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Croda

2020 Sustainability Report - Q&A Session
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David Bishop, Director, Investor Relations

Steve Foots, Chief Executive Officer

Jez Maiden, Chief Financial Officer

Stuart Arnott, President Sustainability

Phil Ruxton, Vice President, Sustainability

Michelle Fargen, Global Head of Procurement and Sustainable Sourcing

Mark Robinson, President Global Operations

Dave Cherry, Global Managing Director, Crop Protection

Tracy Sheedy, Group Human Resources Director

Chris Sayner, Vice President Customer Alliances, Corporate Sustainability

Julia Creasey, Group Sustainability Manager

Questions and Answers

David Bishop, Director, Investor Relations

Thank you, Steve. And, just as a reminder, everybody, please do submit your questions via the Q&A box.

As well as the speaker from today's event, we're also joined by Jez Maiden, CFO, and key members of the Sustainability Team, Phil, Julia and Chris.

I'll kick off with a couple of questions from the Climate Positive section of the presentation. The first one to Mark is how reliant are you on carbon offsets to reach your Science Based Targets?

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Mark Robinson, President Global Operations

The short answer to that question is we're not. The mission, as far as I'm concerned, is around technology, and, to that end, we've had a team of scientists and engineers dedicated to that topic for several years now.

Maybe I could just give you an example, that in my part of the presentation I talked about how a range of mild surfactants where we're just about to expand capacity using new continuous technology. That's currently going in a batch process. But in working on proving the concept and then moving into the process design for consumers' technology, we identified a way to reduce the energy consumption of the existing batch process by a double-digit.

So, we've made benefits to the existing process, we're expanding to zero carbon, and then it goes beyond that. So then what we're looking for is, well, what's the next generation who will want to manufacturer that after this technology? And, to that end, we've got collaborations running with external companies to find a non-chemical biotechnology route to manufacturing those products. So, we're thinking about investments after the next investments now.

Now, where that might not have a significant step change in our scope 1 and 2 emissions, because we're doing that now, it will have a benefit in the raw materials that we use and, ultimately, the scope 3 carbon emissions in the supply chains for manufacturing our products. And that's just one product group I've talked about, there are multiple other product groups where we've got these phased investment plans over the next decade and beyond.

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David Bishop, Director, Investor Relations

Thank you, Mark. The second question on Climate Positive comes from Georgina Iwamoto at Goldman Sachs. Thanks for joining us this afternoon. Do you see any proportion of Croda's fossil derived raw material basket that cannot be converted to renewable in the long term? Mark, do you want to kick us off and then maybe Chris Sayner can come in with some further detail?

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Mark Robinson, President Global Operations

Yeah, so there are, in our technology roadmaps, a bit similar to the one I just described earlier, we have plans to migrate away from chemical technology processes. I think Chris is probably better placed to talk about the kind of full range of things that we and our ability to migrate away from petro-based.

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Chris Sayner, Vice President Customer Alliances, Corporate Sustainability

When we look at the European chemical industry, which is, essentially, less than 10% bio based, and aspires to achieve 25% bio based raw material footprint by 2030, you know, we've set our target at three times that, at 75%, so we already have something of a head start at 67% last year.

The point I would make is that we have our published target, aspiring to move to 75%, and I can say that is having a desired effect of being something of a magnet for raw material suppliers who have bio based offerings. And I would just make a distinction between dropping bio based replacements and bio-based replacements to raw materials which involves some potential reformation.

But the big difference is we have a published target to increase, which sets us apart from many of our peer group, and, in product development, in our innovation space, we won't automatically default to the standard petrochemical raw material that we may have historically used, we will actively seek out the bio based alternatives. So, we've set an aggressive target, but we have every confidence in meeting that.

In the long term, are there raw materials that we not be able to replace? Yes, possibly. But bio based alternatives are coming available all the time.

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David Bishop, Director, Investor Relations

Thanks, Chris. A couple on Land Positive that have come in over my email. The first one - few other companies talk about land zero. Why has Croda made being Land Positive just an important goal?

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Dave Cherry, Global Managing Director, Crop Protection

David, let me take one. And that's a really nice question, isn't it?

First, the pressure on nature and biodiversity is something that we think should concern everybody. It's just as big a problem as the climate crisis, and, you know, we welcome the development of the Science Based Targets in this area.

Our position is, as a responsible company that is using land to grow raw materials, we felt, just on a philosophical level, we should save more land than we use. And that's in keeping with being positive, putting back more than we take out. And that was at the heart of our ambition when we set the commitment.

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David Bishop, Director, Investor Relations

Thank you, Dave. And there's a follow-up. It seems like you've achieved your land area target very quickly. Did you get it wrong? And how confident are you about the new target that you've set?

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Dave Cherry, Global Managing Director, Crop Protection

I suppose the problem was, when we set off, we didn't know what the starting point was. We could estimate our land used, but we'd never actually tried to measure land saved before. So, we've had to spend time working that out, refining our understanding of land saved, working calculations out.

What we discovered was that, in 2019, which was our baseline year, we used a little bit more land than we saved, but through our efforts to continually develop more yield-saving products, in 2020, we've got more land saved, we've moved into the Land Positive area. And that's something we're really proud about.

So, from that point, now we understand more, we can now set the stretching target. So, the new target is that two for one described, for every extra hectare we use we're going to save double that. We announced a minimum of 200,000. And that's linked as well to the interim target we've set of 80,000 hectares additional saved by 2024.

So, yeah, we're learning all the time, and certainly trying to set stretching targets that make us strive to.

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David Bishop, Director, Investor Relations

Thank you, Dave.

Moving onto People Positive, the first one - what percentage of Croda's workforce owned shares, and how do you plan to enhance that in the coming years? I think that's one for the HR Director, Tracy, please.

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Tracy Sheedy, Group Human Resources Director

Thanks, Dave. So, we've got share ownership around 80% across our various share plans which we operate both in the UK and internationally.

In terms of how we're planning to increase that, we're proud today to launch a new reward programme called the 10 Share Plan. This plan is linked to our Global Senior Bonus Plan and, basically, what we're saying is that, if the Bonus Plan for our top 450 employees pays in any year, then all of the employees that are not eligible for that bonus, which is the vast majority of our employees, will receive 10 shares, 10 Croda shares, or the equivalent in cash.

We're hoping that this is going to be an ongoing plan, that we're going to have it each year. So, as long there's a bonus, if Steve gets a bonus, everyone gets their 10 shares. That's the basis of what we're trying to do.

And we think that will do a couple of things; one is help transparency around our executive pay, but also very much encourage shareholding in the company. Although the share plan's popular, we hope it drives people more towards those.

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David Bishop, Director, Investor Relations

Thank you. And a second one on diversity and inclusion - on D&I, is the critical element not one of equality of opportunity, not equality of outcome? Does not your gender target focus on the wrong priority, thereby undermining the vital element of meritocracy? As a long-time shareholder, I want Croda to hire the best candidates for their respective roles.

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Tracy Sheedy, Group Human Resources Director

I think that's a very fair question, and we want to always hire the best candidates, but to hire the best people you need to ensure that you're attracting as broad a range of talent as possible, and that's why the diversity drive is so important to us.

It's also important to us that we have diversity of thought, so not only hiring the best people but, when they're in the business, that we have great diversity of thought because that drives innovation which is the heart of what Croda is all about.

So, the things like balanced shortlist helps us to think about diversity, it helps us to attract that breadth of talent and it keeps us focused.

So, although it is an outcome measure, how many women we have in leadership positions, it's about helping us on that journey to hire the best people we can.

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David Bishop, Director, Investor Relations

Thank you, Tracy.

A broader one now, which I think Steve's probably best-placed to start with. My question relates to innovation and sustainability. Croda is rightly recognised for your great work on

sustainability, but can you provide some colour regarding how to integrate sustainability into innovation, especially for new product development and new opportunities? Are you able to take new opportunities to your customers or to new potential customers? Steve.

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Steve Foots, Chief Executive Officer

Yes, thanks for the question, and you've heard me probably say it a few times now, you can be the most sustainable company in the world with, you know, the number of bio based ingredients you've got as a proportion of your total, but you won't get significant business unless you've got that innovation that goes with that as well. And you need the two, absolutely need the two.

So, Croda's been on this journey for quite some time. It's not new. I think the exciting thing that we've mentioned to you recently in the results presentation is, you know, beyond carbon, we can see an acceleration of sustainability trends. I mean, they were there beforehand, but certainly an acceleration there. And, through the innovation groups, you know, we start with the principle that we've got the 12 green principles of chemistry.

So, we're starting with trying to find solutions for unmet needs for our customers, and future customers, with that in mind. So, that's an evolution. What you need to do is map the two. So, you need to follow the demand changes as they come along, and there's many of those, but making sure that, in your products that you're offering, that you've got a significant differentiation in sustainability, whether that's in the bio based nature of it, the purity of it, but whether that's actually in the way you make it, you know.

Mark mentioned before, the mild anionic surfactant stream in Rawcliffe Bridge, I mean, we were making some of these 20, 30 years ago, and they're great products, but now they're having a renaissance because we're moving into formulations with L'Oréal, Unilever and many of the big multinationals because they're mild surfactants, and they're displacing things that are not mild, and that are petrochemical. So, this is great and a number of opportunities.

So, you know, our job really is keep customer-focused and really better understand the trends to make sure that we're ready to satisfy those.

But, in terms of the innovation culture, we're very well in tune with that. So, you see that as evolution rather than revolution.

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David Bishop, Director, Investor Relations

Thanks, Steve.

I'm going to go to one on supply chain now, which is from Charles Eden at UBS. In order to ensure fully supply chain compliance, can we expect a high degree of backwards integration in the Croda business model than is the case today?

Do you want to kick us off, Michelle, and then Steve may want to come on that one as well?

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Michelle Fargen, Global Head of Procurement and Sustainable Sourcing

Yeah. I don't think that will be case. Our focus will be on close collaboration with suppliers and completely transparent relationships so we can identify ways that we can work better together. And, in doing this, we need to focus on their strengths, and this won't likely lead us to integration. There's much more, in my opinion, to be gained through collaboration.

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David Bishop, Director, Investor Relations

Thanks, Michelle. That's great. I see you haven't got anything to add, Steve, I'll press on.

So, a couple on the carbon price, which I think Julia's probably best-placed to answer - What's the thinking behind choosing the internal carbon price of £50 per tonne as an appropriate level to start with?

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Julia Creasey, Group Sustainability Manager

Yeah, thanks, David.

We did spend quite a lot of time benchmarking against our peer group and the wider industry, and that's why we've started with £50 per tonne as our shadow price, but we will be closely monitoring how that price changes, you know, across other companies within our industry.

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David Bishop, Director, Investor Relations

Thank you. And I guess a follow-on - I know the £50 per tonne carbon price assumption, what work is being done to flex this assumption and assess the impact of any change in the carbon price on Croda's plans with regard to sustainability?

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Julia Creasey, Group Sustainability Manager

Yeah, I think the key thing there is, like I've just mentioned, we'll be keeping an eye on the price and whether we need to change it, but, for us, it's not really about assessing financials, it's more about helping us to drive behaviour change across our organisation and make the right investment decisions to help us decarbonise our operations.

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David Bishop, Director, Investor Relations

Thank you, Julia. That's great.

The next question, I think for the CFO to kick us off, from Martin Evans at HSBC. Is it possible to unravel the extra additional costs associated with implementing and meeting the targets by 2030, e.g. testing new processes, from the Group's normal ongoing capex, or is it fully integrated despite the results often not being measurable in the short-term?

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Jez Maiden, Chief Financial Officer:

Yeah, okay, David. And thanks, Martin.

Look, I think the great thing about this is that there's a very strong alignment between the commercial direction of travel, you know, for Croda and the sustainability needs. So, generally, you know, we've got a really strong correlation between those.

In overall terms on capex, there will be some additional capex to do, coming particularly out of the decarbonisation plans that Mark talked about. But, overall, we wouldn't expect that to be a quantum different from what we're anticipating, around about 6% of sales as our annual capex costs for Croda.

So, I think there will be individual projects, for example, in countries where there isn't easy access to green electricity. You know, we may look at our own generation and so forth. So, there will be individual projects, and we'll call those out, but, generally, manageable within the existing capital budgeting and very well aligned with the overall commercial aspirations for Croda.

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David Bishop, Director, Investor Relations

Thanks, Jez. I think you can stay on the screen. This one's for the CEO and the CFO, I think. How is the sustainability strategy likely to impact your acquisition plans?

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Steve Foots, Chief Executive Officer

Yeah, well, I'll take that.

Yeah, I mean, it will. I mean, it absolutely will. It's, you know, as we start to think about developing our next generation plans for the targets that we look at, whether that's in, you know, consumer or life sciences, you know, central to our thinking is sustainability. It's the title of our strategy document for the next 10 years, so it should lead to consistency in how we think about decision-making and judgements, not just in organic delivery but in inorganic delivery as well.

So, everything that you see Croda starting to look at will have some sort of sustainability angle to it, or innovation connection to it. So, it's all about targeting new markets and new niches in markets, and our job is to keep appraised of those markets as they're coming available because, you know, the markets are moving very quickly, which we like, but we've got to fleet of foot as well to be responsive to that as well.

So, you know, a good example of that was Alban Muller recently and the results announcement. It's a relatively small acquisition, but it's 100% sustainable, EcoVadis Platinum status, it's made from carbon-neutral technologies, you know, it's an ideal bolt-on for Sederma and Croda for the L'Oréals of the world, and the sustainability leaders of the world, both in personal care and home care.

So, you know, that's the type of direction that we're moving for sure, and I think the big benefit will come in the consumer care area. It will benefit other sectors that we operate in, but the big benefit will come in that sector.

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David Bishop, Director, Investor Relations

Thanks, Steve.

Right, I think this is a question for the Sustainability Team, Phil Ruxton best placed to pick it up. We've talked about the percentage of ingredient sourcing that a bio based, what about your turnover? What proportion of your revenue is from purely bio based products? - And that question's from Isha Sharma at Stifel.

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Phil Ruxton, Vice President, Sustainability

Thanks, David. Hi, everyone.

And that's the age-old question. We did cover that in our investor session on sustainability back last October as well, and it's a question we get asked a lot.

I think the first question is let's think about definitions. There are lots of definitions out there about green revenues, about bio based revenues, about SDG-linked revenues. If it's specifically about bio based, you're correct, 67% of our overall materials are bio based, and it's across our portfolio. So, there's some good alignment there with revenues.

When you look at other measures of green revenues, for example, FTSE Russell measures, about 50% of our revenues are considered bio based. But, as I mentioned last time when we talked six months ago, we are going to be working towards connecting revenues with the SDGs directly. It's a work in progress. It's not simple. And it's going to take some time. There are not clear metrics out there at the moment to be able to do that. But that's kind of where we aspire to be.

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David Bishop, Director, Investor Relations

Thank you, Phil.

I'm just to take a Land Positive question - to what extent do you think certification will play an increased role in reporting and assessing your positive land targets and ambitions? That question to Dave Cherry, please.

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Dave Cherry, Global Managing Director, Crop Protection

Okay. We've got to make sure that, when we report figures, that we can get them validated externally. We have a process and a set of measures, and we are making sure those are auditable and challengeable.

You know, what I actually think about it, we want to make sure that the key thing that we do is to change our behaviour, our decision-making, so that we invest in things which are going to improve yield and improve agronomic outcomes. And I think as long as we are driving towards making real world change then, you know, we're doing the right kind of things. That's our focus. How can we be a force for good in our supply chains with our customers, and helping them achieve the changes they also are committing to? And we'll make sure that the figures we post, we present, are related.

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David Bishop, Director, Investor Relations

Thank you, Dave, that's great. There a few further deep dive questions on innovation that are all related, I think. And some of these relate to the achievement of our decarbonisation goals.

So Mark to kick off and then Steve and others to augment as required.

So there are three on similar themes, firstly from Sam Perry at Credit Suisse. What, if any, innovation do you need to rely on in the future to meet your land and climate goals? And to what extent could these goals be achieved by science already being used in Croda?

And similarly - in the effort to cut your CO2 emissions, are there breakthrough innovations or production changes that are game changers for Croda? Mark?

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Mark Robinson, President Global Operations

Thanks. I think short term to drive carbon reduction we will be reliant more on known technologies, things like substituting fuels, moving from directly fired burning natural gas to things like green electricity. So those are known technologies that we can make the migration to quickly today.

But as we move forwards it has to be about more transformative technology. And for me I can't tell you whether it will be a game changer or not, but there are some significant points of differentiation we can create. Because these technologies, moving from big batch processes to continuous processes, where you're talking about micro reactors where the amount of process control is much finer than what we have on today's processes. So we can control the amount of

- the purity far better, the quality, consistency far better. There will be less by-product generation and those sorts of things.

And ultimately these processes are inherently safe compared to some of today's processes, where everything that we make is benign, but sometimes the starting point, the raw material, can be hazardous. But actually as we migrate to these new transformational processes we move away from those hazardous starting points, so it becomes inherently safe.

I see - so all of that is part of our decarbonisation journey. So I see those as massive points of differentiation for us with our customers.

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David Bishop, Director, Investor Relations

Thank you, very good. On a similar vein, firstly, what value will decarbonisation bring compared to the level of investment required to decarbonise? And what level of investment will it require to meet these decarbonisation plans? Firstly to Jez please.

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Jez Maiden, Chief Financial Officer

Yeah, I mean we're still working through the initial ten plans that were prepared last year for the ten major sites. And so as I said earlier, you know, we need to look at the timing and phasing of that spend, how it accelerates our delivery of decarbonisation. But we don't expect it to be material in the context of the Group's overall programme. So, we'll be working through those and prioritising which projects we do first for the biggest - particularly for the biggest carbon impact.

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Phil Ruxton, Vice President, Sustainability

David, it's Phil, do you want me to pick up on the value question?

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David Bishop, Director, Investor Relations

On the opportunity, please, Phil.

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Phil Ruxton, Vice President, Sustainability

The opportunity - I mean a couple of points to say there and again we've talked about this at length previously. Firstly, the estimations globally, the opportunity of meeting the UN SDGs is valued in the multi trillions, \$12tr is a number that's out there. And Croda wants their fair share of that opportunity, obviously.

But the second thing is you've heard through the whole presentation that none of this is new to Croda and we pride ourselves in a laser focus on customers, as Steve always likes to say, and the customers are driving us this way. And when we follow the customers there is value there. And our customers are very ambitious in this area, right across every market. And the targets they are setting, they recognise they can only achieve and deliver on if their suppliers are supporting them. And so we're positioning ourselves as a leader to be able to support our customers who are leading this area. And in that we believe there's significant value.

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David Bishop, Director, Investor Relations

Good, thanks, Phil. We've got a question from Gunther Zechman, at Bernstein. Can you talk about the CO2 impact of acquisitions please? Do you have specific targets for bringing acquired assets to the same level as Croda's targets and over what time? Again one for Jez to kick off and then to point to other members of the Sustainability team to add a bit more detail.

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Steve Foots, Chief Executive Officer

David, let me jump in if you don't mind? Let me start by saying the most important thing about acquisitions will always be around innovation and intellectual property and making sure that we are creating value from that. But overlaid on top of that is, as we responded to one of the earlier questions, we have to have a very well-tuned view of sustainability from these things.

And it is about the carbon dioxide impact, but it's about much more than that as well. So it's about the positive impact of those products in use, but it's also can we reduce the negative impact of the actions as well. And that combination is always important when we look at acquisitions. So in everything we look at we will have a sustainability roadmap to get them somewhere even better.

But I think the wider point we would say is, you know, we see that with - whether that's Avanti, Biosector, Iberchem, sometimes some of their standards are higher than ours and some of them they're lower than ours in relation to things like safety. And that is not a criticism of them, it's just they come from parts of the industry where they do it to a level that's an industry standard for them. But you know when we've got higher standards in some areas, we'll make sure that they move to those higher standards. And I think that's implicit in that.

But whilst we do that, we're trying to learn from them as well, because there are some things, particularly in some of the recent acquisitions where we're learning from them as well. So it's all part of the same.

So yeah, it's very much front square and centre in our mind, but we shouldn't lose sight of the fact that we wouldn't just buy a company because of its good carbon dioxide profile, or emissions profile, we have to make sure that it's got some real strength in the innovation and intellectual properties as we would always expect from Croda.

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Jez Maiden, Chief Financial Officer

Sorry David, it's Jez, I was talking on mute. Just supporting Steve's comments there, certainly in the two acquisitions we did last year we looked at those very carefully through a sustainability lens. But as Steve says, I think it's also for us to assess can we improve its sustainability position. And clearly in Iberchem for example, increasing the proportion of materials which are from sustainable sources is something that we definitely believe that we can bring to that business. So it's about the improvement we can bring as well as where that company is at the moment.

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Phil Ruxton, Vice President, Sustainability

David, it's Phil, can I just add a technical comment to the back of what Steve and Jez have said?

In terms of accounting for it and looking at our targets there are some quite clear standards under the Greenhouse Gas Protocol and for Science Based Targets about what you need to do to re-baseline where something is significant and Croda will follow those as we do it and ensure that we're clear on how we're doing the measurement.

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David Bishop, Director, Investor Relations

Great, thanks all, thank you, Phil. I've got two questions left in the inbox that I don't think we've answered yet. One from Navina Rajan at Morgan Stanley about commercial opportunities beyond biosurfactants on bio based? And another about willingness to continue to invest in petro-chem based technologies? So I'll come back to Steve to kick off on those.

But just a final call, if either you feel that I've missed your question in the stream, please feel to submit it, or if there are questions that have gone unanswered so far, please do submit them. The purpose of this event was to give you the opportunity to ask questions as much as it was to present.

With that, Navina's question, apart from biosurfactants, are there other areas of bio based products which the company is seeing a notable increase in demand - outside of biosurfactants, are there any other areas of bio based products which the company is focused on? Steve.

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Steve Foots, Chief Executive Officer

Yes, I mean a good question. There are lots of areas, I mean a lot of niche areas, you know we've talked about these mild surfactants in one of our facilities in the UK actually for the world and they are having a renaissance because they're bio based and they're displacing materials that aren't bio based and they have a more positive impact in use in formulations as well, so higher purity, more benign. So that trend is moving there.

I mean big growth in biotechnology as well, as you expect. But biotechnology can be a panacea for absolutely everything. And you've got to be very careful with biotechnology. But

biotechnology focused on niche applications into customers that really want it and need it then that's where Croda will play. But we wouldn't see ourselves transforming into a completely different beast with biotechnology at the bulk commodity scale. But there's lots of opportunities with biotechnology.

And I guess the big win is satisfying future customer demand with great products with sustainability credentials, but then making those products in a sustainable way is transformative. And what we've got through our innovation programme is a very well-tuned engine if you like to satisfy the product innovation.

But behind that and separate to that at the corporate level, we're now looking at - and we've had that for quite some time, our technology groups looking at the next generation processes for our factories. And you know 100% there is looking at the sustainability agenda, reducing negative impacts and reducing carbon emissions amongst other things.

So you get the combination together and that's very powerful growth, because it's giving your customers a huge move forward. So that's full square and centre in our mind.

To Ian's question and I saw Ian's question earlier David, so I mean it's an interesting one. The priority will always be to satisfy demand from a natural renewable route where we can. But clearly, we have some products in the Group, which are either inorganic, or petrochemical which can still have a positive impact in use.

So I look at an example there is UV sunscreens, you know, we've got some inorganic actives which are used to transform formulations to improve UVA UVB protection. So it reduces skin cancer effectively. And you know we're looking at innovation breakthroughs there to satisfy future formulations, but that may not necessarily be bio based, but it's still very appealing for customers to move that way.

So whilst the direction of travel is always in that bio based direction if we felt there was a solution out there that would benefit the customers from an either inorganic or a petrochemical route and we felt it actually carried great value to them, then of course we would innovate around that space as well.

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David Bishop, Director, Investor Relations

Thank you, Steve. I've got one question from Isha Sharma from Stifel, before I hand back to you to wrap up Steve.

And Isha's question is, your customers require more and more transparency to achieve clean sourcing, especially in consumer care, could it be a potential threat to your IP and how do you protect it? I suggest Steve, you kick us off, and then maybe Stuart Arnott would like to come in as well.

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Steve Foots, Chief Executive Officer

Yeah, I think it's probably one more for Stuart as well. I mean you know we never patent process technologies generally because you know as a rule, as a Croda rule they are very difficult to police. But a lot of our intellectual property that we've built up over the last 20 years or so has been in the way we manufacture things. And I have no doubt that over the next 20 years it will be as well.

So there will be some great things that we do, particularly around the decarbonisation agenda, you know refinement, purification, separation, you know which is classic Croda process technologies that we'll continue to do. But we'll still protect them by not advertising their protection if you see what I mean, because once you start advertising you lose lot of that protection.

But I think also in the innovation side of things it's keeping our discipline with intellectual property. So we're launching products all the time. But increasingly they are patent protected as well. So again it's patenting the application of the product, whilst being very clever with the way you manufacture it but not broadcasting that... and that's where Croda sort of plays. So that will continue.

So I'm comfortable, very comfortable that we're not going to leak intellectual property, that was part of your question, and also protect our wider IP going forward in value. But Stuart, perhaps you can add to that.

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Stuart Arnott, President Sustainability

Yeah thanks, Steve, I will do. And if I can just add to the previous question that you responded on.

To give you a more specific example, if you "google" Unilever's Clean Future and Croda's Brilliance Award and you'll find there that we have won an award to replace petrochemical ingredients in Unilever's laundry products, which is a win-win in many ways because it's good for Croda, it's good for Unilever and it brings huge sustainability benefits. You know one kilogram of use of our product saves 19 kilos of new garments, 150,000 litres of water, and 450 kilos of carbon. So these are huge sustainability wins that are led by innovation.

Anyway, back to the traceability question. I don't think it's a threat either because people are not asking for our intellectual property, what they are asking for is line of sight and chain of custody right through the supply chain. So they are asking - where do your raw materials come from? Where specifically in the country do they come from? Are they involved in deforestation or exploitation of workers? Are they threatening biodiversity in other ways?

And then they're interested in other sustainability credentials like the carbon footprint, or even dare we say the land footprint, which is an idea that we've got. How much water is used? Are there any waste products? And ultimately what's in there that shouldn't be in there? So you know you talk about clean, you talk about what impurities are either in there carried through from the raw materials or are actually generated during the manufacturing process.

So all of that lot can be passed to customers and such be passed to customers without actually divulging your intellectual property.

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David Bishop, Director, Investor Relations

Great answer, thank you, Stuart. There is a question here from Martin Evans at HSBC, that again, I think it's probably most appropriate for Steve to kick off with.

Croda has a historic first-mover advantage in many areas of sustainability, especially in using renewable input, as competitors now respond to customers' requirements for all things green, does this give Croda a commercial advantage in pitching for potential new business, or is the environment tougher now that others play in this market too? Steve.

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Steve Foots, Chief Executive Officer

Yeah, good question Martin. We view this positively, generally, I mean it doesn't matter where you start in the industry and we've all been in the industry long enough, well two of us have anyway, you longer than me by the way. But it depends. If you're in petrochemicals all the way through to specialty chemicals, it doesn't matter where you start, you have to move and improve from a sustainability point of view.

I think the big excitement is the fact that our customers are moving and they're moving very quickly, you know, the biggest and the best in whether it's beauty care or home care, to quote some examples, and you know who they are, they are moving very significantly down that path. So everybody will move with them.

I mean Croda's well advantaged, as Chris said, because you know 67% of our materials are bio based. So incrementally we still can increase that future. But a lot of the industry is down at 10, 12, 15% and moving to 20, 25%. So the opportunity for market share gain for Croda is quite significant as a lot of our customers will be, indiscriminately moving away from core suppliers because they have to. And we're starting to see that.

So our job is to make sure we can satisfy that potential opportunity because Croda never really talks, as you know it never really talks about market share gains, we talk about innovation in niche markets. And so those niches we expect to increase and expand as opportunities present themselves. But we expect to probably get some displacement benefit from market share gains as people move, a lot of our customers move away from petrochemicals, probably quicker than you think.

So there is a combination there, so we don't take it for granted, we're in a good position, but as I said the big thing will be the speed of innovation as much as the bio based renewability of our materials. That will help drive that growth. So we mustn't forget the fact that we still have to fast track our innovation like that giant hamster wheel that we've always talked about. That just needs to keep spinning as fast as we can.

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David Bishop, Director, Investor Relations

Go on Stuart.

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Stuart Arnott, President Sustainability

Back to the competitive threat, I think we're very proud of our strategy and we think it's deep, deep being meaningful. You'll see in the Sustainability Report, not only have we announced some interim milestones, but we've also called out the specific targets underneath the UN SDG goals.

And that in many ways speaks to the fact that we're not labelling our current activities with a UN sticker and saying we're aligned, we're actually - it's changing our behaviour and we really are targeting the very specific targets within the goals. We are not so sure that that's the process that other companies are following, so I think that's the first thing to say.

The other thing to say is you know we've thought really holistically about this. There's something for climate, there's something for land - read into that nature and biodiversity, there's something for people - and read into that society. So you can see that it's very balanced, it's very broad and there's a huge contribution in all of those areas.

We are not aware of many companies that have got their eye on the ball for land for example, land consumption, one or two, but not so many. So in this race to be more bio based, you know, what is the unintended consequence of our peer group and our competitors as they're consuming more land. But we've thought about that and we've put that into our targets to make sure that we are land net positive. And I think that will keep us ahead of the competition.

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David Bishop, Director, Investor Relations

Thanks, Stuart. There are no further questions so just back to you Steve to wrap up.

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Steve Foots, Chief Executive Officer

Yeah, well thanks everybody, great questions. And if there are any supplementary ones then do fire them into David and the team will help respond to that.

But I've been really pleased with the development from where we started to where we are now. You saw that with the Sustainability Teach, in October last year. And hopefully you can see that we're moving forward.

What you probably don't see is what we see in the business is we feel like we're making progress, but in typical Croda fashion, we don't get excited until we can start to see the value being create. And we're starting to see the value being created in spades now around the world.

So it's great to see all parts of the organisation firmly embedding this right around the world. And there is still a lot to do, you know, we're not there yet, but we've made good progress.

And the challenge now is to create the behaviour change that we want in the business that drives that innovation to even broader value, not just in the products that we offer to customers, but also the processes and the systems that we used right round the business. Because there is great value in that as well.

So we're well positioned, we're very much feet on the ground, we've got a lot to do, and we're pleased with where we are.

So I think for me it's just thanks to everybody from the Croda team today and thanks again for everybody's questions.

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