Reasons to invest in Croda

Delivering long-term performance

A long-term track record

Our successful business model has enabled us to pay a growing dividend for more than 30 years. Increasing shareholder returns have been delivered alongside strong non-financial performance.

→ To find out more see page 33

Consistent capital allocation in line with a clear policy

A clear capital allocation policy guides our investment decisions with a preference for organic capital investment, complemented by technology-led ‘bolt-on’ acquisitions, which has delivered attractive long-term growth.

→ To find out more see page 29

Retained a strong financial position despite market headwinds

Despite market headwinds and a weaker performance in 2023, our cash generative business model and disciplined approach mean we have retained a strong balance sheet and the headroom to invest.

→ To find out more see pages 47-50

Long-term financial and non-financial performance

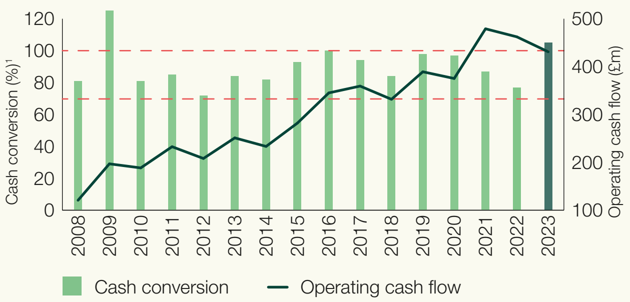
A proven track record

We have a long-term track record of delivering positive financial and non-financial performance for the benefit of all stakeholders.

Attractive financial characteristics

Highly cash generative

Operating cash flow and cash conversion

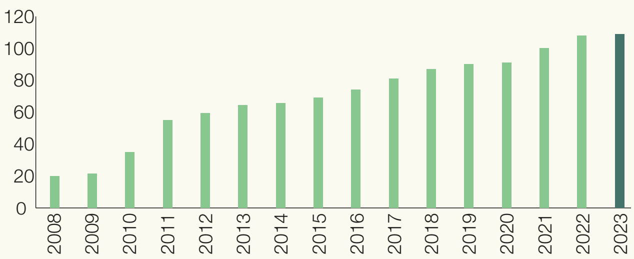


Over the past 15 years the Group has transformed from a specialty chemicals business focused predominantly on industrial markets to one serving consumer, agricultural, and pharmaceutical markets. As the scale of the Group and operating margins have expanded over time, profits have risen, with consistently strong conversion of profit into cash.

1. Cash conversion defined as operating cash flow (pre-interest and tax) divided by EBITDA.

A track record of dividend growth

Full year ordinary dividend per share (pence)

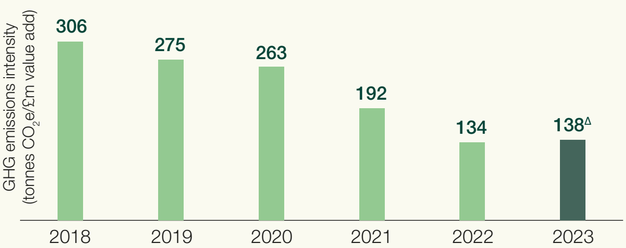


Strong compounding financial performance over many years, supported by a conservative capital allocation policy and powerful business model, has enabled us to pay a growing dividend for more than 30 years. Since 2008 the ordinary dividend has grown by an average of 12% a year. In 2023 the dividend was increased by 0.9% with robust cash flow and a conservative leverage position (net debt to EBITDA ratio of 1.3x) supporting continued growing returns to shareholders.

Delivering non-financial progress

Progressing to a carbon-light business model

Emissions intensity 2018-2023[1]



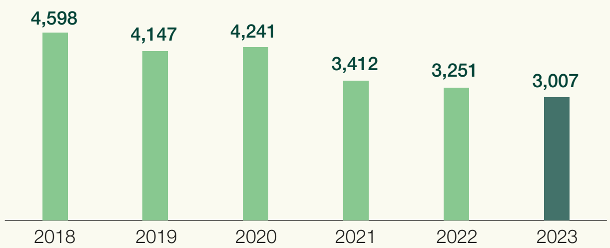
At the same time as delivering on our absolute Science Based Target aligned with the 1.5°C pathway, we are decoupling value growth from our impact on climate.

Our emissions intensity measured relative to 'value added' shows significant continuous improvements since 2018. This aligns with our approach to growth, focusing on low-volume, high-value ingredients that add significant value in our customers' solutions.

1. For the definition of value added see page 64.

Reducing our water footprint

Total water withdrawal 2018-2023[2]



We have improved effective use of water in manufacturing our ingredients, reducing our total water volumes used by 35% since 2018. We have been prioritising efforts to reduce our water footprint over many years and in 2020 launched a holistic water impact metric. Focused on water use in our direct control, this builds on previous metrics to include location specific water issues (e.g. flood risk, water scarcity and quality) alongside volume. Our target is to reduce our water impact in the most stressed locations by 50% by 2030.

See page 15 of our Sustainability Impact Report.

2. Excludes PTIC businesses that were divested in 2022.

Δ indicates where metrics have been assured (limited assurance) under ISAE (UK) 3000 and ISAE 3410 by KPMG, our independent assurance provider and reflects the position for the year ending 31st December 2023. See www.croda.com/sustainability for details.

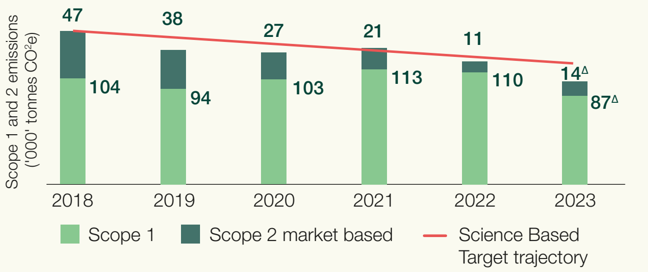
Key performance indicators

Delivering on our sustainability ambitions

We use smart science to create high performance ingredients and technologies that improve lives and aim to have positive global impacts on climate, nature and society over the long term.

Scope 1 and 2 GHG emissions

101,246 tonnes CO_2e



Definition
Our operational greenhouse gas (GHG) emissions (associated with burning fuels onsite and purchased electricity) in absolute terms.

Target
By 2030, we will have achieved our Science Based Target, reducing scope 1 and 2 emissions by 46.2% from our 2018 baseline.

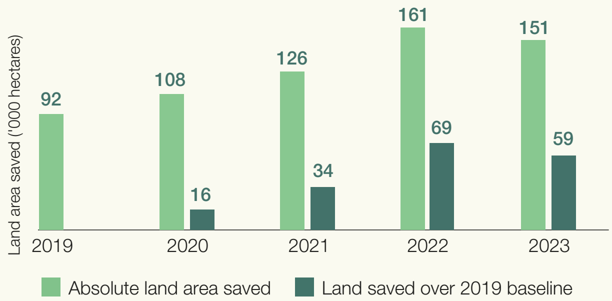
Performance
Since 2018, our baseline year, our total scope 1 and 2 GHG emissions have reduced by 33%. While our 2023 scope 1 and scope 2 emissions are tracking well below our Science Based Target, the challenging business environment and associated reduction in sales volumes in 2023 contributed to the lower emissions output. Although volumes are expected to recover, we remain confident in achieving our Science Based Target.

R

→ See pages 9-13 of our Sustainability Impact Report

Land area saved

151,038 hectares



Definition
Land area saved through the application of our crop protection and seed enhancement technologies, using 2019 as our baseline year.

Target
Throughout this decade, the land saved through the application of our technologies will exceed any increase in land used to grow our raw materials by at least a factor of two, and by 2030 we will save a minimum of 200,000 hectares per year more than in 2019.

Performance
In 2023, the use of our agricultural ingredients and new technologies saved 58,815 hectares of land versus our 2019 baseline of 92,223 hectares, translating to a total land saving of 151,038 hectares in 2023. We remain on track to hit our 2024 intermediate milestone of saving at least 80,000 hectares per year more than in 2019, and our 2030 target of saving 200,000 hectares per year more than in 2019.

R

→ See pages 14-18 of our Sustainability Impact Report

Progress on our Commitments in 2023

Climate Positive
As we continue to deliver on our Science Based Target (SBT) for GHG emissions reduction, we recognise the value to our customers of sharing product-level carbon footprint (PCF) data, to help their decision-making as they formulate. In 2023 we launched PCF data to our Consumer Care customers, covering scope 1, 2 and upstream scope 3 emissions with a methodology aligned to industry standards. The majority of our carbon footprint is emissions associated with the production of our raw materials. We are therefore fully engaged with suppliers, both directly and as members of the chemical industry consortium, Together for Sustainability (TfS), to gain greater clarity on emissions and started to receive primary scope 3 data from leading players in 2023. We also completed our first downstream scope 3 inventory analysis, which demonstrated the importance of understanding indirect consumer emissions throughout the full lifecycle of a product.

Land Positive
In addition to our land saved target we aim to bring an average of two crop technological breakthroughs to market each year until 2030. In 2023, we launched four products which protect biodiversity and mitigate the impact of changing climate and land degradation, bringing our total launched since 2020 to nine. Our use of raw materials derived from bio-based and other natural sources brings with it a responsibility to understand and address our dependencies on ecosystems and impacts on nature and biodiversity. In 2023 we were selected to join World Business Council for Sustainable Development's (WBCSD) Science Based Target for Nature Preparer Group, in line with our ambition to contribute to a Nature Positive world by 2030. In response to the first release of SBTs for Nature, which aim to refine understanding of our impacts on freshwater, as well as protecting and restoring terrestrial ecosystems, this small group of WBCSD members is working to help organisations develop their goals for nature.

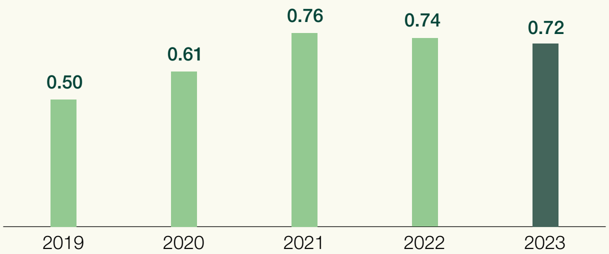
Key

- R Links to long-term incentive scheme (PSP)
- B Links to annual bonus scheme

While the focus of our Sustainability Commitment is delivering positive impact, we also understand the value of external ratings to our stakeholders. We have received an AAA rating from MSCI, are in the top 1% of companies rated by EcoVadis and recently received an A- rating from CDP across all categories. We use the submission and feedback process as one mechanism to identify areas for improvement.

Total Recordable Injury Rate (TRIR)

0.72



Definition
The number of incidents per 200,000 hours worked where a person has sustained an injury, including all lost time, restricted work and medical treatment cases (excludes Covid-19 cases).

Target
Achieve TRIR of 0.3 by the end of 2024.

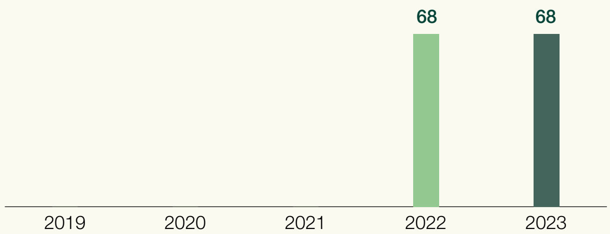
Performance
The headline TRIR decreased to 0.72 in 2023 (2022: 0.74). While a step in the right direction, this remains unacceptably high compared with our target and from the beginning of 2023 proactive safety leadership was embedded in our leadership development programme and became part of the Group annual bonus scheme for the first time. More than 4,500 hours of safety training was provided to over 500 of our most senior leaders across all functions and geographies to embed safety as a value.

B

→ See more about safety initiatives on page 17

Purpose and Sustainability Commitment (PSC) score

68%



Definition
The PSC score is a gauge of employee satisfaction measured through employee surveys and expressed as a percentage.

Target
Our target is to improve the PSC score by 8 percentage points against the 2022 baseline by 2026.

Performance
Participation in 2023 was just under 80% of total headcount across the year (consistent with 2022). The PSC score for 2023 was 68%, matching the score achieved in 2022 despite a tough trading environment and period of change for our employees. We have made progress in areas such as reward, recognition and safety, with questions in these areas seeing improvements across our sites. The survey results have helped identify areas of focus such as having manageable workloads and employees feeling they are able to develop at Croda.

R

→ See more on our culture on page 16

People Positive
Our People Positive Commitment impacts both our employees and wider society. In 2022, through the use of our solar protection ingredients, Croda delivered on its 2030 target to protect more than 60 million people from potentially developing skin cancer caused by harmful UV rays. In 2023 we progressed towards our target of contributing to the successful development and commercialisation of 25% of WHO-listed pipeline vaccines and have already achieved our 2024 milestone of 10 clinical phase III trials, two years ahead of schedule. We are continuing to work towards gender balance in our management. In 2023, we increased the number of women in senior positions to 39%$^{\Delta}$ (2022: 38%). The Croda Foundation was established in 2021 to help sustainably improve one million lives. In 2023, super-charged by additional funding accepted from Croda, it has sustainably improved the lives of over 22 million people, providing 34 grants across 21 countries.

Fundamentals
The Fundamentals element of our Commitment represents the social licence required for a multinational company such as Croda to operate in 2030. We consider all stakeholders in our ecosystem and strive to adopt best practices in environmental protection, labour and human rights, ethics and sustainable procurement. As we evolve our approach to delivering on our Commitment to become Climate, Land and People Positive by 2030, many of these Fundamental targets align closely with our strategies to reduce our negative impacts and increase our positive impacts on climate, nature and society.

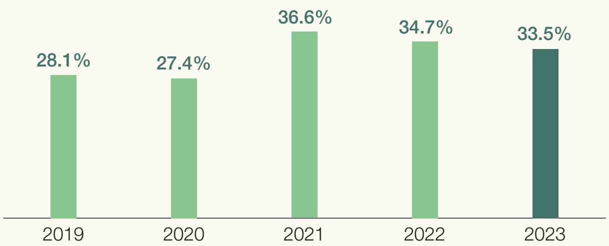
$^{\Delta}$ indicates where metrics have been assured (limited assurance) under ISAE (UK) 3000 and ISAE 3410 by KPMG, our independent assurance provider and reflects the position for the year ending 31st December 2023. See www.croda.com/sustainability for details.

Key performance indicators continued

Driving innovation

New and Protected Products sales (%)

33.5%



Definition

New and Protected Products (NPP) are sales protected by virtue of being newly launched, protected by intellectual property or by unique quality characteristics. Measuring the proportion of NPP sales relative to total sales at constant currency is our established KPI for innovation. Over time we are transitioning to measuring absolute growth in NPP sales. This transition simplifies our NPP metric but more importantly recognises the importance of our non-NPP sales, particularly sales of those products that do not meet our rigid NPP criteria but have superior sustainability profiles and are delivering strong growth on that basis.

Target

We seek to drive NPP sales growth at least as fast as total sales over the cycle, targeted at mid to high single-digit percentage growth.

Performance

The proportion of sales of NPP has grown over the long term from 20.5% in 2012 to reach 33.5% in 2023. The small reduction in NPP sales as a proportion of total sales in 2023 reflects a reduction in the sales of Covid-19 lipids. In the year, Group NPP sales fell by 4%, excluding the impact of Covid-19 lipid sales and the PTIC divestment, a less significant fall than for Group sales as a whole.

R

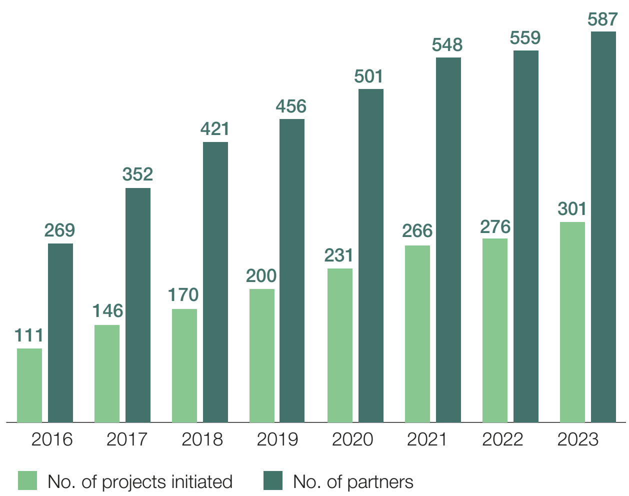
Delivering innovation in 2023

Our innovation capability comprises not just our own self-funded R&D programmes but also a growing network of innovation partners, including SMEs and academia. These innovation partners often have expertise in specialist fields such as biotechnology or pharma, and expand our innovation capacity to help accelerate key projects. We continued to grow our open innovation network in 2023 and by the end of the year had collaborated with more than 580 innovation partners on around 300 innovation projects since adopting this open innovation model.

Innovation efforts are focused on bringing differentiated solutions to customers and doing so in a way that has a positive downstream impact and can help customers achieve their sustainability ambitions, while ensuring we deliver progress against our own 2030 sustainability targets. We are focused on key platform technologies such as synthetic biology, biocatalysis and downstream processing and are also investing to scale biotechnology and expand sustainable chemistry.

Developing sustainable alternatives to existing ingredients remains a key focus of our innovation efforts and in 2023 new projects included a partnership aimed at developing bio-based and biodegradable polymers for liquid polymer solutions, which are often used in personal care and crop care applications for rheology modification. Another project is focused on using biotechnology to generate sustainable terpenes, key ingredients in flavours and fragrances which are typically produced by chemical synthesis of petrochemical-derived raw materials.

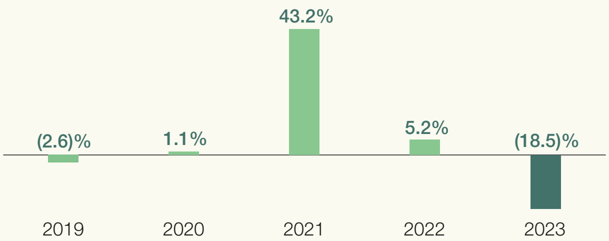
Open innovation partners and initiated projects



Converting opportunities for growth

Sales growth (constant currency)

(18.5)%



Definition

Total sales growth measured at constant currency.

Target

Mid-single digit percentage growth in Consumer Care and high-single digit percentage growth in Life Sciences.

Performance

Sales in 2023 were down 18.5% at constant currency, with underlying sales down 19.1% and a small contribution of 0.6% from the acquisition of Solus Biotech, which completed in July 2023. Adjusting for the divestment of PTIC which completed in June 2022, pro forma sales were down 11%. This comprises positive price/mix growth of 5%, with volumes 16% lower, reflecting the challenging trading conditions in 2023.

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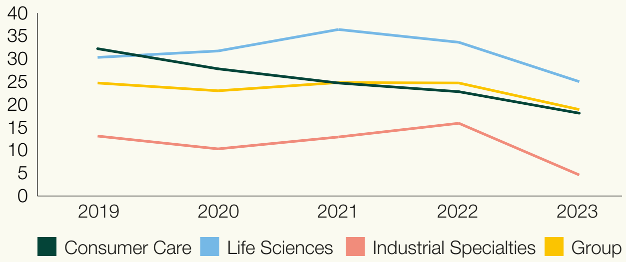
Return on sales

18.9%



Definition

Adjusted operating profit as a percentage of sales.

Target

Return on sales over the medium term at or above 25% in Consumer Care and at or above 30% in Life Sciences, dependent on the mix of growth in each of the business units that comprise the two sectors.

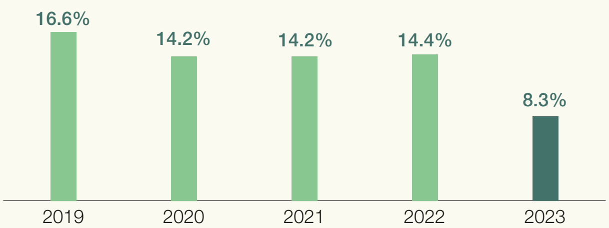
Performance

Group return on sales reduced to 18.9% in 2023 (2022: 24.7%). This reflects significant volume declines across multiple markets leading to low utilisation levels across our shared manufacturing sites and reduced overhead coverage, as well as a reduction in sales of high margin lipid systems for Covid-19 from around $120m in 2022 to approximately $60m.

B

Return on invested capital (ROIC)

8.3%



Definition

Adjusted operating profit after tax divided by the average adjusted invested capital. Adjusted invested capital represents net assets adjusted for net debt, earlier goodwill written off to reserves, accumulated amortisation of acquired intangible assets and the net pension asset/liability. Our ROIC metric was revised in 2023 to adjust for the net pension asset/liability and the historical ROIC numbers shown have been restated.

Target

ROIC of at least two times cost of capital.

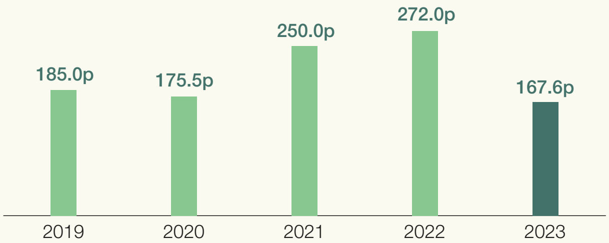
Performance

The post-tax ROIC reduced to 8.3% (2022: 14.4%) with lower operating profit, as well as growth in average invested capital reflecting continued investment in the year to support future growth in both Consumer Care and Life Sciences.

R

Adjusted basic earnings per share (EPS)

167.6p



Definition

Adjusted profit after tax attributable to owners of the parent divided by the average number of shares in issue during the year.

Target

At least mid-single digit percentage EPS growth per annum.

Performance

EPS fell to 167.6p (2022: 272.0p) as a result of the lower sales and operating profit margin. Net finance costs were lower in 2023, principally due to the proceeds from the PTIC divestment in June 2022, but the effective tax rate on adjusted profit was slightly higher at 23.9% (2022: 22.8%).

R