

Corporate governance

Chair's letter



Dame Anita Frew DBE, Chair

“Our success depends on our skilled and highly committed employees who are central in our decision-making process.”

This report, together with the Directors' Remuneration Report, set out on pages 102 to 140, describes how the 2018 UK Corporate Governance Code principles have been applied by the Company. The Company has complied with the provisions of the Code for the period under review. The 2018 UK Corporate Governance Code is available at www.frc.org.uk



For more information on the Board's activity

See pages 74-77



For more details on the search for our new Chief Financial Officer

See page 94

Dear fellow shareholder

Board activity

The Board continued to oversee the delivery of the Group's five-year strategic plan, including taking part in two strategy sessions with the Executive Committee team. At its strategy session in June the Board focused on the foundational programmes that support the Group's strategy, including work on customer insights, business change, digital solutions and data and systems, what we call 'Doing the Basics Brilliantly'. The Board also reviewed the organic and inorganic investment opportunities in both our Consumer Care and Life Sciences sectors. Further details can be found on page 77.

Our success depends on our skilled and highly committed employees who are central in our decision-making process and throughout 2022 the Board met regularly with employees, through listening groups, Board presentations and site visits. Further details on how we engaged with our employees can be found on pages 84 and 85.

The Board remained focused on sustainability and achieving our ambition to be the most sustainable supplier of innovative ingredients, becoming Climate, Land and People Positive by 2030. The Board's involvement and oversight are described on page 81. With the increasing number and growing complexity of regulations in sustainability reporting, the Board is reviewing how it will continue to ensure that it has comfort that Croda is in compliance with relevant regulations and has assurance on the accuracy and reliability of climate-related and other sustainability disclosures, including oversight of the control environment in relation to information used in support of the disclosures. The Board is considering if this responsibility should remain with the Audit Committee or a separate Sustainability Oversight Committee should be established.

During the year the Board spent time reviewing innovation. This included biotechnology in our Beauty Actives business and a review of the innovation pipeline for each platform within our Croda Pharma business. Our Chief Scientific Officer presented the innovation strategy to the Board. Details are set out on page 76.

Further information on the Board's deliberations in other areas, and how we consider the interests of our key stakeholders, is set out on pages 78 to 81.

The Chair of our Remuneration Committee, Jacqui Ferguson, undertook a consultation process with our major shareholders in relation to our proposed Directors' Remuneration Policy, which requires shareholder approval at our April 2023 AGM. Further details on the Remuneration Policy and the consultation process can be found on pages 108 to 121.

Leadership and diversity

During the year the Nomination Committee undertook a search for a new Chief Financial Officer (CFO) to succeed Jez Maiden who will retire from the Board at the AGM in April 2023.

On 1 January 2023 Louisa Burdett joined Croda and the Board. Louisa will succeed Jez as CFO on 13 March 2023, and Jez will step down from the Board at the AGM on 26 April 2023 and retire from the Company on 31 May 2023. On behalf of the Board and all my Croda colleagues, I would like to thank Jez for his outstanding contribution over the last eight years. Louisa has an exceptional ten-year track record as a CFO of listed companies, with valuable experience both in speciality chemicals and the broader manufacturing sector.

The Board has also commenced a search for a new Non-Executive Director to replace Helena Ganczakowski, who has reached her nine year tenure and will retire from the Board at the 2023 AGM.

We consider that creating an inclusive Board is essential in attracting a diverse set of candidates for Board roles. The greater the diversity of our Directors, the more likely we can foster innovative thinking in the Boardroom. I am happy to report that the composition of the Board continues not only to meet, but exceed, the ambitions set out in the FTSE Women Leaders Review and the Parker Review for FTSE 100 companies. We are also comfortably in line with the recent recommendations from the FTSE Women Leaders Review that listed companies should have at least one woman in the Chair or Senior Independent Director role on the Board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025. Croda currently has two of these positions held by women and with the appointment of Louisa Burdett as CFO on 13 March 2023, three of these positions will be held by women.

In preparation for Helena's retirement, Jacqui Ferguson took over as Chair of the Remuneration Committee with effect from 1 September 2022. This ensured Jacqui had a good period as Chair to prepare for the review of the Company's Remuneration Policy. Jacqui has been a member of the Remuneration Committee since 1 September 2018. Helena will remain a member of the Remuneration Committee and will continue in her role as the Senior Independent Director until her retirement at the 2023 AGM. Jacqui Ferguson will succeed Helena as Senior Independent Director from the date of the AGM in 2023. Jacqui has four years' experience on the Board, building excellent relationships with her fellow Non-Executive Directors and the executive management team and has a detailed understanding of Croda, making her entirely suitable for this role.

Our Group HR Director, Tracy Sheedy, will retire from the Executive Committee and the Company at the end of April after six years in the role. Tracy's successor, Michelle Lydon, was appointed as President Human Resources and a member of the Executive Committee on 1 January 2023 and will take over from Tracy in mid-March. Since joining Croda in 2016, Tracy has played an important role in our success and will leave a strong team of HR business partners and specialists, well equipped to support Croda's future needs. Michelle has wide-ranging experience as a HR Director gained at listed, global companies including most recently as Chief People Officer for British Airways and before that QinetiQ.

On the recommendation of the Nomination Committee, the Board agreed to extend my appointment for a further year. This extension is in line with our policy to review appointments annually once six years' tenure has been completed. John Ramsay completed his first three-year term and the Nomination Committee recommended to the Board that his appointment be extended for a further three years. Before making these recommendations to the Board, the Nomination Committee considered the contribution made to the Board and the Committees by the individuals and their time commitments. No Director being considered for re-appointment took part in any discussion relating to their own appointment. Further information about the tenure of other Board members can be found on page 95.

Board evaluation

I am pleased to report that the Board evaluation this year confirmed that we continue to operate as a very effective Board. Details of the Board's annual evaluation and future priorities for the Board are set out on pages 88 and 89. In accordance with the 2018 UK Corporate Governance Code, the next Board evaluation will be facilitated by an external party and details will be shared in the Annual Report and Accounts for 2023.

Annual General Meeting

We know our AGM provides investors with a valuable opportunity to communicate with us and this dialogue is very important to the Board. The AGM will be held on 26 April 2023 and once again we are offering shareholders a choice to attend the AGM in person or view the AGM remotely via a webcast. More details of this event are set out in the Notice of Meeting and I would be delighted to see you, whether in person or online, and answer any questions that you may have.

Finally, I would like to give thanks to my fellow Board members and all the people of Croda for their hard work, commitment and support during the year.



Dame Anita Frew DBE, Chair

Corporate governance continued

The Board's biographies



Dame Anita Frew DBE

Chair



Appointment: March 2015 and Chair since September 2015

Nationality: British

Anita has served on Plc boards in the chemical, resources, engineering, water and financial services industries for over 20 years. Prior to joining Croda, she was Chair of Victrex Plc and Senior Independent Director of Aberdeen Asset Management Plc, IMI Plc and was Deputy Chair of Lloyds Banking Group Plc. During her time as a Director, she has chaired main Boards, Remuneration, Responsible Business and Risk Committees. Currently she is also Chair of Rolls-Royce Holdings Plc. Anita brings extensive experience as Chair to the Croda Board as well as leadership in strategic management, mergers and acquisitions and risk experience from working internationally across many sectors. In January 2023, Anita was appointed as a Dame Commander of the Order of the British Empire in recognition of her services to business and the economy.



Steve Foots

Group Chief Executive



Appointment: July 2010 and Group Chief Executive since January 2012

Nationality: British

Steve joined Croda as a Graduate Trainee in 1990 and brings 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, he has gathered extensive insight into the markets served, the importance of customer focus and the power of an innovative culture. Outside of Croda, Steve's role as Industry co-Chair of the UK Chemistry Council enables him to work alongside Government Ministers and industry peers to bring wider industry knowledge into the Croda business.



Jez Maiden*

Group Finance Director



Appointment: January 2015 as Group Finance Director

Nationality: British

Jez is an experienced Group Finance Director, having served in this role on five UK listed company Boards. As a chartered management accountant, his expertise in all aspects of finance management, gained in speciality chemical, FMCG and other manufacturing environments, allows him 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. Jez acts as business partner to the Group Chief Executive and leads the Finance, IT and Digital teams. He is also on the Board of the Centre for Process Innovation Ltd, an independent technology innovation organisation, and is a Non-Executive Director at Intertek Group plc, the FTSE 100 testing company.



Louisa Burdett

Chief Financial Officer Designate



Appointment: January 2022 as Chief Financial Officer Designate

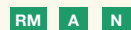
Nationality: British

Louisa is an experienced Finance Director who has held senior financial positions in industrial, manufacturing, publishing and pharmaceutical companies. She brings financial, commercial, M&A and risk management experience to the Croda Board. Louisa was previously CFO of Meggitt Plc and before that CFO of Victrex Plc. She is currently a Non-Executive Director and Chair of the Audit Committee of RS Group Plc, a global distributor of industrial and electronic products.



Helena Ganczakowski

Non-Executive Director
(Senior Independent Director)



Appointment: February 2014

Nationality: British

With 23 years of experience in marketing and corporate strategy at Unilever and a further eight as a strategic consultant for other multinational businesses, Helena brings marketing skills and an end-consumer perspective to the Croda Boardroom, as well as challenge and support to the CEO in strategy development. Her academic roots in engineering, with a PhD from Cambridge University, drive her passion and curiosity for both product and process innovation. Helena is also a Non-Executive Director and Remuneration Committee Chair of Greggs Plc.



John Ramsay

Non-Executive Director






Appointment: January 2020

Nationality: British

John has over 30 years' broad-based international finance experience with Life Science businesses such as ICI, AstraZeneca and Syngenta. A large part of this experience was gained while working in Latin American and Asian countries. John brings extensive knowledge of business strategy to the Croda Board as well as a keen interest in building on Croda's strong culture to deliver superior business performance. He is a member of the Supervisory Board at Koninklijke DSM NV and a Non-Executive Director at RHI Magnesita NV and Babcock International Plc. He is also Audit Committee Chair at each of these companies.

* Louisa Burdett will succeed Jez Maiden as Chief Financial Officer on 13 March 2023. Jez Maiden will step down from the Board at the Annual General Meeting on 26 April 2023.

Key

Chair of the Committee		Nomination Committee	N	Group Executive Committee	E
Member of the Committee		Remuneration Committee	RM	Group Ethics Committee	ET
Secretary of the Committee		Audit Committee	A	Group Finance Committee	F
		Risk Management Committee	R	Group SHEQ Committee	SHEQ

**Jacqui Ferguson**

Non-Executive Director

RM A N

Appointment: September 2018**Nationality:** British

Jacqui is an experienced CEO from the technology industry with general management and M&A experience in international and emerging markets. She has first-hand insight of transformational/disruptive digital, cyber security, technology and business process solutions. Jacqui spent three years in Silicon Valley as Chief of Staff at Hewlett Packard, focused on a new company strategy and turnaround. Away from Croda, she is a Non-Executive Director of John Wood Group Plc, interim Chair of Tesco Bank, a fellow of the IET, a Trustee of Engineering UK and a member of the Advisory Board of Engie UK.

**Roberto Cirillo**

Non-Executive Director

A RM N

Appointment: April 2018**Nationality:** Swiss

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, Roberto brings knowledge of, and passion for, growth and operations to the Croda boardroom. He can also share lessons learned from large transformations and M&A. Roberto's engineering background enables him to link Croda's R&D and production competences with the evolving demands of its multinational markets. Alongside his role as Non-Executive Director for Croda, he is CEO of Swiss Post. He was previously the Group CEO at Optegra Eye Health Care Ltd, France CEO and Group COO at Sodexo SA and Associate Partner at McKinsey & Co.

**Keith Layden**

Non-Executive Director

N

Appointment: February 2012
and Non-Executive Director
since May 2017**Nationality:** British

Keith brings to the Croda Board 33 years' experience of working at Croda in a variety of positions, including most recently leading the Global Research, Development and Innovation function and as President of the Global Life Sciences business before his retirement from the business in 2017. He also has an interest and background in organisational culture and innovation which are key considerations in the decision making of the Board. In his roles as Honorary Professor of Chemistry and Industry at the University of Nottingham and a Fellow of the Royal Society of Chemistry, he widens his network of emerging technology companies and research institutes to spot new talent that will aid Croda's future success.

**Julie Kim**

Non-Executive Director

A RM N

Appointment: September 2021**Nationality:** US

Julie brings nearly 30 years of experience in the health care industry, with more than 15 years in international leadership positions to the Croda Board. She is currently President, Plasma-Derived Therapies at Takeda Pharmaceutical, a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan. Her geographic experience in both global and regional roles, focused on Europe, Asia and Latin America means that she brings valuable strategic and operational insight to Board discussions. Previous executive positions include roles as Head of International Market Access and Global Franchise Head of multiple therapeutic areas at Shire, Baxalta and Baxter. Julie also sits on the industry board for the Plasma Protein Therapeutics Association.

**Nawal Ouzren**

Non-Executive Director

A RM N

Appointment: February 2022**Nationality:** French

Nawal has 20 years of expertise across a wide range of international business roles, including clinical development, operational and strategic management roles within the pharmaceutical industry. Nawal currently serves as CEO at Sensorion, a Euronext listed biopharmaceutical company headquartered in France. Nawal brings to the Croda Board first hand experience in biologics and novel gene therapies. Her pharma experience and market insight provides a real advantage in driving the implementation of Croda's Pharma strategy.

**Tom Brophy**Group General Counsel
and Company Secretary

ET E A RM N R

Appointment: December 2012
as Board Secretary**Nationality:** British

Tom is an experienced corporate lawyer, having worked at City law firm Hogan Lovells and FTSE 100 company Ferguson. His expertise in public and private acquisitions supports Croda's inorganic growth plans and his professional background and breadth of experience in insurance, risk and compliance enable him to Chair the Ethics Committee. In addition to his General Counsel and Company Secretary role, Tom has previously held other senior roles in Croda, including leading our Group HR function and acting as the Managing Director of the Western European Region. Tom provides corporate governance know-how to the Board and Croda. Having spent many years leading global teams, Tom leads the Legal and Company Secretary team.

Corporate governance continued

The Board's activity

Board meetings and structure in 2022

Board meetings are the main forum for the Directors to debate, review and challenge strategic, operational and governance matters concerning the Company, as required to ensure that the Directors discharge their duties including under Section 172(1) of the Companies Act 2006.

There were seven meetings of the Board during the year. Detailed planning is undertaken to create an annual Board agenda programme, which ensures important strategic, operational, financial, cultural and corporate governance items are discussed at the appropriate time during the year, with additional deep dives into key strategic areas.

An additional Board strategy day, attended by all members of the Executive Committee, is held during the year. The strategy day is held in the first half of the year, followed by a further truncated strategy update as part of consideration of the three year plan in the autumn, with the approval of the budget towards the end of the year.

Board agendas and activity in 2022

Each Board meeting agenda is set via a collaborative process between the Chair, Group Chief Executive and Company Secretary. The Chair ensures adequate time is allocated to allow effective discussion, with a typical agenda being structured to ensure a balance is maintained between reporting, approvals, strategy and governance.

Split of the Board's time

In addition to the matters summarised on pages 75 and 76, some further examples of the Board's 2022 activities and priorities are set out below, along with an estimate of the proportion of the time that the Board spent discussing each area.

Strategy (50%)

- Sustainability strategy and targets
- Product manufacturing strategies
- Responsible business activities
- Discussion of acquisition opportunities

People (15%)

- Croda's Purpose and culture
- Succession planning and organisational structure
- The Board's engagement with employees and the employee voice
- Extension of the term of office of Dame Anita Frew DBE and John Ramsay
- Diversity and inclusion of our workforce and gender pay gap reporting
- The health and safety of our employees and contractors

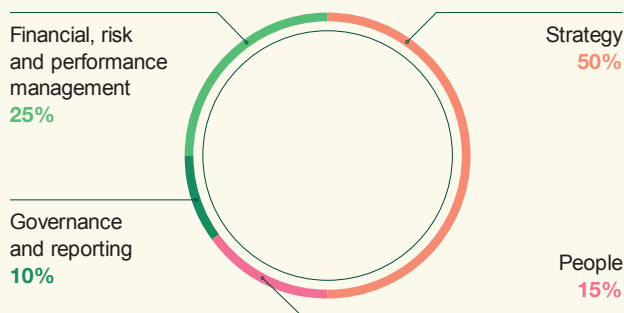
Governance and reporting (10%)

- Board and Committee effectiveness evaluation
- Review of the Annual Report and Accounts and other financial statements
- Governance compliance review
- Presentation from the Director of Investor Relations and Corporate Affairs

Financial, risk and performance management (25%)

- Review of key risks, internal and external assurance of each risk
- Review of risk appetite statements
- Dividend policy and dividend approvals
- Long-term viability statement
- Defence planning
- Review of the Company's tax strategy

Time allocation



For more information on how the Board protects Croda's culture

See pages 84 and 85

Board agendas and activity in 2022 continued

Reporting – backward looking

The Board receives reports from members of the Executive Committee as well as the Board Committees, with reports from the Group Chief Executive and Group Finance Director forming the main items for discussion at each meeting.

- The Group Chief Executive's report focuses on strategic and operational activities. Safety is always the first matter he reports on with a focus on both employee behavioural safety and process safety issues. He will also report on the performance of each business, including sales and regional activity as well as competitor insights and performance. Market trends and opportunities are considered and any material dialogue with major customers, suppliers and regulatory bodies are discussed.

- The Group Finance Director reports on monthly and year to date sales performance, profit, cash flow, cost base, capital expenditure and outlook for the year. He also reports during the year on performance against budget, dividends, treasury items, including liquidity, and keeps the Board abreast of investor discussions and feedback.
- Each quarter the Board receives comprehensive reports from members of the Executive Committee in relation to all aspects of the business, including market sectors, regional delivery, sustainability, operations, innovation, people, risk and functional updates. This is in addition to the deep dive sessions covered under the Board's annual programme of business.

Approvals – current issues

Approvals that form part of the matters reserved for the Board are sought from the Board in this part of the agenda.

This includes, for example, corporate transactions, capital expenditure, significant commercial contracts, the financial statements, dividends, the Group budget as well as a review of past capex and innovation performance. For example, during 2022 the Board:

- Approved capital investments in Lamar (Pennsylvania), Dahej (India), Singapore and a UK Pharma site, as well as funding and cooperation agreements with the UK and the US Governments.
- Discussed two acquisition opportunities including the acquisition of the Korean based Solus Biotech.
- Considered the Group's IT strategy, which included a focus on cyber risks with the Board challenging the robustness of the Group's capabilities to protect the business from exposure.

Strategy – forward looking

Each Board meeting agenda has strong links to the strategic objectives of the business.

These sessions ensure the Board understands the opportunities for the business in terms of new markets, technologies and disruptive innovation, as well as implications for talent. For example, during 2022 the Board undertook strategic deep dives into the following areas:

- Beauty Actives – the Board heard from members of the Consumer Care team about the five-year plan for the Beauty Actives business, which included insights on market trends for premium skin care actives and fast growing market demand for botanical ingredients. The talent and expertise needed to deliver the strategy was discussed, including in areas such as biotechnology, as well as the key customer partnerships required to increase the growth of the skin care market in Asia.
- Innovation strategy – the Chief Scientific Officer and members of his team updated the Board on R&D, open innovation and technology investments that were being used to increase differentiation and IP and to support growth in returns. The Board spent time discussing several technology platforms, including the sustainability of platforms to ensure the Group continued its ambitious journey of decarbonisation.

- Croda Pharma pipeline review – the Board received a presentation from the President of Life Sciences and team members on the Croda Pharma innovation pipeline for each of the Croda Pharma platforms (Protein Delivery, Adjuvant Systems and Nucleic Acid Delivery), including the peak sales innovation pipeline and weighted value by 2030. The M&A opportunities for each platform were also discussed.
- Talent – the Group HR Director facilitated an in-depth discussion on talent. This included the implications for talent in delivering the Group's strategic plans, such as attraction and retention of R&D skillsets, successful integration and understanding of talent within acquisitions and increased competition for talent within the industry. The Board noted the progress in improving inclusion and diversity and the development of a leadership values matrix assessing talent against Croda's core values of Together, Innovative and Responsible. An important element of the discussion centred around the succession pipeline for the Executive Director and the Executive Committee roles.

Corporate governance continued

The Board's activity continued

Board agendas and activity in 2022 continued

Governance

This element of the agenda typically comprises Board procedural and governance matters.

- The Group General Counsel and Company Secretary updates the Board on changes to relevant laws, regulations and governance matters at each Board meeting.
- In addition, the Board receives reports on compliance and insurance matters. This includes items such as a review of policies and procedures on modern slavery, whistleblowing and ethics; the Group's insurance programme renewal and all employee sharesave grants.
- Items concerning the Board's agenda planning, Board effectiveness reviews, Committee membership and changes to Committees' terms of reference are reviewed and approved during the year.

Strategy review

The Board strategy day is attended by the Directors and all members of the Executive Committee. In 2022 the Board focused on the foundational programmes that are vital in supporting the Group's strategy.

This included an in-depth review of work on customer insights, business change, digital solutions and data and systems. The strategy day comprised a series of short round robin presentations, with the Board and the Executive Committee broken up into four smaller mixed groups and moving from room to room. This format promotes discussion and debate and an opportunity for the management teams to use the Directors' experiences to build upon and modify each of the enabling programmes. A larger plenary was held at the end of the sessions for feedback and further discussion.

The Board also spent time reviewing our innovation programmes, investments in our people, as well as capex and M&A opportunities in both the Consumer Care and Life Sciences sectors. A wrap up session at the end of the day ensures the Board and Executive team were able to provide their reflections on the sessions. These reflections are then captured with agreed actions being recorded and followed up, with further Board presentations arranged where required.



Progress of 2022 focus areas

The 2021 Board evaluation identified four areas of focus for the Board in 2022. The key actions and progress in meeting them are summarised below.

1. Continue our focus on Croda's strategic progress in transitioning to a pure play Consumer Care and Life Sciences company, including key innovation programmes.

What we did

- Oversight of the divestment of the majority of our PTIC business.
- Development of the Croda Pharma strategy.
- Strategy day sessions on innovation programmes, investments in our people, as well as capex and M&A opportunities in both Consumer Care and Life Sciences sectors.

Status:

Completed

2. Continue our oversight of Croda's progressive and proactive inorganic investments in support of our strategic focus on our Life Sciences and Consumer Care businesses.

What we did

- Business presentations included in-depth reviews of M&A pipelines and technology gaps that would be filled through acquisition.
- Approval of the acquisition of Korean based Solus Biotech, a global leader in premium biotechnology derived beauty actives.

Status:

Ongoing

3. Oversee our expanded organic capital investment programme, whilst ensuring we continue to prioritise safety leadership and performance.

What we did

- Approved capital investments at Croda sites in Lamar (Pennsylvania), Dahej (India), Singapore and a UK Pharma site, as well as funding and cooperation agreements with the UK and the US Governments.
- Board safety leadership training at Rawcliffe Bridge manufacturing site, including participating in process safety audits.
- Oversight and challenge of SHE performance at each Board meeting, with additional quarterly SHE reports on progress against safety metrics.

Status:

Completed

4. Focus on talent and succession planning at all levels within Croda, including ensuring that we continue to have the capacity and capability to support our strategic priorities.

What we did

- In-depth Board discussion on talent, including the implications for talent in delivering the Group's strategic plans.
- Reviewed the succession pipeline for the Executive Directors and the Executive Committee roles.
- The Board strategy day included an in-depth review of work on customer insights, business change, digital solutions and data and systems, including how it would enhance employees' experiences.

Status:

Completed

Looking ahead to 2023:

As well as those areas identified during the 2022 Board evaluation, the Board will:

- Continue to monitor safety leadership and performance.
- Have oversight of inorganic investments in support of our Life Sciences and Consumer Care businesses.
- Continue its focus on our organic capital investment programme.
- Continue to bring external perspectives into the Boardroom – including focus on the competitive landscape, disruptive technologies and outside in customer assessments.

Corporate governance continued

The Board and our stakeholders

The Strategic Report, Directors' Report, Financial Statements and the Sustainability Report help our stakeholders assess how effectively the Board, supported by the Executive Committee, senior managers and employees, promoted the success of Croda and had regard to the factors set out in Section 172(1) of the Companies Act 2006 during the year. By understanding how Croda's activities impact on our various stakeholder groups, the Board can have regard to their interests during discussions and when making decisions. Having consideration for our stakeholders aligns with our Purpose and our values, both of which guide us in our approach to delivering our strategic commitments and promoting the long-term success of Croda for our shareholders and society.

The Board always seeks to understand the priorities and interests of our stakeholder groups during its deliberations and decision-making process with the relevance of each stakeholder group changing depending on the issue under discussion. The Chair and Company Secretary provide guidance when required at Board meetings to ensure sufficient consideration is given to the likely consequences of any decisions in the long-term and to the interests and impact of such decisions on our stakeholder groups. Management is tasked with ensuring that potential impacts on stakeholders are fully considered when presenting to the Board. Information on the key methods utilised by the Board to engage with all our stakeholders is described here, together with a note where further detail is available throughout this report on this engagement.

The Board receives information through the following additional methods which assist the Directors in their understanding of our stakeholders and in performing their duties:

- An annual strategy review which assesses the long-term sustainable success of the Group's strategy and the impact on our stakeholders. See page 76.
- Annual presentations to the Board from all the members of the Executive Committee on the performance across the sectors and regions. A broad spectrum of employees from across the business are also invited to present to the Board.
- An annual Board presentation on progress with the Group's sustainability agenda from the wider sustainability team and regular updates throughout the year. See page 81.
- The Group Chief Executive and Group Finance Director provide updates at Board meetings on their interactions with key stakeholders, as well as updating Board members between meetings on any material issues that arise.
- Comprehensive quarterly reports which cover risk, innovation, global operations including customer service, SHEQ and Sustainability, IT and Digital operations, Legal and Company Secretarial, HR and culture and diversity.



To read our
Section 172(1) statement
See page 19



For more information on how the
Board protects Croda's culture
See pages 84 and 85

Our people



Our customers



Our communities



Our suppliers



Our shareholders



Our people

Our success depends on our skilled and highly committed employees who are central in our decision-making process. The Board meets regularly with employees, through listening groups and Board presentations. Site visits also present an opportunity for our Directors to connect with and listen to employees across a wide range of functions and locations, with care taken to ensure any engagement sessions contain a diverse selection of employees, be that gender, ethnicity, tenure and role, to ensure that different perspectives can be heard.

The Board received and discussed the results of employee pulse surveys and regular reports from the Group HR Director and other Executive Committee members keep the Board up to date on the wide-range of people initiatives taking place across the Group.

Our customers

Our direct sales model ensures we work closely with customers and allows us to develop a deep understanding of their needs. The Board receives customer insights and information through Board reports from the Group Chief Executive and sector teams, as well as during strategy and business presentations. Strategy sessions will often include customer presentations, providing an 'outside-in' perspective.

Our Group Chief Executive maintains oversight of the management of our key customers and regularly updates the Board on these interactions as well as engagement with policy makers and regulatory bodies.

Our communities

As a responsible business, we believe it is essential that we operate safely and sustainably and that we understand the impact of our operations on local communities and on the environment. Living our Purpose also means we are committed to providing a positive impact on society and we nurture the links we have to our communities through our offices and our sites. The Croda Foundation continues its work in making grants aligned to Croda's Purpose, values and expertise. Engagement with our communities mainly takes place through our local offices and sites, including via

the STEM and 1% Club programmes. During site visits the Board has the opportunity to hear from employees on activities undertaken with the local communities and on discussions from the community consultation committees. The Board also regularly receives information and feedback on community activities across the Group during management presentations, and considers issues such as local employment and investments in local communities as part of its Board decisions.

Our suppliers

Supply chain integrity is essential to being a sustainable business and our supplier relationships provide valuable insights to the Board. Site and purchasing teams engage and partner with suppliers on a wide range of matters, from product stewardship and ethical sourcing to regulatory compliance and operational improvements. The Board understands these issues through Board reports and engagement with our operations and functional teams.

For more information on how the Board considers the interests of our suppliers



See pages 80 and 81

Our shareholders

Board engagement is primarily through the Group Chief Executive, Group Finance Director and the Investor Relations and Corporate Affairs Director, who maintain regular dialogue with our shareholders. Committee Chairs have responded to queries from major shareholders regarding their areas of responsibility and this engagement is reported back to the Board. The Directors attend the AGM to allow shareholders to ask questions directly. This year the AGM was also held by webcast, with shareholders online able to ask

questions before and during the meeting. The Chair, Senior Independent Director and Remuneration Committee Chair hosted a governance lunch in November which was attended by shareholders representing around 25% of our total issued shares. A summary is provided on page 82. Analyst notes and reports from brokers and advisers are also reviewed to keep the Board informed of shareholders' views.

Corporate governance continued

Considering the interests of our stakeholders

Separation of the majority of our PTIC businesses

In 2021 the Board approved the sale of the majority of our PTIC businesses to Cargill. The divestment will further our transition into a focused Consumer Care and Life Sciences company. Although the agreement with Cargill was signed in December 2021, the majority of the work to execute the separation of the PTIC assets and business from the rest of Croda took place between January and June 2022, with the transaction closing on 30 June 2022. The Board continued its oversight of this aspect of the transaction, with regular reports and updates from management. The Board considered the impact that the complex separation programme had on our employees, customers and suppliers. All aspects of the separation required careful management of internal and external communications, talent and resources, and an assessment of the interdependencies with other Group programmes to ensure not only that the separation was a success, but whilst also ensuring the continued successful performance of the PTIC business and the retained Croda businesses.

[Link to S172\(1\):](#)

Customers and consumers

Suppliers

Employees

Shareholders



For more information

See page 42

Change to pension contribution rates

During the year the Board undertook its regular review of the UK pension scheme funding, including the output from the UK pension scheme's valuation, which showed that the scheme remained fully funded on a technical provisions basis. Although noting that the scheme's investment remained effective in reducing the valuation volatility and the Company funding risk, the Board took particular note of the fact that the funding of future service accrual had been increasing, partly due to the prolonged lower inflation environment. The Board discussed in detail whether or not to undertake a consultation with employees to increase employee contributions to part fund the total funding cost of future accrual.

The Board had regard to the results of an employee survey on pensions and discussed the welfare of employees given the rapidly rising cost of living in the UK. The Board considered it was in the best interests of the Company to protect employees from additional pension contributions at a time of rising cost of living and agreed the Company would pay the full cost of the rise in funding. In reaching this decision the Board took account of the fact that the pension was an important benefit for employees and importantly remained a significant retention factor.

[Link to S172\(1\):](#)

Employees

Pension trustees

Shareholders



For more information

See page 104

Establishment of a new lipid facility in Lamar, Pennsylvania

In line with Croda's strategy to "Empower Biologics Delivery", during 2022 we continued our investment in our Pharma business to ensure capacity would be available for the pipeline of lipid systems used in novel therapeutic drugs. In considering the investment to establish a new lipid facility as part of a new multi-purpose cGMP site in Lamar, Pennsylvania, the Board discussed the future business opportunities and the possible impact of best and worst case scenarios on the existing operational capacity as well as the underlying financial business case. The Board spent considerable time in understanding the proposal to enter into a cooperative agreement with the United States Government (USG) under which the USG would provide up to \$75m alongside Croda's own investment of up to \$58m to establish the new lipid facility. The Board considered the likely consequences of the investment decision in the long-term and had regard to the interests of Croda's stakeholders who would be affected by the investment.

The Board considered the interests of Croda's customers, determining that the investment would allow Croda to support their development of vaccines. The Board had regard to alignment of the Company's Purpose of using Smart science to improve lives™ with the benefits that the new facility at Lamar would have in supporting US preparedness for future health emergencies. The new facility would help ensure enough capacity was available in the US to produce the necessary components for vaccine manufacture.

The Board concluded that it was in the best interests of the Company and its shareholders to approve the investment and enter into the cooperation agreement.

[Link to S172\(1\):](#)

Communities

Customers and consumers

Shareholders



For more information on lipid investments

See page 9

Investment in a greenfield site in Dahej, India

In approving an investment in a greenfield site in Dahej, India, the Board considered a number of key areas, including the underlying Indian growth projection, the strategic investment in Dahej, project execution plans, the commercial case underpinning the investment, the safety and sustainability aspects of the project and the steps taken to ensure high standards of business ethics were complied with in delivering the project.

Safety was a fundamental consideration for the Board, not only for employees in the design, construction and operation of the facility but also the safety benefits to local communities in minimising the transportation of ethylene oxide through residential areas. The Board noted that discussions had taken place with raw material suppliers, that new manufacturing technologies would be adopted, and energy efficient systems and equipment would be utilised, all of which would support Croda's sustainability ambition of net zero carbon.

Having regard to the interests of all stakeholders, the Board concluded that it was in the best interests of the Company and its shareholders to approve the investment.

[Link to S172\(1\):](#)

Customers and consumers

Suppliers

Employees

Shareholders

Communities

The Board's focus on sustainability

The Board remained focused on sustainability and achieving our ambition to be the most sustainable supplier of innovative ingredients, becoming Climate, Land and People Positive by 2030. In 2022 Croda joined over 200 of the world's leading sustainable companies as the newest member of the World Business Council for Sustainable Development. We also announced our aspiration to become Net Nature Positive by 2030, which will be achieved through an increased focus on preserving and restoring natural ecosystems in our supply chains, minimising the water impact of our operations and helping accelerate sustainable and regenerative agriculture. Each quarter the Board is presented with a sustainability Board report, which includes a balanced scorecard providing an overview of how we are progressing against our ambitious Commitment, identifying areas where more progress is needed. This enables the Board to challenge the executive team on the pace of change and areas requiring more resource.

As well as quarterly reports, the Board received a strategic presentation from our Chief Sustainability Officer and his team on sustainability leadership. This included a detailed discussion and review of the key strengths and differentiators in Croda's sustainability programme as well as gaps and areas of uncertainty and risk.

The Board has overseen the production of decarbonisation roadmaps for all of our manufacturing sites, which will not only bring opportunities in terms of reduction in emissions, but also drive innovation, capture cost savings, act as a retention for employees and protect Croda from external risks such as carbon tax and energy costs.



Scope 3 greenhouse gas emission remains the industry's biggest challenge and reducing or avoiding scope 3 emissions will be critically important to Croda as our customers transition to net zero. In 2023 the Board will oversee the further development of our scope 3 plans, including the quantification of downstream emissions. In addition, with the increasing number and growing complexity of regulations in sustainability reporting, the Board will review how it will continue to ensure that it has comfort that Croda is in compliance with relevant standards and has assurance on the accuracy and reliability of climate-related and other sustainability disclosures. This will include oversight of the control environment in relation to data and information used in support of the disclosures.

The Board approved the acquisition of Solus Biotech, a Korean based global leader of naturally derived ceramides and phospholipid technologies. The acquisition significantly enhances Croda's sustainable biotechnology capabilities and will create a new biotechnology R&D hub in Asia.



For more information on sustainability
See pages 48 and 49 and our Sustainability Report

Corporate governance continued

Shareholder engagement

Our approach

The Board is committed to maintaining regular dialogue with investors and communicating in a clear and transparent manner. A comprehensive investor engagement programme is led by the Investor Relations and Corporate Affairs Director and comprises results presentations, investor roadshows, attendance at conferences, investor seminars, site visits and ad-hoc meetings.

This programme includes direct Board engagement through the Group Chief Executive and Group Finance Director. The Chair and other Non-Executive Directors aim to meet major shareholders at least annually to discuss topics including governance, strategy, ESG performance, and remuneration. This gives the Board insight into investors' views, helping to inform key decisions and the future direction of the Company. The Board also reviews monthly submitted papers, meeting presentations and investor feedback following roadshows and events. This extends to commentary on the trading environment and Croda's performance relative to peers.

Our AGM offers the opportunity for all shareholders to hear an update on business performance and engage directly with the Board. Results presentations are webcast live, with engagement and replay facilities, ensuring all investors and analysts can participate and ask questions. Investors can also sign up to receive regulatory alerts on our website ensuring they are notified about Company updates.

Activities during 2022

We enhanced our engagement with investors in 2022 as lockdown restrictions were lifted, proactively engaging through seminars and site visits to provide a better understanding of our business model and investment case. In March, we held an investor seminar on Consumer Care, to outline market opportunities and sector strategy in addition to explaining how investment in biotechnology will contribute to future growth. The equivalent seminar for Health Care took place at the London Stock Exchange in October, where we relaunched the business as Croda Pharma and outlined the new strategy. Given investor interest in our recent acquisitions, the Managing Director of Avanti attended the Pharma event, and we hosted a shareholder visit to Iberchem in May which was very well attended.

The 2022 corporate governance lunch was held in November and was attended by shareholders representing over a quarter of our register. Croda was represented by our Chair, Senior Independent Director and Remuneration Committee Chair. A wide range of topics were discussed including sustainability, Board composition, Executive succession, performance metrics and culture. We intend to extend this representation to include our Audit Committee Chair at the 2023 event.

We consulted on our proposed Remuneration Policy during 2022, holding video calls with one third of our investor base. The feedback was helpful and we adjusted the policy to respond to specific points made.

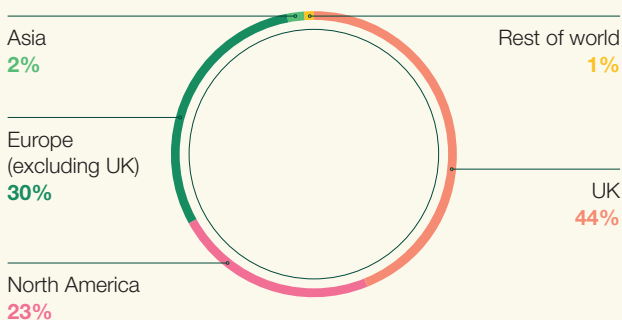
Meeting breakdown

There was a significant increase in investor engagement in 2022, with interactions with 429 institutions compared with 288 in the prior year. This reflects the impact of the investor seminars and the benefits of a hybrid programme that included both physical and virtual meetings. 28 of our top 30 shareholders met management at least once, and interactions with the top 30, other shareholders and non-holders all increased in absolute terms. Investor engagement levels are notably higher than the average for a FTSE 100 company, being approximately 60% above available benchmarks.

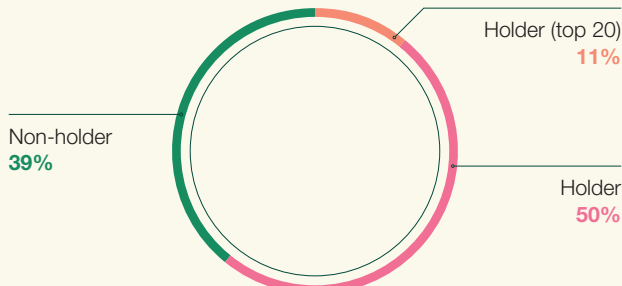


Around 30 investors and analysts joined the site visit to our F&F business in Murcia.

Meeting breakdown by investor location



Meeting breakdown by holders and non-holders



Top 5 investor questions

How has inflation impacted Croda?

The cost of our raw materials basket increased by 23% in 2022, with other operating costs including labour and energy also increasing. The strength of Croda's business model has helped ensure inflation recovery and profit protection.

Can you grow Consumer Care when disposable incomes are under pressure?

Croda has the broadest range of critical Consumer Care ingredients in the industry. Our focus on high growth niches, providing sustainable ingredients with performance that is underpinned by innovation, positions us well for growth.

What drove the exceptional Crop Care performance in 2022?

Crop Protection was the standout business in 2022, delivering strong double digit percentage sales growth, benefitting from a strong agricultural commodity pricing and demand environment, supporting demand for value added crop treatments.

With COVID-19 vaccine sales peaking, what does the future growth profile look like for Croda Pharma?

Pharma is focused on technologies with the fastest growth and innovation needs. We expect Protein and Small Molecule Delivery and Adjuvant Systems to continue growing strongly. Nucleic Acid Delivery sales are expected to be c\$120m in 2023, comprising a further reduction in sales for COVID-19 vaccines and strong double digit percentage growth for other applications.

How are you reallocating capital following the divestment of most of your industrial businesses?

Our priority is organic capital expenditure to pursue a rich seam of growth opportunities in consumer care and life sciences markets. This will be complemented by targeted acquisitions, in line with our 'buy and build' approach to acquire new technology platforms and build scale through organic investment.

Calendar of investor relations activity in 2022

March

- Analyst presentation of full year 2021 results
- Consumer Care investor day

April

- Scandinavia roadshow

May

- Shareholder visit to Iberchem head office in Spain
- Annual General Meeting

June

- Investor conferences in Paris; visit to Sederma
- ESG roadshow in Germany and the Netherlands
- US roadshow

July

- Analyst presentation of half year 2022 results

August

- Half year results roadshow

September

- Investor conferences in London
- Singapore roadshow

October

- Croda Pharma investor day

November

- US pharma roadshow
- ESG conference in Paris
- Governance lunch

December

- Paris roadshow
- UK conferences

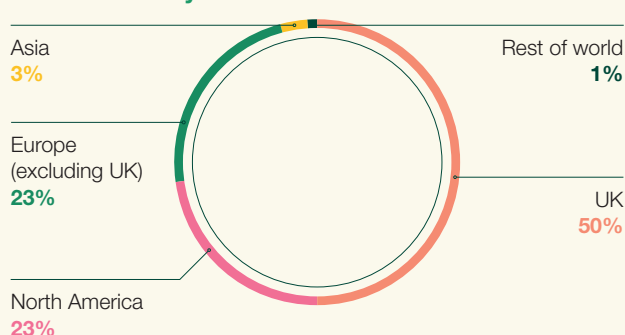
Shareholder register

Croda's shareholder breakdown by investor type is broadly in line with the FTSE 100 average. 10% of our shares are now held by ESG focused investors which is significantly ahead of our peer group. Many of these are EU based shareholders.

Investors holding more than 3% (as at 31 December 2022)¹

#	Institution	Country	Holding (%)
1	Norges Bank		4.3
2	BlackRock		4.0
3	BlackRock		3.8
4	Vanguard Group		3.7
5	MFS Investment Management		3.3
6	Impax Asset Management		3.1
7	RBC Global Asset Management		3.1

Shareholders by investor location



1. This is based on register analysis conducted by a third party and may differ from the detail shown on page 142 which is based on notifications received under DTR Chapter 5.

Corporate governance continued

The Board and our culture

How we protect our culture

Our Purpose is to use our Smart science to improve lives™, which guides the choices we make as a business. In line with our Purpose we have committed to be the most sustainable supplier of innovative ingredients by ensuring we are Climate, Land and People Positive by 2030. Our Purpose is reflected in the Board's strategy and is underpinned by our values and our unique culture. The cultural tone of the Company is set by the Board, which is responsible for assessing, monitoring and promoting the Company culture through its decisions and conduct. Croda's positive culture continued to support our employees, suppliers, customers and our local communities.

During 2022 the Board discussed the implications for talent management in delivering the Group's strategic plans including employee turnover rates in Croda and our industry. Nurturing Croda's culture is a key element in retention and the Board places high importance on ensuring the organisation and our employees always live our Purpose of using Smart science to improve lives™ and our values. The Board considers that it is important to continue to share reward and success through the organisation, such as through our Free Share Plan, and that we continue to embrace and enhance flexible working. As well as providing interesting work and career development with transparent career paths and competitive reward packages, we need to ensure employees stay connected with each other and use technology to enhance this.

The Board spends time focused on the values that underpin the Croda culture. As an example, in 2022 the Board reviewed the leadership value potential matrix developed by management, which provides a tool to develop and encourage different styles of leadership but grounded in Croda's common values of Together, Innovative and Responsible. This enables an assessment of how employees undertake their roles and not just the outcome of tasks and objectives achieved. Our leadership and development programmes all have Croda's Purpose and values running through every element of the course.



How we monitor our culture

Although not a science, the Board looks at certain metrics to assist it in measuring culture. These include KPIs received on a quarterly basis relating to:

- Diversity and inclusion – such as gender balance, balanced shortlists, diversity on development programmes.
- Talent development – such as retention rates, training hours and development plans.
- Wellbeing – including employee engagement scores, pulse survey results, flexible working and accident rates.

As well as these KPIs, during 2022 the Board also monitored and assessed culture through multiple sources:

- Inviting employees to present at Board and Committee meetings.
- Regularly meeting with management.
- Receiving regular reports and data on health and safety and sustainability matters.
- Receiving regular quarterly reports from all areas of the business including corporate functions.
- Reviewing reports on significant instances of inappropriate conduct, whether through the Company's Speak-Up line or other grievance channels.
- Engaging directly with employees around the world through listening groups, site visits and town halls.
- Discussing the feedback from listening groups and pulse surveys, which enabled communications and policies to be tailored and adjusted to ensure employees' needs were being met.
- Assessing management's attitude to risk and assurance of the external and internal audit functions through the work and reports of the Audit Committee.
- Reviewing the work on diversity and inclusion and succession planning through the reports of the Nomination Committee.
- Considering feedback from the Remuneration Committee. The Remuneration Policy is aligned to culture and an assessment of our cultural performance is also embedded in the Remuneration Committee's Discretion Framework. Further detail on how remuneration is addressed across the Company is included in the Remuneration Committee report on pages 102 to 140.

The voice of our employees

During the year the Board, assisted by the Nomination Committee, reviewed mechanisms for employee engagement and concluded that there are a variety of effective mechanisms in place for engaging with our employees. Some examples of these are described below. The Board is comfortable that it can continue to rely on alternative methods to engage with employees, rather than one of the three methods outlined in the 2018 UK Corporate Governance Code.

A range of activities for engagement with our employees was agreed at the start of the year, which ensured that the Board had meaningful and regular dialogue with employees. This included holding listening groups, with topics for discussion relevant to the Board matters and employees encouraged to discuss other topics most relevant to them. The Company Secretary takes responsibility for ensuring that those actions requiring feedback are allocated to individuals to follow up on with outcomes reported back to the Board.

The Board discusses the key themes arising from the listening groups undertaken each year. In 2021 and 2022 these included workload and resource planning, including the importance of making time for employees to think creatively in all aspects of the business. The onboarding of newly acquired companies was also discussed, given the recent acquisitions Croda has made. Mental health was a common topic, with employees appreciating Croda's initiatives to boost mental health and wellbeing and providing platforms to talk about mental health. Diversity and inclusion was discussed with the importance of continuing to maintain an inclusive working environment emphasised. Customer service was discussed in several listening groups as the end of the pandemic had increased demand whilst the Ukraine crisis had put stress on the supply chain. These two issues brought capacity constraints throughout the industry, which impacted customer service. Innovation was also a theme with employees wanting more communication about Croda's open innovation and other large scale innovation programmes. The speed of implementation of digital projects was also a theme that arose and was discussed.

“The Board spends time focused on the values that underpin the Croda culture.”

Site visits remain a key element of how our Directors engage with employees. During the year the Board visited our site at Rawcliffe Bridge, engaging with a wide range of employees, with a focus on safety, including the site management team, process engineers, SHE managers and Hazard Study Leaders. The Board was trained on and then undertook scenario based inspection techniques on high hazard processes. This allowed the Directors to have a detailed understanding of the day-to-day work that our employees undertake, as well as being trained on the safety hazards and mitigation across our sites.

Members of the Board undertook site visits in North America, specifically to Mill Hall, Avanti and Princeton. Feedback from the site visits was discussed during the following Board meeting. The Board also attended a virtual session with the North American regional management team, which included a summary of the business performance and key challenges facing the region. Other site visits made by our Directors during 2022 included our Iberchem head office and manufacturing facility in Mevisa, Spain.

A culture survey was undertaken during the year, split into quarterly 'pulse' surveys. Each question had a theme: purpose, safety, knowledge, and values. The results of the surveys were included in the Board papers with discussion at the Board meeting. This enables the Board to get a feel for the mood of the organisation, shining a light on areas of difference between sites, countries and regions, as well as understanding how important cultural work is being adopted by our businesses.

The Board strategy day presented further opportunity for the Board to meet with members of the Digital and IT teams, as well as the customer insights teams. Each of the Directors and Executive Committee members has a mentoring relationship with employees below the Executive Committee level. The mentee group is comprised of a diverse group of high potential employees from a range of functions across the business, identified and matched with Executive Committee and Board mentors.

During the year Helena Ganczakowski and Steve Foots attended our Leadership Development Group, which provides attendees with a deep understanding of leading and self enhancing capabilities to lead others through times of uncertainty and change, and draws on best practice 'outside in' perspectives to stimulate innovation. Helena was able to provide her insights and experiences in senior leadership roles and a perspective from the Boardroom. These interactions benefit the participants and also the Directors that attend and help the Directors to build relationships with our highest potential employees and leaders in Croda.

As in previous years, members of the Executive Committee and other senior managers from across the Company attended Board dinners where the Board discussed topics relevant to the business and its strategy.

The Chair spends time interacting with the Executive Committee team between Board meetings and during the year each member of the Executive management team had regular meetings with the Chair. This ensured that she was kept up to date on significant developments and emerging issues and opportunities, as well as forging good working relationships with the senior management team.

The Non-Executive Directors have direct access at any time to the Executive Directors, senior management teams and employees across the Group. This provides the opportunity to develop a deeper understanding of the Company's operations or to request information about specific areas. These interactions not only build connections with employees in the business, they also help provide the knowledge for Non-Executive Directors to provide constructive challenge at Board meetings.

Corporate governance continued

Board leadership

The Company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board has ultimate responsibility for the overall leadership of the Group. In this role, it oversees the development and delivery of a clear Group strategy.

At the date of this report, the Board comprises 11 Directors: the Chair; the Group Chief Executive; the Group Finance Director; the Chief Financial Officer Designate; six 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 the Board allows time for constructive debate and challenge on key elements of the Company's performance and strategic projects and enables all Directors' views to be heard. It monitors operational and financial performance against agreed goals and objectives and ensures that appropriate controls and systems exist to manage risk and that there are the necessary financial resources and people with the necessary skills to achieve the strategic goals the Board has set. The Non-Executive Directors have a broad range of business, financial and international skills and experience, which provide appropriate balance and diversity of thought. The Executive Directors use the specific areas of expertise of the Non-Executive Directors as a source of ideas, experience, as well as challenge when developing strategic plans. The Directors' biographical details are on pages 72 and 73. The Board maintains a formal schedule of matters reserved for its approval. These matters include approving the Group's strategy and budget, material corporate transactions and the authorisation of capital expenditure above delegated authority limits. They include matters relating to risk management, approval of the Annual Report and Accounts, dividends, appointing new Directors and significant communications to shareholders. The full schedule of matters reserved for the Board can be found in the Governance section at www.croda.com.

The Board discharges some of its responsibilities directly and others through its Committees, details of which can be found on the opposite page.

Execution of the strategy and day-to-day management of the Company's business is delegated to the Executive Committee, and subsequently to senior leadership teams where relevant, with the Board retaining responsibility for overseeing, guiding and holding management to account. In addition to its monthly scheduled meetings, the Board met and heard from the Executive Committee members, senior management and a wider range of colleagues on a regular basis. Contributions from the Executive Committee members can be found throughout this report.



The terms of reference for each Board Committee can be found at Croda.com

Division of responsibilities

Chair

The Chair leads the Board and sets the tone from the top, promoting a culture of openness and debate and effective communication between the Executive and Non-Executive Directors. She creates an environment at Board meetings in which all Directors are able to contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge.

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. She is available to shareholders where communication through the Chair or Executive Directors has not been successful or where it may not seem appropriate.

Independent Non-Executive Directors

The role of the independent Non-Executive Directors is central to an effective and accountable Board structure as they provide strategic and specialist guidance together with effective governance. They constructively challenge the Executive Directors and scrutinise the performance of management in meeting agreed goals and objectives and ensure all stakeholder views are considered.

Non-independent Non-Executive Director

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 as well as constructive challenge to Board discussions.

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.

Group Finance Director

The role of Group Finance Director is to bring a commercial and financial perspective to the Boardroom. Working with the Group Chief Executive, he is responsible for the leadership and management of the Company according to the strategic direction set by the Board. He leads the global finance function and oversees the relationship with the investment community.

Group General Counsel and Company Secretary

The Group General Counsel and Company Secretary is Secretary to the Board and its Committees. He works closely with the Chair in the formulation of meeting agendas and annual agenda programmes. He ensures that Board procedures are complied with and also advises on regulatory compliance and corporate governance. This role is to support the Chair and the Non-Executive Directors.

Governance structure

The Board has three main Committees: the Nomination Committee, the Audit Committee, and the Remuneration Committee.

Principal Board Committees

Nomination Committee

Chaired by Dame Anita Frew DBE

Reviews the structure, size and composition of the Board and its Committees, identifies and nominates suitable candidates for appointment to the Board and has responsibility for Board and Executive Committee succession planning.



For more information
See pages 92 to 95

Audit Committee

Chaired by John Ramsay

Monitors the integrity of the Group's financial statements and announcements, the effectiveness of internal controls and risk management as well as managing the external auditor relationship.



For more information
See pages 96 to 101

Remuneration Committee

Chaired by Jacqui Ferguson

Recommends the Company's Remuneration Policy and framework and determines the remuneration packages for members of senior management.



For more information
See pages 102 to 140

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 Sustainability Committee. Further information on each of the Committees is shown below.

Group Chief Executive

Group Executive Committee

Chaired by Steve Foots

The Committee met 11 times in 2022 and is responsible for: developing and implementing strategy, operational plans, policies, procedures and budgets; monitoring operational and financial performance; assessing and controlling risk; and prioritising and allocating resources.

Group SHEQ Steering Committee

Chaired by Mark Robinson

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. The Group Chief Executive and four Executive members attend. The VP Risk and Assurance also attends.

Group Finance Committee

Chaired by Steve Foots

The Committee met 11 times in 2022 to review monthly operating results and examine capital expenditure projects. Four Executive Committee members and the Group Financial Controller also attend.

Group Ethics Committee

Chaired by Tom Brophy

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. It comprises three Executive Committee members. The Global Head of Procurement and Sustainable Sourcing, the Regional MD Latam and the Organisation Development Director also attend.

Risk Management Committee

Chaired by Jez Maiden

The Committee meets quarterly to evaluate and propose policies and monitor processes to control business, operational and compliance risks faced by the Group, and to identify and assess emerging risks. Three Executive Committee members attend as well as the Group Financial Controller and VP Risk and Assurance.

Sustainability Committee

Chaired by Phil Ruxton

The Committee met six times in 2022 to further develop the Group sustainability strategy, to embed sustainability practices throughout the organisation and to monitor progress towards achieving our Commitment to be the most sustainable supplier of innovative ingredients and to be Climate, Land and People positive by 2030. It comprises a diverse group of leaders representing all aspects of our business, including four Executive Committee members.

Corporate governance continued

Board leadership continued

Board and Committee meetings and attendance

Meetings in 2022

Membership of the Board and its Committees, and attendance (eligibility) at meetings held during 2022.

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Anita Frew (Chair)	C 7 (7)*	C 5 (5)		
Roberto Cirillo	7 (7)	5 (5)	5 (5)	8 (8)
Jacqui Ferguson	7 (7)	5 (5)	5 (5)	C 8 (8)**
Steve Foots	7 (7)			
Helena Ganczakowski	7 (7)	5 (5)	5 (5)	C 8 (8)
Keith Layden	7 (7)	5 (5)		
Jez Maiden	7 (7)			
Nawal Ouzren	6 (6)	5 (5)	4 (4)	6 (6)
John Ramsay	7 (7)	5 (5)	C 5 (5)	8 (8)
Julie Kim	7 (7)	5 (5)	5 (5)	7 (8)***

C – Chair of the Committee

* Anita Frew attended part of the December 2022 Board meeting, but was not able to attend the whole meeting as she had to attend a family funeral.

** Jacqui Ferguson took over as the Chair of the Remuneration Committee from 1 September 2022.

*** Julie Kim was unable to attend the ad-hoc Remuneration Committee meeting on 21 January 2022 due to a scheduling conflict.

Independence of Non-Executive Directors

Croda complies with the Financial Reporting Council's Reporting Code in having experienced Non-Executive Directors who represent a source of advice, strong judgement and challenge to the Executive Directors. At present there are eight such Directors, including the Chair and the Senior Independent Director, each of whom has significant commercial experience. Details of their experience is on pages 72 and 73.

The independence of the Non-Executive Directors is kept under review to ensure continuing independence and objective judgement. The Chair was independent upon her appointment in 2015 and both the Chair as head of the Board and the Chief Executive as head of executive management have clearly defined roles. Further information on their roles is included on page 86. With the exception of Keith Layden, the Board considers that all Non-Executive Directors who served during the year are independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement. Keith Layden is not considered independent, having served as the Company's Chief Technology Officer prior to retirement from the Company and appointment as a Non-Executive Director in May 2017.

Director induction

The Company provides new Directors with a comprehensive and tailored induction process. One of the first sessions attended is a health and safety briefing, and the induction schedule includes meetings with members of the Board and Executive Committee, meetings with key senior managers and the Group's audit partner and other key advisers. Induction programmes are developed by the Group's Company Secretarial department and discussions start well in advance of the appointment date to tailor the experience to the existing knowledge and experience.

New Directors are provided with external training that addresses their role and duties as a Director of a quoted public company. All new Directors are given access to our electronic Board papers which provide easy and immediate access to key documents including previous Board and Committee papers; recent reports from the external auditor; the Group's risk register and Schedule of Principal Risks; the latest budget and strategic plan; recent sell-side analyst reports and feedback from our stakeholder engagement programmes; information on our sustainability initiatives; matters reserved for the Board; the Committee terms of reference; and other key policies. This information is supplemented by country and site visits.

Training

All Directors keep their knowledge and skills up to date and include training discussions with the Chair in their annual performance reviews. As required, professional advisers are invited to provide in-depth updates and the Board also receives updates on market trends and environmental, technological and social considerations when appropriate. The Company Secretary provides regular updates to the Board and its Committees on regulatory and corporate governance matters. Our Directors receive training on their duties under Section 172(1) of the Companies Act 2006 as part of their induction process from the Group's corporate lawyers. All Directors participate in online compliance training courses as required.

Board evaluation

The Board undertakes a formal review of its performance and that of its Committees each year. In 2020 an externally facilitated Board review was conducted, and we will conduct another externally facilitated review in 2023. This year we used an online questionnaire from Lintstock tailored to Croda's 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 advisers.

The Board effectiveness report is discussed in detail by the Board, with facilitation by the Chair and the Company Secretary. The report contains a ranking for each question, showing the highest to lowest scoring areas and also the scores against comparator companies that use the Lintstock questionnaires. These provide an additional lens through which the Board can focus the discussion of its effectiveness.

The composition of the Board and the Board Committees was rated very highly, and the report highlighted the key changes that could be made to the profile of the Board in terms of experience that would match Croda's strategic goals. These will be taken into account in any new Non-Executive Director searches going forward. The Board's understanding of the views and requirements of key stakeholder groups was scored very highly, particularly those of employees. The Board's understanding of the views and requirements of suppliers received a comparatively lower score however and was seen as an area for improvement. The quality of the Board's relationships and its interaction with management received very high ratings, as did the management and focus of meetings. Suggestions for further improvements included limiting the time attendees spent on presentations in order to enable greater discussion time between the presenters and the Board. Board support and information provided to the Board were rated highly overall. Suggestions were made as to areas in which the Board would benefit from further training, including sustainability, which is being picked up as part of the Board's 2023 agenda programme. The top strategic issues facing the Company were identified and now form part of the agenda programme for 2023. Finally, both succession planning and oversight of risk management were positively rated.

The Chair and Non-Executive Directors met without the Executive Directors present to allow an additional opportunity to discuss areas relevant to the operation of the Board. The Non-Executive Directors also met on their own, without the Chair.

The Senior Independent Director met with the Chair to provide feedback on her performance following discussions with the other Non-Executive Directors and the Executive management to gather their views. It was agreed that the Chair remained dedicated to her role. She creates a culture of trust, openness and debate, facilitating an atmosphere of challenge whilst encouraging the effective contribution of all Board members.

The Chair met and provided feedback to each Non-Executive Director and the Executive Directors. Following these discussions, the Chair was satisfied that all the Directors continued to be effective and demonstrate commitment to the role, including having time to attend all necessary meetings and to carry out all their duties.

Conflicts of interest

A well established process is in place whereby the Board regularly reviews and monitors potential conflicts of interests. Under the Company's Articles of Association, the non-conflicted Board members have authority to authorise a conflict or potential conflict of interest. Directors holding significant commitments outside of the Company are required to disclose them prior to appointment and on an ongoing basis when there are any changes. Actual and potential conflicts of interest are included on a register which is maintained by the Company Secretary and reviewed annually.

During the appointment of any new Non-Executive Directors, the candidate's other commitments are taken into account, in addition to whether or not a conflict or potential conflict would exist. Details of the professional commitments of the Chair and the Non-Executive Directors are included in their biographies on pages 72 and 73. The Board is satisfied that these do not interfere or conflict with the performance of their duties for the Company.

Board support

Each Director has access to the advice and services of the Company Secretary. Where necessary, the Directors may take independent professional advice at the Company's expense. Papers are made available electronically one week in advance of meetings, which ensures that each Director has the time and resources to fulfil their duties. A resource centre within the web portal provides access to useful information about the Group, including corporate governance materials, finance and strategy information, Group policies and procedures, and information on topics such as risk and insurance. In order to build and increase the Non-Executive Directors' familiarity with, and understanding of, the Group's people, businesses and markets, senior managers regularly make presentations at Board meetings. Their understanding of the Group's operations is enhanced by regular business presentations and site visits whenever possible. At induction, and as requirements change, training is provided on governance, legal and regulatory matters. Online training is provided on competition law and anti-bribery and corruption. Specific training is provided when requested by the Directors. To remain up to date with wider issues the Directors are encouraged to participate in events hosted by external organisations to develop broader perspectives.

Board re-election

Following the individual performance assessments, the Board is satisfied that each Director continues to perform effectively, allocates sufficient time for their duties and remains fully committed to their role. Full biographies for the Directors are on pages 72 and 73. The terms and conditions of appointment of Non-Executive Directors can be viewed at www.croda.com. Contracts for Executive and Non-Executive Directors can be inspected during normal business hours at the Company's registered office by contacting the Company Secretary and will also be available for inspection at the AGM. The Directors, with the exception of Jez Maiden and Helena Ganczakowski, will be proposed for election and re-election at the AGM on 26 April 2023 and details are in the Notice of Meeting.

Corporate governance continued

Audit, risk and internal control

Fair, balanced and understandable

To assist the Board in determining whether the Annual Report was fair, balanced and understandable, the annual report team prepared a Board paper that, amongst other things, reviewed the process of preparation of the report, the controls in place to ensure consistency and reliability of the underlying information, identified the material positive and negative matters referred to in the report to ensure balanced content and provided details of the level of senior oversight of the content of the report.

The Annual Report and Accounts process is designed to give the Board enough time to assess whether it is fair, balanced and understandable, as required by the Code. The key themes and messages to be included in the Annual Report and Accounts are considered by the Board early in the process.

The Board considered whether the Annual Report and Accounts contained the necessary information for shareholders to assess the Company's position and performance, business model and strategy. The Directors received a full draft of the Annual Report and provided feedback. This review ensures that each Director has an opportunity to highlight any areas requiring further clarity as well as suggesting issues and areas that were not adequately covered or on which the report may have placed too much emphasis.

The key messages in the narrative in the Strategic Report and Governance sections of the Annual Report and Accounts were reviewed to ensure they were consistent with the financial reporting contained in the financial statements. The Board believed that clear explanations had been provided for the KPIs.

The Board reviewed whether the Annual Report and Accounts disclosed the successes and the challenges that had been faced in the period and that the narrative and analysis effectively balanced the information needs and interests of each of our key stakeholder groups. In particular, the Board had regard to the current macro economic and uncertain geopolitical environment and the inflationary pressures worldwide caused by the pandemic and exacerbated by Russia's invasion of the Ukraine.

The framework and layout were considered to be clear and coherent, with a consistent tone throughout and clearly signposted linkage between all sections, in a manner that reflected a comprehensive narrative and highlighted the key messages appropriately throughout.

Following this assessment, the Board was of the opinion that the 2022 Annual Report and Accounts are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.



For the full statement of
Directors' responsibilities
[See page 144](#)

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 Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the 2018 UK Corporate Governance Code.

**“The Board receives updates
on principal risks and risk
appetite on an annual basis.”**

Executive management have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority which was reviewed by the Board (page 87). In particular, there are clear procedures and defined authorities for the following:

Financial reporting and financial statements review

Policies and procedures governing the financial reporting process and preparation of the financial statements are owned by the Group Finance Director and clearly and transparently communicated through the Group Policies system. In order to assess the financial statements, the Audit Committee regularly reviews reports from members of the finance team and the external auditor who is invited to attend the Committee's meetings. When conducting its review the Committee considers material accounting assumptions and estimates made by management, any significant judgements or key audit matters identified by the auditor (pages 149 to 152), compliance with relevant accounting standards and other regulatory reporting requirements, including the 2018 UK Corporate Governance Code, and the accounting policies and procedures applied (pages 97 and 98).

Internal audit function

The internal audit function is a key element of the Group's corporate governance framework. Its role is to provide independent and objective assurance, advice and insight on governance, risk management and internal controls to the Board and Audit Committee and the Group. It supports the Group's strategy and objectives by evaluating and assessing the effectiveness of risk management systems, business policies and procedures, system and key internal controls. In reporting on their reviews, internal audit makes recommendations to address issues and improve processes. Once recommendations are agreed with management, the internal audit function monitors their implementation and reports to the Audit Committee on progress at every meeting. See pages 98 and 99 of the Audit Committee report.

Capital investment

The Finance Committee (a sub-committee of the Executive Committee) operates a clearly defined capital expenditure process including detailed business plan appraisal, risk analysis and authorisation. The Global Capital Project Director has developed a framework for managing major capital expenditure, and post-investment review processes are completed by internal audit (at the Audit Committee's request).

Business risk management

As described on page 52 the Executive Committee has established an ongoing process for identifying, evaluating and managing emerging and principal risks. The Board receives updates on principal risks and risk appetite on an annual basis and the Audit Committee receives reports from internal audit on the effectiveness of mitigating controls in place over selected principal risks at each meeting. The Risk Management steering group, a sub-committee of the Executive Committee (page 87), meets on a quarterly basis to monitor and review both current and emerging risks.

Internal controls

There is a documented framework of required internal controls for business processes, IT, safety and quality, which form part of our business as usual activities and which are documented in controls manuals. Policies governing the internal controls are documented in the Group Policies system, which is available online to all employees, and each Group policy is owned by a member of the Executive Committee. Confirmation that the controls are being adhered to is the responsibility of managers, who together with their teams complete an annual self-assessment process against all controls which provides a snapshot of the control environment at the start of the year. Compliance with controls is tested by the internal audit team as part of their annual plan of work approved by the Audit Committee each year (page 98), as well as being tested by other internal assurance providers.

The Board discharged its responsibility for monitoring the operational effectiveness of the internal control and risk management systems throughout the year using a process which involved:

- Delegation of review of systems of risk management and internal control to the Audit Committee, whose activities are described in detail on pages 96 to 101.
- Receipt of written confirmations from senior management.
- Board review of the report on significant control weaknesses.
- Annual review of risk appetite statements and principal risks (page 52).

These processes have been in place for the full financial year up to the date on which the financial statements were approved by the Board. The systems are designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against material misstatement or loss.

Corporate governance continued

Report of the Nomination Committee

for the year ended 31 December 2022



Dame Anita Frew DBE, Chair

“Having a diverse and talented group of people at all levels of Croda is essential for delivering success.”



The Committee's terms of reference are reviewed annually and they can be found in the governance section at

Croda.com



Details of attendance at the meetings during the course of the year can be found on **page 88**

Dear fellow shareholder

I am pleased to present the Nomination Committee report for the year ended 31 December 2022.

Main activities and priorities in 2022

Board changes

During the year the Nomination Committee undertook a search for a new Chief Financial Officer to succeed Jez Maiden and commenced a search for a new Non-Executive Director to replace Helena Ganczakowski, both of whom will retire from the Board at the AGM in April 2023.

Each year the Board considers the composition of the Board, in terms of the balance of skills, experience, length of service and wider diversity considerations. The FRC's Guidance on Board Effectiveness comments that boards are more likely to make good decisions and maximise opportunities for long-term success if their members collectively have the right balance of skills, experience, knowledge and independence. The review in 2022 guided the Committee's assessment of the skills and experience for both searches, details of which are summarised on page 95.

On 1 January 2023 Louisa Burdett joined Croda and the Board. Louisa will succeed Jez as Group Finance Director on 13 March 2023, and Jez will step down from the Board at the Annual General Meeting on 26 April 2023 and retire from the Company on 31 May 2023. Jez has been instrumental in the development and growth of Croda, always nurturing a culture of transformation. I have hugely appreciated his diligence, intellect and thoughtful approach, particularly his contribution to Board debate. On behalf of the Board and all my Croda colleagues, I would like to thank Jez for his outstanding contribution over the last eight years, and wish him the very best for the future.

I am delighted that we have been able to appoint Louisa as Jez's successor. She has an exceptional ten-year track record as a CFO of listed companies, with valuable experience both in speciality chemicals and the broader manufacturing sector. This includes four years as CFO of Meggitt, before it was acquired by Parker-Hannifin in September 2022, and five years as CFO of Victrex, the speciality chemicals company.

Louisa's appointment brings even greater diversity to the Board in terms of gender and ensures we continue to meet our commitment for gender balance on the Board. We also have gone beyond the requirements of the Parker Review on ethnic diversity.

In preparation for Helena's retirement, Jacqui Ferguson took over as Chair of the Remuneration Committee on 1 September 2022. This gave Jacqui a good period as Chair to prepare for the Committee's review of the Company's Remuneration Policy at the end of the year. Jacqui has been a member of the Remuneration Committee since 1 September 2018.

Nomination Committee overview

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.

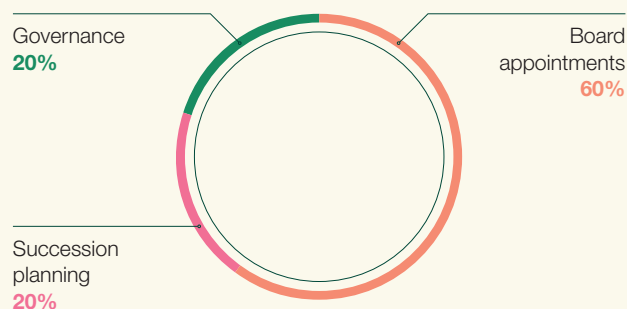
Key responsibilities

- 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 capabilities required 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 fulfil their duties.
- To make recommendations on succession planning for the Board.

Key focus areas

- Board appointments – Reviewed the updated NED skills/ experience assessment, led the recruitment process for a new CFO and commenced the search for a new Non-Executive Directors.
- Succession planning – Assessed the changes to the Executive Committee and senior leadership teams.
- Governance – Ensured compliance with key governance issues.
- The Committee's terms of reference are reviewed annually and they can be found in the governance section at www.croda.com.
- Details of attendance at the meetings during the course of the year can be found on page 88. When it is appropriate to do so members of the Executive Committee attend the meetings on request of the Chair of the Committee.

Time allocation



Helena will remain a member of the Remuneration Committee and will continue in her role as the Senior Independent Director until her retirement from the Board, at which time Jacqui Ferguson will succeed Helena as Senior Independent Director.

John Ramsay's and my own appointment were considered by the Committee. John's term was extended by three years, having completed his first three-year term. My term of office was extended by another year in line with the Nomination Committee policy that once a Non-Executive Director has served six years, any extension to their term would be on a year by year basis.

Our Group HR Director, Tracy Sheedy, will also retire from the Executive Committee and the Company at the end of April after six years in the role. Tracy's successor, Michelle Lydon, was appointed on 1 January 2023 and joined the Executive Committee. She will take over from Tracy as President Human Resources in mid-March. Michelle is an experienced HR leader, having recently been Chief People Officer for British Airways and before that QinetiQ.

During 2022, the Committee also reviewed the emergency succession planning for both the Group Chief Executive and Chair roles. Although the successor for the Group Chief Executive role

would need to be determined at the time based on the circumstances that exist, the Nomination Committee discussed Executive Committee members that would be able to take on the role on a temporary basis if Steve Foots was unavailable to perform his role. In the event I was unavailable to perform my role as Chair, the expectation would be that the Senior Independent Director would take on the Chair responsibilities.

Diversity and inclusion

Having a diverse and talented group of people at all levels of Croda is essential for delivering success. The Board supports the recommendations of the FTSE Women Leaders Review and the Parker Review in relation to gender and ethnic diversity. I am pleased to report that we have now achieved a position of gender balance on the Board as well as female Directors as Chair, Senior Independent Director and, with the appointment of Louisa Burdett, Chief Financial Officer.

The gender balance on the Executive Committee and senior management teams (direct reports to the Executive Committee) by 31 December 2022 stood at 38% female. We continued to increase the diversity of our leaders below Board and Executive Committee level. 29% of our top 55 employees are female, with the top 55 made up of employees across 11 nationalities.

Corporate governance continued

Report of the Nomination Committee continued

There continues to be work to do to create further diversity and in the gender balance in the underlying management teams and this will take a number of years to achieve.

Further information on our current people initiatives including diversity and inclusion and our ambitions in these areas can be found on pages 20 and 21. The Committee and the Board receives updates from the Group HR Director on these activities throughout the year. Members of the senior management team and potential future leaders are given the opportunity to present to the Board whenever the opportunity arises. Also, Board members are invited to attend feedback sessions with the Group D&I Committee and regional D&I committee members on an annual basis. Topics have included LGBTQ, Black and ethnic minority inclusion at Croda, where passionate speakers talk about their lived experience in order to create awareness and shape onward discussions.

A copy of our Board Diversity Policy, which is regularly reviewed by the Board, is available in the corporate governance section at www.croda.com. The Board has committed to meeting or exceeding the target set by the FTSE Women Leaders Review and the Parker Review. For more information on our Board see the Directors' biographies on pages 72 and 73.

Other activities of the Committee

The Committee reviewed the time commitment of the Non-Executive Directors. This is assessed before appointment and on an annual basis. The Committee 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 the 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.

The annual Committee evaluation was conducted using an online questionnaire from Lintstock tailored to Croda's activities and current concerns to consider the Committee's operations, oversight and progress during the year. The evaluation confirmed that the Committee continued to be well led and excellent progress had been made with the Board appointments during the year.

I will have served my nine years on the Board and as Chair in April 2024 and the Committee has started to consider the process to find my successor. As Senior Independent Director, Helena Ganczakowski chairs the Committee for all discussions concerning the search for my successor, and is working closely with our Group Chief Executive and Company Secretary to identify suitable search firms to work on the search. A specification will be drawn up with contributions from each member of the Committee and the search will commence during 2023.



Dame Anita Frew DBE, Chair of the Nomination Committee

Defining the criteria for our new Chief Financial Officer (CFO)

The Nomination Committee spent considerable time scoping the requirements for the new CFO to replace Jez Maiden.

Having selected Egon Zehnder (EZ) as the firm to lead the search, members of the Committee worked with EZ to develop and then fine tune the specification/brief to ensure EZ had a clear understanding of the cultural aspects of the search, the key challenges and priorities for the CFO and the personal skills and qualities needed. EZ has no connection with the Company or any individual Director.

Key challenges and priorities – The CFO is a trusted and strategic partner to the Group Chief Executive, a key member of the Executive team and the Board, and leads our engagement with the investor community alongside the Group Chief Executive. It was essential to find someone who could continue with and build upon the work Jez Maiden had undertaken in building a world class, future proof finance function backed by top diverse talent, digital technology and strong processes.

Personal characteristics – The Croda culture is a significant competitive advantage, so as well as finding candidates with the key critical skills and experience, the CFO needed to identify with and live our corporate values and Purpose, individually, and as part of the leadership team. The Committee looked for candidates with humility, authenticity, an inclusive leadership style and a natural team player, and that thrive in a nimble, entrepreneurial and fast-moving business, who would bring a continuous improvement mind-set that is appropriate for Croda's stage of development and aspirations as well having positive energy and a 'can do' attitude.

Skills and experience – The critical skills and experience that the Committee specified for the search included, amongst other things, being a well-rounded finance leader of a complex, global business with a dispersed customer and operational/manufacturing footprint, and experience in innovation led, growth oriented (organic and inorganic) settings. The ability to inspire, motivate and empower high performing diverse teams was critical, as was establishing a collaborative culture within Croda to help shape corporate strategy for further growth.

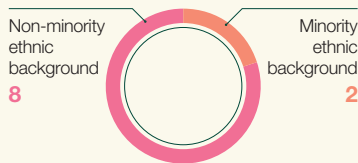
Diversity – Broad diversity was a key consideration for the search. To meet the Commitment target set for gender balance in senior decision making roles, our search firm was required to bring forward a balanced longlist of candidates.

Board and Group diversity

As at 31 December 2022

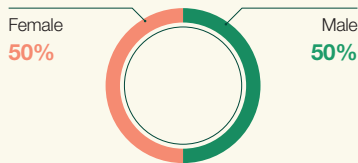
Board balance

Ethnic diversity



Gender balance

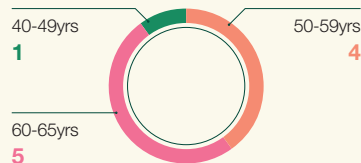
Board of Directors



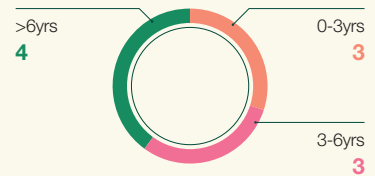
Non-Executive Directors' tenure

The Committee reviews the tenure and succession plans for the Non-Executive Directors annually. The focus in 2023 will be on the succession for Anita Frew as Chair of the Board and to continue our search for a Non-Executive Director to replace Helena Ganczakowski.

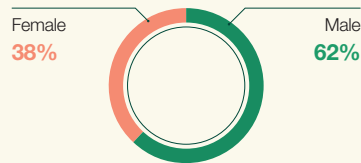
Age



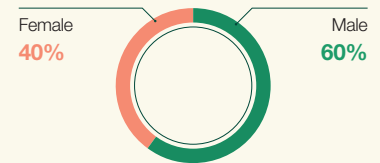
Tenure



Senior management

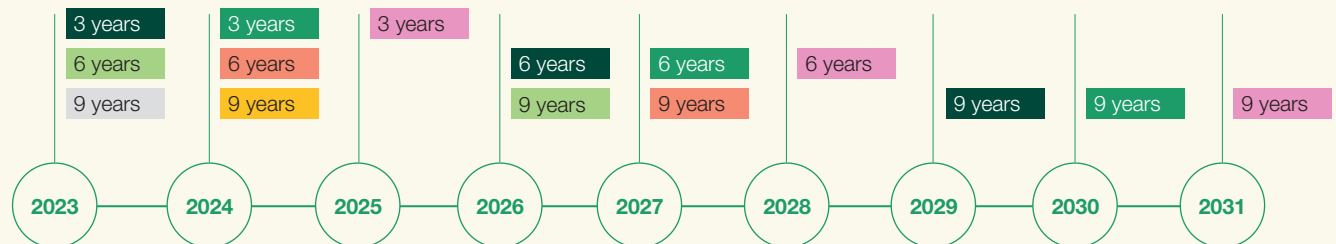


All employees



Key

John Ramsay	Anita Frew
Julie Kim	Jacqui Ferguson
Keith Layden	Roberto Cirillo
Helena Ganczakowski	Nawal Ouzren



Board skills and experience assessment

The assessment below is an analysis of the collective skills and experiences of the Directors, assuming Helena Ganczakowski is no longer a Director.

General – skills/experience required from the majority of FTSE 100 Boards

Strategy	✓✓✓
Governance and Risk	✓✓✓
Remuneration	✓✓✓
Finance/accounting	✓✓✓

Croda – skills/experience required from the majority of global speciality chemical company Boards

SHE	✓✓✓
Operations	✓✓✓
Sustainability	✓✓
International and emerging markets	✓✓✓
Emerging markets ('in country' living and working experience)	✓✓
Experience as a CEO	✓✓✓
M&A	✓✓✓

Croda – skills/experience required from Croda's Board

Consumer Care (Personal Care and F&F)	✓✓
Life Sciences	✓✓✓
Marketing	✓✓✓
Digital	✓✓✓
Innovation	✓✓
Technical (including Biotech)	✓✓✓

Key:

- ✓✓✓ the Board has the appropriate amount of skill/experience in this area
- ✓✓ the Board would benefit from additional skill/experience in this area
- ✓ the Board does not have the required skill/experience in this area

Corporate governance continued

Report of the Audit Committee

for the year ended 31 December 2022



John Ramsay, Chair of the Audit Committee

“The dedication and commitment from the Croda executive management team, the audit teams and Croda employees has once again delivered high quality and robust audit processes.”



Detailed responsibilities are set out in the Committee's Terms of Reference which are reviewed regularly. They can be found in the governance section at [Croda.com](https://www.croda.com)



For details of meeting attendance during the course of the year
See page 88



For details of the key focus areas for 2023
See page 99

Dear fellow shareholder

Report of the Audit Committee for the year ended 31 December 2022

I am pleased to present the Audit Committee report for the year ended 31 December 2022. This report provides shareholders with an overview of the work undertaken by the Committee and the key areas considered when discharging its responsibilities and providing assurance on the integrity of the Annual Report and financial statements for the year ended 31 December 2022.

As the restrictions surrounding the pandemic eased, the Committee has thankfully been able to meet in person during the year rather than by video conference as was the case through much of the COVID-19 pandemic. Similarly the external audit and internal audit teams were largely able to revert to physical presence at audits. I received regular updates from the Group Finance Director, the wider global finance team, the Lead Audit Partner and the VP Risk and Assurance. The dedication and commitment from the Croda executive management team, the audit teams and Croda employees has once again delivered high quality and robust audit processes.

The Board including myself spent a considerable time in the search for our new Chief Financial Officer, Louisa Burdett who joined the Board on 1 January 2023. A critical role of the Audit Committee Chair is to develop a strong, professional, healthy relationship with the Chief Financial Officer, developing mutual trust in the relationship to ensure constructive challenge in support of highly effective internal controls and injecting objectivity into the Company's financial disclosures. I have built an excellent working relationship with Jez Maiden, and on behalf of the Committee I wish to thank him for his professional and highly valued contribution to Croda and to the work of the Committee. I am looking forward to building the same relationship with Louisa.

Having served 14 years as VP Risk and Assurance and over 16 years as an employee of Croda, Hazel Whitaker retired from her role in August 2022. On behalf of the Committee and the Board, I wish to thank Hazel for her commitment and contribution to Croda and her support to the Committee. Eduardo Pelloia assumed the role of VP Risk and Assurance. Eduardo has worked at Croda for 7 years and was formerly the Finance Director for our Latam region.

Committee membership and attendance

The Committee at the end of the year comprised of six independent Non-Executive Directors. The experience of each Board member is outlined on pages 72 and 73. The Board considers all members of the Audit Committee have the appropriate and relevant level of experience in financial matters as well as a diverse and broad range of competence relevant to the sector focus and the future strategic direction of the Group.

These skills and my own experience of over 30 years in international finance and extensive experience as an audit committee chair provide the Board with assurance that the Committee has the appropriate skills and breadth and depth of experience to ensure that it can be fully effective. It also meets the Code requirement that at least one member has significant, recent and relevant financial experience.

Audit Committee overview

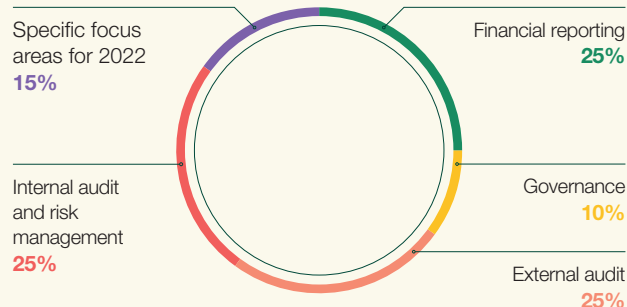
Responsibilities

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.

Time allocation



Specific focus areas in 2022

- Maintain focus on cyber security and the delivery of projects identified in the 2021 information security strategy.
- Monitor progress in the development of processes and controls over the reporting of non-financial KPIs, particularly relating to sustainability.
- Monitor the impact of major business change programmes on Croda's risk and control environment.
- Review management's oversight and monitoring of quality controls within the health care sector.



See page 99 for progress on these areas.

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

The Committee met on six occasions during the year and has met twice since the financial year end. The meetings were held in advance of the Board where I provided a report of the key matters that were discussed and any emerging areas that may require additional focus. A programme of business is agreed at the start of the year and it is reviewed and updated to ensure any emerging areas identified are considered.

To ensure the work of the Committee remains focused on the key and emerging issues, I regularly meet and speak separately with the Group Finance Director, the Group Financial Controller, the VP Risk and Assurance and the internal and external auditors. Meetings without the Executive Directors present are also held with the internal and external auditors to facilitate open dialogue and assurance. Before each Audit Committee meeting, I also meet with the external auditors, the Group Finance Director, the Group Financial Controller and the VP Risk and Assurance to discuss control and compliance issues generally and specifically the detail of the year end and half year results, accounting judgements and disclosures. This helps me to ensure there is a shared understanding of the key issues, technical matters and judgements and to make sure sufficient time is devoted to them at the meetings.

Committee activity in 2022

The Committee's core activities, as well as the additional focus areas, and an estimate of the proportion of time spent on them, are:

Financial reporting (25%)

The Committee:

- Monitored the Group's financial statements and results announcements, including the Annual Report and the interim statement, and with support from the external auditors, reviewed those items in the Group's financial statements that were material to our reporting. The Committee challenged management on the statements and was satisfied with the explanations provided. Consideration was given to the appropriateness of accounting policies, critical accounting judgements and key sources of estimation of uncertainty. Recommendations were made to the Board supporting the half and full-year accounts and financial statements.
- Reviewed the Group's external reporting framework and use of Alternative Performance Measures (APMs) to assess ongoing appropriateness. The Committee was satisfied that the APMs reviewed were consistent with market practice of both the peer group and wider FTSE 100 companies, and that disclosure and reconciliation to statutory measures were appropriate.
- Reviewed consideration given by management relating to various FRC thematic reviews and guidance for financial reporting.
- Assessed the impairment testing reviews on goodwill balances on the Group's balance sheet and was satisfied with the output of the reviews which included an impairment of the Flavours cash generating unit covered under significant financial statement reporting items. In conjunction with the Board, reviewed the financial modelling and stress testing conducted for the going concern assessment. A recommendation was made to the Board to support the going concern statement. Further information can be found on page 164.

Corporate governance continued

Report of the Audit Committee continued

- Reviewed the viability assessment process undertaken in support of the long-term viability statement, based on plausible scenarios (including different combinations of scenarios) arising from key risks and their impact on headroom and debt covenants. The Committee challenged the assumptions and calculations in the modelling and scenarios, noting the effect they would have during the viability period and were satisfied that they were robust and well thought through. Further information can be found on page 59.
- Undertook regular reviews of the Group's litigation. The Committee receives reports twice a year from the Group General Counsel and Company Secretary and was satisfied with the approach to provisioning and disclosure.
- Reviewed the accounting treatment of the divestment of the majority of the PTIC business.

Governance (10%)

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 and fraud policies and were satisfied with the outcome, including follow-up actions. The Committee also reviewed a summary of the controls in place to mitigate the risk of fraud in the Group. The Committee was satisfied that the ethics and fraud programmes were effective. Further work on fraud risk assessment will take place during 2023 in preparation for the Directors' fraud statement, which is a planned disclosure under the UK Government's proposed corporate reforms.
- Undertook an external evaluation of the Committee's effectiveness. Information on the evaluation process can be found on page 100. The results of the review concluded that the Committee continued to be effective.
- Reviewed the Committee's terms of reference and confirmed that the role and responsibilities of the Committee are aligned with the 2018 UK Corporate Governance Code. No changes were made during the year.
- Undertook its annual legal and compliance review of the corporate governance and regulatory requirements of the Committee, concluding that it was in full compliance with the 2018 UK Corporate Governance Code and other corporate governance requirements.
- Completed its annual review of the Group's tax compliance policy and risks relating thereto. No significant updates were required. The policy is available at www.croda.com.

The Committee spent considerable time during the year focusing on and assessing the expected impact of the UK Government's proposed corporate reforms on Croda, including the future requirement to provide a statement on the effectiveness of internal control systems and the proposals to publish a resilience statement in the Annual Report. The Committee agreed an indicative timeline outlining the planned actions for meeting such requirements, building this within the agenda programme for the year. While the Government has not yet formalised the proposed reforms the Committee is keen that the Company is aligned with emerging best practice so this will be a focus area for the Committee in 2023.

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 in terms of coverage, the materiality level and the de minimis reporting threshold; the co-ordination of external audits; and the key members of the engagement team. The Committee monitored the progress made by the statutory audit team against the agreed plan and discussed issues as they arose.
- Discussed and approved the increase to the external audit fee. The Committee was concerned about the level of fee increase proposed and challenged the auditor before agreeing to a 45% increase over two years, whilst ensuring that the external audit was delivered effectively. The reasons given by the auditor for the increase were inflation in professional staff salaries, increased regulation and expansion in the scope of the audit. Information on the audit fees can be found in note 3 on page 174.
- Directed the auditor to ensure sufficient focus on areas of particular concern to the Committee (eg the impact of the PTIC divestment and separation).
- Reviewed in-depth a range of indicators to judge the overall audit quality as described in the auditor effectiveness considerations on page 100.
- Met with the auditor without management present. The Committee considered the auditor's views. There were no significant issues to report.
- Considered the independence and objectivity of the auditor. The Committee confirmed the independence of the auditor as further described on page 101.
- Considered the effectiveness of the external audit process, concluding that the audit was effective (see page 100) and a recommendation was made to the Board on the re-appointment of KPMG as auditor at the 2023 AGM.

Internal audit and risk management (25%)

The Committee:

- Reviewed the internal audit planning approach and its link to the Company strategy, reviewed reports on the work of the internal audit function from the VP Risk and Assurance and monitored compliance with the Group risk assurance programme. The Committee approved the internal audit plan and the implementation of any resulting actions by management.
- Discussed the results of the 2022 controls assurance internal audits delivered by our co-source partner, PwC. The Committee considered the adequacy of management's response to matters raised and the timeliness in resolving such matters.
- Discussed sustainability related non-financial KPIs and how the Audit Committee and the Board could obtain visibility about the processes and systems that underlie the KPI calculations. For more information see page 99.
- Received assessments of several significant capital expenditure projects against the Group's project guidelines, following up on areas requiring attention by the project teams as the projects progressed. For more information see page 99.
- Received updates on the IT control environment, following the specific control improvements delivered in 2021.

- The Committee spent time reviewing the speed at which internal audit action items were completed and closed to ensure management was focused on overdue audit actions. The Committee requested that the internal audit team continued to monitor the completion rate.
- Assisted the Board in its assessment of the Group's emerging and principal risks. The Committee assessed the results of the 2022 risk assurance activity carried out by internal audit and considered any additional key risks as a result of acquisitions during the year.
- Continued focus on implementation of the information security programme agreed in 2021, including inviting the recently appointed Chief Information Officer to present to the Committee to discuss strengths, weaknesses and action plans as well as the findings of third party audits. The Committee reviewed the resource and pace of implementing the programme and will receive quarterly updates, including progress against agreed KPIs. For more information see the table below.
- Reviewed and approved the 2023 internal audit plan and scope of the peer reviews.
- Met with the internal auditors without management present. There were no significant issues identified.
- Conducted its annual review of the effectiveness of the Group's internal audit function. The Committee concluded that the internal audit team, supported by PwC resource was effective.
- The Committee received a presentation on the roll out of the global finance standardisation project, which had realised significant improvements in the application of cost accounting across the Group. The project had enhanced the business' ability to analyse profitability at product level to support commercial decision making. It had also allowed the carbon impact of the Group's products to be assessed and would assist the business in reviewing the impact of its product portfolio and aid the reduction of carbon.

Specific focus areas for 2022 (15%)

In addition to our core work, as set out in our terms of reference, we noted four specific focus areas for 2022, which absorbed the balance of the Committee's time.

Specific focus area	Actions during the year	Progress
Maintain focus on cyber security and the delivery of projects identified in the 2021 information security strategy	<p>Focus was given to the execution of 12 strategic initiatives agreed at the November 2021 Audit Committee meeting.</p> <p>Two external third party assessments were conducted to evaluate the information security maturity level and help identify strengths and weakness versus benchmarks. Both studies reconfirmed the existence of strong controls in several areas while highlighting gap areas already identified.</p> <p>Group Risk and Assurance conducted a risk review around IT asset management and third party supplier risk management, with an action plan agreed to address the gap areas.</p>	Ongoing – will remain a focus for 2023
Monitor progress in the development of processes and controls over the reporting of non-financial KPIs, particularly relating to sustainability	<p>Group Risk and Assurance completed an advisory project with the Group Sustainability team around the design of processes and controls to address risks associated with the reporting of non-financial KPIs.</p> <p>The Committee received regular updates, including from the Group Sustainability team.</p> <p>The Company's 2021 Annual Report was included in the FRC's sample for its thematic review covering TCFD disclosures and climate in the financial statements. The FRC did not have any questions or queries following their review. The FRC provides no assurance that the annual report and accounts are correct in all material respects. The FRC's role is to consider compliance with reporting requirements, not to verify the information provided. The FRC accepts no liability for reliance on this review by the company or any third party, including but not limited to investors and shareholders.</p>	Completed – will now move to business as usual
Monitor the impact of major business change programmes on Croda's risk and control environment	<p>Internal audit performed two reviews of major capex projects, with assessments against the Group's project guidelines.</p> <p>A detailed end to end assessment of our business processes was undertaken by a third party, with findings discussed. One of the key steps taken was to create a set of Global Business Process Owners.</p> <p>Group Risk and Assurance was regularly updated on plans and progress by the Business Transformation Director, with updates provided to the Committee.</p>	Ongoing – will remain a focus for 2023
Review management's oversight and monitoring of quality controls within the health care sector	<p>Group Risk and Assurance oversaw the integration of Avanti into the Croda risk framework, which now provides visibility over the risk register of all dedicated Pharma sites. PwC started work on a quality management system (QMS) maturity assessment specifically around pharmaceutical quality requirements, including GMP systems, with the objective to highlight key risks and gaps with the current structure and build a roadmap to further develop and improve Croda's Pharma QMS.</p>	Ongoing – will remain a focus for 2023

Corporate governance continued

Report of the Audit Committee continued

Looking ahead to 2023

In addition to our core business, the Committee has identified four focus areas for 2023. We will:

- Maintain focus on cyber security and the delivery of projects identified in the information security strategy
- Maintain focus on monitoring the impact of major business change programmes on Croda's risk and control environment
- Monitor progress of control framework changes resulting from UK corporate reform
- Review management's oversight and monitoring of quality controls within the Pharma business

Internal audit and risk management

I met with the VP Risk and Assurance several times during the year outside of the formal meetings to discuss the performance and output of the internal audit function and aspects of risk management. The VP Risk and Assurance attended each Committee meeting and presented an internal audit report that was fully reviewed and discussed, highlighting any major deviations from the annual plan agreed with the Committee. I also participated in the selection of a new VP Risk and Assurance from within the business.

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 divergences arising in the future.

In January, the Committee conducted its annual review of the internal audit function, including its approach to audit planning and risk assessment, communication within the business and with the Committee and its relationship with the external auditors. Senior management feedback from sites, included in the 2022 audit programme, is gathered by questionnaire to support this process. Details on how the business monitors risk and how it implements its risk management framework are set out on pages 52 to 54.

Committee evaluation

The Committee performance was assessed as part of the internal annual Board evaluation process (see pages 88 and 89). The output of the evaluation was considered by the Committee in January 2023.

Overall, the evaluation concluded that the Committee was operating effectively. The overall performance of the Audit Committee and that of the Committee Chair were both highly rated. The Committee's use of time was highly commended, with meetings being well run with appropriate time allowed for more in-depth discussion when required. Agenda coverage through the year was seen as full and appropriate. Committee members were well prepared for meetings, engendering informed discussions and constructive debate.

The Committee's effectiveness at assessing the system of internal controls was rated positively, including its regular review of general computer controls. Relationships between the Committee and Croda

management were considered very effective with the Audit Committee providing both support and challenge. The relationship with KPMG's lead audit partner also received good ratings.

The review highlighted the need for further focus on cyber and the execution of the cyber programme as well as to continue its focus on the UK corporate reforms and non-financial reporting. Four focus areas for 2023 were identified and these are summarised above.

External auditor's 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 and the additional insights provided by the audit team, particularly at partner level. It took account of the views of the Group Finance Director and Group Financial Controller, who had discussed subsidiary component audits with local audit partners, to gauge the quality of the team and knowledge and understanding of the business. The Committee also considered how well the auditor assessed key accounting and audit judgements and the way it applied constructive challenge and professional scepticism in dealing with management.

The Committee 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 audit. The questionnaire covered:

- Structure of the external audit team and their quality and approach.
- The planning, delivery and execution of the audit.
- The effectiveness of their reporting.
- Effectiveness of communications between management and the audit team.
- Robustness of the audit, including the independence of the external audit team and their ability to challenge management as well as demonstrate professional scepticism and independence.
- The external audit team's judgement.

Scores were compared with previous years to understand trends and highlight areas of improvement. The independence, team size, seniority and expertise of the external audit team continued to be assessed positively. Examples included that the senior team had dealt with complex issues as they came up and were helpful in providing feedback on technical accounting and disclosure issues. Regional close-out meetings had been succinct and clear. Minor improvement areas were noted, which included the need for clearer upfront planning and effective communication on progress in some areas.

The Committee also reviewed a report produced by KPMG that summarised the internal measures that KPMG used to assess audit quality as well as responses to thematic areas identified by the FRC that were relevant to the Croda audit.

There were several quality interventions that attributed to the overall audit quality and ensured independent challenge. These included the use of specialists, audit consultations, a technical review, a second line inflight review and finally an independent audit partner review.

External auditor's independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditor, KPMG, 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 permitted and prohibited non-audit services and the controls over assignments awarded to the external auditor to ensure that audit independence is not compromised and the provision of such services does not impair the external auditor's objectivity.

During 2023, it was identified that certain KPMG member firms had provided preparation of local GAAP financial statement services and in some cases, foreign language translation of those financial statements, over the period 2019 to 2022. No entities with these services were in scope for the group audit. No entities with word processing services were in scope for the group audit. The services, which have been terminated, were administrative in nature and did not involve any management decision-making or bookkeeping. The work was undertaken after the group audit opinion was signed by KPMG for each of the impacted financial years and had no direct or indirect effect on the Group's consolidated financial statements. In the Committee's view, based on their assessment of the breach, KPMG's integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of these services would not impair KPMG's integrity or objectivity for any of the impacted financial years.

In 2022, non-audit fees were £0.2m, significantly less than the total audit fees of £2.4m; 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 auditor can be employed by the Company. No changes were made. The Committee also reviewed and accepted KPMG's independence letter which annually confirms their independence and compliance with the FRC's ethical standard. In conclusion, the Committee agreed that KPMG were independent.

Croda is in compliance with the Statutory Audit Services Order 2014. We undertook an audit tender in 2017 and the Board appointed KPMG as external auditor, with Chris Heald as the Lead Audit Partner. The first year to be audited by KPMG was the year ended 31 December 2018. Subject to the continued quality and effectiveness of the current auditor, we plan to re-tender ahead of a 2028 appointment. Following an organisational change in KPMG, Chris Heald stepped down as Lead Audit Partner following the 2021 AGM and was succeeded by Ian Griffiths.

External auditor reappointment

As noted above, the Committee recommended to the Board that KPMG be offered for re-election at the forthcoming AGM. I will be available at the shareholder engagement event to respond to any questions shareholders may raise on the Committee's activities in the year.



John Ramsay, Chair of the Audit Committee

Significant financial statement reporting items

The Committee, with support from the external auditor, reviewed those items in the Group's and Parent Company's financial statements that have the potential to significantly impact reporting. These are set out below.

Impact of the divestment of the majority of PTIC: On 30 June 2022, the Group divested the majority of its PTIC businesses to Cargill for gross proceeds of €775m (£665m), subject to customary adjustments for separation costs and cash/debt-like items. This divestment excluded the potential sale of Croda Sipo in China in which we have a 65% shareholding. The Group has recognised a profit before tax on the disposal of £356.0m, with the Parent Company recognising a profit before tax on disposal of £6.5m. The Committee assessed the key accounting considerations, and after challenge, was satisfied that the disposal group did not meet the requirements to be classified as a discontinued operation.

Goodwill impairment: The strategy of the Group includes acquiring new technologies and businesses operating in adjacent markets. As a result, goodwill represents a significant asset value on the balance sheet of £844.6m out of total net assets of £2,431.1m at 31 December 2022.

The Committee completed its annual impairment review of the carrying value of goodwill, as prepared by management, including the detailed sensitivity analysis to a number of underlying assumptions, including the current macroeconomic outlook and the broader consequences on the markets in which the Group operates.

The Committee assessed the methodologies used and the adequacy of the management disclosures. Particular attention was given to the Flavours cash generating unit's value in use model, which demonstrated a £34.6m impairment versus its carrying value as lower forecast sales and margin have reduced its future value projection. The Committee reviewed the methodology adopted to evaluate the risk of goodwill impairment. After challenge, the Committee was satisfied that the assumptions were reasonable and that no other impairments were necessary; however, enhanced disclosure was agreed to be appropriate for the Flavours cash generating unit, given the sensitivity of the calculations to certain assumptions.

Pensions: The Committee monitored the Group's pension arrangements, in particular the funding of the defined benefit plan in the UK, which are sensitive to assumptions made in respect of discount rates, salary increases and inflation.

The Group engages external actuarial specialists. The Committee reviewed the actuarial assumptions used and compared them with those used by other companies. The external auditors also challenged the benchmark assumptions applied and conducted sensitivity analysis. Following their review, the Committee found the assumptions to be reasonable.

Parent Company's carrying value of investments in subsidiaries and intercompany receivables: The Committee reviewed the risks around the carrying amount of the parent Company's investments in subsidiaries and intercompany debtors, which had previously been disclosed as a significant reporting item. However, the relative significance of this matter has reduced in the current period due to the disposal of PTIC businesses and therefore it was concluded that separate consideration was no longer required.

Remuneration Report

Report of the Remuneration Committee

for the year ended 31 December 2022



Jacqui Ferguson, Chair of the Remuneration Committee

“This year’s Policy review has given us the opportunity to engage with shareholders and to refresh our policy and its application to enable Croda’s strategy and ambition.”

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A. Chair’s letter

On behalf of the Board and the Remuneration Committee, I am pleased to present Croda’s Directors’ Remuneration Report for the year ended 31 December 2022. This is my first report as Chair, having been a member of the Remuneration Committee for four years. I would like to thank Dr Helena Ganczakowski for her work and significant contribution as Committee Chair prior to my appointment.

The Committee believes that Croda’s remuneration approach plays a key role in the continued achievement of the Group’s strategic objectives and in the delivery of sustainable, profitable growth. We last reviewed and updated our policy to ensure ongoing alignment to Croda’s evolving ambition in 2020 and received 97.6% votes in favour. Last year we were pleased to receive 95.0% votes in favour of the 2021 Remuneration Report.

This year’s Policy review has given us the opportunity to engage with shareholders and to refresh our policy and its application to enable Croda’s strategy and ambition. We are grateful to shareholders who gave their time as part of the consultation, and we adapted our proposals as a result of feedback received.

Throughout the review we have also been mindful of new governance expectations, shareholder sentiment, and the changing dynamics of our workforce including the cost-of-living crisis and the impact this has on our workforce. The Committee is keen to ensure our remuneration approach reflects the developing needs of all our stakeholders.

Remuneration Policy review

Since the approval of the current Directors’ Remuneration Policy in 2020, Croda has grown and is now a constituent of the FTSE 50 (with c.£2.6bn of shareholder value created over the last three years).

In line with our strategy to transition to a pure play Consumer Care and Life Sciences business, Croda has recently concluded the divestment of the majority of our Performance Technologies and Industrial Chemicals (PTIC) businesses. Croda will continue to focus on consistently delivering sustainable, profitable growth by providing innovative, sustainable solutions to our customers, consistent with our Purpose: Smart science to improve lives™. Future growth will be driven principally through organic investment and through acquisition.

Our focus on Consumer Care and Life Sciences means that our leaders will be managing an increasingly complex and international business and these changes will impact the nature of talent required across our organisation.

Therefore, the focus of the Remuneration Policy review was to ensure that the existing remuneration framework and its implementation remained aligned to the business strategy and the evolving scope and responsibilities of our leadership roles.

Our updated Policy largely reflects our need to address the implications of the significant growth of the Company, the growing complexity of the business and the level of sector competitiveness to ensure we can continue to attract and retain the best talent.

In summary, we are proposing quantum increases to both the Group Profit Incentive Bonus Scheme (senior annual Bonus Plan) and Performance Share Plan (PSP), although opportunity levels remain modest in comparison to our peers, along with the introduction of an ESG metric into the senior annual Bonus Plan reflective of shareholder feedback and our strategic priorities. We also propose to increase shareholding guidelines and, in response to shareholder feedback, to increase our post-employment shareholding requirement.

In developing our Remuneration Policy, we undertook a significant consultation exercise and we are grateful that most of our top 20 shareholders gave their time to discuss and provide advice on our proposals. Others provided a written response. We also consulted with proxy agencies and took account of their views. In total we invited c.60% of our shareholder base to take part in the consultation exercise and directly engaged through video calls with approximately 31% of our shareholder base. We adjusted our proposals as a result of feedback during the consultation process as outlined further below.

Summary of proposals

Increase to the senior annual Bonus Plan and PSP maximum incentives – Against the background of strong business performance, increased complexity and evolving talent needs, we are proposing an increase to incentives for both Executive Directors.

While our approach to remuneration has never been driven by benchmarking, our view is that this proposed increase in incentive opportunity is aligned to shareholder interests to support the next phase of the Group's strategic development. The benchmarking suggested that it was the senior annual Bonus Plan opportunity in particular which has fallen significantly below market for a company of our size and there was a case for an increase. However, we were keen to continue with an incentive structure heavily weighted to the long-term.

The proposal is an increase to the maximum annual bonus of 25% of base salary and an increase to the maximum PSP of 25% of base salary. The resulting incentive levels (set out on page 108) will continue to be modest against the market.

Shareholding guidelines – We are increasing the shareholding guidelines so that they are in line with the increased PSP opportunity, meaning a shareholding guideline of 250% of salary for the Group Chief Executive and 200% of salary for the Chief Financial Officer.

Post-employment shareholding – The time horizon for post-employment shareholding will be extended to apply in full over the two years, rather than operating on a tapered basis during this period.

Recruitment headroom – We are proposing additional annual bonus headroom (maximum 200% of salary) in the Policy which would only be permitted to be used in exceptional circumstances of recruitment.

The above are the key structural changes to our Remuneration Policy. Our review also included consideration of our overall performance framework and as a result of this review we are also proposing some changes to the implementation of our Policy.

Performance measures for the senior annual Bonus Plan

Currently our senior annual Bonus Plan is based 100% on profit performance with no bonus payable until the previous year's profit is exceeded. Prior to the review we had received feedback from some shareholders that they would like to see additional measures introduced.

Following our review we concluded that, given the increased complexity of the business, as well as the proposed increase in annual bonus levels, it would be appropriate to introduce another measure in order to better reflect overall performance for all our stakeholders.

We are therefore introducing an ESG measure into the senior annual Bonus Plan performance framework weighted at 10%. We anticipate that the ESG measure will vary each year adapting to our evolving priorities in this area. In 2023 we will focus on safety which is identified as a current strategic priority taking into account our evolving capacity expansion. In addition, we have also strengthened the safety underpin which applies to the senior annual Bonus Plan.

Flexibility in target setting framework – Our senior annual Bonus Plan profit target has also been set using a consistent and distinctive framework, focused on sustainable year-on-year growth rather than a range around the annual budget and we intend to continue with this approach. We propose to introduce additional flexibility into the target setting framework taking into account the potential for increased volatility in profits which may arise from time to time (for example, as seen in the COVID-19 vaccine contract) and therefore avoiding disincentivising over performance.

Response to shareholder consultation

Most shareholders we engaged with appeared comfortable with our proposals to increase incentive opportunity, given Croda's performance to date, our strategic ambitions and our growth trajectory since the last Policy review. Shareholders also recognised that the incentive opportunities continued to be modest against the market.

The increases to shareholding guidelines were also welcomed, however some shareholders gave feedback that they would like to see an increase in our post-employment shareholding requirement which is currently set at 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. Responding to this feedback we will increase the requirement to 100% of the in-employment guideline for the full two years post-employment.

There were some clarifications about when the increase to additional annual bonus headroom might be used in exceptional circumstances. We have modified our proposal so that this headroom would only be available for use in the case of recruitment.

Finally, a number of shareholders expressed a desire for a specific Return On Invested Capital (ROIC) metric in either the short or long-term incentive plans. Our discretion framework does include ROIC and therefore the Committee considers the performance alongside a range of other measures before either the senior annual Bonus Plan or PSP awards are approved. However, listening to this request we have now included ROIC as a specific underpin in our PSP. In addition, ROIC remains part of the discretion framework for our senior annual Bonus Plan.

Remuneration Report continued

Performance framework for 2023

Croda's strategy continues to focus on consistently delivering sustainable, profitable growth by providing innovative, sustainable solutions to our customers consistent with our Purpose, Smart science to improve lives™, and this is directly reflected in our performance measures and stretching targets.

For 2023, the senior annual Bonus Plan will continue to be largely based on an operating profit metric. In addition, an ESG measure with a weighting of 10% is being introduced as described above.

The PSP performance framework is unchanged in substance and will continue to include Earnings Per Share (EPS) growth (35% of the award), relative Total Shareholder Return (TSR) (35% of the award) and sustainability targets (30% of the award), within which 15% will be based on our innovation metric, New and Protected Products (NPP); those products that will drive our future growth. Innovating sustainably is core to Croda's success, and we continue to focus management on the delivery of this. The remaining 15% will be focused on selected KPIs aligned to the delivery of our 'Climate Positive' and 'People Positive' sustainability commitments.

We are making some changes to the bespoke peer group against which relative TSR is measured to better reflect the strategic focus of the business following our divestment. The NPP measure has been simplified and will now focus simply on growth in NPP over the performance period. Further details are contained on page 110.

Performance is always considered holistically; each year the Committee applies a Discretion Framework to satisfy itself that the outcome in terms of primary performance metrics has not been to the detriment of other measures of corporate performance.

Consideration of wider workforce and alignment of reward across the organisation

Our approach to workforce reward is an important part of Croda's philosophy. We are particularly sensitive at this time to the impact of the cost-of-living crisis on our wider workforce. One of the principles of Croda's culture is to drive 'One Croda', and therefore many of the remuneration structures that apply to the Executive Directors already also apply further in the global organisation. Highlights of our approach to workforce pay include:

- **Our commitment to the Global Living Wage** – In 2021 Croda established a Living Wage in each of the countries in which it operates and ensured that all employees receive this as a minimum. We are now working with the Fair Wage Network to gain accreditation for our work in this area and to ensure our progress stands up to external scrutiny.
- **Sharing success across the business via our Free Share Plan and other all-employee plans** – Launched in 2021, under the Free Share Plan all employees globally who are not eligible for the senior annual Bonus Plan are gifted Croda shares (or the cash equivalent) if the senior annual Bonus Plan pays out. In May 2022, all eligible employees (c.5,150 in total) were gifted 10 Croda shares (or the cash equivalent) which at the time of the award amounted to a value of £761.

Around 81% of our UK workforce and 56% globally participate in share plans operated by the Company and therefore benefit from the rewards enjoyed by all shareholders.

- **Our CARE defined benefit pension** – This applies across our entire UK workforce and is a generous and inclusive benefit. Under the CARE pension scheme the Company bears all of the investment risk and the security for our workforce is an important part of our 'One Croda' culture. In 2022 we were due to implement planned increases to employee contributions but in light of the cost-of-living crisis these increases were not implemented. Croda now pays an average contribution of 28% of salary per employee to fund the scheme.

More recently and in direct response to the cost-of-living crisis initiatives have focused on:

- **Enhanced health and wellbeing benefits for all UK employees** – In response to the cost-of-living crisis and concerns about accessing health care we have extended private health care through BUPA to all our UK employees and their families and now offer three-year private medical assessments to all UK employees.
- **Cost-of-living actions across Croda businesses** – We have implemented a range of actions across the business to help address the cost-of-living crisis including one-off payments, improved benefits and mid-cycle annual increases. For example, in the US, we have given all employees a one-off \$1,500 bonus, which has favoured employees on lower salaries. Elsewhere, at the beginning of 2022, we made an 'across the board' 5% increase for the entire UK workforce.

In line with our 'One Croda' culture, our senior leaders all share the same performance metrics for the senior annual Bonus Plan and PSP. Around 500 employees participate in the senior annual Bonus Plan and 70 of these are also in the PSP. We believe that this focuses our leadership on working together globally to deliver the best overall outcome for our customers and, in turn, our shareholders and other stakeholders.

Our policy review extended to a wider review of our management incentives, taking into account our strategic objective of a pure play Consumer Care and Life Sciences business. As a result of our wider review, bonus potential for other employees, who are members of bonus plans, will also be increased in 2023.

Workforce engagement

Through our regular Purpose and Sustainability Commitment (PSC) survey we ask employees about their views on a range of topics. As part of the March 2022 survey, employees were asked how they feel they are valued and rewarded at Croda and the findings of this were presented to the Remuneration Committee as part of the information considered for the policy review.

Overall employees felt valued by Croda and appreciated the work we have done to extend flexible working, however, there was concern about the fairness of the overall reward package.

In response, as described above, consistent with our proposals for Executive Directors, we have also increased the maximum annual bonus opportunity for employees. We have also stepped-up salary benchmarking locally to ensure we continue to provide a competitive package to our global workforce.

In addition, myself and other members of the Board meet regularly with employees to discuss a range of issues including reward and we have a dedicated email address where employees can email me directly about any questions or concerns, they may have in relation to their own or Executive reward.

Remuneration out-turn for 2022

2022 was a record year for Croda exceeding £2 billion of sales and £500 million of adjusted operating profit. This was driven by the strength of our operating model, which enabled continued recovery of unprecedented cost inflation, and the ongoing successful implementation of our strategy.

Consumer Care achieved record sales up 18% and saw expanded sales of our sustainable technologies, increased geographic coverage in fragrances and continued profit growth. The increasing depth and diversity of our Life Sciences portfolio delivered 19% sales growth with a strong result in Crop Protection, whilst Pharma built on an exceptional 2021 performance and is developing an extensive pipeline of non-COVID applications.

Bonusable Profit, which includes profit from our divested PTIC business but with the base year adjusted to ensure like-for-like comparison and adjustment for the lipid system sales for our principal COVID-19 vaccine contract, exceeded the outcome for 2021 and the maximum pay-out target. Reassuringly the maximum pay-out target would have been met even if PTIC profits had been excluded from the calculations. The Committee used the Discretion Framework to satisfy itself that this performance was robust and sustainable by reviewing underlying performance. The Committee determined that 100% of the senior annual Bonus Plan was payable.

Croda's longer-term performance in profitable growth and TSR was also strong and reflected the long-term growth trajectory of the business. 2022 was the year in which PSP grants made in 2020 concluded their three-year period, and the Committee reviewed performance for the targets that were set at that time.

Over the period TSR performance was 45.4%, placing Croda in the top quartile against our bespoke comparator group with 100% of this part of the award vesting. Our strong profit performance led to EPS growth of 47.5% which resulted in a 100% vesting of this part of the award. EPS was adjusted for the divestment of the majority of the PTIC business. The outcome was not impacted by this adjustment.

NPP growth also met the stretching vesting target, growing by 2.24 times non-NPP sales over the period, and therefore full vesting will be achieved for this target, worth 20% of the overall award. 2020 was the first year in which we introduced sustainability targets both relating to our Climate Positive ambitions; including the development of decarbonisation roadmaps and scope 1 and 2 emissions reductions. Both targets were met, and vesting will be at maximum for these targets.

The Committee considered this, the EVA underpin, and a range of broader performance criteria using the Discretion Framework and concluded that the PSP awards were consistent with and reflective of overall financial performance over the time period. Therefore, after consideration of all factors, an overall PSP vesting of 100% of the total award was agreed.

Transition of Chief Financial Officer

Jez Maiden will retire as Group Finance Director of Croda in 2023 and will be succeeded by Louisa Burdett as Chief Financial Officer.

Louisa Burdett was appointed on a salary of £520,000 and will participate in both the senior annual Bonus Plan and PSP on the same basis as Jez Maiden. There was no sign-on bonus or buy-out.

Remuneration arrangements for Jez Maiden on his retirement were managed in line with the Remuneration Policy. As he was never a member of the Croda Pension Scheme no pension is payable. Further details are provided within this Report.

Salaries for 2023

For 2023 there will be a general increase for our UK employees of 7%. In addition a one-off supplement payment of £1,500 will be paid in two instalments in January and June 2023 to help address energy prices. The payment of a non-consolidated fixed amount has favoured employees on lower salaries. Overall, the budget for salary increases for all UK employees has increased by over 9%.

Recognising advice from our shareholders for restraint regarding Executive pay, our Executive Directors will receive an increase in salary of 4% and will not receive the one-off supplement. This increase will not apply to our newly appointed CFO who is not eligible to receive an increase until January 2024. Increases awarded to our Executive Committee are also below that of the UK workforce.

A review of the Chair fees was also undertaken and, reflecting similar principles to those applied to our Executive Directors whilst also recognising the continuing high time commitment, an increase of 4% was awarded.

Looking ahead

The proposed changes to our Remuneration Policy will be voted on by our shareholders at our 2023 AGM. As stated above we have listened to the views of our many shareholders through consultation and are hopeful they are able to support our proposals.

We remain committed to ensuring that our remuneration framework reflects the evolving needs of all of our stakeholders and the communities in which we operate.



Jacqui Ferguson, Remuneration Committee Chair

Remuneration Report continued

B. Remuneration at a glance

How we performed in 2022 – record sales and profit performance

Adjusted operating profit

+9.9% to
£515.1m

Adjusted basic EPS

+8.8% to
272.0p

NPP (constant currency)

34.7%

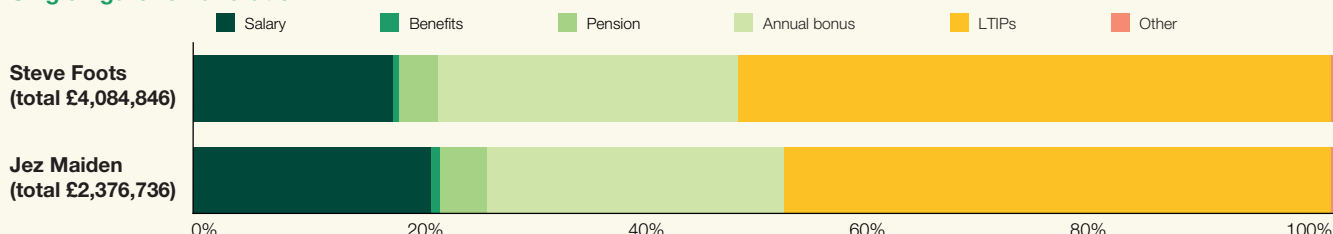
of Group sales

Total Shareholder Return

45.4%

over the three-year PSP
performance period (1 January
2020 to 31 December 2022)

Single figure remuneration:



Operation of our policy in 2022

Key component and timeline	Feature	Metrics and results	Group Chief Executive (CEO)	Group Finance Director (GFD)	
Basic salary	Competitive package to attract and retain high calibre executives.	<ul style="list-style-type: none">Pay rise of 5% awarded to Executive Directors at the start of 2022.General pay increase of 5% awarded to the wider UK workforce.	£716,457	£494,108	
Annual bonus	Incentivise delivery of strategic plan, targets set in line with Group KPIs.	Bonusable Profit (see page 111 for definition of Bonusable Profit)	£1,074,686	£617,635	
		Threshold			2021 actual
		Maximum			2021 actual plus 10%
		Actual			2021 actual plus 11.7%
		100% of maximum bonus paid			
Deferred element of bonus	Compulsory deferral of one third of bonus into shares with three-year holding period to align with long-term business performance.	N/A	Of which £358,229 is deferred	Of which £205,878 is deferred	

PSP	Incentivise execution of the business strategy over the long-term measuring profit, shareholder value, innovation and sustainability.	Vesting of the 2020 PSP award				£2,124,893	£1,139,772
			Threshold	Maximum	Actual % payout		
		EPS ¹ (35%)	5%	11%	15.8% 100%		
		TSR (35%)	Median	Upper Quartile (UQ)	94.4 percentile Above UQ 100%		
		NPP ² (20%)	NPP sales growth to be at least twice non-NPP sales.		2.24x 100%		
		Sustainability metric 1 (5%)	Development of decarbonisation roadmaps ³ , covering all Scope 1 and 2 emissions. The achievement of this target in full would be a 5% pay-out with a 2.5% pay-out for a better than 95% achievement.		All roadmaps completed 100%		
		Sustainability metric 2 (5%)	Measurable reductions in Scope 1 & 2 emissions. Target of 30,000 tonnes against adjusted 2018 baseline of 232,000 tonnes. Following the discovery of a calculation error the 2018 baseline was reduced to 208,3284 tonnes, the target remained at 30,000 tonnes (making it harder to achieve). Achievement for target in full is 5% pay-out with a 2.5% pay-out for a better than 75% achievement.		39,335 tonnes 100%		
EVA underpin – In relation to the EVA underpin which applied across the whole award, EVA in the final year of the performance period exceeded EVA in the year prior to the start of the performance period and therefore no adjustment was required.							
Total payout – 100%							
1. EPS growth p.a. is calculated on a simple average basis over the three-year period. The calculation of the EPS growth has been adjusted for the divestment of the majority of the PTIC business. The mechanics of the adjustments were independently recalculated by KPMG under agreed-upon procedures standard (ISRS 4400) (advice delivered to the Company and not constituting assurance or an opinion). The outcome was not impacted by this adjustment.							
2. Subject to a minimum average of 3% growth per year and overall positive Group profit growth.							
3. Decarbonisation Roadmap: A plan for a site, charting emissions reduction through for example, maximising use of renewable energy, novel process technologies and energy efficiency measures. The quality assessment process was validated externally by Accenture who also performed sampling to validate the outcome assessments.							
4. The revised 2018 baseline has been independently verified by Carbon Smart, as has the breakdown of emissions per site. Adjustments have been made for acquisitions and the divestment of our PTIC business.							
Pension	Pension benefits are either a capped career average defined benefit pension plan with a cash supplement above the cap, or a cash supplement. For 2022, cash allowance of up to 20% of salary, in line with the UK workforce.	N/A				£143,291	£98,822
Shareholding requirements	Share ownership guideline to ensure material personal stake in business.	<ul style="list-style-type: none">CEO – 225% of salaryGFD – 175% of salary				>225% of salary	>175% of salary

The single figure remuneration also includes all benefits. For a full breakdown of the Executive Directors' remuneration for 2022 please see page 130.

Remuneration Report continued

C. Proposed Remuneration Policy

1) Overview of the new Remuneration Policy including Executive Directors' remuneration for the year ending 31 December 2023

Our proposed Remuneration Policy will be presented to shareholders at the 2023 AGM and is intended to operate for three years until the AGM in 2026.

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

- Achieve the closest possible alignment with the Company's evolving strategy to become a pure play Consumer Care and Life Sciences business;
- Support the Company's ambition to be a purpose led organisation focused on Smart science to improve lives™ and an industry leader in sustainability;
- Ensure that business performance is appropriately measured and rewarded and that the scale of reward is proportionate;
- Make certain that the Policy properly reflects the various interests of all our stakeholders in its structure and metrics;
- Ensure that the Policy is fair and competitive and that it also considers reward more broadly in the organisation; and
- Disclose the Policy in an open and transparent way.

The evolution in the Group's strategy, following the divestment of the PTIC businesses, and the increased size and complexity of the business was a key focus for the Committee when considering changes to the Remuneration Policy. In advance of finalising the proposals an extensive shareholder consultation exercise was undertaken, as described in the letter from the Remuneration Committee Chair. Feedback received as part of this process resulted in modifications to proposals.

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

Main changes to the Remuneration Policy

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

1. Against the background of strong business performance, increased complexity and evolving talent needs, we are proposing an increase to the maximum annual bonus of 25% of base salary and an increase to the maximum PSP also of 25% of base salary.
2. Increasing shareholding guidelines in line with the increased PSP opportunity and extending post-employment shareholding requirements to apply in full over the two years, rather than on a tapered basis during this period.
3. Increasing the maximum annual bonus headroom to 200% of base salary to provide some additional flexibility but only in exceptional circumstances of recruitment.
4. Introduction of an ESG metric into the senior annual Bonus Plan to align with our strategy to be industry leaders in sustainability.

5. Introduction of additional flexibility into the senior annual Bonus Plan target setting framework taking into account the potential for increased volatility in profits which may arise from time to time (e.g. profit from our lipid system sales for our principal COVID-19 vaccine contract).

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

1. For both Executive Directors, an increase to the maximum annual bonus of 25% of base salary and an increase to the maximum PSP of 25% of base salary.

Over the last three years Croda's market capitalisation has increased from c.£6.6bn to c.£9.2bn, creating c.£2.6bn of value for shareholders, and we are now a FTSE 50 company. We have also become an increasingly complex and international business. Against that background we are proposing increases to our incentives.

While our approach to remuneration has never been driven by benchmarking, our view is that this proposed increase in incentive opportunity is aligned to shareholder interests to support the next phase of the Group's strategic development.

		Current	Proposed
Annual bonus	CEO	150%	175%
	CFO	125%	150%
PSP	CEO	225%	250%
	CFO	175%	200%

The benchmarking, undertaken as part of the Remuneration Policy review process, suggested that it was the annual bonus opportunity in particular which has fallen significantly below market for a company of our size and there was case for an increase to annual bonus opportunity. However, we were keen to continue with an incentive structure heavily weighted to the long-term. For this reason, we are proposing that our annual bonus is increased relatively modestly (+25% of base salary), but that PSP is also increased (+25% of base salary). The resultant incentive levels continue to be relatively conservative against the benchmarks.

2. Increasing shareholding guidelines in line with the increased PSP opportunity and extending post-employment shareholding requirements to apply in full over the two years, rather than on a tapered basis during this period.

Shareholding guidelines will continue to be set in line with 'normal' PSP awards; in line with the proposal above, levels for 2023 would increase:

	Current shareholding requirements	New shareholding requirements
CEO	225%	250%
CFO	175%	200%

We also propose to extend the **post-employment shareholding requirements**, requiring Executive Directors to retain 100% of the shareholding guideline for two years after leaving the Company.

3. Increasing the maximum annual bonus headroom to 200% of base salary to provide some additional flexibility but only in exceptional circumstances of recruitment.

We are proposing additional annual bonus headroom (maximum 200% of salary) in the Policy which would only be permitted to be used in exceptional circumstances of recruitment.

4. Introduction of an Environmental, Social, and Governance (ESG) metric into the senior annual Bonus Plan to align with our strategy to be industry leaders in sustainability.

Currently our senior annual Bonus Plan is based 100% on profit performance with no bonus payable until the previous year's profit is exceeded. Prior to the Remuneration Policy review we had received feedback from some shareholders that they would like to see additional measures introduced.

Following our review, we concluded that, given the increased complexity of the business, as well as the proposed increase in annual bonus levels, it would be appropriate to introduce another measure in order to better reflect overall performance for all our stakeholders.

We are therefore introducing an ESG measure into the senior annual Bonus Plan performance framework weighted at 10%. We anticipate that the ESG measure will vary each year adapting to our evolving priorities in this area. Our goal is to ensure that it has impact across the organisation. Our senior annual Bonus Plan cascades through our organisation (c.500 participants) and therefore we see this as an opportunity to signal and drive forward ESG priorities. For example, in future years we may include a target related to our climate priorities where we see opportunities for a target to drive forward a specific priority or initiative in a particular year.

In 2023, however, we will focus on safety which is identified as a current strategic priority taking into account our evolving capacity expansion. The proposed safety measure for 2023 is in relation to the whole population of eligible employees, and the extent to which the population:

1. Completes one specifically defined SHE leadership behaviour objective.
2. Completes specified face to face (or virtual) safety training.
3. Completes and documents at least one safety focused visit and conversation to demonstrate safety is a value through organisation engagement and risk management.

Payment schedule to be 100% pay out if 98% of eligible employees complete all three tasks and 50% pay out if 95% of eligible employees complete all three tasks. For clarity this is not an individual measure – if less than 95% of eligible employees complete the three tasks no payment to any employee will be made. In addition, we have also strengthened the safety underpin which applies to the senior annual Bonus Plan. The strengthened safety underpin requires the Committee to actively consider a number factors, including but not limited to compliance with the requirements or minimum standards set out in the Croda SHE Manual, any incidents resulting in a fatality, serious injury or material environmental impact, and progress during the year on SHE focus areas.

5. Introduction of additional flexibility into the senior annual Bonus Plan target setting framework

Our senior annual Bonus Plan profit targets have been set using a consistent and distinctive framework, focused on year-on-year sustainable growth rather than a range around the annual budget, and we intend to continue with this approach. However, we propose to introduce additional flexibility into the target setting framework taking into account the potential for increased volatility in profits which may arise from time to time (e.g. profit from our lipid system sales for our principal COVID-19 vaccine contract) to avoid disincentivising over performance. In normal circumstances, we will continue with an approach of setting bonus targets based on pre-determined growth percentages on prior year performance. However, in circumstances where the prior year profit is considered to be unusually high, bonus targets for the following year will not necessarily be set based on a simple formula of growth on prior year. Nevertheless, in all cases, targets will be set at the beginning of the year, in line with normal practice.

Other changes in implementation of the PSP framework

No substantive changes are proposed to our PSP framework, which will continue to be based on EPS, relative TSR and sustainability performance. We are however proposing a number of additional modifications:

ROIC underpin

A number of shareholders expressed a desire for a specific ROIC metric in either the short or long-term incentive plans. Our Discretion Framework does include ROIC, but taking onboard this feedback, going forward we have included ROIC as a specific underpin in our PSP. This will replace the previous EVA underpin.

Awards will be subject to a ROIC underpin such that vesting is subject to satisfactory ROIC performance over the three-year performance period, as determined by the Committee. In determining whether the underpin has been met, the Committee will consider a range of factors including, but not limited to, the intended time horizons for returns on capital deployed, and the achievement of Croda's long-term ROIC objective which is currently set at 2x cost of capital.

ROIC will also remain part of the Discretion Framework for the senior annual Bonus Plan.

Remuneration Report continued

TSR comparator group

We have reviewed the bespoke comparator group against which relative TSR is measured to better reflect the strategic focus of the business following the divestment of the PTIC business.

The new comparator group more closely reflects Croda's pure play Consumer Care and Life Sciences ambitions and consists of Akzo Nobel, Ashland, Avantor, BASF, Catalent, Chr. Hansen, Clariant, Elementis, Evonik, Givaudan, IFF, Johnson Matthey, Kerry, DSM, Lonza, Merck, Novozymes, Solvay, Symrise, Synthomer, Tate & Lyle and Victrex.

NPP measure

Innovating sustainably is core to Croda's success, and therefore our established measure of innovation, New & Protected Products (NPP), will be retained within the PSP. It is however proposed that this measure is modified so that it is based on growth in NPP, rather than growth relative to non-NPP sales:

Current NPP metric	Proposed NPP metric
NPP sales to grow at twice the rate of non-NPP, subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year (25% vesting), with payments being made on a sliding scale up to 5% growth per year (maximum vesting).	Subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year (25% vesting), with payments being made on a sliding scale up to 7% growth per year (maximum vesting).

This modification has been made in order to simplify the NPP measure, reflect the importance of our non-NPP sales, especially those relating to sustainable products, and to reflect that the current relative measure could penalise management for a strong performance in non-NPP sales.

Other elements of PSP EPS measure

Our EPS growth target will remain at 5% to 11% average growth over a three-year period. This target aligns to our ambitious strategic plan of consistent organic sales and margin growth and has long-term inflation assumptions built in. The Remuneration Committee retains discretion to adjust for the impact of acquisitions. We target mid single digit organic growth in Consumer Care and high single digit growth in Life Sciences, with underlying growth in Industrial Specialties at GDP levels but offset by a gradual exit from some supply agreements. With current margins maintained this would deliver an EPS growth of broadly 5%. With margin improvement targeted through better business mix and innovation, this drives EPS growth higher. EPS growth of 11% would represent over performance of our strategic plan. Overall, and in this context, the Committee considered that the targets remained proportional and stretching.

Sustainability measures

As an industry leader in sustainability, we will continue with sustainability measures for our 2023 awards. For this year measures will be aligned to our Climate and People Positive strategy:

- Climate Positive – Scope 3 emissions make up more than 85% of Croda's corporate emissions inventory and have the greatest impact on the carbon footprint we pass on to customers through our ingredients. Therefore to achieve the required emission reductions, it is imperative that we move to target reductions to our Scope 3 emissions. It is for this reason that our measure this year is strongly aligned to the specific actions which will support reducing our upstream Scope 3 emissions. Our target is based on (i) completion of net zero roadmaps to 2050 for technology platforms covering >90% of Scope 1, 2 and upstream Scope 3 emissions and (ii) completion of all actions arising from roadmaps in the period to end 2025.
- People Positive – a target aimed at improving Croda's Purpose and Sustainability Commitment (PSC) score, a measure of Croda's intentional actions to create a positive environment in which colleagues can successfully create sustainable innovation.

Summary of Executive Directors' remuneration for the year ending 31 December 2023

Key component Implementation in 2023

Basic salary	Executive Directors' base salaries were reviewed during the final quarter of the financial year ended 31 December 2022. Salaries for 2023 are as follows:			
		Salary at Jan 2023	Salary at Jan 2022	% Increase
	Steve Foots	£745,116	£716,457	4%
	Louisa Burdett	£520,000	N/A	N/A
	Jez Maiden	£513,873	£494,108	4%
Commentary				
<ul style="list-style-type: none">For 2023 there will be a general increase for our UK employees of 7%. In addition, a one-off supplement payment of £1,500 will be paid in two instalments in January and June 2023 to help address energy prices. The payment of a non-consolidated fixed amount has meant our employees on lower salaries have received a greater proportional benefit. Overall, the budget for cost-of-living increases for all UK employees has increased by over 9%.Recognising advice from our shareholders for restraint with regard to Executive pay, our Executive Directors have received an increase in salary of 4%. Increases awarded to our Executive Committee are also below that of the UK workforce.				
Pension	20% of salary as pension supplement aligned to UK workforce.			
Other benefits	Other benefits such as company cars or car allowances, fuel and travel allowances and health benefits are made available to Executive Directors.			
Performance-related Annual Bonus Plan	Steve Foots 175% of salary		Louisa Burdett 150% of salary	
			Jez Maiden* 150% of salary	
	The targets for the awards are set out below:			
	Performance measure (weighting)	Threshold		Maximum
	Bonusable Profit** (90%)	Equivalent to 2022 actual		2022 actual plus 10%
ESG metric (10%)	<p>The proposed safety measure for 2023 is in relation to the whole population of eligible employees, and the extent to which the population:</p> <ol style="list-style-type: none">1. Completes one specifically defined SHE leadership behaviour objective.2. Completes specified face to face (or virtual) safety training.3. Completes and documents one safety focused visit and conversation to demonstrate safety is a value through organisation engagement and risk management. <p>Payment schedule to be 100% pay-out if 98% of eligible employees complete all three tasks and 50% pay-out if 95% of eligible employees complete all three tasks. For clarity this is not an individual measure – if less than 95% of eligible employees complete the three tasks no payment to any employee will be made.</p>			
<p>* In line with the bonus plan rules Jez Maiden will receive a pro-rated bonus award.</p> <p>** Bonusable Profit is the growth in underlying profitability (defined for bonus purposes as Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS 2 Share-based Payments) less a notional interest charge on working capital employed during the year. Target is measured after providing for the cost of bonuses on a constant currency basis. For 2023 awards, and consistent with last year, the calculation will be adjusted for the divestment of the majority of our PTIC business and the lipid system sales for our principal COVID-19 vaccine contract.</p>				
Commentary				
<ul style="list-style-type: none">Maximum award levels increased by 25ppts from last year.Introduction of an ESG metric into the senior annual Bonus Plan performance framework weighted at 10% alongside a strengthened safety underpin. The ESG metric will vary each year adapting to our evolving priorities in this area.When determining bonus outcomes, the Committee applies the Discretion Framework which includes a range of factors, see page 124.The Committee remains comfortable that the structure of the senior annual Bonus Plan 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.Malus and clawback provisions apply.One third of any bonus paid will be deferred into shares for a three-year period.Full retrospective disclosure of targets and actual performance against these will be made in next year's Annual Report on Remuneration.The Committee considers the targets set for 2023 to be at least as demanding as in previous years and were set after taking due account of the Company's commercial circumstances and inflationary expectations.				

Remuneration Report continued

Performance Share Plan

Steve Foots 250% of salary

The targets for the awards are set out below:

Performance measure (weighting)	Threshold vesting	Maximum vesting
EPS ¹ (35%)	5% p.a.	11% p.a.
TSR ² (35%)	Median	Upper quartile
NPP (15%)	Subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year (25% vesting), with payments being made on a sliding scale up to 7% growth per year (maximum vesting).	
Sustainability metrics (15%)	Climate Positive (7.5%) – completion of net zero roadmaps to 2050 for technology platforms covering 90% of our Scope 1, 2 and upstream Scope 3 emissions. In addition:	

- All actions arising from the sector 2030 decarbonisation roadmap work with completion dates aligned with the end of 2025 to be completed, and;
- Croda to have submitted and received formal approval from SBTi for its corporate net zero target, so meeting the strict external criteria from SBTi, considered industry best practice.

Achievement of the above and roadmaps completed covering 90% of Croda's GHG emissions would result in maximum vesting.

Achievement of the above and roadmaps completed covering 75% of Croda's GHG emissions would result in a 50% vesting, with no vesting below this.

People Positive (7.5%) – a target aimed at improving Croda's Purpose and Sustainability Commitment (PSC) score, a measure of Croda's intentional actions to create a positive environment in which colleagues can successfully create sustainable innovation. Over the three-year performance period the target is an increase in the PSC score by 8 percentage points over the 2022 baseline³, to achieve a Croda Employee Satisfaction (ESAT) score of 4.0 (Good). This will be underpinned by a continued high response rate by employees, set at 65% of global headcount⁴. Awards will be paid in the following defined ranges:

- Increase PSC score by 8ppts, and 65% response for max vesting
- Increase PSC score by 6ppts, and 65% response for 75% vesting
- Increase PSC score by 4ppts, and 65% response for 50% vesting
- Increase PSC score by 2ppts, and 65% response for 25% vesting, with no vesting below this.

Awards will be subject to a ROIC underpin such that vesting is subject to satisfactory ROIC performance over the three-year performance period, as determined by the Committee. In determining whether the underpin has been met, the Committee will consider a range of factors including, but not limited to, the intended time horizons for returns on capital deployed, and the achievement of Croda's long-term ROIC objective which is currently set at 2x cost of capital.

1. EPS growth p.a. is calculated on a simple average basis over the three-year period and therefore growth of 33% or more over three years is required for maximum vesting. The calculation of base EPS for EPS growth has been adjusted for the divestment of the majority of the PTIC business.

2. Updated TSR Group: Akzo Nobel, Ashland, Avantor, BASF, Catalent, Chr. Hansen, Clariant, Elementis, Evonik, Givaudan, IFF, Johnson Matthey, Kerry, DSM, Lonza, Merck, Novozymes, Solvay, Symrise, Synthomer, Tate & Lyle and Victrex

3. The PSC score uses a 5 point scoring methodology. Croda's PSC score for 2022 was 68% or 3.5 with an average participation rate of 77%. An increase in the PSC score of 8ppts would move the score to 75% or 4.

4. The number of responses to the survey also matters, and therefore, an underpin for vesting to occur is set at 65% of global headcount having responded to the survey. Global headcount to be calculated based on the in-quarter figures at the point that a survey is first deployed and should aim to include any new acquisitions, with discretion given for initial integration period into organisation defined as 12 months.

Commentary

- Maximum award levels have increased by 25ppts from last year.
- Jez Maiden will not receive an award in 2023 due to his planned retirement.
- ROIC underpin replaces the EVA underpin.
- Performance period 1 January 2023 to 31 December 2025.
- An additional two-year holding period will apply for any shares vesting.
- No change to the balance of sustainability metrics from last year. NPP and sustainability targets remain equally weighted at 15% of the total PSP. Sustainability targets aligned to key 2030 sustainability ambitions.
- When assessing outcomes, the Committee applies the Discretion Framework which considers, for example, the management of EVA and ROIC, health and safety and sales growth and may adjust awards if it considers appropriate.
- Malus and clawback provisions apply.

2) Remuneration Policy for shareholder approval (proposed Remuneration Policy in full)

This section sets out our Remuneration Policy for 2023 to 2026 which will be subject to shareholder approval at the 2023 Annual General Meeting (AGM).

Croda's proposed Remuneration Policy will be presented to shareholders at the Company's 2023 AGM on 26 April 2023 and if approved will take effect from the date of the AGM. It would be intended to operate until its expiration at the Company's 2026 AGM.

The Policy was developed over the course of 2022 and early 2023. The Committee undertook a thorough review of arrangements with a particular focus on alignment to Croda's forward strategy and aspirations. Input was received from the Chair and management while ensuring that conflicts of interest were suitably mitigated. The Committee also considered carefully corporate governance developments. Input was provided by the Committee's appointed independent advisers throughout the process.

Extensive shareholder consultation was undertaken during the second half of the year in good time for shareholder input to feed into the finalisation of proposals in early 2023.

The main changes to the Policy, as detailed on pages 108 & 109, are:

- Increased incentives in both normal PSP awards and the senior annual Bonus Plan for Executive Directors, an increase to the maximum annual bonus of 25% of base salary and an increase to the maximum PSP of 25% of base salary.
- Increased shareholding guidelines in line with the increased PSP opportunity.
- Extension of post-employment shareholding requirements to apply in full over the two years, rather than on a tapered basis during this period.
- Increased the maximum annual bonus headroom to 200% of base salary to provide some additional flexibility but only in exceptional circumstances of recruitment.
- Changes to facilitate the introduction of sustainability metrics into the senior annual Bonus Plan.

Remuneration Policy table

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

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Basic salary – to assist in the recruitment and retention of high-calibre Executives		
<p>Normally reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee, considering:</p> <ul style="list-style-type: none"> • The performance and experience of the individual concerned • Any change in scope, role and/or responsibilities • Pay and employment conditions elsewhere in the Group • Rates of inflation and market-wide wage increases across international locations • The geographical location of the Executive Director • Rates of pay in relevant sector and pan-sector companies of a comparable size and complexity. 	<ul style="list-style-type: none"> • Salaries may be increased each year in percentage of salary terms. • The Committee will be guided by the salary increase budget set in each region and across the workforce generally. • Increases beyond those linked to the region of the Executive Director or the workforce as a whole (in percentage of salary terms) may be awarded by the Committee at its discretion. For example, where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value or complexity of the Group. • The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to individual performance. 	<ul style="list-style-type: none"> • The Committee considers individual salaries taking due account of the relevant factors set out in this Policy, which includes individual performance.

Remuneration Report continued

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Benefits – to provide competitive benefits to act as a retention mechanism and reward service		
<p>The Group typically provides the following benefits:</p> <ul style="list-style-type: none"> • Company car (or cash allowance) • Private fuel allowance • Private health insurance, life assurance and other insured benefits • Other ancillary benefits, including travel reimbursement, relocation expenses/arrangements (including tax thereon) as required. <p>Additional benefits might be provided from time to time (for example in circumstances where an Executive Director is deployed to, or recruited from overseas).</p> <p>The Committee will consider whether the payment of any additional benefits is appropriate and proportionate when determining whether they are paid.</p>	<ul style="list-style-type: none"> • The cost of benefits is not pre-determined and may vary from year to year based on the cost to the Group. 	None.
Performance-related senior annual Bonus Plan – to incentivise and reward delivery of the Group's key annual objectives and to contribute to longer-term alignment with shareholders		
<p>The senior annual Bonus Plan provides for payment of an annual bonus to Executive Directors and other senior employees of the Group, subject to certain performance conditions.</p> <p>Normally one third of any bonus payable is compulsorily deferred into shares for three years through the Deferred Bonus Share Plan (DBSP).</p> <p>The Committee has the discretion to permit DBSP awards to benefit from dividends on shares that vest.</p> <p>The balance of the bonus is paid in cash.</p>	<p>Group Chief Executive: 175% of salary.</p> <p>Other Executive Director: 150% of salary.</p> <p>In exceptional circumstances, and only in connection with recruitment, annual awards may be made up to 200% of salary. This maximum does not apply to the incumbent Executive Directors at the time the Policy is approved.</p>	<ul style="list-style-type: none"> • The majority of the bonus will typically be based on challenging financial targets set in line with the Group's KPIs (for example profit growth targets). • For a minority of the bonus, targets related to other Group measures, such as sustainability, may be included where this is considered appropriate by the Committee. • For a profit measure, bonus normally starts to accrue once the threshold target is met, from 0% payable rising on a graduated scale to 100% for outperformance. Were an additional financial KPI metric to be introduced, the amount payable for threshold performance would not exceed 25% of maximum. • In relation to any sustainability measure, the structure of the target will vary based on the nature of the target set. • The Committee applies a Discretion Framework, which includes health, safety and environmental performance, when determining the actual overall level of individual bonus payments and it may adjust the bonus awards (including potentially reducing to zero) if it considers it appropriate to do so. • Bonuses paid are subject to provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, an error in assessing the performance conditions, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the bonus is paid.

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Performance Share Plan (PSP) – to incentivise and reward the execution of business strategy over the longer term and to reward sustained growth in profit and shareholder value		
<p>The PSP provides for awards of free shares (i.e., either conditional shares or nil-cost options) normally made annually which vest after three years subject to continued service and the achievement of challenging performance conditions.</p> <p>Shares are subject to a two-year post-vesting holding period.</p> <p>The Committee has the discretion to permit awards to benefit from the dividends paid on shares that vest.</p>	<p>Normal maximum opportunity of:</p> <ul style="list-style-type: none"> • Group Chief Executive: 250% of salary. • Other Executive Director: 200% of salary. <p>In exceptional circumstances (e.g. recruitment), awards may be granted up to 300% of salary (e.g. to compensate for value forfeited from a previous employer).</p>	<ul style="list-style-type: none"> • Granted subject to a blend of challenging financial (e.g. EPS), shareholder return (e.g. relative TSR) and strategic targets (e.g. sustainability). The performance targets may also include an additional underpin (e.g. a ROIC underpin). • Targets will normally be tested over three years. • In relation to financial targets (e.g. EPS growth and TSR) 25% of awards subject to such targets will vest for threshold performance with a graduated scale operating through to full vesting for equalling, or exceeding the maximum performance targets (no awards vest for performance below threshold). In relation to strategic targets or underpin targets, the structure of the target will vary based on the nature of target set (e.g. for milestone strategic targets it may not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if the criteria are met in full). • Vesting is also dependent on application of the Discretion Framework, including satisfactory underlying financial performance of the Group over the performance period, and the Committee may adjust outcomes (including potentially reducing to zero) if it considers it appropriate to do so. • There are also provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, an error in assessing the performance conditions, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the PSP awards vest.

Remuneration Report continued

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

Senior annual Bonus Plan and Long-Term Incentive Policy

The Committee will operate the senior annual Bonus Plan, DBSP, PSP and all-employee plans according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include the following:

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

All discretions available under share plan rules will be available under this Policy, except where explicitly limited under this Policy.

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

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

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the 2014 AGM (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before this Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Choice of performance measures and approach to target setting

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

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

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

The Committee retains the discretion to adjust both the measures and weightings (including to 0%) for each PSP award, subject to the broad framework in the Policy table above.

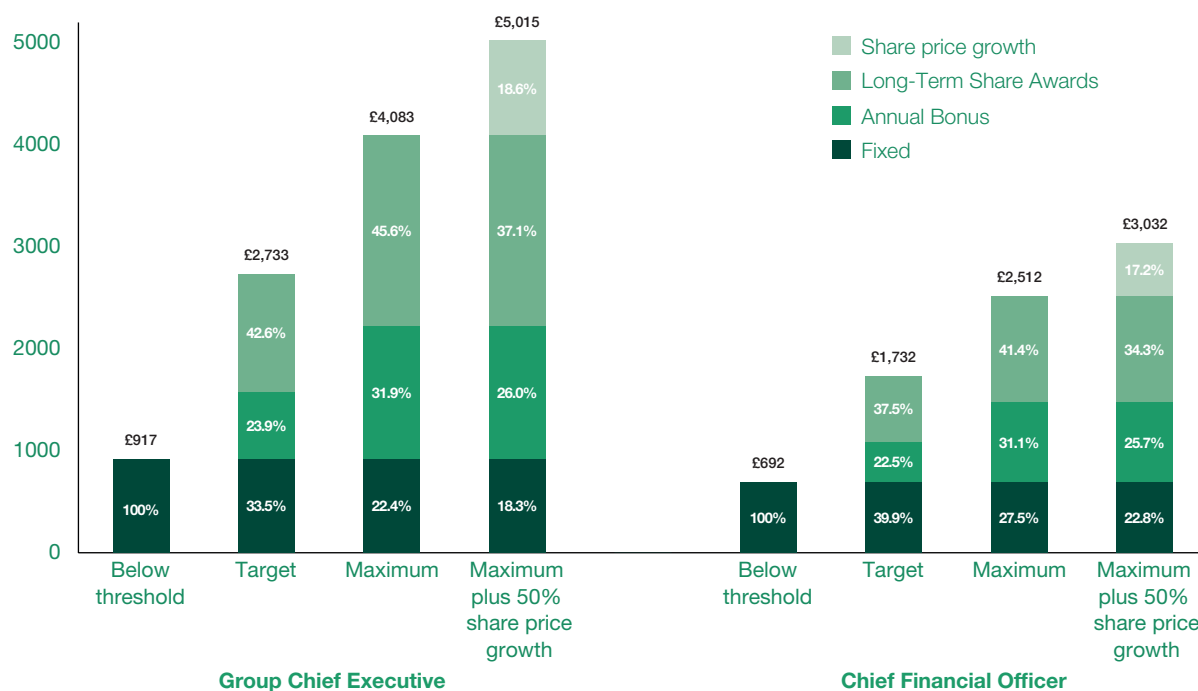
Financial and shareholder return targets (e.g. profit growth for the senior annual Bonus Plan and EPS growth and relative TSR for the PSP) are set based on sliding scales that take account of internal planning and external market expectations for the Group. In relation to strategic targets or underpin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

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

Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of the challenging plans approved at the start of each year. The Committee may reduce (but not increase) the percentage of an award that is capable of vesting for threshold performance set out in the Remuneration Policy table.

Remuneration Report continued

Remuneration scenarios for Executive Directors



Assumptions:

- **Below threshold** = fixed pay only (base salary, benefits and pension)
- **On-target** = 50% payable of the 2023 annual bonus and 62.5% vesting of the 2023 PSP awards
- **Maximum** = 100% payable of the 2023 annual bonus, 100% vesting of the 2023 PSP awards
- **Maximum plus 50% share price growth** = as per maximum but including 50% share price growth of the PSP award

Salary levels (on which elements of the package are calculated) are based on those applying on 1 January 2023. The value of taxable benefits is based on an estimate of the cost of supplying those benefits for the year ended 31 December 2023. Pension is 20% of salary. The Executive Directors can participate in the all-employee share plans on the same basis as other employees. The value that may be received from participating in these schemes has been excluded from the graph above.

Recruitment and Promotion Policy

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

Remuneration element Policy

Base salary	Base salary levels will be set in accordance with the Group's Remuneration Policy, taking into account the experience and calibre of the individual. The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to the individual's performance. Above market salaries may also be offered if the experience and calibre of the candidate is considered to justify such an approach being taken by the Committee.
Benefits	Benefits in accordance with the Remuneration Policy table. In addition, where necessary, the Committee may approve the payment of additional benefits to facilitate recruitment (e.g. relocation expenses).
Pension	Pension in accordance with the current policy. For an internal promotion, any legacy defined benefit pension arrangements would be considered on a case by case basis.
Annual bonus	The annual bonus would operate in accordance with the current policy, with a maximum opportunity no greater than the 200% of salary exceptional limit set out in the Policy table. For the first year the annual bonus would be pro-rated for the period of employment as appropriate.
Long-term incentives	Share awards will be granted in accordance with the current policy in terms of maximum opportunity and performance targets. An award may be made shortly after an appointment (subject to the Company not being in a prohibited period). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant.
Buy-out awards	In the case of an external hire it may be necessary to buy-out incentive pay, benefit or other contractual arrangements (including in relation to the forfeiture of such amounts on leaving the previous employer). Any such buy-out would be provided for taking into account the form (cash or shares), timing and performance conditions of the remuneration being forfeited. Replacement share awards, if used, will be granted using the Company's existing share plans within the limits detailed in the Remuneration Policy table. Awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

Directors' service contracts and payments for loss of office

Executive Directors' service contracts are permanent and terminable by the Company on at least 12 months' notice and by the Director on at least six months' notice, save on retirement where the Director must give at least 12 months' notice to the Company.

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

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

The Committee's policy is for contracts to contain provisions which enable the Company to terminate contracts at any time with immediate effect. The Executive Director would be entitled to receive compensation equivalent to up to 12 months' salary plus the value of their pension benefits (currently valued at 20% of basic salary) and the value of other benefits, payable in a lump sum or in equal monthly instalments over the full notice period or, if less, the remainder of any notice period not yet completed. Such payments would normally discontinue or reduce to the extent that alternative employment is obtained.

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

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

Remuneration Report continued

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

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

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

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

Treatment of incentive awards in the event of a change of control or similar corporate event will be in line with the relevant plan rules.

Shareholding guidelines

The Committee operates share ownership guidelines which apply to all Executive Directors and the Group Executive Committee. The Group Chief Executive is subject to a share ownership guideline of 250% of salary and the other Executive Directors to 200% of salary.

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

Executive Directors will also normally be required to retain a shareholding for two years after leaving the Company. They will be required to retain 100% of their shareholding guideline (or the actual shareholding of relevant shares on leaving, if lower) for two years after leaving employment. This policy will apply only to awards that vest in 2020 and beyond. The Committee has the discretion to waive this requirement in certain circumstances (e.g. compassionate circumstances). Jez Maiden is due to step down from the Board at the Annual General Meeting on 26 April 2023 and retire on 31 May 2023. Following his departure he will be subject to the previous tapered two-year share retention requirements in the 2020 Policy.

External appointments

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

Non-Executive Directors' letters of appointment

The Chair and Non-Executive Directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case, this term can be extended by mutual agreement. Non-Executive Directors have no entitlement to contractual termination payments. While not anticipated, the Policy allows flexibility to pay a notice payment if considered appropriate. The dates of the initial appointments of the Non-Executive Directors are set out in the Annual Report on Remuneration.

Non-Executive Directors' fees

The policy on Non-Executive Directors' fees is:

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

How the Executive Directors' Remuneration Policy relates to the wider Group

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

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

Base salaries are operated under the same policy as detailed in the Remuneration Policy table with any comparator groups used as a reference point, being country and/or industry specific. The Committee considers the general basic salary increase for the broader Group and, in particular the UK-based employees when determining the annual salary review for the Executive Directors. The performance related bonus scheme operates on a tiered basis from 175% of salary down to 22% of salary across the most senior global grades. Outside of the most senior tiers of Executives, the PSP is not operated as this arrangement is reserved for those anticipated as having the greatest potential to influence Group level performance.

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

Executive Director pensions are aligned with the UK workforce and are typically provided either through (i) participation in the UK's defined benefit pension plan with a cash supplement provided above any pension salary cap or (ii) a cash supplement provided in lieu of pension. The UK workforce defined benefit pension plan is a generous and inclusive benefit for our UK workforce.

How the views of employees are taken into account

The Group has a diverse workforce operating globally in 39 different countries, with various local pay practices. The President Human Resources updates the Committee periodically on feedback received on remuneration practices across the Group. In developing this Remuneration Policy, the Committee devoted time at the outset in considering the principles which apply to remuneration across the workforce. This included consideration of the 'One Croda' culture, as well as Croda's values and purpose. While the views of the global workforce were not explicitly sought during the process, alignment across the workforce was a key theme of the review.

How the views of shareholders are taken into account

In developing this Remuneration Policy, the Committee undertook an extensive shareholder consultation exercise, and the Chair of the Committee met with key shareholders to discuss the principles for the review and initial proposals. The Committee also considered emerging shareholder views in key governance areas. Feedback received during the consultation period was taken into account when developing the final Remuneration Policy and modifications were made to the proposed Policy. An overview of the shareholder consultation process is outlined on pages 102 & 103 of the 2022 Annual Report.

Remuneration Report continued

D. Report of the Remuneration Committee for the year ended 31 December 2022

Contents		
1. How our reward strategy aligns to and supports the delivery of our business strategy	3. Reward in the wider employee context <ul style="list-style-type: none"> Workforce engagement How our Remuneration Policy relates to reward in the wider employee context 	5. Promoting diversity & inclusion
2. How our Remuneration Policy reflects the UK Corporate Governance Code <ul style="list-style-type: none"> Our Discretion Framework 	4. Sharing success across the business <ul style="list-style-type: none"> Response to cost-of-living crisis Free Share Plan All-employee share plans Living Wage More than just pay 	6. Other disclosures <ul style="list-style-type: none"> UK gender pay gap UK CEO pay ratio

1. How our reward strategy aligns to and supports the delivery of our business strategy

Over the last two years we have accelerated key elements of our strategy to transition to a dedicated Consumer Care and Life Sciences company. Across these markets, innovation and sustainability will be the core drivers of our future growth.

In developing and implementing our Remuneration Policy the Committee has been mindful to ensure that every element of reward directly aligns to our strategy, ensuring we provide and protect long-term shareholder value.

Element of reward	Link to strategy	Sustainability	Innovation	Growth	Long-term shareholder value
Senior annual Bonus Plan					
Profit	Clear and simple measure that supports our strategic objective of consistent bottom-line growth. One third of awards are deferred, further protecting shareholder value.			✓	✓
Sustainability	Sustainability is at the centre of Croda's strategy and therefore we have introduced for 2023 an ESG metric within the senior annual Bonus Plan. One third of awards are deferred, further protecting shareholder value.	✓			✓
Performance Share Plan					
Earnings per share (EPS)	A measure of earnings growth over a three-year period recognising that sustained growth can only come through relentless innovation.		✓	✓	✓
Total Shareholder Return (TSR)	Measured against our peers, a key indicator of long-term growth and shareholder value.		✓	✓	✓
New & Protected Products (NPP)	An established measure of innovation, the metric is growth of NPP, those products rewarding growth that is driven by innovation.	✓	✓	✓	✓
Sustainability	Since 2020 we have incorporated sustainability metrics directly linked to our ambitions to be Climate, Land and People Positive by 2030.	✓	✓	✓	✓
Underpins & Discretion Framework					
Safety, health and environment (SHE)	The SHE underpins ensure that rewards are not made at the expense of the safety, health and environment of our employees or the communities that we serve.	✓			✓

Element of reward	Link to strategy	Sustainability	Innovation	Growth	Long-term shareholder value
Financial underpins	The financial underpins including ROIC within our Discretion Framework ensure that reward reflects the overall financial health of the business.			✓	✓
Culture and ethics	The culture and ethics underpin ensures that reward reflects strong governance and the experience of all our stakeholders.	✓			✓
Other features					
Holding periods	Extends the period to five years before shares are released, further protecting shareholder value.				✓
Shareholding requirements	Ensures that our Executives' interests are aligned to shareholders.				✓
Malus and clawback	Allows incentive awards to be clawed back or reduced in the event of significant financial or personal misconduct.				✓

2. How our Remuneration Policy reflects the UK Corporate Governance Code

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

Factors	How these are addressed
Clarity	<p>Our commitment to openness and transparency are reflected in our reward principles. The Committee is committed to providing open and transparent disclosure on executive remuneration for our stakeholders.</p> <p>Our arrangements are clearly disclosed and any changes to our Remuneration Policy and its operation are highlighted in a way that defines their alignment to both our strategic ambitions as well as the provisions of the UK Corporate Governance Code.</p>
Simplicity	<p>Our executive remuneration arrangements, as well as those throughout the global organisation, are simple in nature and well understood by both participants and shareholders.</p> <p>Our senior annual Bonus Plan, in which around 500 of our global employees participate, is primarily based on a single profit metric, with a simple key requirement that no bonus can be paid for this element until the previous year's profit is exceeded.</p>
Risk	<p>The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. Performance is based on a balance of metrics which also reflect our broader stakeholders, for example inclusion of sustainability targets and health and safety underpins. We then take a holistic assessment of performance using our Discretion Framework.</p> <p>Annual bonus deferral, the PSP holding period and our shareholding guidelines provide a clear link to the ongoing performance of the business as well as alignment with shareholders. Executives will be rewarded for sustainable long-term shareholder return.</p> <p>Malus and clawback provisions also apply for both the senior annual Bonus Plan and PSP.</p>
Predictability	Our Remuneration Policy contains details of maximum opportunity levels for each component of pay, with actual incentive outcomes varying depending on the level of performance achieved against specific measures.
Proportionality	Our Remuneration Policy directly aligns to our strategy and financial performance. The Committee considers performance from a range of perspectives. Poor financial performance is not rewarded.
Alignment to culture	Alignment to our 'One Croda' culture is clearly established in our Remuneration Policy. Our senior annual Bonus Plan has the same metrics for all participants. Our PSP metrics, and from 2023 our senior annual Bonus Plan ESG metric, reflect our commitment to sustainability. Pensions are also aligned across the workforce.

Remuneration Report continued

Our Discretion Framework

To enhance the rigour with which performance is reviewed the Committee has adopted a Discretion Framework which it applies when assessing bonus and long-term incentive plan outcomes.

As with all Board/Committee decisions (in line with section 172) we also reflect on the experience of all our stakeholders throughout the course of the plan periods.

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 wider 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 and EVA

Sales

Profit growth

Sustainability

Culture and conduct

Culture

Conduct

Health and safety

Systems and control

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

Are there any other events that should be factored in?

Other events could be reputational/risk related or a change of accounting standards

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

Input from others?

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

Consider shareholder response to results

Compare with historical use of discretion

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

3. Reward in the wider employee context

Workforce engagement

We continue to develop our approach to workforce engagement. We believe it is important to our culture and our values to have an active dialogue with employees on topics such as reward, recognition, motivation, wellbeing, safety, and inclusion. Therefore, in 2022, we have broadened our engagement by building on established channels such as Pulse Surveys and the dedicated email for

employees to contact the Chair of the Committee. The Culture Pulse Surveys engage across the organisation and create an opportunity to gain feedback on the listening groups held during the year, including those attended by the Chair of the Remuneration Committee. A survey on reward and recognition, that included questions on understanding total reward offered to employees, and whether employees felt valued was undertaken in February 2022. A summary of engagement activities undertaken to date is as follows:

Reward principles	Our reward principles, which were developed and approved during 2019, guide the way we recognise and remunerate all our global employees. These principles focus on total reward including intangible rewards and were strongly influenced by the results of our previous Global Employee Survey. These have been shared across the organisation.
Employee pulse surveys	In 2022 a number of pulse surveys covering a range of topics, including culture and reward, were undertaken and findings were shared with the Board as well as management to help guide decisions.
Listening groups	During 2022 the Chair of the Board and other Non-Executive Directors attended listening groups to better understand how employees were feeling on a range of different topics, including reward.
Dedicated email to Chair of Committee	A dedicated email address has been established for employees to send comments or questions to the Chair of the Remuneration Committee.
Overview of pay and policy decisions	Committee members are updated annually on global employees' terms and conditions and are made aware of any significant changes to policies and other pay-related matters.

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. Annually, the President Human Resources provides the Committee with a review of workforce remuneration, and the Committee is updated periodically on any feedback received on remuneration practices across the Group.

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, as set out in the table on the next page. The key difference between the policy for Executive Directors compared to other employees is that remuneration for Executive Directors is more heavily weighted towards variable pay and share ownership.

Remuneration Report continued

Remuneration element	Who participates?	Details
Base pay	All employees	Pay is set in line with the market and closely monitored. Any comparator group used as a reference point is country and/or industry specific. We pay a 'Living Wage' globally.
Annual bonus	Executive Directors, Executive Committee, senior leaders and senior managers (c.500 employees globally) All other employees	Consistent senior annual Bonus Plan aligned to increase in annual profit and ESG priorities. Operates across the most senior global grades on a tiered basis from 175% of salary to 22% of salary from 2023 onwards. Deferral applies for Executive Directors and members of the Executive Committee. Local schemes apply in many locations.
Free Share Plan	All employees who do not participate in the senior annual Bonus Plan (c.5,150 employees globally)	An award of free shares or the cash equivalent if the senior annual Bonus Plan pays out. For 2022 this will be 10 shares or the cash equivalent.
Performance Share Plan	Executive Directors, Executive Committee and senior leaders (c.70 employees globally)	Consistent PSP based on EPS, TSR and sustainability metrics, including NPP. Operates across the most senior global grades on a tiered basis from 250% of salary to 30% of salary from 2023 onwards.
Restricted Share Plan (RSP)	Selected employees generally not eligible for PSP	Discretionary awards can be granted annually to selected employees to reward exemplary performance.
All-employee share plans ¹	All employees	Employees can participate in our global Sharesave Scheme, subject to qualifying service, allowing everyone to save monthly and purchase discounted shares.
Pension (UK only) ²	All employees	Defined benefit plan based on career average salary plus 20% cash supplement paid for salaries above the cap or to employees who are tax limited and have opted out of the pension scheme.
Healthcare (UK only) ³	All employees	From 2022 all UK based employees benefit from membership of Bupa private healthcare provided free of charge for employees and subsidised for family members. In addition, employees are provided with triennial health assessments also with Bupa.

1. Sharesave or similar schemes are provided where local social security laws allow.

2. Other pension arrangements, aligned to local practice and legislation, are available in many of our locations.

3. A range of health care benefits are also available in many of our locations globally.

4. Sharing success across the business

The Committee believes in sharing success across the business and extending share ownership more widely across our employee base. This is promoted through the operation of a new 'Free Share Plan' and a number of all-employee share schemes.

Response to cost-of-living-crisis

In response to the cost-of-living crisis and concerns about accessing health care, we extended private health care through Bupa to all our UK employees, with the Company also contributing 50% towards the cost of adding their families to the plan. As part of this provision, we now offer triennial private medical assessments to all employees. In addition one off payments were made to support UK employees with increases to fuel costs.

In countries outside of the UK we also provided one off payments and off cycle increases to support the cost of living crisis.

Free Share Plan

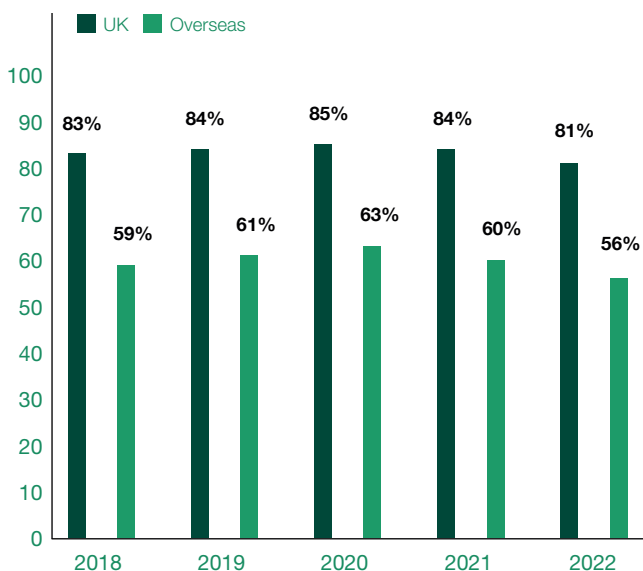
In 2021 we launched the 'Free Share Plan'. Under this new plan, all employees globally who are not eligible for the senior annual Bonus Plan are gifted Croda shares (or the cash equivalent) if the senior annual Bonus Plan pays out. Unlike other elements of remuneration this award is not set as a multiple of salary, instead it rewards all eligible employees at the same value.

The Free Share Plan was developed in response to findings from the Global Reward Survey in 2020 and aims to share success more widely across the business and encourage share ownership.

As the senior annual Bonus Plan paid out for 2022, all eligible employees will receive 10 Croda shares (or the cash equivalent) in May 2023 under the Free Share Plan. The value of the award is determined by the share price at vesting and based on the recent share price will be in the region of £684 (based on a share price of £68.42 on 13 February 2023).

All-employee share plans

Workforce participation in these plans has remained consistently strong and is driven by our culture of employees feeling a strong loyalty to the business.



Croda's strong share price performance has led to the all-employee share schemes being a strong benefit for employees.

Living Wage

We were pleased to announce in 2018 that we gained accreditation in the UK as a Living Wage Employer from the Living Wage Foundation. In 2023, we will continue to ensure that all our UK employees and regular contractors are paid at, or above, the rates advised by the Living Wage Foundation.



FAIRWAGE
NETWORK

In addition, the business continues to pursue its Global Living Wage target, one of our sustainability KPIs linked to the UN SDGs. In 2020 we forged a partnership with the Fair Wage Network (FWN) to establish, using an independent and economically rigorous methodology, Living Wage levels across the world. In 2021, we compared our global wage levels to Living Wage comparators provided by the FWN and made all necessary adjustments to ensure that all our employees are now paid a Living Wage at a minimum.

We reviewed our Living Wage levels in 2022 and made any adjustments necessary in order to continue paying a Living Wage to all employees. We are now working with the Fair Wage Network to gain accreditation for our work and to ensure our progress stands up to external scrutiny. In 2022 we also began the process of ensuring all our regular contractors are paid a Living Wage and plan to achieve this milestone by the end of 2023.

More than just pay

Our employees and our culture remain central to the continued success of Croda. We continue to enhance our range of other workforce initiatives, including:

- We are proud of the training and development that we provide for employees and have set a target of ensuring all employees receive at least one week of training a year by the end of 2025. In 2022, our employees undertook over 145,000 hours of training with the average number of hours an employee completed being 26 hours.
- In 2021 we relaunched and redesigned our core company development programmes for senior leaders and future leaders with our values at their heart. 2022 was the first year many of these programmes have been able to run and all programmes have been positively received by employees.
- In 2021 we also launched an inclusion based global leadership programme, Phoenix Rising. In 2022 this programme ran for a second time with participants from all over the world. We also ran a series of leadership webinars on diversity & inclusive leadership.
- We recorded over 150 wellbeing activities which took place in 2022 and we continued with Employee Assistance Programmes in many of our countries. Each of our sites is tasked with ensuring at least four health and wellbeing events are run per year, with many sites running significantly more than this.

See pages 20 & 21 for further information on our culture including details on how we approach the recruitment, development and training of our workforce.

5. Promoting diversity & inclusion

Broad diversity, where different perspectives and experiences are able to create valuable innovation that improve lives, is critical to our long-term success as an innovative Company. We are committed to ensuring an inclusive workplace where everyone is able to have a successful and rewarding career.

Our D&I Roadmap has guided our work in 2022, with a focus on raising awareness and reward and recognition. Our Global Diversity and Inclusion Steering Committee and our regional and country-based committees have continued to challenge the business in 2022 by raising awareness on a variety of topics, including disability, transgender inclusion, and being an ally. They have also organised activities to support Black History Month, Pride, and Ramadan.

As of December 2022, we continue to meet the requirements of the Parker Review on ethnic diversity and have full gender balance on the Board.

Remuneration Report continued

6. Other disclosures

UK gender pay gap

The table below shows a summary of the gender pay gap for UK employees of Croda Europe Ltd:

	2018	2019	2020	2021	2022
Mean pay gap	27.7%	27.1%	18.7%	17.7%	7.2%
Median pay gap	23.1%	23.9%	19.2%	21.1%	15.7%
Mean bonus gap	63.1%	67.1%	64.4%	62.6%	23.3%
Median bonus gap*	33.3%	33.4%	0%	0%	29.9%

* The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 (payable in 2020) or 2020 (payable in 2021). A small number of employees received a sales bonus but the median bonus for both female and male employees was zero giving a median bonus gap of 0%.

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

The number of women in leadership positions is now 38% (2021: 36%). We are also pleased to report that we have 59 (2021: 43) women working as process operators across 14 of our sites globally.

Over 2022 42% of hires and promotions to leadership positions were female.

Other actions taken to address the gender pay gap include:

- Ensuring we have a balanced shortlist for all positions that we are recruiting for; we have a target of achieving balanced shortlists for 80% of roles by the end of 2023.

- Further improving our talent and succession planning processes to help identify and nurture talent early in their career. In 2021 we relaunched our global talent development programmes and participants in 2022 have been gender balanced.
- 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.
- Changing the way we advertise production roles to ensure we reach a diverse population.
- Improving family-friendly policies; in 2019 we introduced a new Global Parental Leave Policy and in 2020 we launched new Flexible Working guidance. All locations have implemented this and have local policies in place.
- Continuing to invest in our STEM activities to encourage a wide range of applicants to apply for roles in our business.

More information is available on the Croda website.

UK CEO pay ratio

The table below sets out the ratio of the CEO's 'single figure' total remuneration to the 25th, 50th and 75th percentile full-time equivalent total remuneration of the Company's UK employees. The pay ratios are calculated on a Group-wide basis by reference to UK employees only.

Under the regulations, there are three methodologies that companies can choose to report their pay ratio, known as Option A, B and C. For 2022 we have chosen to continue to use the Government's preferred option, Option A. Using this methodology, we have determined the full-time equivalent total remuneration for all UK employees and have ranked this data to identify employees whose remuneration places them at the 25th, 50th and 75th percentile. The pay ratios are then calculated by comparing total remuneration for these three employees against our CEO 'single figure' total remuneration.

	Methodology	25 th percentile	50 th percentile	75 th percentile
FY 2022	A	119:1	88:1	71:1
FY 2021*	A	103:1	81:1	67:1
FY 2020	A	48:1	37:1	31:1
FY 2019	A	57:1	44:1	37:1
FY 2018**	C	85:1	67:1	57:1

1. Calculations for the workforce exclude severance pay, notice pay, SIP repayments, fractional share payments, SAR payments and relocation expenses.
2. The calculations for the workforce exclude the value of the defined benefit pension plan due to the difficulty of calculating these figures for our complex historical pension arrangements.
3. Calculations of annual bonus for the workforce reflect an estimate at the time of the calculation of the ratio. The actual amounts paid to employees will be finalised in March 2023 and the ratio will be updated in next year's report to reflect the actual amounts paid. Note that for Executive Directors' this amount will not change.
4. Calculations for the workforce include amounts granted under the Restricted Share Plan and Free Share Plan. Unlike the PSP these figures will not be restated at vesting.
5. Excludes Non-Executive Directors, contractors and employees who left during the relevant year.
6. New starters, part-time employees and employees on long-term sick and maternity are included; their salary has been amended to reflect a full-time and full-year salary.

* The ratio for 2021 has been restated. This is to reflect the updated CEO 'single figure' total remuneration for 2021, which was due to the 2021 PSP award being updated to reflect the actual share price at vesting. Where relevant PSP calculations for the workforce have also been updated on the same basis. Annual bonus amounts for the workforce have also been updated to reflect the actual amounts paid in March 2022.

** The CEO pay ratio for 2018 was calculated using Option C, which enabled us to calculate, on an indicative basis, the total remuneration packages of three individual UK employees at the 25th, 50th and 75th percentile. Option C was used in 2018 because the full administrative process to enable us to calculate the equivalent total remuneration for UK employees was not in place.

The CEO pay ratio is calculated based on the total remuneration payable to the CEO, which could include payments under the senior annual Bonus Plan and PSP. The outcomes of these elements are directly linked to performance, with the value of the PSP also incorporating share price growth. It is therefore expected that the ratios will fluctuate significantly year-on-year to reflect Croda's performance. In respect of the 2022 figures, as this has been an outstanding year for performance both the senior annual Bonus Plan and PSP have paid out at maximum levels. As the PSP has paid out at a slightly higher level, from 97.4% in 2021 to 100% in 2022 the ratio has increased slightly.

Employee total remuneration

	Actual base salary 2022	Total remuneration 2022
75 th percentile	£51,915	£57,178
50 th percentile	£39,026	£46,169
25 th percentile	£30,880	£34,287

We believe that our CEO pay ratio is consistent with our pay, reward and progression policies. The sharing of success has been a strong theme in 2022 and although the CEO pay ratios have widened, employees have also benefitted from a strong performing year. The 'Free Share Plan' launched in 2021 will pay out for 2022, rewarding our most junior employees proportionally the most. The annual bonus plans will pay out globally also.

Key responsibilities

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

A summary is provided below:

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

7. Remuneration Committee year ended 31 December 2022

Responsibilities

The Committee determines and agrees with the Board the Company's Remuneration Policy and framework, which should:

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

The Committee also determines the remuneration packages for all Executive Directors, members of the Executive Committee, including the Company Secretary, and the Chair of the Board and recommends and monitors the level and structure of remuneration for senior managers.

Key focus areas

Remuneration Policy

- Review of latest market and governance developments
- Discuss the Remuneration Policy for 2023 – 2026 and any proposed changes
- Review shareholder consultation feedback on the proposed changes to the Remuneration Policy
- Agree the proposed changes to Remuneration Policy

Remuneration outcomes for 2021 and approach for 2022:

- Remuneration outcomes for 2021, including vesting of 2019 PSP awards
- Establishing the senior annual Bonus Plan and PSP targets for 2022
- Granting of 2022 PSP awards and Restricted Share Plan awards

Wider workforce:

- Granting of the Free Share Plan
- Annual review of wider workforce remuneration

Remuneration approach for 2023:

- Approval of salary increase for the CEO and Group Finance Director effective 1 January 2023
- Approval of Chair fee increase effective 1 January 2023
- Agreeing terms for the new CFO

Remuneration Report continued

E. Directors' remuneration for the year ended 31 December 2022 – Audited information

In this section

1. Directors' remuneration for the year ended 31 December 2022
2. Pension
3. Payments for cessation of office
4. Payments to past Directors
5. Transition of Chief Financial Officer
6. Share interests
7. Performance graph
8. Ten-year remuneration figures for Group Chief Executive
9. Board Chair and other Non-Executive Directors' fees 2022 and 2023
10. Non-Executive Directors' remuneration
11. Service contracts and outside interests
12. Remuneration Committee attendance and advisers
13. Other disclosures
14. Statement of voting

1. Directors' remuneration for the year ended 31 December 2022

	Steve Foots		Jez Maiden	
	2022	2021	2022	2021
Salaries	£716,457	£682,340	£494,108	£470,579
Benefits ¹	£22,402	£24,939	£20,064	£20,126
Pension supplement ²	£143,291	£136,218	£98,822	£94,116
Pension ³	–	£417	–	–
Total fixed pay	£882,150	£843,914	£612,994	£584,821
Annual bonus	£1,074,686	£1,023,510	£617,635	£588,224
Long-term incentives ^{4A-B}	£2,124,893	£1,848,822	£1,139,772	£956,273
Other ⁵	£3,117	£3,618	£6,335	£3,975
Total variable pay	£3,202,696	£2,875,950	£1,763,742	£1,548,472
Single total figure of remuneration	£4,084,846	£3,719,864	£2,376,736	£2,133,293

1. Benefits include benefit-in-kind for company car or cash allowance, benefit-in-kind for private medical insurance and private fuel allowance.
2. This represents the 20% of salary supplement. For January 2021 the supplement for Steve Foots was in relation to benefits provided above the salary pension cap.
3. For defined benefit pensions the amount included is the additional value accrued during the year, calculated using HMRC's methodology for the purposes of income tax using a multiplier of 20. Steve Foots was only an active member of the Croda Pension Scheme for one month in January 2021.
4. A. The PSP awards granted in March 2020 reached the end of their performance period on 31 December 2022. The awards will vest at 100% of maximum (see page 131). The values included in the table above are based on the three-month average price to 31 December 2022 of 6738.6p. Of these values, £604,834 and £324,427 is attributable to share price growth for Steve Foots and Jez Maiden, respectively. These values will be updated in next year's Annual Report based on the share price at vesting which will take place on 25 March 2023.
B. The PSP award included in the 2021 single figure (the 2019-21 PSP award) has been updated to reflect the actual share price at vesting of 6904p. Of these values, £588,610 and £288,932 is attributable to share price growth for Steve Foots and Jez Maiden, respectively.
5. Represents the value received in the year from participation in all-employee share schemes. Steve Foots and Jez Maiden received 25 and 26 matching shares respectively as part of the Share Incentive Plan (SIP) with a transaction value of £1,768 and £1,846. Steve Foots and Jez Maiden also participated in the 2022 Sharesave Scheme and were granted 98 and 326 shares respectively at a discounted rate of 5509p. The share price on the date of grant was 6886p representing a 20% discount.

Annual bonus

The annual bonus for Executive Directors in 2022 was calculated by reference to the amount by which the profit for the year, after adjustment for the divestment of our PTIC business and the lipid system sales for our principal COVID-19 vaccine contract, exceeded the profit for 2021 (the 'Bonusable Profit'). The maximum pay-out target would have been met even if PTIC profits had been excluded from the calculations.

	Threshold target	Maximum target	Bonus outcome Actual (% of maximum)	
Bonusable Profit	£422.7m	£465.0m	£472.2m	100%

The Remuneration Committee has discretion to reduce (including to zero) the amount of any payment under the scheme if it considers the safety, health or environment (SHE) performance is in serious non-compliance with the Croda SHE policy statement document of minimum standards. In addition, the Committee can also reduce any payment (including to zero) if it considers the underlying business performance of the Company is not sufficient to support the payment of any bonus. The Committee also applies the Discretion Framework, a rigorous framework for the application of judgement and discretion, when reviewing awards (see page 124).

The Committee used the Discretion Framework to satisfy itself that performance was robust and sustainable. The Committee therefore determined that 100% of the senior annual Bonus Plan was payable.

One third of the bonus payable will be deferred into shares for three years. The awards vest unless the recipient has been dismissed for cause. There are no performance conditions attached.

PSP

PSP awards vesting in March 2023

The PSP awards granted in March 2020 reached the end of their three-year performance period on 31 December 2022.

Measure	Weighting	Threshold	Maximum	Actual performance	Out-turn (% of max element)
Relative TSR versus bespoke peer group ¹	35%	Median (50 th percentile)	Upper quartile (75 th percentile)	94.4 percentile	100%
Adjusted annual average EPS growth over three years ²	35%	5% p.a.	11% p.a.	15.8% p.a.	100%
NPP	20%	NPP sales to grow at twice the rate of non-NPP, subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year, with payments being made on a sliding scale up to 5% growth per year.		NPP sales 2.24x non-NPP sales and overall NPP growth of 17.4%	100%
Sustainability metric 1	5%	Development of decarbonisation roadmaps ³ , covering all scope 1 and 2 emissions to define how we will achieve our targets across all our geographically dispersed and complex footprint. The achievement of this target in full would be a 5% pay-out with a 2.5% pay-out for a better than 95% achievement.		All roadmaps completed	100%
Sustainability metric 2	5%	Measurable reductions in scope 1 and 2 emissions. Target of 30,000 tonnes against an adjusted 2018 baseline of 232,000 tonnes. Following the discovery of a calculation error the 2018 baseline of 232,000 tonnes was reduced to 208,328 ⁴ tonnes but the target reduction of 30,000 tonnes was not reduced, making it harder to achieve. The achievement for this target in full would be a 5% pay-out with a 2.5% pay-out for a better than 75% achievement.		39,335 tonnes	100%
				Total out-turn	100%

1. TSR peer group constituents: AkzoNobel, Albemarle, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.

2. EPS growth p.a. is calculated on a simple average basis over the three-year period. The calculation of the EPS growth has been adjusted for the divestment of the majority of the PTIC business. The mechanics of the adjustments were independently recalculated by KPMG under agreed-upon procedures standard (ISRS 4400) (advice delivered to the Company and not constituting assurance or an opinion). The outcome was not impacted by this adjustment.

3. Decarbonisation Roadmap: A plan for a site, charting emissions reduction through for example, maximising use of renewable energy, novel process technologies and energy efficiency measures. The quality assessment process was validated externally by Accenture who also performed sampling to validate the outcome assessments.

4. The revised 2018 baseline has been independently verified by Carbon Smart, as has the breakdown of emissions per site. Adjustments have been made for acquisitions and divestment of our PTIC business.

EVA Underpin

The PSP awards granted in March 2020 were subject to an EVA underpin such that an improvement in EVA over the three-year PSP performance period was required. EVA in the final year exceeded EVA in the year prior to the start of the performance period and therefore no adjustment to the awards is required as a result of EVA performance.

Remuneration Report continued

As well as considering the EPS, TSR and NPP and sustainability 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 124. On review, the Committee considered the outcome of the PSP consistent with overall Company performance over the three-year performance period.

The forecast vesting value of the awards made in March 2020, subject to the above performance targets, is included in the 2022 single figure table on page 130. Any shares vesting will be subject to a two-year holding period.

Gains made on exercise of share options and PSP

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

Executive Director	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax)
Steve Foots	14 Mar-22	26,779	PSP	0	6904p	£1,848,822
	14 Mar-22	2,526	DBSP	0	6904p	£174,395
	06 Dec-22	138	Sharesave	3898p	6968p	£4,237
	15 Mar-21	11,161	PSP	0	6205p	£692,540
	15 Mar-21	5,581	DBSP	0	6205p	£346,301
	22 Mar-21	174	Sharesave	3092p	6257p	£5,507
	01 Nov-21	173	Sharesave	4144p	9432p	£9,148
Jez Maiden	14 Mar-22	13,851	PSP	0	6904p	£956,273
	14 Mar-22	1,449	DBSP	0	6904p	£100,039
	01 Nov-22	230	Sharesave	3898p	6758.2p	£6,579
	15 Mar-21	5,773	PSP	0	6205p	£358,215
	15 Mar-21	3,207	DBSP	0	6205p	£198,994
	01 Nov-21	217	Sharesave	4144p	9432p	£11,475

PSP awards granted in 2022

The PSP awards granted on 22 March 2022 were as follows:

Executive Director	Number of PSP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date ¹	% of award vesting at threshold (maximum)	Performance period
Steve Foots	21,649	225%	£1,611,985	25% (100%)	01.01.22 – 31.12.24
Jez Maiden	11,612	175%	£864,630	25% (100%)	01.01.22 – 31.12.24

1. Face value/maximum value is calculated based on a share price of 7446p, being the average mid-market share price of the three dealing days prior to the date of grant.

The 2022 PSP awards are subject to a performance condition which is split into three parts: 35% EPS, 35% TSR, and 30% sustainability metrics, including NPP. Performance targets were disclosed in full last year, see page 96 of our Annual Report and Accounts 2021. Vesting will take place on a sliding scale. An EVA underpin applies across the entire award, also detailed on page 96 of our Annual Report and Accounts 2021.

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

All-employee share plans

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

SIP

Details of shares purchased and awarded to Executive Directors under the SIP are shown in the table below. A brief description of the SIP is set out in note 23 on page 199.

Executive Director	SIP shares held 01.01.22	Partnership shares acquired in year	Matching shares awarded in year	Total shares 31.12.22*	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.22
Steve Foots	5,842	25	25	5,892	70	5,610
Jez Maiden*	481	26	26	541	35	277

There have been no changes in the interests of any Director between 31 December 2021 and the date of this report, except for the purchase of five SIP shares and the award of five matching shares by Steve Foots and the purchase of four SIP shares and the award of four matching shares by Jez Maiden during January and February 2023.

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

Sharesave

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

Date of grant	Earliest exercise date	Expiry date	Face value*	Exercise price	Number at 01.01.22	Granted in year	Exercised in year	Cancelled in year	Number at 31.12.22
Steve Foots									
12 September 2019	01 November 2022	30 April 2023	£6,723	3898p	138	–	138	–	–
10 September 2020	01 November 2023	30 April 2024	£6,724	4804p	112	–	–	–	112
16 September 2021	01 November 2024	30 April 2025	£8,975	7327p	98	–	–	–	98
15 September 2022	01 November 2025	30 April 2026	£6,748	5509p	–	98	–	–	98
					348	98	138	–	308
Jez Maiden									
12 September 2019	01 November 2022	30 April 2023	£11,206	3898p	230	–	230	–	–
16 September 2021	01 November 2024	30 April 2025	£11,173	7327p	122	–	–	122	–
15 September 2022	01 November 2025	30 April 2026	£22,448	5509p	–	326	–	–	326
					352	326	230	122	326

During 2022, the highest mid-market price of the Company's shares was 9994p and the lowest was 5946p. The year-end closing price was 6604p. The year-end mid-market price was 6663p.

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

2. Pension

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

Executive Director	Normal retirement date under the CPS	Total accrued pension at 31.12.22 (p.a.)	Single remuneration pension figure 2022	Single remuneration pension figure 2021	Single remuneration pension figure 2022 excluding supplement
Steve Foots	14 September 2033	£134,606	£143,291	£136,635	–
Jez Maiden	N/A	–	£98,822	£94,116	–

* Neither Steve Foots or Jez Maiden were active members of the Croda Pension Scheme in 2022. Steve Foots was only an active member of the Croda Pension Scheme for one month in 2021. The single remuneration pension figure for 2022 therefore only relates to the pension supplement of 20% of salary.

Remuneration Report continued

Croda has a number of different pension plans in the countries in which we operate. Pension entitlements for Executive Directors are tailored to local market practice, length of service and the participant's age. In 2016, a Career Average Revalued Earnings (CARE) scheme was introduced with a cap applied to pension benefits; at this time the cap was set at £65,000. The cap is increased each year in line with inflation, and from April 2023 will be £76,614. Employees who earn in excess of the pension cap or who cannot be members of the plan due to tax limitations receive a pension supplement. For Executive Directors this supplement is up to 20% of salary in line with the wider UK workforce.

Steve Foots' historic pension provision

Steve Foots was a member of the Croda Pension Scheme up to 31 January 2021. Steve Foots accrued pension benefits under the Croda Pension Scheme up to this date with a CARE accrual rate of 1/60th and an entitlement to retire at age 60. From 6 April 2011 onwards, pension benefits accruing were based on a capped salary. This cap was £187,500 until April 2014 at which point it reduced to £150,000, and due to annual allowance regulations and changes to the pension scheme, reduced to £37,500 in April 2016 (reduced from the scheme cap of £65,650 due to annual allowance regulations) and reduced again in April 2020 to £15,000 following new 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 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 an Excepted Life Policy. Steve Foots elected to opt out of the Croda Pension Scheme from 31 January 2021 and therefore only now receives a pension supplement of 20% of salary.

Jez Maiden's pension provision

Jez Maiden has elected not to join the Croda Pension Scheme and was therefore paid a pension supplement of 20% of salary in 2022. He is entitled to death-in-service benefits from an Excepted Life Policy.

3. Payments for cessation of office

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

4. Payments to past Directors

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

5. Transition of Chief Financial Officer

Jez Maiden will retire as Group Finance Director of Croda in 2023 and will be succeeded by Louisa Burdett as Chief Financial Officer.

Joining arrangement for Louisa Burdett

Louisa Burdett was appointed on a salary of £520,000 and will receive a pension supplement of 20% of salary aligned to the UK workforce. In addition she will also receive a travel allowance to facilitate travel to Croda's offices in Yorkshire.

Louisa Burdett will participate in both the senior annual Bonus Plan and PSP on the same basis as Jez Maiden, which, subject to approval of the new Remuneration Policy will have maximum opportunities of 150% of salary and 200% of salary, respectively, for 2023.

There was no sign-on bonus or buy-out.

Remuneration arrangements for Jez Maiden on his retirement

Remuneration arrangements for Jez Maiden on his retirement were in line with the Directors' Remuneration Policy. He will continue to receive his salary, pension supplement and benefits up until the date of his departure. Jez Maiden was not a member of the Croda Pension Scheme, and so no pension is payable.

For 2023, Jez Maiden will remain eligible for a bonus under the senior annual Bonus Plan, which will be pro-rated for the period he is employed during the year. This will be paid at the normal time subject to the satisfaction of performance. Jez Maiden will not receive a PSP award in 2023.

In respect of outstanding share awards, these will subsist. For awards granted under the Deferred Bonus Share Plan and vested PSP awards that remain subject to a holding period, these will continue and will be released at the normal time. Outstanding PSP awards will vest in line with their original vesting dates, subject to the satisfaction of the original performance conditions, and the two-year holding period will continue to apply. Outstanding PSP awards will be pro-rated to reflect the period during which Jez Maiden was employed by the Group.

Outstanding shares and options under the SIP and UK Sharesave Scheme will be treated in accordance with the applicable plan rules.

In line with the 2020 Directors' Remuneration Policy, Jez Maiden will be required to retain a shareholding for two years post-employment. The post-employment shareholding requirement applies in respect of up to 100% of his in-employment guidelines for the first year post-employment, applicable in respect of all shares vested from 2020, tapering down to 0% over the second year. The Company will operate mechanisms to enforce the requirement.

There will be no payments for loss of office.

6. Share interests

The interests of the Directors who held office at 31 December 2022 are set out in the table below:

	Legally owned ¹		PSP (unvested)	DBSP (unvested)	Sharesave (unvested)	SIP		Total 31.12.22	% of salary held under shareholding guideline
	31.12.21	31.12.22				Restricted	Unrestricted		
Executive Director									
Steve Foots	173,115	188,756	77,604	4,650	308	282	5,610	277,210	>225% target
Jez Maiden	21,106	23,296	41,626	2,672	326	264	277	68,461	>175% target
Non-Executive Director									
Roberto Cirillo	–	–	–	–	–	–	–	–	–
Jacqui Ferguson	76	76	–	–	–	–	–	76	–
Anita Frew	9,425	9,425	–	–	–	–	–	9,425	–
Helena Ganczakowski	361	361	–	–	–	–	–	361	–
Keith Layden	60,339	60,339	–	–	–	–	–	60,339	–
John Ramsay	2,000	2,836	–	–	–	–	–	2,836	–
Julie Kim	60	60	–	–	–	–	–	60	–
Nawal Ouzren*	–	–	–	–	–	–	–	–	–

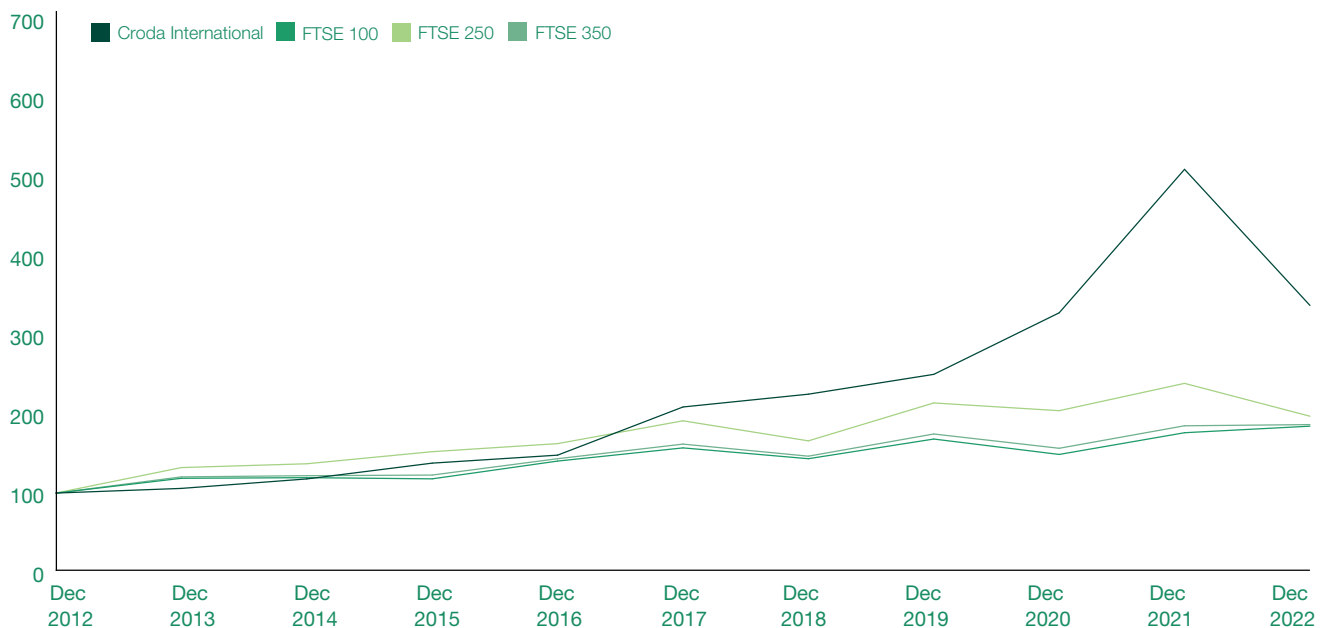
* Nawal Ouzren appointed 1 February 2022, holding on appointment Nil.

1. Including connected persons.

Post-employment shareholding requirements also apply for two years after leaving employment. The policy applies to shares from awards that vest from 2020. From adoption of the new 2023 policy, the post-employment shareholding requirements will be set at 100% of the in-employment guideline to be retained for the entire two year period following leaving. Jez Maiden's post-employment shareholding requirement will follow the current policy of 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. The Committee is implementing structures to ensure that post-employment shareholding requirements are adhered to, via our third-party share plan administrator.

7. Performance graph (unaudited information)

Ten year Total Shareholder Return chart



Source: Refinitiv Datastream

Remuneration Report continued

8. 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 pay-out for each year as a percentage of the maximum.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration (£)	1,427,156	769,414	1,374,046	2,404,441	3,570,251	3,311,700	1,693,242	1,543,377	3,719,864	4,084,846
Annual bonus (%)	0%	0%	76.4%	100%	78.4%	36.2%	0%	0%	100%	100%
Long-term incentives vesting (%)	81.8%	0%	0%	43%	100%	100%	56.2%	40%	97.4%	100%

The 2021 total remuneration figure has been updated to reflect the value of the 2021 PSP award at vesting.

9. Board Chair and other Non-Executive Directors' fees 2022 and 2023 (unaudited information)

The fees paid to the Non-Executive Directors (including chairing of Committees) and to the Senior Independent Director were reviewed in January 2023 and increased by 4%, in line with the Executive Directors. These changes took effect from 1 January 2023. The revised fee structure for the Board Chair and other Non-Executive Directors for 2022 is detailed below.

Position	2022 fee £	2023 fee £
Board Chair (all-inclusive fee)	319,104	331,868
Non-Executive Director base fee	67,066	69,749
Additional fees		
Senior Independent Director	11,142	11,588
Committee Chairs (Audit and Remuneration)	16,226	16,875

10. Non-Executive Directors' remuneration

The remuneration of Non-Executive Directors for the year ended 31 December 2022 payable by Group companies is detailed below; this table reflects actual payments in 2022.

		Non-Executive Director fees £	Benefits ¹ £	Total £
Anita Frew	2022	319,104	4,030	323,134
	2021	303,909	11	303,920
Helena Ganczakowski²	2022	89,025	1,537	90,562
	2021	89,937	456	90,393
Jacqui Ferguson²	2022	72,475	3,090	75,565
	2021	63,873	169	64,042
Roberto Cirillo	2022	67,066	5,157	72,223
	2021	63,873	903	64,776
Keith Layden	2022	67,066	4,311	71,377
	2021	63,873	89	63,962
John Ramsay	2022	83,291	6,569	89,860
	2021	79,326	794	80,120
Julie Kim^{3,4}	2022	61,477	3,055	64,532
	2021	–	11,142	11,142
Nawal Ouzren⁵	2022	61,477	2,121	63,598
	2021	–	–	–

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

2. Helena Ganczakowski was replaced by Jacqui Ferguson as the Chair of the Remuneration Committee on 1 September 2022 and the fees for both were pro-rated accordingly.

3. Julie Kim was appointed to the Board on 1 September 2021 and voluntarily decided to waive her fees for 2021 and January 2022.

4. The benefits figure for Julie Kim relates to the undertaking of long-haul business travel and ensuring she is not out of pocket for the related tax.

5. Nawal Ouzren was appointed to the Board on 1 February 2022.

Non-Executive Directors' appointment

The effective dates of the letters of appointment for the Board Chair and each Non-Executive Director who served during 2022 are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Anita Frew	05 March 2015	24 April 2024
Roberto Cirillo	26 April 2018	26 April 2024
Jacqui Ferguson	01 September 2018	01 September 2024
Helena Ganczakowski	01 February 2014	26 April 2023
Keith Layden	01 May 2017	01 May 2023
John Ramsay	01 January 2020	01 January 2026
Julie Kim	01 September 2021	01 September 2024
Nawal Ouzren	01 February 2022	01 February 2025

11. Service contracts and outside interests (unaudited information)

The Executive Directors have service contracts as follows:

Executive Director	Contract date	Termination provision
Steve Foots	16 September 2010	by the Company 12 months, by the Director 6 months
Louisa Burdett	08 November 2022	by the Company 12 months, by the Director 6 months
Jez Maiden	09 October 2014	by the Company 12 months, by the Director 6 months

External directorships

Executive Directors are permitted to accept external appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for Non-Executive roles. Jez Maiden was appointed as a Non-Executive Director of Intertek Group in May 2022.

12. Remuneration Committee attendance and advisers (unaudited information)

The following Directors served as members of the Committee during 2022:

- Jacqui Ferguson (Chair from 1 September 2022)
- Helena Ganczakowski (Chair until 1 September 2022)
- Roberto Cirillo
- John Ramsay
- Julie Kim
- Nawal Ouzren

In addition, the Committee invites individuals to attend meetings to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2022, invitees included other Directors and employees of the Group and the Committee's advisers (see page 138), including Anita Frew (Company Chair), Steve Foots (Group Chief Executive), Jez Maiden (Group Finance Director), Keith Layden (Non-Executive Director), Tracy Sheedy (Group HR Director), Tom Brophy (Group General Counsel and Company Secretary) and Caroline Farbridge (former Deputy Company Secretary).

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



See page 88

for details of attendance at meetings during the year.

Remuneration Report continued

Summary of Remuneration Committee meetings

January 2022	<p>Approved Chair fee increase for 2021</p> <p>Reviewed the draft Directors' Remuneration Report</p> <p>Considered the sustainability targets for 2022 PSP awards</p> <p>Reviewed the EVA underpin PSP metric</p> <p>Reviewed remuneration governance trends</p>
February 2022	<p>Reviewed the draft Directors' Remuneration Report</p> <p>Reviewed the 2021 bonus baseline calculation</p> <p>Approved the calculation of the 2021 senior annual Bonus Plan award</p> <p>Approved the senior annual Bonus Plan targets for 2022</p> <p>Approved the vesting outcome for the 2019 PSP awards</p> <p>Approved the PSP targets for 2022 and the grant of PSP awards for 2022</p> <p>Approved the vesting of the 2019 RSP awards and the grant of RSP awards for 2022</p> <p>Approved the vesting of the 2021 Free Share Plan</p> <p>Reviewed the update on ABI headroom limits as they apply to the business</p> <p>Reviewed share ownership guidelines</p> <p>Reviewed the Committee's Terms of Reference</p>
May 2022	<p>Received an update on shareholder voting in respect of the Directors' Remuneration Report</p> <p>Considered adjustments to incentives following the sale of the majority of the PTIC businesses</p> <p>Reviewed an update on PSP sustainability targets</p> <p>Gave authority for UK employees to join the UK Sharesave Scheme and non-UK employees to join the International Sharesave Scheme</p> <p>Agreed dividend enhancement to the Deferred Bonus Share Plan</p> <p>Approved early vesting of the PSP and RSP awards for 2020 and 2021 for employees transferring out of the business following the sale of the majority of the PTIC businesses</p>
November 2022	<p>Discussed outline policy changes</p> <p>Reviewed shareholder consultation feedback in respect of proposed changes to the Remuneration Policy</p> <p>Reviewed proposed sustainability targets for the 2023 PSP</p> <p>Reviewed changes to the Group bonus scheme rules</p> <p>Agreed dividend enhancement to the Deferred Bonus Share Plan</p> <p>Gave authority for the execution of actions in relation to the 2019 Sharesave maturity</p>
December 2022	<p>Reviewed initial draft of the Chair's letter for inclusion in the Directors' Remuneration Report</p> <p>Reviewed shareholder consultation feedback</p> <p>Reviewed the proposed adjustment to PSP targets following the sale of the majority of the PTIC businesses</p> <p>Reviewed proposed sustainability targets for the 2023 PSP</p> <p>Reviewed proposed targets for the 2023 senior annual Bonus Plan and PSP award</p> <p>Approved salary increases for the Group Chief Executive and Executive Committee</p> <p>Approved increases to the Executive Committee Car and Fuel Allowances</p> <p>Considered the Committee's effectiveness review</p> <p>Agreed the agenda programme for 2023</p>

In addition to the above scheduled meetings, three additional meetings were held on 21 January 2022, 21 July 2022 and 20 September 2022.

Remuneration Committee advisers (unaudited information)

Deloitte LLP were retained as the appointed adviser to the Committee for the whole of 2022 having been appointed in October 2017, following a tender and selection process led by the Chair and including Committee members. As well as providing advice in relation to Executive remuneration and Non-Executive fees, Deloitte LLP also provide advice to the Group in relation to global employer services, global business tax services, indirect tax and M&A.

Deloitte LLP is a signatory to the Remuneration Consultants Group Code of Conduct. The lead engagement partner has no other connection with the Company or individual Directors. The total fees paid to Deloitte LLP for its services during the year in relation to Executive remuneration and Non-Executive fees were £109,720 (excluding VAT). The Committee regularly reviews the external adviser's relationship and is comfortable that the advice it is receiving remains objective and independent.

13. Other disclosures (unaudited information)

Percentage change in remuneration levels

The following chart shows the movement in salary/fees, benefits and annual bonus for each of the Group's Directors between the current and previous financial year compared with that of the average employee of the Group's parent Company. The movement for the average UK employee is also provided for additional reference given the small number of employees employed by the Group parent Company.

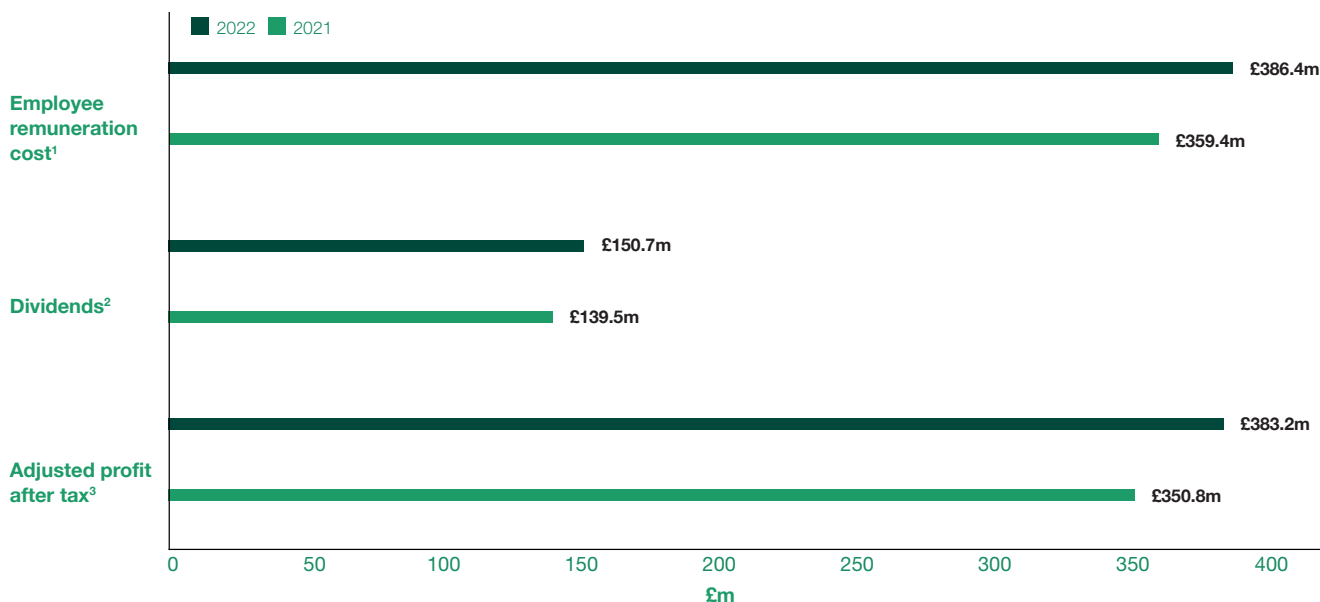
		% change in salary/fees	% change in benefits ¹	% change in bonus ^{2,3}
Average employee of the Group's parent Company ⁴	2022	6.46%	27.95%	17.32%
	2021	-5.12%	-25.04%	–
	2020	3.66%	-0.06%	0.00%
Average UK employee ⁴	2022	5.54%	46.21%	5.46%
	2021	0.68%	-8.63%	–
	2020	3.43%	-3.27%	27.96%
Executive Directors				
Steve Foots	2022	5.00%	-10.17%	5.00%
	2021	1.00%	-25.87%	–
	2020	2.00%	0.50%	0.00%
Jez Maiden	2022	5.00%	-0.31%	5.00%
	2021	1.00%	0.04%	–
	2020	2.00%	2.29%	0.00%
Non-Executive Directors				
Dame Anita Frew DBE	2022	5.00%	–	–
	2021	1.00%	–	–
	2020	2.00%	-100.00%	–
Helena Ganczakowski ^{5,6}	2022	-1.01%	–	–
	2021	4.84%	–	–
	2020	11.41%	-100.00%	–
Keith Layden	2022	5.00%	–	–
	2021	1.00%	–	–
	2020	2.00%	-100.00%	–
Roberto Cirillo	2022	5.00%	–	–
	2021	1.00%	–	–
	2020	2.00%	-100.00%	–
Jacqui Ferguson ⁶	2022	13.47%	–	–
	2021	1.00%	–	–
	2020	2.00%	-100.00%	–
John Ramsay ^{5,7}	2022	5.00%	–	–
	2021	7.50%	–	–
	2020	–	–	–
Julie Kim ⁸	2022	–	–	–
	2021	–	–	–
	2020	–	–	–
Nawal Ouzren ⁹	2022	–	–	–
	2021	–	–	–
	2020	–	–	–

- The benefits for Non-Executive Directors relate to the undertaking of business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax. No taxable business travel expenses were claimed by Non-Executive Directors in 2020 due to the COVID-19 pandemic and therefore there are no comparable figures to give a % change in 2021. In 2022, Non-Executive Directors travel returned to pre-pandemic levels, however, reflective of the low levels of travel in the prior year, the % change figures are not meaningful. These are 35,311% for Dame Anita Frew DBE, 471% for Roberto Cirillo, 1,726% for Jacqui Ferguson, 238% for Helena Ganczakowski, 4,744% for Keith Layden, 727% for John Ramsay and -73% for Julie Kim. For a full breakdown of the benefits for non-Executive Directors see page 136.
- Bonus including annual bonus, DBSP and sales bonus.
- The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 or 2020 and therefore there is no comparable figure to give a % change in 2021 for Executive Directors or the Average employee of the Group's parent Company. For the Average UK employee, the % change in 2020 relates to only a small number of employees who received a sales bonus. As the senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme paid out in full for 2021, the bonus received by the Average UK employee in 2021 is significantly higher and as such the % change is not meaningful.
- Excluding Executive Directors and Non-Executive Directors.
- In 2020 Helena Ganczakowski was appointed as the Senior Independent Director and John Ramsay was appointed as the Chair of the Audit Committee. Their fees were pro-rated accordingly.
- Helena Ganczakowski was replaced by Jacqui Ferguson as the Chair of the Remuneration Committee on 1 September 2022 and the fees for both were pro-rated accordingly.
- John Ramsay was appointed to the Board on 1 January 2020 and therefore has no comparable remuneration figures for 2019.
- Julie Kim was appointed to the Board on 1 September 2021 and voluntarily decided to waive her fees for 2021 and January 2022, she therefore has no comparable remuneration figures for 2020 or 2021.
- Nawal Ouzren was appointed to the Board 1 February 2022 and therefore has no comparable remuneration figures for 2021.

Remuneration Report continued

Relative importance of the spend on pay

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



1. Employee remuneration costs, as stated in the notes to the Group accounts on page 177. These comprise all amounts charged against profit in respect of employee remuneration for the relevant financial year, less redundancy costs and share-based payments, both of which can vary significantly from year to year.
2. Dividends are the amounts payable in respect of the relevant financial year.
3. Adjusted profit after tax is profit for the relevant year adjusted for exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon.

14. Statement of voting (unaudited information)

	Remuneration Policy 2020 AGM		Annual Report on Remuneration 2022 AGM	
	number of votes	% of votes	number of votes	% of votes
Votes cast in favour	97,230,580	97.55%	102,924,327	94.95%
Votes cast against	2,445,834	2.45%	5,476,013	5.05%
Total votes cast	99,676,414	100%	108,400,340	100%
Withheld	152,926		144,054	

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

Jacqui Ferguson

Jacqui Ferguson, Chair of the Remuneration Committee

27 February 2023

Directors' report

Other disclosures

Pages 70 to 144 inclusive, together with the sections of the Annual Report and Accounts incorporated by reference, constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law; the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

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 61.0p per share (2021: 56.5p). If approved by shareholders, total dividends for the year will amount to 108.0p per share (2021: 100.0p). Details of dividends are shown in note 8 on page 177; details of the Company's Dividend Reinvestment Plan can be found on page 211. 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 200.

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 72 and 73.

In line with the 2018 UK Corporate Governance Code, each Director will be standing for election or re-election at the AGM, with the exception of Jez Maiden and Helena Ganczakowski who will retire at the AGM. Details of the Directors' service contracts are given in the Directors' Remuneration Report on page 119.

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 135.

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 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 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. Such indemnities were in place during 2022 and at the date of approval of the Group financial statements.

Share capital

At the date of this report, 142,536,884 Ordinary Shares of 10.609756p 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. The Articles are available on the Company's website www.croda.com or copies 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 2022 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.

Directors' report continued

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 2023 AGM, that is 26 April 2023, and so the Directors propose to renew them for a further year.

Substantial shareholdings

As at 31 December 2022 in accordance with DTR 5 the holders of notifiable interests in the Company's share capital are shown in the table below.

	Number of shares	% of issued capital
BlackRock, Inc.	8,534,795	6.62%
Massachusetts Financial Services Company	6,970,021	4.99%
Norges Bank	5,597,132	4.01%
Royal Bank of Canada	5,093,443	3.65%

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 any protected characteristic 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.

Involvement: 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 2022, 84% of our UK employees and 60% 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 interest to them in a variety of ways, including the Company magazine, Croda Way; quarterly updates; the Company intranet, Connect; team briefings, podcasts, webinars, Yammer 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. The Directors maintain oversight of employee matters through the Board and Committee meeting processes and information flows, including regular updates on employee matters and employee feedback received through employee engagement surveys. How the Directors engaged with employees and considered their interests when taking key decisions is further detailed on pages 78 to 81.

Non-financial reporting directive

The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 (the Regulations) require companies to disclose non-financial information necessary to provide investors and other stakeholders with a better understanding of a company's development, performance, position and impact of its activity. Throughout this Annual Report the Directors have disclosed a mix of financial and non-financial KPIs which they believe best reflect the Group's strategic priorities, and which will help to convey an understanding of the culture of the business and the drivers which contribute to the ongoing success of the Company. Please see the non-financial information statement on page 69 which sets out where stakeholders can find information relating to non-financial matters.

Mandatory XBRL tagging

The Board reviewed the process that had been developed to ensure that the primary financial statements and the notes to the financial statements, had been tagged in line with required taxonomy.

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 65.
- Information on energy consumption can be found on page 65.
- Information on energy efficiency can be found on page 65.
- Information on gas emissions, energy consumption and energy efficiency - other disclosures can be found on page 65.
- For the purposes of Listing Rule (LR) 9.8.6R(8) the information on climate-related financial disclosures consistent with the TCFD recommendation and the TCFD recommended disclosure can be found on pages 60 to 68.
- Further details of the actions which the Group is taking to reduce emissions can also be found in the Sustainability Report and at www.croda.com.
- An indication of likely future developments in the Group's business can be found throughout the Strategic Report, starting on page 1.

- The long-term viability statement can be found on page 59.
- Information on the appropriateness of adopting the going concern basis of the accounts can be found on page 164.
- Our approach to risk management can be found on pages 52 to 54.
- Details of the services provided to shareholders can be found on pages 211 and 212 and on the Company's website.
- An indication of the Company's overseas branches are on pages 208 to 210.

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 Guidance 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 in the table below.

All the information cross referenced above is incorporated by reference into the Directors' Report.

References in this document to other documents on the Company's website, such as the Sustainability Report, are included as an aid to their location and are not incorporated by reference into any section of the Annual Report and Accounts.

Independent auditor

Our auditor, KPMG, have indicated their willingness to continue in office and, on the recommendation of the Audit Committee, a resolution regarding their re-appointment and remuneration will be submitted to the AGM on 26 April 2023.

Audit information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

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.

A copy of the Articles is available at www.croda.com

Listing Rule (LR) 9.8.4R information

Section	Topic	Page reference
(1)	Capitalised interest	Page 143
(2)	Publication of unaudited financial information	Not applicable
(3)	Smaller related party transactions	Not applicable
(4)	Details of long term incentive schemes established specifically to recruit or retain a Director	Not applicable
(5) (6)	Waiver of emoluments by a Director	Page 136
(7) (8)	Allotments of equity securities for cash	Not applicable
(9)	Participation in a placing of equity securities	Not applicable
(10)	Contracts of significance	Page 143
(11) (14)	Controlling shareholder disclosures	Not applicable
(12) (13)	Dividend waiver	Page 141

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 contain 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 (2021: £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 20 on pages 193 and 194.

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 169.

Directors' report continued

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

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 accounting standards in conformity with the requirements of the UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, 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 the Group's 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 international accounting standards in conformity UK-adopted international accounting standards;
- 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' 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.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

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 development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken 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.

The Directors' Report and the Strategic Report, including the sections of the Annual Report and Accounts incorporated by reference, is the 'management report' for the purposes of the Financial Conduct Authority Disclosure Guidance and Transparency Rules (DTR 4.1.8R). It was approved by the Board on 27 February 2023 and is signed on its behalf by



Tom Brophy, Group General Counsel and Company Secretary

27 February 2023