

## Chair's statement

# Strong foundations, new horizons and a consistent track record



Dame Anita Frew DBE, Chair

“Croda has always had a unique culture, built on customer intimacy and innovation, and reflecting an entrepreneurial spirit.”

### Ordinary dividend

**+8.0%**

(2021: +9.9%)

### Lives benefitted by Croda Foundation

**14.9m**

### Strength in our foundations

Following Croda's significant strategic transition over recent years we have a compelling, focused portfolio, operating in attractive market niches with long-term trends creating valuable growth opportunities.

This Annual Report sets out how we are meeting the global challenges of today and capturing these new opportunities. Given Croda's long history of successful development, this journey is explored through our strong foundations, new horizons and consistent outperformance.

### Purpose-led

Our Purpose is the bedrock of our approach. Firstly, 2022 has seen us strive to deliver more for our customers, working closely with our partners to overcome global supply chain and demand challenges. The second year of our global survey showed an improvement in our customer rating. Secondly, we have looked after our employees in the face of escalating living costs – already a living wage employer, in 2022 we added new benefits, such as free private health care for all UK employees and one-off payments that benefitted many of our lower paid employees the most. All employees globally were gifted 10 Croda shares under our Free Share Plan, enabling them to share in Croda's success as shareholders, and recognising that our success is driven by our people, whom I thank on behalf of the

Board, for their hard work, dedication and customer focus. Thirdly, we are benefitting our communities, through our long-standing volunteering programme and educational outreach. In addition, the Croda Foundation has approved over £1.1m in funding for 13 projects and distributed £1.8m of restricted health care grants to vaccine and health infrastructure projects in South Asia, Africa and Brazil. Collectively these projects are benefitting over 14.9 million lives, including indigenous tribes in the Amazon as outlined in the case study to the right.

### People-first culture

Croda has always had a unique culture, built on customer intimacy and innovation, and reflecting an entrepreneurial spirit. Promoting this 'One Croda' culture and our values is important to our long-term success; in our decentralised model, this allows decisions to be taken close to customers, making us more agile, whilst delivering the governance and consistency we expect. Our culture is also enabling us successfully to onboard new employees with over 3,000 new employees joining Croda either through recruitment or acquisition since the end of 2019. Our employee survey is delivering consistently high engagement scores. The Board is also promoting diversity, with a target to achieve gender balance in leadership roles by 2030. 2022 saw women occupy 38% of these roles (2021: 36%).

### An experienced Board

Alongside having an effective and challenging Board, I am pleased that the Board has met gender and ethnic diversity commitments under the Parker and Hampton Alexander Reviews. We have also expanded the skill set of our Non-Executive Directors (NEDs) to reflect Croda's journey to a 'pure play' focus on Consumer Care and Life Sciences. During 2022, we welcomed Nawal Ouzren, CEO of biopharmaceutical company Sensorion, as a NED.

The 2023 AGM will see the retirement of two Board colleagues. Dr Helena Ganczakowski retires after nine years of NED service, having served as Chair of the Remuneration Committee and Senior Independent Director. Jez Maiden retires after eight years as Group Finance Director, to be replaced by Louisa Burdett, who joined the Board this January and who was, until recently, Chief Financial Officer of Meggitt Plc. On behalf of the Board, I would like to thank both Helena and Jez for their outstanding contributions to the development and growth of Croda and for the diligence, intellect and thoughtful manner in which they have approached their roles. With our recent appointments, your Board has the diversity of experience to provide effective oversight and guidance as Croda enters its next phase of growth.

**Established business model**

Croda has a well established and powerful business model, founded on a direct sales force who build relationships with customers and provide insights into new opportunities, that are key to developing new products. We are a leading innovator in our markets, with a technology portfolio differentiated by valuable know-how, giving our ingredients unique characteristics. We leverage this portfolio to target fast growth niches, where our innovative and sustainable ingredients are valued through higher margins. This business model is enabling successful implementation of our strategy and consistent outperformance.

**Exploring new horizons**

Whilst our Purpose remains constant and our culture and business model have developed with new challenges, our strategy has continued to evolve. Working together over the last two years, the Board and Executive Committee have repositioned Croda's portfolio to deliver future growth.

This repositioning is capturing new opportunities by refocusing the business away from maturing markets in order to capitalise on the future megatrends.

In the consumer care market, sustainability is the biggest single driver over the next decade, accelerating the demand for sustainable ingredients. The life sciences market is being driven by the rise of biologics, complex molecules that are already transforming medicine and will transform agriculture over the next decade. Through our strategy implementation, including recent acquisitions and the successful divestment of most of our industrial business during 2022, we are responding to these megatrends, and becoming a pure play company focused on high value niches in Consumer Care and Life Sciences. This is creating a higher margin, higher return, less cyclical, more knowledge intensive, and lower carbon intensive business.

The divestment has also released capital to invest in scaling our consumer, pharma and crop care technologies. In line with our capital allocation policy, we are focused on reinvesting the proceeds in organic capital investment, leveraging the exciting growth opportunities in these markets. In 2022, we were pleased to agree co-investment programmes with the US and UK governments, recognising the importance of our pharma technologies to pandemic preparedness and drug discovery. Supporting our organic investment programme, we are continuing to explore opportunities in adjacent technologies that can further enhance our consumer and life science portfolio.

Alongside enhanced investment, we are also committed to providing regular, growing returns to shareholders. The Board has proposed an 8% increase in the full year ordinary dividend and will continue to monitor the Group's ongoing capital requirements alongside any surplus capital, in line with our policy.

**Delivering consistent outperformance**

Croda continued its consistent outperformance in 2022, despite challenging economic conditions resulting from the conflict in Ukraine, energy crisis and supply chain inflation. For the first time, we have delivered over £2bn in sales and more than £500m in adjusted operating profit. This has reflected continued exciting growth across our Life Sciences sector, as well as our geographic footprint and broader portfolio in Consumer Care, providing a resilient platform. Importantly, we continued to invest, stepping up innovation with a focus on 'big bet' projects, and enhancing our leadership in sustainability, as customers look for sustainable alternatives that current suppliers cannot offer. Most important is that everyone within our business is kept safe; we maintained our behavioural safety performance in 2022 and, in 2023, have introduced safety improvement as a measure within the annual bonus scheme for the first time.

With our strong foundations, new horizons and consistent track record of outperformance, we look forward to the future with confidence.



**Dame Anita Frew DBE**, Chair



For more information on our people and culture **See pages 20-21**



**Agroforestry in the Amazon**

The Croda Foundation is supporting an Instituto Amazonas agroforestry project, which aims to revive traditional agriculture practices among indigenous tribes, improving food security and protecting their cultural heritage and environment. Targeting six tribes in Mato Grosso in the Brazilian Amazonia, this project will reach approximately 7,400 people and will use education programmes to build confidence in traditional agricultural methods.



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