

Fundamentals

We will protect the health and safety of our people, contractors and communities in which we operate, thus giving priority to the areas of our business that give us our social licence to operate.

Highlights

0.55

TRIR achieved in 2019

27%

reduction in waste to landfill since 2015

17.4%

reduction in total water withdrawal since 2015

105,579

training hours completed by our employees in 2019

Fundamentals

Objectives	Target	Next steps and definitions	SDGs
Health, Safety & Wellbeing: We will protect the health, safety and wellbeing at work of all of our people and contractors.	<ul style="list-style-type: none"> By 2030, we will achieve an OSHA Total Recordable Injury Rate in the top 10% for the chemical industry By 2030, we will achieve a 30% increase in positive responses to the wellbeing areas in our Global Employee Culture Survey 	<ul style="list-style-type: none"> We aim to be in the top 10% of chemical manufacturers with over 1,000 employees according to the OSHA Total Recordable Injury Rate We are finalising wellbeing plans for every Croda location and will monitor progress through our regular Global Employee Culture Surveys (p34) 	 
Process Safety: We will protect the health and safety of all of our people, contractors and the communities in which we operate.	<ul style="list-style-type: none"> By 2030 we will have zero significant process safety incidents per year. We will continue to investigate and apply learnings from minor incidents and near misses By 2023 we will conduct an independent peer review of our Process Risk Reviews (PRR) for high hazard processes 	<ul style="list-style-type: none"> Significant process safety incidents are those reportable against the ICCA metric We will continue to monitor performance using our own, internal, more stringent process safety metrics to drive continual improvement (p35) 	 
Environmental Stewardship: We will protect the natural environment through the responsible management of our water consumption and waste production.	<ul style="list-style-type: none"> By 2025, we will eliminate process waste to landfill across our operations By 2030, we will reduce our water use impact by 50% from our 2018 level 	<ul style="list-style-type: none"> We will build on our significant success in recent years to reduce our waste to landfill in order to meet this target, while evaluating broader reduction strategies for all waste types (p35) We are working to develop a water impact measure, which will take into account the quantity of water withdrawal as well as level of water stress at source; water displacement effects and quality of discharged water (p35) 	  
Fair Income: We will contribute to sustainable and inclusive economic growth by ensuring that everyone working at Croda sites receives a fair income.	<ul style="list-style-type: none"> By 2030, everyone working at Croda locations, including temporary and permanent employees, and all contractors will receive a living wage that is monitored and reviewed annually 	<ul style="list-style-type: none"> We have set ourselves a target that all our employees globally will be paid a living wage by the end of 2022 (p36) We intend to set a similar target for our contractor workforce as the next priority (p36) 	

Supplier Partnership: We will ensure that all of our key suppliers are operating safely, ethically and responsibly, and will promote the equitable sharing of benefits within the supply chain.	<ul style="list-style-type: none"> By 2030, we will ensure that all key suppliers are responding to EcoVadis and engaging with us to improve practices 	<ul style="list-style-type: none"> We will continue to monitor supply chain risks using global indices and continue promotion of EcoVadis, increasing the number of suppliers responding to the questionnaire (p36) We will target an increased number of suppliers responding to CDP Supply Chain questionnaires with key suppliers providing primary GHG data We will focus on completion of transformation to physically certified RSPO palm derivatives 	 
Knowledge Management: We will manage our intellectual capital, ensuring employees acquire the knowledge and skills needed to promote the sustainable development of our business and promote lifelong learning opportunities for all.	<ul style="list-style-type: none"> By 2025, 100% of our employees will receive a minimum of one week's training per year 	<ul style="list-style-type: none"> We will use our recently rolled out MyCroda HR system to record and monitor progress against this target (p36) 	
Quality Assurance: We will maximise our resource efficiency and minimise all types of waste energy, water and materials across our operations.	<ul style="list-style-type: none"> By 2030 we will achieve a 99.5% Right First Time (RFT) rate 	<ul style="list-style-type: none"> Efficient manufacturing means very low levels of rejects, which in turn means that resources are consumed responsibly and not wasted. Efficiency is measured by our ability to make products to the right quality first time every time, our RFT rate (p37) We will also calculate and monitor GHG emissions savings resulting from these improvements 	
Product Stewardship: We will take a leadership role in life cycle assessment of our ingredients and their impact on the life cycle of our customers' products. This will help the markets in which we operate move towards more circular economies and reduce consumer and employee exposure to chemical hazards.	<ul style="list-style-type: none"> By 2030, we will have conducted full life cycle assessments for our top 100 ingredients 	<ul style="list-style-type: none"> Top ingredients are being identified based on their overall sustainability impact, both positive and negative, not solely on volume and/or value to us We are extending the use of verifiable life cycle assessment to enable us to achieve this target 	  
Responsible Business: We will verify and maintain our position as the most sustainable supplier of innovative ingredients within our industry.	<ul style="list-style-type: none"> By 2023, we will achieve an EcoVadis score of at least 85 By 2030, we will achieve 'outstanding' CSR performance ratings across all themes within the EcoVadis assessment 	<ul style="list-style-type: none"> To be considered the most sustainable supplier of innovative ingredients we believe external verification is essential, and we should strive for excellence across all the sustainability areas Based on stakeholder feedback we have selected EcoVadis as our benchmark rating, however, we will continue to submit and review our ratings against various industry and stakeholder sustainability standards (p39) 	

Health, Safety & Wellbeing



Safety is the most important aspect of our sustainability programme. Our 2020 target for Total Recordable Injury Rate (TRIR) was achieved a year ahead of our deadline, with most manufacturing sites operating without incurring a recordable injury throughout 2019. Our Mill Hall manufacturing site, in Pennsylvania, USA, achieved this for the first time since 1990, whilst many others also showed an underlying improvement. There were no recordable injuries in the Group in November and December, the first time that the milestone of two consecutive months injury free has been achieved. We will use this positive performance to launch our 2030 target, stretching our ambition and continuing to reduce our TRIR from within the top 25% in our industry into the top 10% by 2030.

Several of our sites introduced training programmes to address specific workplace hazards, such as the hazard presented by various forms of stored energy, and precautions to be taken when working with scaffolding. Our Gouda manufacturing site in the Netherlands introduced an e-learning system with over 100 safety related subjects, a system proven in other organisations to enhance retention of critical information whilst being interesting and easy to use by those receiving the training.

Manufacturing sites in the Group have had behavioural safety observation programmes in place for several years, with participation by all line managers and frontline supervisors. In addition, visiting managers are also encouraged to undertake behavioural safety tours during their time spent on site.

2019 saw our new standard for safety, health and environment related behaviours developed, with the assistance of a specialist consultancy, and is centred on the four themes of risk management, standards, involvement and communication. It specifies the behaviours expected of everyone throughout the organisation from the most junior to the most senior personnel and will be implemented during 2020.

In addition, the top 40 most senior managers in the Company worked with the leadership behaviours agreed as part of the Safety Leadership Improvement Programme (SLIP), with regular surveys and feedback to individuals on their performance in order to help achieve consistency of approach.

Wellbeing

The physical and mental wellbeing of our employees is important in maintaining the morale of everyone at Croda, and this is closely associated with improved and sustained productivity. More importantly, wellbeing is critical for us to maintain a safe working environment. We believe that wellbeing initiatives are best led locally and, therefore, require all locations to have an active wellbeing programme.

In 2019, we saw some innovative examples of wellbeing initiatives across the Group; these included making free fruit widely available, pilates and yoga classes, step challenges, keep fit classes, and moving to healthier menu choices in our employee restaurants.



Free fruit was available to employees at Sederma as part of their wellbeing days

In the UK, there was a focus on mental health, with a series of workshops run by the UK mental health charity 'Mind'. The workshops were attended by all employees, as well as specific training sessions for line managers, including the CEO and Executive Committee. In addition, the UK has trained several mental health first aiders who, at each of our UK sites, can provide support to our colleagues in times of need.

Also linked to wellbeing is a range of flexible working initiatives across all our global sites. We believe that employee wellbeing and the management of a work-life balance are closely linked, therefore, wherever possible, we are increasing and improving opportunities for employees to work flexibly. This includes initiatives such as flexible hours, part time working, job shares, and opportunities to work from home.

Looking forward, we are asking all our sites to continue to think about wellbeing and provide innovative and useful programmes in 2020 and beyond. We intend to repeat our Global Employee Culture Survey during 2020, the survey will include a range of questions about wellbeing, giving us a baseline to monitor improvements going forward towards 2030.

Environmental Stewardship



Beyond carbon, we strive to minimise the environmental impact of our operations, with a particular focus on process waste to landfill and total water withdrawal.

Since our baseline year of 2015, we have made significant progress in both areas. Our process waste to landfill has reduced by 27%, with 10 of our 19 manufacturing sites sending zero process waste to landfill in 2019. We will continue to work to eliminate process waste to landfill and aim to achieve this by 2025.

Our water withdrawal has also reduced significantly, falling 17.4% since 2015. In 2019, our manufacturing site in Ditton, UK, reduced its water withdrawal by 58% by increasing the efficiency of its wastewater treatment plant.



Increasing efficiency of our wastewater treatment plant at Ditton reduced site water withdrawal by 58%

We are proud of our achievements across the Group in reducing total water withdrawal. However, as we develop a new water target for 2030 we want to focus more on the impact of our water use. Very few of our products contain water, most of the water we withdraw is simply borrowed and used on site as process water before being discharged. We operate predominantly in locations where water scarcity is not an issue. Therefore, we are working to develop a measure that looks at the quality and temperature of discharged water, any location difference between abstraction and discharge point, as well as quantity extracted. This will give us a better understanding of the impact of our water use and will enable us to minimise our environmental impact associated with water.

Process Safety



2019 was a good year for process safety in Croda with no incidents of significant severity. We were also pleased to see a threefold reduction in minor losses of containment against our demanding internal measurement threshold.

A week-long training course on process safety management was designed and delivered by specialists from the Group Safety, Health and Environment (SHE) team. It was based upon the guidance published by the Institution of Chemical Engineers Safety Centre on process safety competence, which has international recognition as industry best practice. It was attended by representatives of our site leadership teams from all seven sites in the Group that handle ethylene oxide and propylene oxide, the highest hazard materials we use. Attendees were from India, Singapore and North America as well as the UK and Europe. As a result of its success, we plan to extend the course to representatives from other sites during 2020.



Process Safety Management attendees

Several sites in the Group established dedicated improvement teams to investigate and reduce the number of process safety incidents. Due to the low number of significant incidents, the teams investigated minor or zero loss events to ensure that root causes were identified, and actions taken to prevent a potentially more serious event from occurring in the future.

The Group SHE audit programme continued in 2019, with six manufacturing sites audited by Group SHE specialists as part of a three-year cycle. The current series of audits focuses explicitly on topics directly relating to the management of process safety, including safety in design, in addition to general SHE management topics such as management of contractors and the safe control of work activities.

Fair Income



In 2018, we were very proud to become a UK living wage employer. This means that all our UK employees receive a wage that has been independently verified to be of a sufficient level to provide an income to cover the necessities of life. Being a living wage employer also means that we ensure all our regularly employed contractors are paid at this level and we are working on plans to ensure contractors that work on an ad-hoc basis are also paid at least the living wage.

Our Executive Committee felt strongly that it was not enough to do this only in the UK and, as a result, we have set ourselves a target that all our employees globally will be paid a living wage by the end of 2022.

The challenge with this objective will be to understand, by location, what a 'living wage' is. We are fortunate in the UK to have the Living Wage Foundation, which does the necessary research to set the amount for us, however, similar organisations are not available in all countries across the world.

During 2019 we worked with PwC to help us start to establish what would constitute a living wage at each of our locations, particularly with a focus on China and India in the first instance. We intend to expand this work globally to apply a consistent methodology to ensure that all our employees receive a fair income. We hope to complete this work by the end of 2020 so that any necessary increases to salaries can be made in time for us to reach the 2022 target.

We employ a large number of highly skilled engineers, scientists and production operators, so do not believe we will need to take significant action on salaries, but we want to ensure that in making this commitment we can explain our methodology. Beyond 2022, we intend to set a similar target for our contractor workforce as the next priority.



Supplier Partnership



Effective supplier engagement is hugely important for the success of our business. In order to ensure that our key suppliers are operating safely, ethically and responsibly, in 2018 we began working with EcoVadis and requested that key suppliers complete their comprehensive questionnaire. The evidence-based assessment provides our suppliers with a corrective action plan to ensure continual improvement and increased transparency within our supply chains. We have ranked our suppliers in terms of geography and industry, prioritising the highest risk suppliers with potential for exposure to modern slavery, and this work will continue into 2020 and beyond. At the end of 2019, 96 suppliers had responded to our request and had submitted their EcoVadis questionnaire, a 54% response rate.

Knowledge Management



As a business that relies on being innovative for its success, our intellectual capital and ability to retain knowledge within the Company is vital. We, therefore, place a great emphasis on providing training to everyone in the business to ensure that they can do their job as effectively as possible, but also to ensure that knowledge is maintained and transferred where necessary. We see the benefit of training in creating a more engaging and inclusive environment, promoting opportunities for lifelong learning.

All our employees receive significant on-the-job training, which is supplemented by a range of locally provided technical and managerial training. In addition, we run a suite of management and leadership development programmes that are delivered regionally but with a globally built curriculum. For our most senior leadership programmes, we've partnered with Ashridge Hult Business School to ensure that our leaders are receiving the most up-to-date and relevant development.

In addition, through our new MyCroda HR system, we have been able to significantly increase the number of online training programmes we offer, which are freely available to all our colleagues on a global basis, with many of the programmes available in local languages. It is our intention, through 2020, to further increase this catalogue of training programmes. The other benefit of our MyCroda system is that we can more effectively record training however it is delivered, for example, in a classroom, online, or on-the-job. This system is helping us to ensure that we meet our objective that everyone in Croda dedicates one week of their year to training and learning.

Quality Assurance



Efficient manufacturing means very low levels of rejects which in turn means that resources are consumed responsibly and not wasted. Efficiency is measured by our ability to make products to the right quality first time every time, our Right First Time (RFT) rate. Whilst we consider our Group average RFT rate to be at a sector leading level, internal benchmarking suggests we can do better and doing so will help achieve our other targets such as reductions in GHG emissions and water use. Driven by SDG 12, Responsible Consumption and Production, we are therefore setting an ambitious target to improve our Group average RFT to 99.5% by 2030.

Our quality assurance systems now apply across our manufacturing and non-manufacturing sites. All major locations globally are now certified to ISO 9001, the global quality assurance standard. Our objective is always to deliver a consistent and reliable quality. Learning from our mistakes is central to ensuring these are not repeated. Investigations drive learning at three levels, operational, supervisory and within management ensuring that root causes are identified and remedied. Our global quality assurance network ensures this learning is applied across all our sites.



High quality, high-purity excipients

Excipients are the inactive components in medicines and are critical to their effectiveness. Without them the active ingredients that are responsible for the therapeutic benefits could not be delivered to the patient. Excipients have to meet well defined standards of quality so that they are safe to be used in medicines. Our extensive range of excipients are supplied to customers around the world and can be found in many types of medicines.

Another critical role for excipients is to help prevent the degradation of the active ingredient, which can have a significant impact on the efficacy of the medicine. Our standard grade excipients perform acceptably, but our high-purity technology has the ability to purify our

excipients to unsurpassed levels whilst remaining fully compliant with global standards. When using high-purity excipients, interactions with the active ingredient are minimised leading to an improved stability profile for the medicine. With better shelf life the medicine can be made safely available to patients for longer periods of time, thereby minimising waste through unnecessary disposal of aged medicines.

Product Stewardship

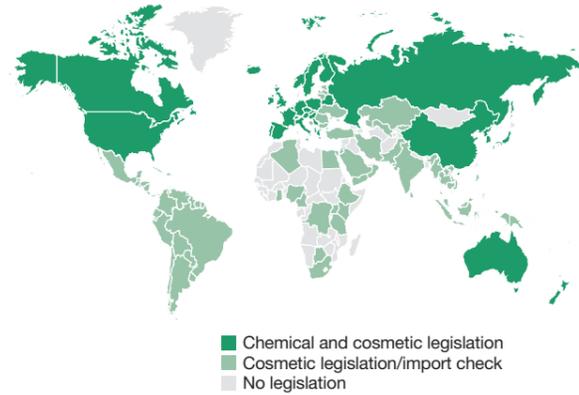


Effective Product Stewardship is about ensuring that all products marketed and sold are safe for their intended uses throughout their full life cycle and can be manufactured and used without adverse effects on human health or the environment. It involves cooperation throughout the supply chain, from producers to final consumers.

Product Stewardship principles are increasingly becoming enshrined within both chemical and end use legislation across the globe. The map to the right shows the current reach of chemical and cosmetic legislation as an example.

We are actively engaged within trade associations and through meetings with government bodies working to shape the legislation and its effective implementation.

Legislation controlling the use of chemicals used as cosmetic ingredients



Awards and recognition during 2019

<p>EcoVadis Gold Status January 2019</p> <p>In January 2019 we were awarded EcoVadis Gold Status for the fifth year.</p>	<p>11th Most Sustainable International Company February 2019</p> <p>We were ranked 11th Most Sustainable International Company by Barron's, who are a leading source of financial news for the American Stock Exchange.</p> <p>This Top 100 listing looks at the 1,000 largest publicly held companies by market value across 24 developed-country markets, excluding the United States, which has its own Top 100.</p>	<p>Bio-based Industry Story of the Year winner April 2019</p> <p>In April we were awarded the 2019 Bio-Based World News Innovation Award for 'Bio-based Industry Story of the Year' for the launch of our new 100% bio-based, 100% renewable range of non-ionic surfactants, our ECO range.</p>	<p>Winners of the CIA Awards Company of the Year June 2019</p> <p>In June we were named the UK Chemical Industries Association (CIA) Company of the Year, as well as winning the CIA Environmental Leadership Award. These awards highlight the excellent performance of companies and individual manufacturing sites within the UK chemical industry.</p>	<p>Most Admired Company in the British Chemical Sector December 2019</p> <p>In December we were voted most admired company in the British chemical sector for the third year running at the 'Management Today' awards.</p> <p>We received high recognition from peers regarding leadership and were specifically recognised for our focus on sustainability.</p>	<p>Crodarom wins the 2019 Mediterranean Chemical Industry Responsible Care® Award December 2019</p> <p>Crodarom was awarded the 2019 Mediterranean Chemical Industry's 5th Responsible Care® Award in the Health category. This award recognised its employee engagement around wellbeing, specifically its employee wellbeing days.</p> <p>The Responsible Care® Awards constitute a means to stimulate and highlight remarkable initiatives, good practices and management systems.</p>
<p>Crystalide recognised with the PCHi Fountain Award 2019 March 2019</p> <p>In March, Sederma received the PCHi Fountain Award in China for Moisturising/Hydration Active Ingredient, Crystalide™. Confirming Sederma's global leadership in peptide technology this unique, 96.68% natural ingredient contributes to healthy skin bringing visible results in only six weeks.</p>	<p>Winner of the ICIS Surfactants Product Innovation Awards May 2019</p> <p>In May, we received the ICIS Surfactants Award for Product Innovation for our unique, patented molecule, the Star Polymer. This novel, star-shaped, polymeric non-ionic surfactant serves as a building block for the development of more stable and effective formulated products across multiple applications. It is 100% bio-based when built with ethylene oxide derived from biomass, making it unique for North America.</p>	<p>Best Product Innovation at the Global ICIS Innovation Awards October 2019</p> <p>In October we were recognised again with 'Best Product Innovation', this time at the Global ICIS Innovation Awards.</p> <p>The award was given to our novel patented star-shaped polymer molecule.</p>	<p>Board of the Year at the Yorkshire Business Awards December 2019</p> <p>2019 saw the leadership and vision of our Board recognised at the Yorkshire Business Awards.</p>		

Responsible Business



Leadership in Product Stewardship means going beyond the minimum requirements for compliance. We build and act on the knowledge we have learnt through complying with regulatory programmes so far. We will take a leadership role in the life cycle assessment of our ingredients and their impact on the life cycle of our customers' products. Helping the markets in which we operate move towards more circular economies and reducing consumer and employee exposure to chemical hazards. By 2030, we will have conducted full life cycle assessments for our top 100 ingredients.

Discontinuing APEs

Alkyl phenols and their ethoxylates are widely recognised to cause endocrine disrupting effects and have the potential for adverse effects on health and the environment. Although their use has been heavily restricted in Europe for many years this has not been the case in other regions. These chemistries are not in line with our sustainability goals and, as a responsible supplier, we discontinued manufacture and supply of alkyl phenol ethoxylate (APE) based products globally during 2019. At the same time, we engaged with our customers to work on sustainable alternatives.

Throughout the year we received many awards both at the corporate level and recognising our innovation. The timeline below highlights these awards. In January, we were awarded EcoVadis Gold Status for the fifth time, confirming our place in the top 1% of all chemical companies assessed by EcoVadis and ranking as 'outstanding' in labour and human rights, with an overall score of 77. EcoVadis remains an important benchmark for an increasing number of customers and we use the assessment as a means of constant improvement. By 2030 we target an Outstanding rating across all four assessment areas, and target an overall score of 85 or more.