



# Responsibility across the supply chain



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Last updated: 17/03/2023

## Overview

Croda uses smart science to turn bio-based materials into innovative ingredients that improve lives. Sourcing these materials in a genuinely sustainable way is a critical part of what we do, and an increasingly important requirement of our customers and consumers alike.

We believe that using natural resources brings a responsibility to ensure there are no associated negative social or environmental impacts. It also provides opportunities to advocate for, and contribute to, positive change. This is only possible by gaining an intimate knowledge of your supply chains, collaborating with all parties, and ensuring complete transparency and traceability.

Confirming environmental integrity and social accountability is an increasing prerequisite in our upstream supply chains. As a result, we work proactively with our suppliers to encourage, influence and assist them in improving their own sustainability practices. This lies at the heart of the United Nations Sustainable Development Goal 17, Partnership for the Goals, where effective collaboration in the supply chain results in a greater positive impact. Our selection of global suppliers is based on collaboration and on aligning our goals, including Science Based Targets (SBTs), new sustainable innovations, public commitments for carbon reduction, and the supplier's understanding of their overall impacts on nature and the environment.

### Key

Target on track 

Target requires additional focus 

## Progress on our Commitment

Objectives	Targets	Status	Milestones and metrics	Status	2022 progress
<b>Sustainable sourcing &amp; suppliers partnership</b> We will ensure that all our key suppliers are operating safely, ethically and responsibly, and will promote the equitable sharing of benefits within the supply chain.	<ul style="list-style-type: none"> <li>Ensure all key suppliers are responding to EcoVadis and engaging with Croda to improve practices.</li> </ul>		<ul style="list-style-type: none"> <li>By the end of 2024, all key suppliers will be required to achieve a minimum of the average score from EcoVadis (or equivalent) or will have an action plan with timelines to close gaps.</li> <li>By the end of 2024, key suppliers representing at least 50% of our raw material volumes will be required to sign up publicly to the Science Based targets initiative (SBTi) or equivalent carbon reduction targets.</li> <li>By the end of 2024, suppliers of crop-based raw materials will be required to provide supply chain transparency in a fully traceable and certified sustainable way.</li> </ul>	    	<ul style="list-style-type: none"> <li>Key suppliers representing 81%* of targeted spend have been evaluated using EcoVadis and corrective actions have been assigned and prioritized.</li> <li>Key suppliers representing 45% of our raw materials volumes have made public commitments to carbon reduction with more than half of these suppliers, 24% of raw materials volume, signed up publicly to SBTi.</li> <li>Supplier requirements are clearly outlined within the 2022 Croda Supplier Code of Conduct and approximately 37% of crop based raw materials volume is certified sustainable with mapped supply chains.</li> </ul>

\* These numbers are excluding PTIC, Avanti, Alban Muller, Iberchem and Sipo.

## SDG targets

12.6, 12.7 and 17



## Performance highlights

RSPO certified

89.3%

of palm derivatives in 2022

SPI score

87/100

vs average of 52

Total volume of palm-based raw materials

97%

covered by 2021 supply chain mapping



# Responsibility across the supply chain continued

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## Our Performance:

During 2022, we further revised our Supplier Code of Conduct providing yet more details on our preferred supplier selection and introducing our Supplier Scorecard with our requirements emphasising collaboration and alignment with our goals.

The introduction of our Supplier Scorecard provides clear guidance on how our upstream suppliers can proactively contribute to our sustainability goals. The key scorecard metrics combine suppliers' public commitments with third party assessment to synchronize SDG contribution in upstream supply chains with decarbonisation, halting biodiversity loss, promoting social accountability, and restoring nature

### Palm derivatives:

Our use of palm-derived raw materials is supported by RSPO supply chain certification, supply chain mapping and transparency. Working with ASD, our 2021 supply chain mapping covered 97% of our total volumes of palm-based raw materials (read more in SR2022).

In conjunction with ASD, we promote transparency, risk management and engagement, to create a palm derivatives supply chain that is free from deforestation, respects human rights and supports local livelihoods. In March 2022, the launch of the first ASD impact Fund – Kaleka (previously Inobu) Mosaik initiative – developed in partnership with Tides Foundation with the contribution of Croda and five other ASD members – represented a clear tangible milestone, focused on restoring the landscape and driving economic growth in a priority region that has strong chain links and systemic environmental and human rights challenges. (read more in SR2022)

Our revised Supplier code of conduct provides greater explicit requirements coinciding with the publication of our Grievance policy in the Palm Oil Derivatives sector, where we define a grievance related to palm oil as any complaint, allegation or concern we identify that is inconsistent with the Croda Supplier code of Conduct, our Responsible Palm Sourcing Policy or any relevant Croda corporate policies on governance and human rights. Grievances may cover both environmental and social concerns.

### SPI Palm Index:

The Sustainable Palm Index (SPI) is an evaluation scorecard for suppliers of palm-based derivatives, aimed at assessing the level of commitments, processes and achievements in terms of sustainable sourcing practices such as NDPE principles. The SPI is a self-disclosure questionnaire with independent verification based on desk information. We participated in the SPI assessment on our palm oil derivative volumes and actions taken in 2021, confirming compliance to the SPI. Our SPI score increased to 87/100 (+2 ppts) despite more demanding criteria, against the average score of 52.

### Risk prioritization & Dynamic Monitoring:

In 2022, together with ASD, Croda contributed to a pilot satellite monitoring to create deforestation-free methodology to include mill catchment areas, forest definitions and cut-off dates. The intended output will be confirmation of the mills, refineries and plantations that are free of deforestation.

Besides palm, Croda is actively engaged with:

- Together for Sustainability (TfS) consortium: in 2022 we have assumed the role of Industry Champion for Personal Care and Home Care to act as an ambassador and promote TfS Product Carbon Footprint (PCF) Guidelines initiative as the global standard for these industries,
- the International Sustainability and Carbon Certification (ISCC): our sites in Chocques and Singapore working to achieve ISCC+ certification status,
- the Union for Ethical Bio-Trade (UEBT) through Sederma for Beauty Actives with 12 field verifications performed by UEBT.

Throughout 2022, we continued to engage in forums and industry meetings, most notably: participation in industry discussions in establishing due diligence legislation for deforestation-free supply chains and strong support and advocacy for ASD membership via global webinars.

Scoring B in our 2022 CDP Forest return reflects our ongoing commitment to proactively manage deforestation-free supply chains.

## Relevant policies

- Supplier Code of Conduct (new revision)
- Statement on Grievances in the Palm Sector / Policy in the Palm Oil Derivatives Sector (new)
- Responsible Palm Sourcing Policy
- Crop-based Raw Material Policy

### Other docs:

- Sustainable Palm Oil Statement
- Palm Substitution
- ASD Progress Report