

How We Engage

Our people are at the heart of everything we do at Croda, fostering close relationships with our customers, our local communities, our suppliers and other stakeholders. Our culture provides a fun and inclusive working environment to allow the creativity and innovation of our talented employees to thrive. We understand the business value of diversity of thought, and in 2018 we established a Diversity and Inclusion Steering Committee: a global network of ambassadors to promote best practice and activities in this important area.

We look to continually train and develop our employees, monitoring global training hours annually. We are a knowledge rich business and we pride ourselves on our relentless innovation. Careful knowledge stewardship is required to ensure that we retain all of the business-critical knowledge that is held across the organisation. Digital tools are being developed to help us here, along with effective succession planning.

There is an increased need for transparency within our supply chains, and we must partner with our suppliers to achieve this. In 2018, we joined the CDP Supply Chain initiative, engaging

with our largest suppliers to encourage them to set greenhouse gas (GHG) emissions reduction targets.

Our 1% Club programme continues to be successful, with 5,117 hours spent in our local communities volunteering in 2018, many of these in schools encouraging children to study science, technology, engineering and mathematics (STEM) subjects to help develop the next generation of scientists.

Highlights

82.7%

of our people received training during 2018

5,117

employee 1% Club hours volunteered during 2018

50%

of the suppliers we invited to connect with us through the EcoVadis supply chain risk assessment platform did so during 2018

How We Engage

Our People



Our People are at the heart of everything we do and are responsible for the continued growth and success of our business. To make sure they are fully supported to achieve their potential, and to continue delivering against our business strategy, in 2018 we conducted a review of our Human Resource (HR) strategy and updated our people goals as follows:

- Continually improve and promote the health and wellbeing of all our employees
- Protect and promote the Croda culture to ensure it continues as a source of our competitive advantage
- Provide meaningful career development and training to enable everyone at Croda to fulfil their potential
- Attract talented individuals that bring knowledge and experience, and enrich our culture
- Increase diversity and create an inclusive environment, so that every person has opportunities to progress and to give their best
- Ensure the retention of skills and knowledge within the business to protect and grow our pipeline of innovation and technology enhancements
- Develop and maintain positive relationships within the communities in which we operate, in order to be an ambassador for the chemical industry and a good citizen.

Global Employee Culture Survey

In 2017, we launched our first Global Employee Culture Survey, which was completed by 80% of employees around the world. The survey was designed to test the elements of our culture that are important to us and that we believe set us apart from our peers. From this, and the Listening Groups that followed, several global as well as local themes and actions were identified, which we have continued to implement and deliver locally in 2018: the status of actions has been tracked using a traffic light scorecard system with all our major sites showing a 'green' status.

As a result, a number of innovative and meaningful changes have been made at a local level:

Improvement required	Actions taken
Provide more options for flexible working	All locations have been tasked with finding ways to do this. For example, all North American manufacturing sites have implemented 'summer hours' to prolong weekends over the summer, and our Campinas manufacturing site in Brazil has implemented a new flexible working policy extending flexible hours and home working.
Create a fun environment with sports and social events	Many locations have implemented or extended sports and social events. For example, our operations in China have set up a sports club, and in North America all manufacturing sites have introduced new social activities including summer picnics and trips to watch baseball games.
Better recognise individual contribution	Our team in Asia have created and implemented a recognition menu; a compilation of many ways a manager can recognise a 'job well done'. Also, our Atlas Point manufacturing site has implemented an Employee of the Month programme.
Better definition of career opportunities and development	We have developed career paths for several of our functions that will help employees identify ways to develop and move their careers forward.
Better sharing of information and knowledge	We have seen an increase in the establishment and use of Global Best Practice Teams, as well as the extension of management 'walk arounds' at many sites.
Better management of change	Our Chocques manufacturing site in France has led the way by implementing specific training for leaders in change management.

Performance and development

In 2018, we introduced a new Performance Management System as part of a wider implementation of a new integrated global HR system called 'MyCroda'. During 2018, 4,020 employees started using this system, and over 95% entered their objectives into the system. So far in the first two months of 2019 87.6% of those had an appraisal to recognise their achievements and identify training needs. We have also introduced a complementary new Learning Management System, which will greatly increase the number of online training courses available across the business in multiple languages.



To support the delivery of our suite of development programmes for managers and aspiring leaders, in 2018 we also partnered with Ashridge-Hult Business School which is helping us update and expand the content within a number of the programmes we offer.

Diversity & Inclusion

Our People: Sustainability Conference

In July 2018, our annual Sustainability Conference was held over two days in York, UK, and attended by the largest number of stakeholders to date, with members of the Executive Committee joining along with the Sustainability Steering Committee, business heads and other senior managers from Asia, Latin America, Europe and North America.

The main objectives were: to introduce and evaluate different methodologies for measuring and reporting on our net sustainability impact; to review our Material Areas and Materiality Matrix (see page 17); and to update attendees on corporate strategy and progress. The event was launched with a keynote speech from our Group Chief Executive, Steve Foots, including an update on the work the Executive Committee has been doing with the Cambridge Institute of Sustainability Leadership (CISL) around our 2030 strategy to contribute to the United Nations Sustainable Development Goals (SDGs) (p19).

Several external guests also attended, including:

- PRé consultants, who introduced Social Life Cycle Assessment to demonstrate how we could evaluate the social impacts of our products. Founder Mark Goedkoop commented: "We really enjoyed the open atmosphere and constructive debate, as well as the high ambitions"
- Route2 introduced the Total Impact Value Assessment methodology and Gordon Rogers, Head of Sustainability at Yorkshire Water, presented on how they had integrated this methodology into their sustainability reporting in order to quantify the net positive impact they have on society
- Key customer DSM provided an insight into how an internal carbon price works for their organisation.



As a truly global company, it is important that, at Croda, we provide an inclusive work environment that ensures everyone, whoever they are and wherever they are in the world, can be supported to give their best.

A key issue for us, and many of our industry peers, is the underrepresentation of women in senior positions. Improving this is a primary objective of our business. To assist with this important goal, and to see how we can better provide the right environment and support for diversity in our teams, in 2018 we established a full-time role of Diversity and Inclusion Manager and set up a Diversity and Inclusion Steering Committee.

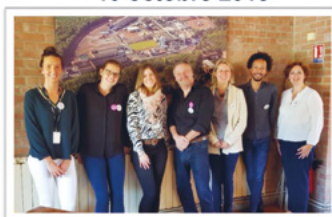
The role of the Steering Committee is to provide a global network of ambassadors for diversity and inclusion (D&I) who will shape our work, share ideas and best practice and help to promote activities in this area. The Committee meets on a quarterly basis and is made up of representatives from our five regions and three core market sectors.

The first set of actions for the Steering Committee was to approve a set of D&I principles and to review the combined action plans for the short term. For 2019, we will be establishing a resource website, hosted on our intranet, which will be available to all employees. The website

will look to raise awareness, highlight training opportunities (using the newly implemented Learning Management System), provide tools and give guidance on areas such as unconscious bias and inclusive behaviours. We have already started work in this important area at several of our operations:

- Our Chocques manufacturing site in France held their first Diversity Day, attended by over 100 employees and featuring a series of short sketches presented by professional actors on themes of gender equality, disability, cultural and social diversity
- Our UK operations have implemented balanced short-listing, which will aim for 50% female and 50% male candidates at our recruitment events. Where this hasn't been possible, our teams are looking to understand why and what can be done to address this
- In Asia, each operation conducted an awareness session that included a diversity self-assessment review. This session will now form part of our new starter inductions
- Many of our employees have been involved in activities to encourage women of all ages to consider STEM (science, technology, engineering and mathematics) subjects and careers
- We have added aspects of D&I into our Management Development Programmes for roll out in 2019, including fairness and equality, cultural awareness and embracing different working styles and behaviours.

Journée Diversité, Croda Chocques 10 octobre 2018



Merci à tous pour votre participation !



How We Engage continued

Knowledge Management



Innovation is a key strategic pillar for us at Croda. It is our internal knowledge of our technologies, the ingredients we produce and how they are produced that gives us a competitive edge; therefore, protecting and retaining this knowledge is very important to the sustainability of our business. In support of this, we have developed career paths that provide development, not only in traditional leadership roles, but also for technical and scientific specialists. This will ensure that we provide our employees with fulfilling career opportunities outside the traditional career ladder. These career paths will be implemented in 2019.

In addition, we are integrating knowledge retention tools and techniques within our mainstream leadership programmes and, in 2019, we will include a specific module in our Management Essentials Programme.

Finally, we have ensured that the security of information and knowledge is maintained, and we are committed to achieving zero breaches of information from our IT systems. Work was completed to ensure that we were prepared for the EU GDPR legislation as well as ensuring that, on an ongoing basis, every protection is provided to our current systems.

Knowledge Management: Global product assurance

Our Product Assurance Department (PAD) handles daily customer requests for information relating to our products. With thousands of products made all over the world using thousands of raw materials, sometimes each one from multiple vendors, making sure that we have accurate and easily accessible up-to-date information stored can be a challenge.

In 2018, we launched a global project to ensure that this product information can be immediately located and passed on to customers when requested. We began by identifying 169 different data points for each product covering areas such as regulatory, health and safety, impurities, origin, carbon and water footprint details.

Community Education & Involvement



We recognise our responsibilities to the local communities in which we operate as well as the wider societies of which we are a part. A key Community Education and Involvement initiative is to allow employees to dedicate up to 1% of their work time volunteering within their local community through our 1% Club. In 2018, our employees donated 5,117 hours of 1% Club time, with 43.2% of this time used to carry out science, technology, engineering and mathematics (STEM) activities, either through visits to local schools or school events. Several of our operations have also opened their doors to students, offering insight and information on what it is like to work in industry. These STEM activities also support our business objective of developing the scientists of tomorrow who we will depend upon for our future success.

Some examples of how we have worked within our community are:

- Students from the local area at our Nettetal site in Germany were involved in office and warehouse tours, followed by some hands-on activities to see our ingredients in action



Students visiting our Mill Hall site

- At our Mill Hall manufacturing site in North America students studying Environmental Law and Policy were given an opportunity to learn about how an industrial facility manages environmental risks
- Members of the Croda Middle East team and their families recently participated in 'Dubai Cares'. The aim of the programme was to provide children and young people with access to quality education, particularly in developing countries
- In the UK, one of our employees based at our Cowick Hall headquarters spent two days of their 1% Club time at the charity Daisy Chain, packing and readying donated toys and items for the charity's May Day Family Fun Day. The charity provides support, activities and educational placements to children and adults with autism.



Packing donated items for Daisy Chain Family Fun Day

Rimba Raya project

In 2018, we continued our support of the Rimba Raya Project in Kalimantan, Indonesia, through the purchase of carbon offsets to render the manufacturing process of our Beauty Actives Business carbon neutral.

Rimba Raya is a biodiversity reserve with a 30 year lifetime that is protecting a large area of tropical rainforest, previously lined up for conversion to palm oil estates. The revenue being generated through purchased offsets is being used to create viable community based employment

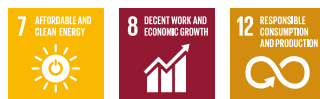
Supplier Partnership

alternatives to deforestation. There are also other social development benefits such as the distribution of clean water filters, and establishing community libraries to support literacy skills and education in environmental conservation.

Introduced in 2017, this is our first carbon offsetting project and while we are currently offsetting a relatively small proportion of our emissions, this project has helped to show what can be done. It has also provided scope for further offsets across other parts of our business, complementary to our internal carbon reduction projects and community investment activities.



Rimba Raya funded community solar panels



We build strong relationships with our suppliers, viewing our supply chains as an extension of our own operations. Through our practice of sustainable procurement, we choose to purchase in a way that favours the suppliers and raw materials that create positive outcomes for our planet and the global community.

CDP Supply Chain

In order to gain a greater understanding of the GHG emissions within our supply chain, in 2018 we became one of only 115 companies to join the CDP Supply Chain initiative.

During the year we held a live supplier webinar to explain the CDP disclosure process, our reasoning for adopting this and our ongoing emission reduction activities. Forty-seven of our top suppliers by volume responded to the CDP Climate Change questionnaire, a 52% response rate, with 17 allocating their emissions

to the volumes of goods we purchased from them during 2017. This data is providing us with real insight into our scope 3 GHG emissions from these purchased goods and services. Of the suppliers who responded, 39% currently report on their operational emissions, 34% have an emissions reduction target and 14 of our suppliers had reduced their emissions during 2017.

Forty-three of the invitations we sent out were first-time invitations to the suppliers in question and 41 of these were only asked to respond by us. CDP's statistics show that by the time a supplier is disclosing through the CDP for the second or third time, the likelihood of them having set emission reduction targets or having carried out emission reduction initiatives increases significantly. Therefore, in 2019 we will continue to engage with our suppliers to increase our response rate, as well as encouraging more of our suppliers to work to reduce their emissions and, in turn, reduce our own upstream scope 3 emissions.

Supplier Partnerships: Crodaron® Green Caviar

Our Crodaron subsidiary has partnered with a supplier in the Philippines to ensure the sustainable sourcing of a dried algae called *Caulerpa Lentillifera*, which is the key raw material in their Green Caviar ingredient. The project also aims to help develop this Philippine market.

The algae is cultured in a pond to remove any soil impact and where it can be better controlled. After harvesting, the first sorting is carried out in the pond to give the optimal quality of the algae, and the low-impact drying process uses the natural power of the sun and requires no man-made energy. All of these steps, along with packaging and shipping, are locally managed by algae farm employees.

Our collaboration is based on fair practices. We have direct contact with the supplier and have put in place a five year contract with guarantees about price and minimum order quantity. The contract revalorises the algae price in comparison to the food industry (+60%) and we pay for 100% of the order before the harvest to allow the supplier to efficiently conduct their business.



Caulerpa Lentillifera

In working with this supplier we are:

- Ensuring respect for human rights, by prohibiting child and forced labour, paying fair prices, ensuring no discrimination and increasing transparency within the supply chain
- Enabling the supplier to offer its workers a healthy and safe work environment, with easier algae farming, improved work conditions for the harvesters and improved packaging to avoid repetitive manual processing
- Helping to protect the environment and local biodiversity through the harvesting of reasonable quantities

only, the respect and rehabilitation of protected mangroves and through raising employees' awareness

- Supporting the supplier and the local population in a poor rural zone of the island, and opening up the European market to this supplier to increase their sales.

The supplier visited our Crodaron manufacturing site in Chanac, France for three days to learn about our operations and to undergo training in the highest safety and quality standards, including best hygiene practices.