises
- **Te** Tonnes
- **TRIR** Total Recordable Injury Rate
- **TSSR** Total Shareholder Return
- **UK** United Kingdom
- **Underlying** Current year results in local currency translated to Sterling at the prior year average foreign exchange rate excluding acquisitions
- **UV** Ultra Violet
- **WACC** Weighted Average Cost of Capital
Cautionary Statement

The information in this publication is believed to be accurate at the date of its publication and is given in good faith but no representation or warranty as to its completeness or accuracy is made. Suggestions in this publication are merely opinions. Some statements and in particular forward-looking statements, by their nature, involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future and actual results may differ from those expressed in such statements as they depend on a variety of factors outside the control of Croda International Plc. No part of this publication should be treated as an invitation or inducement to invest in the shares of Croda International Plc and should not be relied upon when making investment decisions.

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