



# Sustainability governance

Last updated: 12/03/2024

## Overview

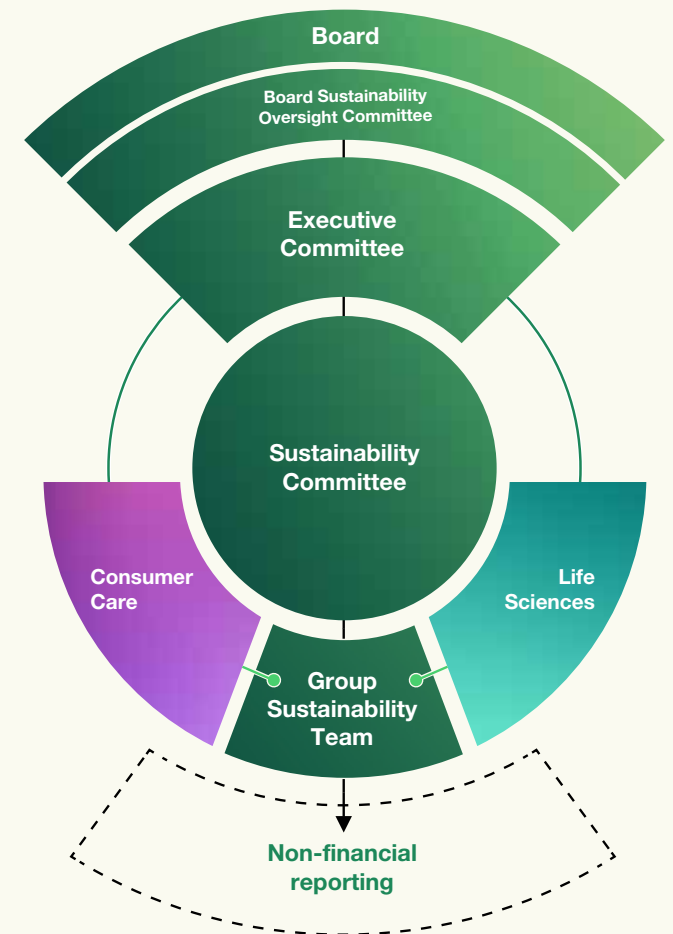
To deliver our Commitment to be Climate, Land and People Positive by 2030 and meet compliance requirements in sustainability, we have created robust governance mechanisms to hold ourselves to account.

### Board Leadership

Our Board comprises Non-Executive Directors plus the Group Chief Executive and Chief Financial Officer. It has ultimate responsibility for setting the Group’s sustainability strategy and monitoring effective delivery and achievement of objectives. The Board has overall accountability for the management and guidance of risks and opportunities, including those relating to Climate, Land and People, and for the delivery of our financial and non-financial performance.

### Board Sustainability Oversight Committee

Given the growing importance of the sustainability agenda to our stakeholders and its core position in our corporate strategy, the Board approved the creation of a Board-level Sustainability Oversight Committee (BSOC) for 2024, to be led by Chris Good, Non-Executive Director. The new Committee will create additional capacity at Board level to give due attention to this growing area and develop the ESG expertise of Board members. The BSOC met for the first time in January 2024 (see next page for more details).





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## Executive Committee ownership

The Executive Committee is responsible for the development and delivery of the Group sustainability strategy and defines objectives, targets and KPIs to track performance.

### Sustainability Committee

Formed in 2020, the Sustainability Committee is chaired by our Chief Sustainability Officer and is a formal subcommittee of the Executive Committee. It has delegated authority to oversee the development, measurement and delivery of our KPIs across the three pillars of our sustainability strategy: Climate, Land and People, supported by our Fundamentals. It engages with key stakeholders and monitors sustainability related leadership reputation. It comprises leaders across the organisation, with expert advice and support provided by the Group sustainability team and third-party partners.

### Sustainability embedded in the businesses

In our new, simplified matrix organisational structure, accountability for delivery of the strategy is embedded across the business and monitored by the Sustainability Committee. Each of the public targets under Climate, Land, and People Positive is owned by the appropriate corporate functions and business teams, who are responsible for the development and execution of relevant action plans.

### Group Sustainability team

Our in-house centre of excellence, responsible for non-financial reporting and compliance with regulations. Calling on 3<sup>rd</sup> parties where required, the Group Sustainability team provides subject matter expertise and works with the business teams to identify and action sustainability related risks and opportunities.

## Board Sustainability Oversight Committee (BSOC)

The Board approved the BSOC terms of reference (which can be found in the governance section at [www.croda.com](http://www.croda.com)) late 2023 and agreed that the responsibilities of the Committee would be strategically focused, with the Audit Committee providing assurance on the accuracy and reliability of the Group's sustainability disclosures through the oversight of the control environment in relation to data and information used in support of such disclosures.

### Committee membership

The Committee comprises Non-Executive Directors Chris Good (as Chair) and Jacqui Ferguson, Keith Layden and Nawal Ouzren as members. All other Directors are invited to attend Committee meetings, as are the CEO, CFO, Chief Sustainability Officer and the Group General Counsel, Company Secretary and President Sustainability.

### Key responsibilities of the Committee

Croda's sustainability strategy will continue to be developed by the Executive Committee and approved by the Board with the role of the Sustainability Oversight Committee to:

- Monitor the execution and implementation of the sustainability strategy, including performance against KPIs
- Monitor compliance with sustainability policies, regulations and best practice
- Support the Board by considering in more depth the Group's principal sustainability risks and opportunities
- Oversee communication of the Group's sustainability activities, including review of the sustainability reporting in the Annual Report
- Provide input to the Board and other Board Committees on sustainability matters as required

The Committee met for the first time in January 2024.

→ Please refer to ARA pages 98 to 99 for more details



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## Sustainability Risk Framework and Management

### What we monitor

#### Executive Risk Register

Summary of the principal risks facing us prepared by combining risks identified through the local bottom-up registers with top-down risks identified and owned by the Executive Committee.

#### Our risk landscape

##### Current risks

Risks we are managing now that could stop us achieving our strategic objectives.

##### Emerging risks

Risks with a future impact from external or internal opportunities or threats. These can be slow moving as well as rapid velocity.

#### What we assess

- Risk ownership: each risk has a named owner
- Likelihood and impact: globally applied 6x6 scoring scale
- Gross risk: before mitigating controls
- Mitigating controls: subject to internal audit review and monitoring
- Net risk: after mitigating controls are applied
- Risk appetite: defined at risk subcategory level
- Actions: identify further mitigation if required

#### Risk categories we assess

Six categories, 17 subcategories, over 60 generic risks, one framework:

- Strategic
- People and culture
- Process
- External environment
- Business systems and security
- Financial

#### Our bottom-up registers

The core of our risk assessment. Owned by market sectors, regions, manufacturing sites and functions, they identify local risks and mitigating controls arising from day-to-day operations globally.

### How we monitor

#### Board

- Responsible for the risk framework and definition of risk appetite
- Reviews key risks with an opportunity for in-depth discussion of specific key risks and mitigating controls annually
- Approves the viability statement

#### Audit Committee

- Reviews the effectiveness of the Group risk management process
- Reviews assurance over mitigating controls, directing internal audit to undertake assurance reviews for selected key risks
- Reviews viability scenario assessments

#### Risk Committee

Chaired by Chief Financial Officer

- Meets quarterly to monitor and review risks (other than SHEQ, ethics and sustainability, which are delegated to other committees)
- Standing agenda items to monitor emerging risks, IT systems and cyber risks
- Receives an in-depth presentation of specific key risks and mitigating controls from risk owners
- Considers the results of internal audit work

#### Sustainability Committee

Chaired by Chief Sustainability Officer

- Meets quarterly to oversee the development, measurement and delivery of our sustainability strategy and the significance of climate related risks and opportunities
- Monitors against stretching targets and agreed KPIs

#### SHEQ Steering Committee

Chaired by President of Operations

- Meets quarterly to review SHEQ risks
- Monitors against stretching targets and agreed KPIs
- Considers the results of assurance audits over SHEQ controls

#### Ethics Committee

Chaired by Group General Counsel

- Meets quarterly to review ethics and compliance risks
- Monitors against agreed KPIs
- Considers the results of assurance audits over ethics controls

## Assurance

In 2023 we engaged KPMG to provide us with a limited assurance opinion on our climate and gender diversity KPIs, listed below. This decision was taken in part to prepare for future regulatory compliance but also to aid internal decision-making and increase the rigour of our data collection and reporting processes. By starting the assurance process now, and embedding new processes required, we are getting ahead of the regulation, ensuring we follow best practice while promoting continued confidence among customers and investors. KPMG's work includes looking at our reporting methodologies. In the past, our scope 1, 2 and 3 emissions data have been externally verified, and KPMG has continued to examine these KPIs from a limited assurance point of view. In the last year, however, we have added additional KPIs in areas such as bio-based raw materials, carbon cover and gender diversity. The Audit Committee will retain responsibility for overseeing development of the assurance programme for our Commitment KPIs, data and material statements.

### Metrics assured in 2023

- Scope 1 emissions
- Scope 2 emissions (location-based)
- Scope 2 emissions (market-based)
- Scope 3 emissions (upstream)
- Emissions intensity
- Carbon emissions avoided through use of products
- Carbon cover ratio
- % organic raw materials bio-based
- % leadership roles held by women
- % women in the workforce
- % women on the Board

The limited assurance opinion and reporting criteria are available on [www.croda.com/sustainability](http://www.croda.com/sustainability)

→ Please refer to ARA pages 51 to 57 for more details



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## 2023 Sustainability Governance activities

### Chair's Letter

"The Board remained focused on sustainability and achieving our ambition to be the most sustainable supplier of innovative ingredients"

→ Please refer to ARA pages 70-71 for more details

### Board focus on sustainability

"During the year the Board remained focused on delivery of our sustainability Commitment, which is a fundamental aspect of how we work, how we are judged, and how we judge ourselves, as we decouple our continued growth and increasing shareholder value from our impacts on the environment."

→ Please refer to ARA page 77 for more details

### Audit Committee Report

"In 2023 the Audit Committee approved the appointment of KPMG as the external assurance partner to provide limited assurance of significant climate and gender diversity KPIs following a competitive tender process."

→ Please refer to ARA pages 103 to 104 for more details

### Remuneration Committee Report

"Innovating sustainably is core to Croda's success, and we continue to focus management on the delivery of this. The sustainability element of the 2024 PSP will be focused on our 'Climate Positive' sustainability commitments"

→ Please refer to ARA pages 106 to 114 for more details

### Taskforce for Climate Related Financial Disclosures (TCFD)

"As one of the three pillars of our Commitment climate risks and opportunities are core to our overall strategy and as such the Board considers climate related issues as part of its annual review of the strategy"

→ Please refer to ARA page 59 for more details