

Transcript: Croda Sustainability Report Launch, 25 March 2021

Slide 1: Intro

Hello I am David Bishop, IR Director. Thank you for joining us for the launch of our 2020 Sustainability Report. Today's event will last for a maximum of 90 minutes and we will dedicate half the time to Q&A. Please submit your questions via the Q&A box in the webcast player at any time throughout the presentation. I'd now like to hand over to Steve Foots, Group Chief Executive, to introduce the event.

Slide 2: Our strategy

Thank you for joining us today for the launch of our sustainability report.

You will have heard me say a number of times now that sustainability will be the single biggest driver of Croda's strategy for many decades to come; our markets are changing more rapidly than I've seen in my 30 years of working in the Industry.

We have chosen to be a more responsible business because it is the right thing to do for our employees, society and our planet, and I've spoken before about the importance we've placed on treating all stakeholders fairly throughout the COVID-19 pandemic....

...But it also underpins the way we think commercially. Consumer demand is gravitating more and more towards products sourced from natural ingredients; increasing levels of regulation to protect our planet are forcing our customers to find alternative ways to enhance their own sustainability credentials. This is creating many new opportunities for Croda.

It is for these reasons and more that sustainability has been and will remain right at the heart of our long-term strategy; we believe that sustainability, together with innovation, will be a fundamental driver of growth.

We have made strong progress with our sustainability agenda over the last decade, and in 2020 we put targets in place to accelerate our efforts. We launched ambitious new targets to be Climate, Land and People Positive by 2030, living up to our Purpose. It is a restorative strategy, giving more back than we are taking away.

Despite the pandemic we have made a strong start on the journey to become the most sustainable supplier of innovative ingredients which will be a key focus for today's presentation. For the first time we're also publishing interim goals against which we'll measure progress in our Company-wide commitment to have a positive impact on some of the world's biggest challenges.

Slide 3: Sustainability leaders from across Croda

With sustainability touching every part of our business, it's not surprising that our strategy is led and delivered by employees across the company, enabled by the specialists in our sustainability team.

Our Board and Executive Committee are ultimately responsible for the success of the strategy, and we regularly review non-financial metrics alongside company financial performance to ensure we are on-track. Croda is one of a minority of companies to have

integrated sustainability KPIs into our Remuneration Policy. Both emissions and land use reduction targets are now embedded in the incentive plans of 70 senior leaders across the Group.

In 2020 we established a Sustainability Committee to lead day-to-day delivery of our KPIs, and help with strategy development, with each committee member taking personal responsibility for a specific 2030 target. Key members of the team have joined us today. They are:

Stuart Arnott, President Sustainability, who chairs the Sustainability Committee and is a full-time member of the Executive Committee.

We have also recently recruited Michelle Fargen as Global Head of Procurement and Sustainable Sourcing. Michelle's role is to influence and assist our suppliers to improve their own sustainability practices, and ensure full supply chain transparency. Only in this way can we achieve our 2030 targets. This is also at the very heart of the UN's Sustainable Development Goal 17, Partnership for Goals, where effective collaboration with all stakeholders and particularly suppliers results in a greater positive impact on the planet.

Mark Robinson is an Exec Committee member as President of Global Operations. He is responsible for Health, Safety and Environmental Stewardship, and leads our programme to reduce Croda's emissions.

Dave Cherry runs our Crop Protection business and leads delivery of our Land Positive Commitments.

HR Director Tracy Sheedy is a member of the Executive Committee and drives progress in our commitments to Gender Balance, Fair Income, Employee Wellbeing and Knowledge Management

And finally Anthony Fitzpatrick, another EC member as President of Performance Technologies, is the executive sponsor for the Croda Foundation; we look forward to telling you more about it later today.

I'll now hand over to Stuart, to close out our 2015-2020 targets and briefly remind you about the key elements of our sustainability strategy.

Slide 4: 2015-2020

Thanks Steve

2020 was an overlap year for us. By this I mean that it was the last year of the 5 year targets we set back in 2015 and the first year of our strategy for this decade which we call our Commitment.

If you attended our Investor Day last October, you might recall I concluded my piece by saying that we will succeed because of the Croda difference and that we have a strong track record of consistent delivery and performance.

It is here I would like to start - a quick look in the rear-view mirror at our achievements over the last 5 years. Of the 8 targets here, we significantly bettered 6 of them and were close to achieving the other 2.

We've significantly improved energy and emissions intensity and a quarter of our fuel mix is non-fossil. We've surpassed our targets on VOC emissions, water use and waste to landfill. Our injury rate is now in the top quartile and we've now converted 85% of our palm derivatives to certified sustainable

The overall messages here are:

- Firstly, setting bold sustainability-focused targets is nothing new to Croda
- Secondly, setting targets is one thing but achieving them is something else. I think the numbers on this slide speak for themselves and reinforce our firm belief that we deliver on our promise
- Thirdly, with the right mindset it really is possible to decouple growth and environmental impact

Slide 5: Our 2030 Commitment

As proud as we are about our sustainability journey over the last 10 years or so, we knew that we needed to change gear and lift our ambition even further for the decade ahead. As you all know, our strategy is guided by the United Nations Sustainable Development Goals. These require transformational change - doing more of the same but a bit faster is simply not good enough - and it's this mantra that has informed our strategy

Our aim is to be the most sustainable supplier of innovative ingredients, helping to provide solutions to some of the world's biggest challenges. To us these challenges are in three areas.

- The climate crisis
- The pressures on nature and loss of biodiversity
- And increasing social inequality

So, what can a speciality ingredient company do to address these challenges? Well, it can adopt a restorative strategy, one that puts back more than it takes -and that's exactly what we've done. Our Commitment for this decade is therefore to be Climate, Land and People Positive – in short we will save more carbon than we use, we will save more land than we use and we will help improve millions of lives and thus make a positive contribution to society.

Our picture here shows the essential ingredients – in the centre you see the Climate, Land and People positive elements – these are all surrounded by a number of material areas of our business which we call our Fundamentals – and the whole lot is surrounded by the UN SDGs demonstrating complete alignment.

Slide 6: New interim milestones to ensure we achieve our Commitment

As a society we are just over a third of the way through the United Nations' 15-year strategy to achieve the sustainable development goals. Progress worldwide is not fast enough in many areas and in some things have gone backwards as a result of COVID. So it really is the 'decade of action' – where deeds need to match the words.

To instil our own sense of urgency, this year we're launching interim milestones for 2024 against our commitments. These are near enough to provoke action and behaviour change,

but far enough away for us to be able to make meaningful progress. Those relating to our Fundamentals can be found in this year's Sustainability Report but let me quickly take you through those for Climate, Land and People.

In 4 years' time we'll have reduced scope 1 and 2 emissions by 25%, proven that our products are saving 2 million tonnes of CO2e and have moved the organic portion of our raw materials to 71% bio-based. We'll have saved an additional 80,000 hectares of land and brought 10 technological breakthroughs to market. We'll have developed novel sun screens to help protect a million more lives from skin cancer and our health care technologies will be in 10 clinical phase 3 trials aimed at vaccinating against the priority infectious diseases. And last but certainly not least, we will have made excellent progress towards gender balance in leadership positions in our own organisation.

So, in summary, fantastic delivery over the last 5-years, a bold strategy for this decade and a set of interim milestones to keep us honest.

Slide 7: Recognised for our sustainability leadership

We don't often make a song and dance about our achievements but having set a goal to be the leader in our space, it goes without saying that this requires some external validation. Here you see some of our recent achievements.

- EcoVadis have now rated over 75,000 companies and we are in the top 1%, recognised here by their platinum award.
- We were voted Britain's most admired chemical company for the fourth year running.
- We entered the FTSE4Good UK 50 index at the end of the year, maintained out triple A rating by MSCI and scored A minus in CDP's Supplier Engagement Rating.
- And very recently, we're particularly proud to be ranked by Barron's as **THE** most sustainable company outside of the U.S. It's very rewarding to know that we are ahead of companies we really admire for their leadership in sustainability such as Unilever and L'Oreal.

We've achieved a lot in 2020, and you'll be able to read all the detail in the SR. But as Steve said, today we've decided not to field our sustainability team and instead, you'll hear from some of my colleagues in the business – these are the people who are leading the charge and making it all happen. I'm delighted therefore to hand over to Mark who will give you more detail on Climate Positive.

Slide 8: Climate Positive

Sustainability is not something new to the company or to me personally.

My journey with reducing carbon started as my first job as a graduate improving energy efficiency in Bitumen manufacturing.

With the Hull team, I spent a decade halving energy consumption and then spearheading the installation of a 2MW wind turbine, displacing half of the site's electricity consumption. A brave and radical thing to do back in 2006, when there were not many wind turbines around, especially near a city centre.

I can also point to many other Croda people who have been on the same journey, backed by the company's leadership and resources, and its why 25% of our energy comes from renewable sources.

Our mission

We have committed to a Science Based Target and the business ambition to support limiting global temperature rise to no more than 1.5°C. Our targets are currently being validated by the Science Based Target initiative, and, with only two other companies in the chemical sector with a similar level of ambition and approved SBTs, we know this is a leading position to be taking.

And it's not just our SBT ambition that is leading, in 2020 the bio-based, or renewable, content of our raw materials reached an all-time high of 67% biobased organic, moving us closer to our target of 75%.

I see this as an extension of what we have been doing already, albeit with much bigger ambition as we must approximately halve our scope 1 and 2 emissions by 2030 and are committed to net zero by 2050.

It's the biggest challenge we have ever faced, it's going to be difficult, but I know it's possible.

Slide 9: Decarbonisation roadmaps for 90% emissions

The reason I say it's possible is we spent the last year developing decarbonisation roadmaps for our 10 highest energy using sites. These sites account for 90% of our current emissions, so decarbonising them will make a big difference.

I've been really encouraged with the outputs. To achieve this, we first had to define a methodology which involved activities such as

- Collecting information on energy use, waste and survey local energy markets
- Identify and quantify opportunities to substitute, reduce and reuse energy.

We are in the process of collating all the individual site maps into a global roadmap, early feedback suggests we can achieve our 2030 mission.

It's a solid start, but there needs to be more work on these roadmaps to secure achieving the carbon goal.

We need to see more projects in the roadmaps, we need to see investment phased earlier, more transformational technology steps and greater pull from our market sector businesses.

There are further roadmap iterations planned to make sure we succeed.

Some of the roadmap activity is already coming to life. In the UK alone:

- Hull is working on a biomass boiler to displace 60% of natural gas burned on site.
- Rawcliffe site are installing a zero-carbon capacity expansion to make more of our range of mild surfactants, using new continuous technology connected to heat pumps to manufacture.

- Our Ditton site is radically overhauling the process to manufacture biopolymers which is halving energy consumption.

Our regular capital expenditure will have a greater focus on decarbonisation in future, particularly as there are commercial benefits to us helping to reduce our customers' scope 3 emissions. To drive the right behaviour, we introduced an internal shadow carbon price in our Capital investment approval process to demonstrate the financial value associated with the carbon impact of projects.

On to 2021

To finish, our plans for 2021 involve incorporating the learning from 2020 into roadmaps for the rest of our manufacturing sites, our market sectors and many of our non-manufacturing locations.

And for those with roadmaps in place, we will continue turning these ideas into execution plans.

I'll now handover to Dave Cherry, Managing Director of Croda's Crop Protection business.

Slide 10: Land Positive

Thanks Mark and hello everyone.

A quick reminder for you: Land Positive means we are going to make products that enable more land to be saved than we use to grow our raw materials; and we are going to use our smart science to create breakthrough innovations that help create more sustainable agriculture.

We've made good progress in both of these areas this year. In Land Use, we've made great strides in being able to calculate our footprint, and that has enabled us to set more challenging targets. More on that in a moment. As we spoke to you all about in October, we've had our first breakthrough innovation, creating market leading microplastic free seed coatings, that help our customers comply with upcoming legislative change and reduce environmental impact, which can read about in SR.

Also in report, details of Syngenta partnership award for our work with them across innovation and sustainability; collaborating with partners in our value chain is essential for achieving our sustainability goals and very much aligned with UN SDG17.

But let's focus on Land Area, where our approach is restorative, we set a target to save more land through the use of our agricultural technologies than we use to grow our biobased raw materials. The great news is that we have achieved that target; we are already Land Net Zero in 2020. That's fantastic, but now we want to go further; we are announcing our new stretching ambition that for every additional hectare of land we use to grow raw materials this decade, we are going to save double that land through the use of our agricultural products and technologies (and a minimum of 200kha extra saved). That means by 2030 we will be saving the equivalent of 1000 football pitches of land a day! So truly restorative.

Slide 11: Land net zero achieved

Now, you may be thinking “how do we calculate these numbers?”, “how do we know how much land we saved or used?”, “how can you validate that we are Land Net Zero?”. So let me explain that for you now.

Land used is relatively straightforward; we know the volume of crop-based raw materials we buy, we know the biobased content and the yields of crops, so we can work out the land required. And while there’s a long list, 6 key crop-based raw materials are most significant.

But lets think about the technologies we provide to our customers. How do they save land, and how do we calculate that? Well, it’s more involved but again there are some steps that we can go through. We know the volume we sell; to link that to the land area we save we need two extra pieces of information; the first of these is the yield impact – how much does that product improve the yield of the crop? And secondly, we need the use rate – how much do we use of that product per hectare in the formulation. With this information we have a reliable and consistent way to calculate land saved, and we are collaborating with external parties to have this validated.

Now not all products have the same yield effect and measuring this is probably the key element. For our biostimulant range the yield effect is large and directly measurable through repeatable large field trials; so these products have a disproportionate effect in the numbers. By contrast our formulation aids and adjuvants, have a much smaller impact. Our seed coatings from Incotec also have an effect by improving the flow and plantability of seeds, thus ensuring that across a field the optimum seed distribution is achieved and yield is maximised.

However, we measure, the key thing is to do it consistently, and use that to drive improvement and positive change, and it helps us focus on creating products that do provide yield benefit and enabling us to have the real-world impact that we are having.

Let me now hand over to Tracy to talk about People Positive.

Slide 12: People Positive

Our people positive targets are wide ranging and include targets relating to our own employees as well as, more broadly, the communities that we serve.

We will focus today on diversity and inclusion and the establishment of the Croda Foundation.

Before we do this, I wanted to briefly remind you of our external targets relating to the development of vaccines and protection of lives through our novel sun care products.

As you can see, we have ambitious targets to increase our contribution to the global vaccine pipeline

and

by the end of 2024, to protect an additional 1 million lives through our novel sun care products. You have already heard much about these at the capital markets day last year and

during our results update earlier this month. 2020 progress on both of these can also be found in our 2020 Sustainability Report.

For now, though, we are going to talk about D&I

Slide 13 – Commitment to diversity and inclusion

We've seen great early progress towards our gender diversity targets, including a 40% increase in the number of women in direct manufacturing roles since 2018 and a 19% increase in the number of women in leadership roles in 2020.

We have established KPIs and now intermediate milestones to help us to achieve our commitment to gender balance in leadership positions by 2030 – these KPIs will be extended in the future to include other aspects of diversity as we further develop our thinking in these areas.

Whilst our attention to date has largely been on gender, we are also putting more focus on race and ethnicity.

As a board and executive committee, we attended awareness sessions run by John Amaechi and following these discussions:

- the board has updated their D&I policy and committed to appoint at least one ethnically diverse Director to the board by the end of 2021.
- we agreed to be a signatory to the 'If Not Now When' campaign, committing to taking sustainable actions on black inclusion in UK businesses, signed so far by 80 FTSE CEOs.

We have a global D&I steering committee to help guide our thinking and are establishing regional subgroups.

We are also in the process of collecting diversity data to help inform our decision making – this is a challenge because we are a global organisation and must navigate through many complex country data privacy laws.

We have developed a more inclusive approach to recruitment including the implementation of balanced shortlists. These currently focus on gender targets but will be expanded to include other aspects of diversity.

We are also focusing on how we advertise jobs, to ensure that people from underrepresented groups within our business are attracted to apply.

And all of this is supported by a focus on D&I in our communications and Learning & Development.

Like many businesses, there is a lot for us to do, but we have made a good start and have confidence we will meet our targets.

I'll now hand over to Anthony to talk about the Croda foundation.

Slide 14: Establishing the Croda Foundation...

Thanks Tracy,

I've been very privileged over the past 18 months to be the sponsor for the Croda Foundation, overseeing its creation and helping plan how it will make a social impact in communities relevant to Croda.

However, let me start by saying that supporting our local communities is nothing new to Croda. For decades we have been locally organising community support activities, particularly focused on STEM engagement in schools, at all our locations around the world, using our 1% Club and, during the COVID-19 pandemic, our Acts of Kindness initiative.

As an example, on the screen you can see how one of our local sites in Brazil provided essential food packages to local favela communities during COVID-19, thanks to our Acts of Kindness initiative. Importantly the new Croda Foundation will sit alongside these local community initiatives which we will encourage to continue.

Today, I am delighted to be able to formally announce the launch of the Croda Foundation.

In incorporating the foundation, we've been very deliberate, very specific about creating a foundation which connects to our purpose of using Smart science to improve lives™. Whilst establishing the parameters of the foundation, we have focussed on ensuring alignment with the social impact aspects of the United Nations Sustainable Development Goals, those where our usual business operations might not have the opportunity to make a significant impact.

Slide 15: ...to improve one million lives world wide

The purpose of the Foundation is to use Croda's smart science to improve the lives of people in local communities relevant to our business, and we have set an initial goal which is to permanently improve 1,000,000 lives worldwide. This is additional to the impact of our vaccine and sun care commitments.

It will be 100% funded by Croda with all ideas sourced from and sponsored by us. The Foundation will provide capital, we will provide know how and our time.

To date, we have formally incorporated the foundation as a philanthropic trust and I'm delighted to be able to announce that Nigel Turner will act as chair of the independent trustees. Nigel knows Croda very well, he knows what we're all about, having previously been a non-executive member of our Board of directors for many years.

We've also hired Rommel Moseley as the independent executive director of the Foundation who brings with him a wealth of charitable trust experience and know how, including as Global Development Director at the Thomson-Reuters Foundation. Rommel joins us formally after Easter.

We're currently putting together some intermediate goals for the Foundation and completing the administration to bring it to life as a philanthropic enterprise. We already developing some exciting opportunities to consider as first projects, and there's no shortage of good ideas which can make a real difference to improving more lives.

Thank you. And with that, let me hand over to Stuart.

Slide 16: Fundamentals

Thanks Anthony

I said earlier that Fundamentals involves a number of material areas of our business and is what holds it all together and gives us our social license to operate. Broadly speaking it covers the environment, labour & human rights, ethics and sustainable procurement. We're aiming for excellence here too and have set stretching milestones that you can read about in detail in our Sustainability Report.

Sustainable procurement is something we've not talked about much in the past so we're highlighting it here and Michelle will cover this. But before I hand over to her, let me pull out one or two highlights from 2020

- We've partnered with the Fair Wage network and are assessing that every permanent and temporary employee is paid the equivalent of a living wage.
- We set up a global initiative to improve our right first-time rates and achieved a 1%ppt improvement during the year.
- Whilst we're happy to have a peer review of 17 PRRs of our high hazard processes, we are much less happy about having infringed our ethylene oxide emissions permit at Atlas Point. Given the importance of this and the fact that we've already had a few questions, I'd like to give an overview and put some context around it.

Slide 17: Significant capital invested to avoid emissions

So, for the wider context, there are around 115 facilities in the US with EO emissions. In 2019 our site in Delaware was responsible for just over 1% of the total emissions in the US and we expect the data will show that to be lower still when the 2020 figures are published

Over the last 4 years we have invested \$15m at the site to reduce our emissions by 99%. This was proactive and voluntary, there was no regulatory requirement to do so.

You can see from the chart that our emissions have been significantly lower than the permitted amount. In actual fact, the local regulator has followed our reductions by tightening the permit accordingly.

Now, relating to the permit violation. We were required to test the emissions from our new ECO plant 6 months after commissioning – this is standard practice. The test showed that the scrubber was not functioning as intended and separately, a vent pipe from a column used only for start-up shouldn't have been connected to it – this was a design oversight. Important to note here that whilst we did breach our consent for this particular unit, our emissions remained significantly below the permitted amount for the whole site. That said, we acted rapidly and have since made modifications to the satisfaction of the authorities and have resumed production – the emissions were tested in the presence of the EPA at 30 times lower than the limit for that unit.

In summary then, we have an excellent track record of voluntarily reducing emissions and always being below the permitted amount. The abatement equipment on the ECO plant was found to be underperforming when it was first tested, and we quickly made modifications to ensure the emissions are compliant and minimised.

So, with that all said, I'd like to hand over to Michelle who will talk about another crucial part of our Fundamentals – sustainable procurement.

Slide 18: Ensuring full supply chain transparency

UNSDG17 Partnership for Goals is a critical component of our procurement activities, and in working more closely with our suppliers, service providers, and supply chain partners we will gain the greatest positive impact.

We were able to accomplish a lot of great things in the past year:

We now have completed EcoVadis assessments for 199 suppliers representing 50% of our total spend. These assessments give us full transparency into the suppliers' progress against a wide range of sustainability topics. As our next steps we will reach more suppliers and work with those who did not achieve at least an average score to help them improve performance.

In December we issued a new Supplier Code of Conduct to all global suppliers. This code of conduct highlights our sustainability objectives and the key principles that are required to do business with Croda.

We had been in discussions with Together for Sustainability regarding a partnership with Croda for a few years. It is a great network of Chief Procurement Officers from 29 chemical companies who are working together to maximize sustainable sourcing. Now that Croda has a CPO in place (me), we have joined TfS as their 30th member earlier this month.

We have worked very hard to move palm derivatives purchasing to fully RSPO certified supply chains. During 2020, 85% of our palm derivatives volume and 99% of our sites which use palm derivatives were certified. By the end of 2020, we had addressed the remaining non-RSPO supply chains and we are also working with our joint venture in China, Croda Sipo, to convert their volume as well.

To continue this great work, we have set some initial milestones to enable Croda to achieve our 2030 commitments, and by 2024:

We expect to have all key suppliers achieving an average EcoVadis score or we will work with those suppliers to prepare an action plan to address their gaps.

We expect to have key suppliers representing at least 50% of our raw materials spend to make public commitments to carbon reduction targets. This is a critical step to enable us to reduce our Scope 3 emissions and will be a requirement in our supplier selection process.

To continue the great work we have done with our palm derivatives purchasing, we expect suppliers of all crop-based raw materials to provide us with fully certified supply chain transparency. This will also be a requirement in our supplier selection process.

I'd now like to hand back to Steve to wrap up with an overview of how this all comes together in our vision for 2030.

Slide 19: Croda's 2030 impact

Thanks Michelle, hopefully we have given you a taste of the tangible progress we have made during 2020 and I encourage you all to read more in our Sustainability Report.

This year we have clearly defined interim milestones, embedded in remuneration, so that we – and you – can track our progress. We've also put decarbonisation roadmaps in place for our biggest sites, to help drive positive results.

Our 2030 vision drives us to do more, faster, in this the United Nations' Decade of Action.

We have imagined how achieving our Climate, Land and People Positive targets will improve lives across the world in 2030:

The use of our products will avoid 4 million tonnes of CO₂ per year, equivalent to removing the emissions associated with one coal-fired power plant for the whole year....

We will be saving 100,000 tonnes scope 1 and 2 emissions per year, equivalent to removing more than 20,000 vehicles from the road....

...the additional 200,000 hectares of land saved through our crop technologies will be enough to support more than 300,000 people's needs based on today's land use...

...and, as well as achieving our People Positive commitments for vaccines and sun protection, the Croda Foundation will have improved the lives of 1 million people by funding projects in local communities connected to our smart science.

So there is a huge amount of progress and I believe that our planet and society will be a better place in 2030 as a result of Croda achieving our sustainability targets.

The panel and I would now be delighted to answer your questions.