

Croda's Double Materiality Assessment

The Corporate Sustainability Reporting Directive (CSRD) is a regulatory framework established by the European Union (EU) to enhance and standardise sustainability reporting. As required by the directive, we conducted a Double Materiality Assessment (DMA) in 2024 to map and better understand our impacts, risks, and opportunities. This process identified and evaluated material sustainability matters that affect people or the environment ('inside-out') and those that influence our financial performance ('outside-in'). We developed a methodology tailored to our business context and priorities, ensuring these findings informed our disclosures and strategic direction for the year.

Governance

Our Sustainability Committee, supported by the Group Sustainability Team, monitors Croda's sustainability strategy and meets quarterly to review progress and discuss emerging trends. The DMA was coordinated by the Group Sustainability team, with regular input from the Sustainability Committee. We chose to report at a group level for our DMA, consolidating data from all subsidiaries to provide a comprehensive view of our group's sustainability performance, and ensuring unbiased identification of material impacts, risks, and opportunities. The group-level DMA included all geographies and business units, representing diverse regional and operational contexts as well as stakeholder perspectives.

Research and stakeholder engagement

Our DMA began with desktop research to define our sustainability landscape, examining internal and external data, including business model and value chain assessments, compliance reviews, peer and customer reviews, and ESG reporting framework scans. These insights were translated into a list of impacts, risks, and opportunities (IROs), categorised under various European Sustainability Reporting Standard (ESRS) topics. This list was validated by the Group Sustainability Team and discussed with stakeholders.

Virtual stakeholder engagement involved stakeholders from different regions and business operations, refining the sustainability matters most relevant to Croda. Each group was selected based on their strategic importance, ensuring geographical and business unit representation. Stakeholders voted on the importance of these matters, resulting in a final list of relevant IROs for scoring. Consulted groups included employees (e.g., risk, finance, and legal functions), customers, suppliers, investors, local communities, and NGOs.

Scoring, validation, and communication

In the scoring phase, we developed definitions, thresholds, and rationales to assess the materiality of the IROs. Our scoring methodology, aligned with European Financial Reporting Advisory Group (EFRAG) guidance, leveraged our Enterprise Risk Management (ERM) framework. The shortlisted IROs were validated in a workshop with our Sustainability Committee, resulting in a prioritised list of 20 material IROs—10 impact and 10 financial—across 13 ESRS sub-topics. This list ultimately informed our sustainability disclosures.

To ensure transparency and accountability, we will publish a visual representation of the importance of each material topic in our sustainability report. We are committed to annually reviewing and updating this assessment to reflect evolving stakeholder expectations and emerging sustainability trends.