Remuneration Report

Report of the Remuneration Committee

for the year ended 31 December 2022

Jacqui Ferguson, Chair of the Remuneration Committee

"This year's Policy review has given us the opportunity to engage with shareholders and to refresh our policy and its application to enable Croda's strategy and ambition."

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A. Chair's letter

On behalf of the Board and the Remuneration Committee, I am pleased to present Croda's Directors' Remuneration Report for the year ended 31 December 2022. This is my first report as Chair, having been a member of the Remuneration Committee for four years. I would like to thank Dr Helena Ganczakowski for her work and significant contribution as Committee Chair prior to my appointment.

The Committee believes that Croda's remuneration approach plays a key role in the continued achievement of the Group's strategic objectives and in the delivery of sustainable, profitable growth. We last reviewed and updated our policy to ensure ongoing alignment to Croda's evolving ambition in 2020 and received 97.6% votes in favour. Last year we were pleased to receive 95.0% votes in favour of the 2021 Remuneration Report.

This year's Policy review has given us the opportunity to engage with shareholders and to refresh our policy and its application to enable Croda's strategy and ambition. We are grateful to shareholders who gave their time as part of the consultation, and we adapted our proposals as a result of feedback received.

Throughout the review we have also been mindful of new governance expectations, shareholder sentiment, and the changing dynamics of our workforce including the cost-of-living crisis and the impact this has on our workforce. The Committee is keen to ensure our remuneration approach reflects the developing needs of all our stakeholders.

Remuneration Policy review

Since the approval of the current Directors' Remuneration Policy in 2020, Croda has grown and is now a constituent of the FTSE 50 (with c.£2.6bn of shareholder value created over the last three years).

In line with our strategy to transition to a pure play Consumer Care and Life Sciences business, Croda has recently concluded the divestment of the majority of our Performance Technologies and Industrial Chemicals (PTIC) businesses. Croda will continue to focus on consistently delivering sustainable, profitable growth by providing innovative, sustainable solutions to our customers, consistent with our Purpose: Smart science to improve lives™. Future growth will be driven principally through organic investment and through acquisition.

Our focus on Consumer Care and Life Sciences means that our leaders will be managing an increasingly complex and international business and these changes will impact the nature of talent required across our organisation.

Therefore, the focus of the Remuneration Policy review was to ensure that the existing remuneration framework and its implementation remained aligned to the business strategy and the evolving scope and responsibilities of our leadership roles.

Our updated Policy largely reflects our need to address the implications of the significant growth of the Company, the growing complexity of the business and the level of sector competitiveness to ensure we can continue to attract and retain the best talent.

In summary, we are proposing quantum increases to both the Group Profit Incentive Bonus Scheme (senior annual Bonus Plan) and Performance Share Plan (PSP), although opportunity levels remain modest in comparison to our peers, along with the introduction of an ESG metric into the senior annual Bonus Plan reflective of shareholder feedback and our strategic priorities. We also propose to increase shareholding guidelines and, in response to shareholder feedback, to increase our post-employment shareholding requirement.

In developing our Remuneration Policy, we undertook a significant consultation exercise and we are grateful that most of our top 20 shareholders gave their time to discuss and provide advice on our proposals. Others provided a written response. We also consulted with proxy agencies and took account of their views. In total we invited c.60% of our shareholder base to take part in the consultation exercise and directly engaged through video calls with approximately 31% of our shareholder base. We adjusted our proposals as a result of feedback during the consultation process as outlined further below.

Summary of proposals

Increase to the senior annual Bonus Plan and PSP maximum incentives – Against the background of strong business performance, increased complexity and evolving talent needs, we are proposing an increase to incentives for both Executive Directors.

While our approach to remuneration has never been driven by benchmarking, our view is that this proposed increase in incentive opportunity is aligned to shareholder interests to support the next phase of the Group's strategic development. The benchmarking suggested that it was the senior annual Bonus Plan opportunity in particular which has fallen significantly below market for a company of our size and there was a case for an increase. However, we were keen to continue with an incentive structure heavily weighted to the long-term.

The proposal is an increase to the maximum annual bonus of 25% of base salary and an increase to the maximum PSP of 25% of base salary. The resulting incentive levels (set out on page 108) will continue to be modest against the market.

Shareholding guidelines – We are increasing the shareholding guidelines so that they are in line with the increased PSP opportunity, meaning a shareholding guideline of 250% of salary for the Group Chief Executive and 200% of salary for the Chief Financial Officer.

Post-employment shareholding – The time horizon for post-employment shareholding will be extended to apply in full over the two years, rather than operating on a tapered basis during this period.

Recruitment headroom – We are proposing additional annual bonus headroom (maximum 200% of salary) in the Policy which would only be permitted to be used in exceptional circumstances of recruitment.

The above are the key structural changes to our Remuneration Policy. Our review also included consideration of our overall performance framework and as a result of this review we are also proposing some changes to the implementation of our Policy.

Performance measures for the senior annual Bonus Plan
Currently our senior annual Bonus Plan is based 100% on profit performance with no bonus payable until the previous year's profit is exceeded. Prior to the review we had received feedback from some shareholders that they would like to see additional measures introduced.

Following our review we concluded that, given the increased complexity of the business, as well as the proposed increase in annual bonus levels, it would be appropriate to introduce another measure in order to better reflect overall performance for all our stakeholders.

We are therefore introducing an ESG measure into the senior annual Bonus Plan performance framework weighted at 10%. We anticipate that the ESG measure will vary each year adapting to our evolving priorities in this area. In 2023 we will focus on safety which is identified as a current strategic priority taking into account our evolving capacity expansion. In addition, we have also strengthened the safety underpin which applies to the senior annual Bonus Plan.

Flexibility in target setting framework – Our senior annual Bonus Plan profit target has also been set using a consistent and distinctive framework, focused on sustainable year-on-year growth rather than a range around the annual budget and we intend to continue with this approach. We propose to introduce additional flexibility into the target setting framework taking into account the potential for increased volatility in profits which may arise from time to time (for example, as seen in the COVID-19 vaccine contract) and therefore avoiding disincentivising over performance.

Response to shareholder consultation

Most shareholders we engaged with appeared comfortable with our proposals to increase incentive opportunity, given Croda's performance to date, our strategic ambitions and our growth trajectory since the last Policy review. Shareholders also recognised that the incentive opportunities continued to be modest against the market.

The increases to shareholding guidelines were also welcomed, however some shareholders gave feedback that they would like to see an increase in our post-employment shareholding requirement which is currently set at 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. Responding to this feedback we will increase the requirement to 100% of the in-employment guideline for the full two years post-employment.

There were some clarifications about when the increase to additional annual bonus headroom might be used in exceptional circumstances. We have modified our proposal so that this headroom would only be available for use in the case of recruitment.

Finally, a number of shareholders expressed a desire for a specific Return On Invested Capital (ROIC) metric in either the short or long-term incentive plans. Our discretion framework does include ROIC and therefore the Committee considers the performance alongside a range of other measures before either the senior annual Bonus Plan or PSP awards are approved. However, listening to this request we have now included ROIC as a specific underpin in our PSP. In addition, ROIC remains part of the discretion framework for our senior annual Bonus Plan.

Remuneration Report continued

Performance framework for 2023

Croda's strategy continues to focus on consistently delivering sustainable, profitable growth by providing innovative, sustainable solutions to our customers consistent with our Purpose, Smart science to improve lives™, and this is directly reflected in our performance measures and stretching targets.

For 2023, the senior annual Bonus Plan will continue to be largely based on an operating profit metric. In addition, an ESG measure with a weighting of 10% is being introduced as described above.

The PSP performance framework is unchanged in substance and will continue to include Earnings Per Share (EPS) growth (35% of the award), relative Total Shareholder Return (TSR) (35% of the award) and sustainability targets (30% of the award), within which 15% will be based on our innovation metric, New and Protected Products (NPP); those products that will drive our future growth. Innovating sustainably is core to Croda's success, and we continue to focus management on the delivery of this. The remaining 15% will be focused on selected KPIs aligned to the delivery of our 'Climate Positive' and 'People Positive' sustainability commitments.

We are making some changes to the bespoke peer group against which relative TSR is measured to better reflect the strategic focus of the business following our divestment. The NPP measure has been simplified and will now focus simply on growth in NPP over the performance period. Further details are contained on page 110.

Performance is always considered holistically; each year the Committee applies a Discretion Framework to satisfy itself that the outcome in terms of primary performance metrics has not been to the detriment of other measures of corporate performance.

Consideration of wider workforce and alignment of reward across the organisation

Our approach to workforce reward is an important part of Croda's philosophy. We are particularly sensitive at this time to the impact of the cost-of-living crisis on our wider workforce. One of the principles of Croda's culture is to drive 'One Croda', and therefore many of the remuneration structures that apply to the Executive Directors already also apply further in the global organisation. Highlights of our approach to workforce pay include:

- **Our commitment to the Global Living Wage** – In 2021 Croda established a Living Wage in each of the countries in which it operates and ensured that all employees receive this as a minimum. We are now working with the Fair Wage Network to gain accreditation for our work in this area and to ensure our progress stands up to external scrutiny.

- **Sharing success across the business via our Free Share Plan and other all-employee plans** – Launched in 2021, under the Free Share Plan all employees globally who are not eligible for the senior annual Bonus Plan are gifted Croda shares (or the cash equivalent) if the senior annual Bonus Plan pays out. In May 2022, all eligible employees (c.5,150 in total) were gifted 10 Croda shares (or the cash equivalent) which at the time of the award amounted to a value of £761.

  Around 81% of our UK workforce and 56% globally participate in share plans operated by the Company and therefore benefit from the rewards enjoyed by all shareholders.

- **Our CARE defined benefit pension** – This applies across our entire UK workforce and is a generous and inclusive benefit. Under the CARE pension scheme the Company bears all of the investment risk and the security for our workforce is an important part of our 'One Croda' culture. In 2022 we were due to implement planned increases to employee contributions but in light of the cost-of-living crisis these increases were not implemented. Croda now pays an average contribution of 28% of salary per employee to fund the scheme.

More recently and in direct response to the cost-of-living crisis initiatives have focused on:

- **Enhanced health and wellbeing benefits for all UK employees** – In response to the cost-of-living crisis and concerns about accessing health care we have extended private health care through BUPA to all our UK employees and their families and now offer three-year private medical assessments to all UK employees.

- **Cost-of-living actions across Croda businesses** – We have implemented a range of actions across the business to help address the cost-of-living crisis including one-off payments, improved benefits and mid-cycle annual increases. For example, in the US, we have given all employees a one-off $1,500 bonus, which has favoured employees on lower salaries. Elsewhere, at the beginning of 2022, we made an 'across the board' 5% increase for the entire UK workforce.

In line with our 'One Croda' culture, our senior leaders all share the same performance metrics for the senior annual Bonus Plan and PSP. Around 500 employees participate in the senior annual Bonus Plan and 70 of these are also in the PSP. We believe that this focuses our leadership on working together globally to deliver the best overall outcome for our customers and, in turn, our shareholders and other stakeholders.

Our policy review extended to a wider review of our management incentives, taking into account our strategic objective of a pure play Consumer Care and Life Sciences business. As a result of our wider review, bonus potential for other employees, who are members of bonus plans, will also be increased in 2023.

Workforce engagement

Through our regular Purpose and Sustainability Commitment (PSC) survey we ask employees about their views on a range of topics. As part of the March 2022 survey, employees were asked how they feel they are valued and rewarded at Croda and the findings of this were presented to the Remuneration Committee as part of the information considered for the policy review.

Overall employees felt valued by Croda and appreciated the work we have done to extend flexible working, however, there was concern about the fairness of the overall reward package.

In response, as described above, consistent with our proposals for Executive Directors, we have also increased the maximum annual bonus opportunity for employees. We have also stepped-up salary benchmarking locally to ensure we continue to provide a competitive package to our global workforce.

In addition, myself and other members of the Board meet regularly with employees to discuss a range of issues including reward and we have a dedicated email address where employees can email me directly about any questions or concerns, they may have in relation to their own or Executive reward.

Remuneration out-turn for 2022

2022 was a record year for Croda exceeding £2 billion of sales and £500 million of adjusted operating profit. This was driven by the strength of our operating model, which enabled continued recovery of unprecedented cost inflation, and the ongoing successful implementation of our strategy.

Consumer Care achieved record sales up 18% and saw expanded sales of our sustainable technologies, increased geographic coverage in fragrances and continued profit growth. The increasing depth and diversity of our Life Sciences portfolio delivered 19% sales growth with a strong result in Crop Protection, whilst Pharma built on an exceptional 2021 performance and is developing an extensive pipeline of non-COVID applications.

Bonusable Profit, which includes profit from our divested PTIC business but with the base year adjusted to ensure like-for-like comparison and adjustment for the lipid system sales for our principal COVID-19 vaccine contract, exceeded the outcome for 2021 and the maximum pay-out target. Reassuringly the maximum pay-out target would have been met even if PTIC profits had been excluded from the calculations. The Committee used the Discretion Framework to satisfy itself that this performance was robust and sustainable by reviewing underlying performance. The Committee determined that 100% of the senior annual Bonus Plan was payable.

Croda's longer-term performance in profitable growth and TSR was also strong and reflected the long-term growth trajectory of the business. 2022 was the year in which PSP grants made in 2020 concluded their three-year period, and the Committee reviewed performance for the targets that were set at that time.

Over the period TSR performance was 45.4%, placing Croda in the top quartile against our bespoke comparator group with 100% of this part of the award vesting. Our strong profit performance led to EPS growth of 47.5% which resulted in a 100% vesting of this part of the award. EPS was adjusted for the divestment of the majority of the PTIC business. The outcome was not impacted by this adjustment.

NPP growth also met the stretching vesting target, growing by 2.24 times non-NPP sales over the period, and therefore full vesting will be achieved for this target, worth 20% of the overall award. 2020 was the first year in which we introduced sustainability targets both relating to our Climate Positive ambitions; including the development of decarbonisation roadmaps and scope 1 and 2 emissions reductions. Both targets were met, and vesting will be at maximum for these targets.

The Committee considered this, the EVA underpin, and a range of broader performance criteria using the Discretion Framework and concluded that the PSP awards were consistent with and reflective of overall financial performance over the time period. Therefore, after consideration of all factors, an overall PSP vesting of 100% of the total award was agreed.

Transition of Chief Financial Officer

Jez Maiden will retire as Group Finance Director of Croda in 2023 and will be succeeded by Louisa Burdett as Chief Financial Officer.

Louisa Burdett was appointed on a salary of £520,000 and will participate in both the senior annual Bonus Plan and PSP on the same basis as Jez Maiden. There was no sign-on bonus or buy-out.

Remuneration arrangements for Jez Maiden on his retirement were managed in line with the Remuneration Policy. As he was never a member of the Croda Pension Scheme no pension is payable. Further details are provided within this Report.

Salaries for 2023

For 2023 there will be a general increase for our UK employees of 7%. In addition a one-off supplement payment of £1,500 will be paid in two instalments in January and June 2023 to help address energy prices. The payment of a non-consolidated fixed amount has favoured employees on lower salaries. Overall, the budget for salary increases for all UK employees has increased by over 9%.

Recognising advice from our shareholders for restraint regarding Executive pay, our Executive Directors will receive an increase in salary of 4% and will not receive the one-off supplement. This increase will not apply to our newly appointed CFO who is not eligible to receive an increase until January 2024. Increases awarded to our Executive Committee are also below that of the UK workforce.

A review of the Chair fees was also undertaken and, reflecting similar principles to those applied to our Executive Directors whilst also recognising the continuing high time commitment, an increase of 4% was awarded.

Looking ahead

The proposed changes to our Remuneration Policy will be voted on by our shareholders at our 2023 AGM. As stated above we have listened to the views of our many shareholders through consultation and are hopeful they are able to support our proposals.

We remain committed to ensuring that our remuneration framework reflects the evolving needs of all of our stakeholders and the communities in which we operate.

Jacqueline Ferguson

Jacqui Ferguson, Remuneration Committee Chair

Remuneration Report continued

B. Remuneration at a glance

How we performed in 2022 – record sales and profit performance

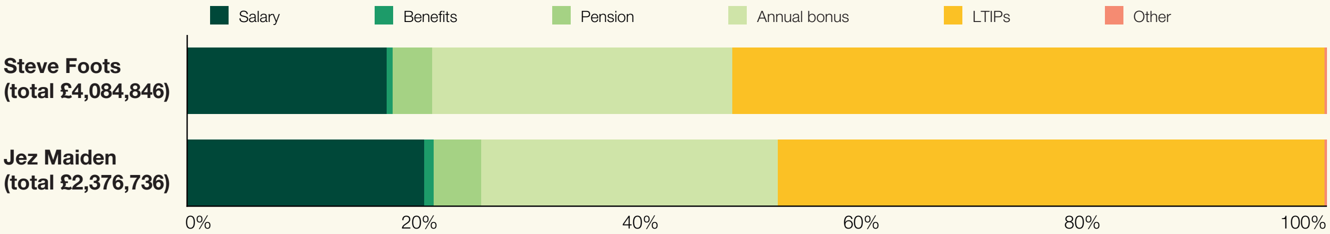
Adjusted operating profit
+9.9% to
£515.1m

Adjusted basic EPS
+8.8% to
272.0p

NPP (constant currency)
34.7%
of Group sales

Total Shareholder Return
45.4%
over the three-year PSP performance period (1 January 2020 to 31 December 2022)

Single figure remuneration:



Operation of our policy in 2022

Key component and timeline	Feature	Metrics and results		Group Chief Executive (CEO)	Group Finance Director (GFD)
Basic salary	Competitive package to attract and retain high calibre executives.	• Pay rise of 5% awarded to Executive Directors at the start of 2022. • General pay increase of 5% awarded to the wider UK workforce.		£716,457	£494,108
Annual bonus	Incentivise delivery of strategic plan, targets set in line with Group KPIs.	Bonusable Profit (see page 111 for definition of Bonusable Profit)		£1,074,686	£617,635
		Threshold	2021 actual		
		Maximum	2021 actual plus 10%		
		Actual	2021 actual plus 11.7%		
		100% of maximum bonus paid			
Deferred element of bonus	Compulsory deferral of one third of bonus into shares with three-year holding period to align with long-term business performance.	N/A		Of which £358,229 is deferred	Of which £205,878 is deferred

PSP	Incentivise execution of the business strategy over the long-term measuring profit, shareholder value, innovation and sustainability.	Vesting of the 2020 PSP award	£2,124,893	£1,139,772

Vesting of the 2020 PSP award

	Threshold	Maximum	Actual	% payout
EPS[1] (35%)	5%	11%	15.8%	100%
TSR (35%)	Median	Upper Quartile (UQ)	94.4 percentile Above UQ	100%
NPP[2] (20%)	NPP sales growth to be at least twice non-NPP sales.		2.24x	100%
Sustainability metric 1 (5%)	Development of decarbonisation roadmaps[3], covering all Scope 1 and 2 emissions. The achievement of this target in full would be a 5% pay-out with a 2.5% pay-out for a better than 95% achievement.		All roadmaps completed	100%
Sustainability metric 2 (5%)	Measurable reductions in Scope 1 & 2 emissions. Target of 30,000 tonnes against adjusted 2018 baseline of 232,000 tonnes. Following the discovery of a calculation error the 2018 baseline was reduced to 208,328[4] tonnes, the target remained at 30,000 tonnes (making it harder to achieve). Achievement for target in full is 5% pay-out with a 2.5% pay-out for a better than 75% achievement.		39,335 tonnes	100%

EVA underpin – In relation to the EVA underpin which applied across the whole award, EVA in the final year of the performance period exceeded EVA in the year prior to the start of the performance period and therefore no adjustment was required.

Total payout – 100%

1. EPS growth p.a. is calculated on a simple average basis over the three-year period. The calculation of the EPS growth has been adjusted for the divestment of the majority of the PTIC business. The mechanics of the adjustments were independently recalculated by KPMG under agreed-upon procedures standard (ISRS 4400) (advice delivered to the Company and not constituting assurance or an opinion). The outcome was not impacted by this adjustment.
2. Subject to a minimum average of 3% growth per year and overall positive Group profit growth.
3. Decarbonisation Roadmap: A plan for a site, charting emissions reduction through for example, maximising use of renewable energy, novel process technologies and energy efficiency measures. The quality assessment process was validated externally by Accenture who also performed sampling to validate the outcome assessments.
4. The revised 2018 baseline has been independently verified by Carbon Smart, as has the breakdown of emissions per site. Adjustments have been made for acquisitions and the divestment of our PTIC business.

Pension	Pension benefits are either a capped career average defined benefit pension plan with a cash supplement above the cap, or a cash supplement. For 2022, cash allowance of up to 20% of salary, in line with the UK workforce.	N/A	£143,291	£98,822
Shareholding requirements	Share ownership guideline to ensure material personal stake in business.	• CEO – 225% of salary • GFD – 175% of salary	>225% of salary	>175% of salary

The single figure remuneration also includes all benefits. For a full breakdown of the Executive Directors' remuneration for 2022 please see page 130.

C. Proposed Remuneration Policy

1) Overview of the new Remuneration Policy including Executive Directors' remuneration for the year ending 31 December 2023

Our proposed Remuneration Policy will be presented to shareholders at the 2023 AGM and is intended to operate for three years until the AGM in 2026.

In reviewing the Policy, the Committee has considered the following principal objectives to:

- Achieve the closest possible alignment with the Company's evolving strategy to become a pure play Consumer Care and Life Sciences business;
- Support the Company's ambition to be a purpose led organisation focused on Smart science to improve lives™ and an industry leader in sustainability;
- Ensure that business performance is appropriately measured and rewarded and that the scale of reward is proportionate;
- Make certain that the Policy properly reflects the various interests of all our stakeholders in its structure and metrics;
- Ensure that the Policy is fair and competitive and that it also considers reward more broadly in the organisation; and
- Disclose the Policy in an open and transparent way.

The evolution in the Group's strategy, following the divestment of the PTIC businesses, and the increased size and complexity of the business was a key focus for the Committee when considering changes to the Remuneration Policy. In advance of finalising the proposals an extensive shareholder consultation exercise was undertaken, as described in the letter from the Remuneration Committee Chair. Feedback received as part of this process resulted in modifications to proposals.

The Committee's method of operation will be flexible and dynamic taking account of external changes and business performance.

Main changes to the Remuneration Policy

It is proposed to make changes to the Policy and application of the Policy in five key areas:

1. Against the background of strong business performance, increased complexity and evolving talent needs, we are proposing an increase to the maximum annual bonus of 25% of base salary and an increase to the maximum PSP also of 25% of base salary.
2. Increasing shareholding guidelines in line with the increased PSP opportunity and extending post-employment shareholding requirements to apply in full over the two years, rather than on a tapered basis during this period.
3. Increasing the maximum annual bonus headroom to 200% of base salary to provide some additional flexibility but only in exceptional circumstances of recruitment.
4. Introduction of an ESG metric into the senior annual Bonus Plan to align with our strategy to be industry leaders in sustainability.
5. Introduction of additional flexibility into the senior annual Bonus Plan target setting framework taking into account the potential for increased volatility in profits which may arise from time to time (e.g. profit from our lipid system sales for our principal COVID-19 vaccine contract).

The remainder of this section provides the context and details to these changes.

1. For both Executive Directors, an increase to the maximum annual bonus of 25% of base salary and an increase to the maximum PSP of 25% of base salary.

Over the last three years Croda's market capitalisation has increased from c.£6.6bn to c.£9.2bn, creating c.£2.6bn of value for shareholders, and we are now a FTSE 50 company. We have also become an increasingly complex and international business. Against that background we are proposing increases to our incentives.

While our approach to remuneration has never been driven by benchmarking, our view is that this proposed increase in incentive opportunity is aligned to shareholder interests to support the next phase of the Group's strategic development.

		Current	Proposed
Annual bonus	**CEO**	150%	175%
	CFO	125%	150%
PSP	**CEO**	225%	250%
	CFO	175%	200%

The benchmarking, undertaken as part of the Remuneration Policy review process, suggested that it was the annual bonus opportunity in particular which has fallen significantly below market for a company of our size and there was case for an increase to annual bonus opportunity. However, we were keen to continue with an incentive structure heavily weighted to the long-term. For this reason, we are proposing that our annual bonus is increased relatively modestly (+25% of base salary), but that PSP is also increased (+25% of base salary). The resultant incentive levels continue to be relatively conservative against the benchmarks.

2. Increasing shareholding guidelines in line with the increased PSP opportunity and extending post-employment shareholding requirements to apply in full over the two years, rather than on a tapered basis during this period.

Shareholding guidelines will continue to be set in line with 'normal' PSP awards; in line with the proposal above, levels for 2023 would increase:

	Current shareholding requirements	New shareholding requirements
CEO	225%	250%
CFO	175%	200%

We also propose to extend the **post-employment shareholding requirements**, requiring Executive Directors to retain 100% of the shareholding guideline for two years after leaving the Company.

3. Increasing the maximum annual bonus headroom to 200% of base salary to provide some additional flexibility but only in exceptional circumstances of recruitment.

We are proposing additional annual bonus headroom (maximum 200% of salary) in the Policy which would only be permitted to be used in exceptional circumstances of recruitment.

4. Introduction of an Environmental, Social, and Governance (ESG) metric into the senior annual Bonus Plan to align with our strategy to be industry leaders in sustainability.

Currently our senior annual Bonus Plan is based 100% on profit performance with no bonus payable until the previous year's profit is exceeded. Prior to the Remuneration Policy review we had received feedback from some shareholders that they would like to see additional measures introduced.

Following our review, we concluded that, given the increased complexity of the business, as well as the proposed increase in annual bonus levels, it would be appropriate to introduce another measure in order to better reflect overall performance for all our stakeholders.

We are therefore introducing an ESG measure into the senior annual Bonus Plan performance framework weighted at 10%. We anticipate that the ESG measure will vary each year adapting to our evolving priorities in this area. Our goal is to ensure that it has impact across the organisation. Our senior annual Bonus Plan cascades through our organisation (c.500 participants) and therefore we see this as an opportunity to signal and drive forward ESG priorities. For example, in future years we may include a target related to our climate priorities where we see opportunities for a target to drive forward a specific priority or initiative in a particular year.

In 2023, however, we will focus on safety which is identified as a current strategic priority taking into account our evolving capacity expansion. The proposed safety measure for 2023 is in relation to the whole population of eligible employees, and the extent to which the population:

1. Completes one specifically defined SHE leadership behaviour objective.
2. Completes specified face to face (or virtual) safety training.
3. Completes and documents at least one safety focused visit and conversation to demonstrate safety is a value through organisation engagement and risk management.

Payment schedule to be 100% pay out if 98% of eligible employees complete all three tasks and 50% pay out if 95% of eligible employees complete all three tasks. For clarity this is not an individual measure – if less than 95% of eligible employees complete the three tasks no payment to any employee will be made. In addition, we have also strengthened the safety underpin which applies to the senior annual Bonus Plan. The strengthened safety underpin requires the Committee to actively consider a number factors, including but not limited to compliance with the requirements or minimum standards set out in the Croda SHE Manual, any incidents resulting in a fatality, serious injury or material environmental impact, and progress during the year on SHE focus areas.

5. Introduction of additional flexibility into the senior annual Bonus Plan target setting framework

Our senior annual Bonus Plan profit targets have been set using a consistent and distinctive framework, focused on year-on-year sustainable growth rather than a range around the annual budget, and we intend to continue with this approach. However, we propose to introduce additional flexibility into the target setting framework taking into account the potential for increased volatility in profits which may arise from time to time (e.g. profit from our lipid system sales for our principal COVID-19 vaccine contract) to avoid disincentivising over performance. In normal circumstances, we will continue with an approach of setting bonus targets based on pre-determined growth percentages on prior year performance. However, in circumstances where the prior year profit is considered to be unusually high, bonus targets for the following year will not necessarily be set based on a simple formula of growth on prior year. Nevertheless, in all cases, targets will be set at the beginning of the year, in line with normal practice.

Other changes in implementation of the PSP framework

No substantive changes are proposed to our PSP framework, which will continue to be based on EPS, relative TSR and sustainability performance. We are however proposing a number of additional modifications:

ROIC underpin

A number of shareholders expressed a desire for a specific ROIC metric in either the short or long-term incentive plans. Our Discretion Framework does include ROIC, but taking onboard this feedback, going forward we have included ROIC as a specific underpin in our PSP. This will replace the previous EVA underpin.

> *Awards will be subject to a ROIC underpin such that vesting is subject to satisfactory ROIC performance over the three-year performance period, as determined by the Committee. In determining whether the underpin has been met, the Committee will consider a range of factors including, but not limited to, the intended time horizons for returns on capital deployed, and the achievement of Croda's long-term ROIC objective which is currently set at 2x cost of capital.*

ROIC will also remain part of the Discretion Framework for the senior annual Bonus Plan.

Remuneration Report continued

TSR comparator group

We have reviewed the bespoke comparator group against which relative TSR is measured to better reflect the strategic focus of the business following the divestment of the PTIC business.

The new comparator group more closely reflects Croda's pure play Consumer Care and Life Sciences ambitions and consists of Akzo Nobel, Ashland, Avantor, BASF, Catalent, Chr. Hansen, Clariant, Elementis, Evonik, Givaudan, IFF, Johnson Matthey, Kerry, DSM, Lonza, Merck, Novozymes, Solvay, Symrise, Synthomer, Tate & Lyle and Victrex.

NPP measure

Innovating sustainably is core to Croda's success, and therefore our established measure of innovation, New & Protected Products (NPP), will be retained within the PSP. It is however proposed that this measure is modified so that it is based on growth in NPP, rather than growth relative to non-NPP sales:

Current NPP metric	Proposed NPP metric
NPP sales to grow at twice the rate of non-NPP, subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year (25% vesting), with payments being made on a sliding scale up to 5% growth per year (maximum vesting).	Subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year (25% vesting), with payments being made on a sliding scale up to 7% growth per year (maximum vesting).

This modification has been made in order to simplify the NPP measure, reflect the importance of our non-NPP sales, especially those relating to sustainable products, and to reflect that the current relative measure could penalise management for a strong performance in non-NPP sales.

Other elements of PSP

EPS measure

Our EPS growth target will remain at 5% to 11% average growth over a three-year period. This target aligns to our ambitious strategic plan of consistent organic sales and margin growth and has long-term inflation assumptions built in. The Remuneration Committee retains discretion to adjust for the impact of acquisitions. We target mid single digit organic growth in Consumer Care and high single digit growth in Life Sciences, with underlying growth in Industrial Specialties at GDP levels but offset by a gradual exit from some supply agreements. With current margins maintained this would deliver an EPS growth of broadly 5%. With margin improvement targeted through better business mix and innovation, this drives EPS growth higher. EPS growth of 11% would represent over performance of our strategic plan. Overall, and in this context, the Committee considered that the targets remained proportional and stretching.

Sustainability measures

As an industry leader in sustainability, we will continue with sustainability measures for our 2023 awards. For this year measures will be aligned to our Climate and People Positive strategy:

- Climate Positive – Scope 3 emissions make up more than 85% of Croda's corporate emissions inventory and have the greatest impact on the carbon footprint we pass on to customers through our ingredients. Therefore to achieve the required emission reductions, it is imperative that we move to target reductions to our Scope 3 emissions. It is for this reason that our measure this year is strongly aligned to the specific actions which will support reducing our upstream Scope 3 emissions. Our target is based on (i) completion of net zero roadmaps to 2050 for technology platforms covering >90% of Scope 1, 2 and upstream Scope 3 emissions and (ii) completion of all actions arising from roadmaps in the period to end 2025.
- People Positive – a target aimed at improving Croda's Purpose and Sustainability Commitment (PSC) score, a measure of Croda's intentional actions to create a positive environment in which colleagues can successfully create sustainable innovation.

Summary of Executive Directors' remuneration for the year ending 31 December 2023

Key component	Implementation in 2023
Basic salary	Executive Directors' base salaries were reviewed during the final quarter of the financial year ended 31 December 2022. Salaries for 2023 are as follows:

	Salary at Jan 2023	Salary at Jan 2022	% Increase
Steve Foots	£745,116	£716,457	4%
Louisa Burdett	£520,000	N/A	N/A
Jez Maiden	£513,873	£494,108	4%

Commentary

- For 2023 there will be a general increase for our UK employees of 7%. In addition, a one-off supplement payment of £1,500 will be paid in two instalments in January and June 2023 to help address energy prices. The payment of a non-consolidated fixed amount has meant our employees on lower salaries have received a greater proportional benefit. Overall, the budget for cost-of-living increases for all UK employees has increased by over 9%.
- Recognising advice from our shareholders for restraint with regard to Executive pay, our Executive Directors have received an increase in salary of 4%. Increases awarded to our Executive Committee are also below that of the UK workforce.

Pension	20% of salary as pension supplement aligned to UK workforce.
Other benefits	Other benefits such as company cars or car allowances, fuel and travel allowances and health benefits are made available to Executive Directors.

Performance-related Annual Bonus Plan

Steve Foots 175% of salary | **Louisa Burdett 150% of salary** | **Jez Maiden* 150% of salary**

The targets for the awards are set out below:

Performance measure (weighting)	Threshold	Maximum
Bonusable Profit** (90%)	Equivalent to 2022 actual	2022 actual plus 10%
ESG metric (10%)	The proposed safety measure for 2023 is in relation to the whole population of eligible employees, and the extent to which the population: 1. Completes one specifically defined SHE leadership behaviour objective. 2. Completes specified face to face (or virtual) safety training. 3. Completes and documents one safety focused visit and conversation to demonstrate safety is a value through organisation engagement and risk management. Payment schedule to be 100% pay-out if 98% of eligible employees complete all three tasks and 50% pay-out if 95% of eligible employees complete all three tasks. For clarity this is not an individual measure – if less than 95% of eligible employees complete the three tasks no payment to any employee will be made.	

* In line with the bonus plan rules Jez Maiden will receive a pro-rated bonus award.

** Bonusable Profit is the growth in underlying profitability (defined for bonus purposes as Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS 2 Share-based Payments) less a notional interest charge on working capital employed during the year. Target is measured after providing for the cost of bonuses on a constant currency basis. For 2023 awards, and consistent with last year, the calculation will be adjusted for the divestment of the majority of our PTIC business and the lipid system sales for our principal COVID-19 vaccine contract.

Commentary

- Maximum award levels increased by 25ppts from last year.
- Introduction of an ESG metric into the senior annual Bonus Plan performance framework weighted at 10% alongside a strengthened safety underpin. The ESG metric will vary each year adapting to our evolving priorities in this area.
- When determining bonus outcomes, the Committee applies the Discretion Framework which includes a range of factors, see page 124.
- The Committee remains comfortable that the structure of the senior annual Bonus Plan does not encourage inappropriate risk-taking and that the mandatory deferral of one third of bonus into shares provides clear alignment with shareholders and fosters a longer-term link between annual performance and reward.
- Malus and clawback provisions apply.
- One third of any bonus paid will be deferred into shares for a three-year period.
- Full retrospective disclosure of targets and actual performance against these will be made in next year's Annual Report on Remuneration.
- The Committee considers the targets set for 2023 to be at least as demanding as in previous years and were set after taking due account of the Company's commercial circumstances and inflationary expectations.

Remuneration Report continued

Performance Share Plan

Steve Foots 250% of salary		**Louisa Burdett 200% of salary**	
The targets for the awards are set out below:			
Performance measure (weighting)		**Threshold vesting**	**Maximum vesting**
EPS[1] (35%)		5% p.a.	11% p.a.
TSR[2] (35%)		Median	Upper quartile
NPP (15%)	Subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year (25% vesting), with payments being made on a sliding scale up to 7% growth per year (maximum vesting).		
Sustainability metrics (15%)	**Climate Positive (7.5%)** – completion of net zero roadmaps to 2050 for technology platforms covering 90% of our Scope 1, 2 and upstream Scope 3 emissions. In addition: • All actions arising from the sector 2030 decarbonisation roadmap work with completion dates aligned with the end of 2025 to be completed, and; • Croda to have submitted and received formal approval from SBTi for its corporate net zero target, so meeting the strict external criteria from SBTi, considered industry best practice. Achievement of the above and roadmaps completed covering 90% of Croda's GHG emissions would result in maximum vesting. Achievement of the above and roadmaps completed covering 75% of Croda's GHG emissions would result in a 50% vesting, with no vesting below this. **People Positive (7.5%)** – a target aimed at improving Croda's Purpose and Sustainability Commitment (PSC) score, a measure of Croda's intentional actions to create a positive environment in which colleagues can successfully create sustainable innovation. Over the three-year performance period the target is an increase in the PSC score by 8 percentage points over the 2022 baseline[3], to achieve a Croda Employee Satisfaction (ESAT) score of 4.0 (Good). This will be underpinned by a continued high response rate by employees, set at 65% of global headcount[4]. Awards will be paid in the following defined ranges: • Increase PSC score by 8ppts, and 65% response for max vesting • Increase PSC score by 6ppts, and 65% response for 75% vesting • Increase PSC score by 4ppts, and 65% response for 50% vesting • Increase PSC score by 2ppts, and 65% response for 25% vesting, with no vesting below this.		

Awards will be subject to a ROIC underpin such that vesting is subject to satisfactory ROIC performance over the three-year performance period, as determined by the Committee. In determining whether the underpin has been met, the Committee will consider a range of factors including, but not limited to, the intended time horizons for returns on capital deployed, and the achievement of Croda's long-term ROIC objective which is currently set at 2x cost of capital.

1. EPS growth p.a. is calculated on a simple average basis over the three-year period and therefore growth of 33% or more over three years is required for maximum vesting. The calculation of base EPS for EPS growth has been adjusted for the divestment of the majority of the PTIC business.
2. Updated TSR Group: Akzo Nobel, Ashland, Avantor, BASF, Catalent, Chr. Hansen, Clariant, Elementis, Evonik, Givaudan, IFF, Johnson Matthey, Kerry, DSM, Lonza, Merck, Novozymes, Solvay, Symrise, Synthomer, Tate & Lyle and Victrex
3. The PSC score uses a 5 point scoring methodology. Croda's PSC score for 2022 was 68% or 3.5 with an average participation rate of 77%. An increase in the PSC score of 8ppts would move the score to 75% or 4.
4. The number of responses to the survey also matters, and therefore, an underpin for vesting to occur is set at 65% of global headcount having responded to the survey. Global headcount to be calculated based on the in-quarter figures at the point that a survey is first deployed and should aim to include any new acquisitions, with discretion given for initial integration period into organisation defined as 12 months.

Commentary

- Maximum award levels have increased by 25ppts from last year.
- Jez Maiden will not receive an award in 2023 due to his planned retirement.
- ROIC underpin replaces the EVA underpin.
- Performance period 1 January 2023 to 31 December 2025.
- An additional two-year holding period will apply for any shares vesting.
- No change to the balance of sustainability metrics from last year. NPP and sustainability targets remain equally weighted at 15% of the total PSP. Sustainability targets aligned to key 2030 sustainability ambitions.
- When assessing outcomes, the Committee applies the Discretion Framework which considers, for example, the management of EVA and ROIC, health and safety and sales growth and may adjust awards if it considers appropriate.
- Malus and clawback provisions apply.

2) Remuneration Policy for shareholder approval (proposed Remuneration Policy in full)

This section sets out our Remuneration Policy for 2023 to 2026 which will be subject to shareholder approval at the 2023 Annual General Meeting (AGM).

Croda's proposed Remuneration Policy will be presented to shareholders at the Company's 2023 AGM on 26 April 2023 and if approved will take effect from the date of the AGM. It would be intended to operate until its expiration at the Company's 2026 AGM.

The Policy was developed over the course of 2022 and early 2023. The Committee undertook a thorough review of arrangements with a particular focus on alignment to Croda's forward strategy and aspirations. Input was received from the Chair and management while ensuring that conflicts of interest were suitably mitigated. The Committee also considered carefully corporate governance developments. Input was provided by the Committee's appointed independent advisers throughout the process.

Extensive shareholder consultation was undertaken during the second half of the year in good time for shareholder input to feed into the finalisation of proposals in early 2023.

The main changes to the Policy, as detailed on pages 108 & 109, are:

- Increased incentives in both normal PSP awards and the senior annual Bonus Plan for Executive Directors, an increase to the maximum annual bonus of 25% of base salary and an increase to the maximum PSP of 25% of base salary.
- Increased shareholding guidelines in line with the increased PSP opportunity.
- Extension of post-employment shareholding requirements to apply in full over the two years, rather than on a tapered basis during this period.
- Increased the maximum annual bonus headroom to 200% of base salary to provide some additional flexibility but only in exceptional circumstances of recruitment.
- Changes to facilitate the introduction of sustainability metrics into the senior annual Bonus Plan.

Remuneration Policy table

The table below sets out the main components of Croda's Remuneration Policy for Executive Directors:

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Basic salary – to assist in the recruitment and retention of high-calibre Executives		
Normally reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee, considering: • The performance and experience of the individual concerned • Any change in scope, role and/or responsibilities • Pay and employment conditions elsewhere in the Group • Rates of inflation and market-wide wage increases across international locations • The geographical location of the Executive Director • Rates of pay in relevant sector and pan-sector companies of a comparable size and complexity.	• Salaries may be increased each year in percentage of salary terms. • The Committee will be guided by the salary increase budget set in each region and across the workforce generally. • Increases beyond those linked to the region of the Executive Director or the workforce as a whole (in percentage of salary terms) may be awarded by the Committee at its discretion. For example, where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value or complexity of the Group. • The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to individual performance.	• The Committee considers individual salaries taking due account of the relevant factors set out in this Policy, which includes individual performance.

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Benefits – to provide competitive benefits to act as a retention mechanism and reward service		
The Group typically provides the following benefits: • Company car (or cash allowance) • Private fuel allowance • Private health insurance, life assurance and other insured benefits • Other ancillary benefits, including travel reimbursement, relocation expenses/arrangements (including tax thereon) as required. Additional benefits might be provided from time to time (for example in circumstances where an Executive Director is deployed to, or recruited from overseas). The Committee will consider whether the payment of any additional benefits is appropriate and proportionate when determining whether they are paid.	• The cost of benefits is not pre-determined and may vary from year to year based on the cost to the Group.	None.
Performance-related senior annual Bonus Plan – to incentivise and reward delivery of the Group's key annual objectives and to contribute to longer-term alignment with shareholders		
The senior annual Bonus Plan provides for payment of an annual bonus to Executive Directors and other senior employees of the Group, subject to certain performance conditions. Normally one third of any bonus payable is compulsorily deferred into shares for three years through the Deferred Bonus Share Plan (DBSP). The Committee has the discretion to permit DBSP awards to benefit from dividends on shares that vest. The balance of the bonus is paid in cash.	Group Chief Executive: 175% of salary. Other Executive Director: 150% of salary. In exceptional circumstances, and only in connection with recruitment, annual awards may be made up to 200% of salary. This maximum does not apply to the incumbent Executive Directors at the time the Policy is approved.	• The majority of the bonus will typically be based on challenging financial targets set in line with the Group's KPIs (for example profit growth targets). • For a minority of the bonus, targets related to other Group measures, such as sustainability, may be included where this is considered appropriate by the Committee. • For a profit measure, bonus normally starts to accrue once the threshold target is met, from 0% payable rising on a graduated scale to 100% for outperformance. Were an additional financial KPI metric to be introduced, the amount payable for threshold performance would not exceed 25% of maximum. • In relation to any sustainability measure, the structure of the target will vary based on the nature of the target set. • The Committee applies a Discretion Framework, which includes health, safety and environmental performance, when determining the actual overall level of individual bonus payments and it may adjust the bonus awards (including potentially reducing to zero) if it considers it appropriate to do so. • Bonuses paid are subject to provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, an error in assessing the performance conditions, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the bonus is paid.

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
Performance Share Plan (PSP) – to incentivise and reward the execution of business strategy over the longer term and to reward sustained growth in profit and shareholder value		
The PSP provides for awards of free shares (i.e., either conditional shares or nil-cost options) normally made annually which vest after three years subject to continued service and the achievement of challenging performance conditions. Shares are subject to a two-year post-vesting holding period. The Committee has the discretion to permit awards to benefit from the dividends paid on shares that vest.	Normal maximum opportunity of: • Group Chief Executive: 250% of salary. • Other Executive Director: 200% of salary. In exceptional circumstances (e.g. recruitment), awards may be granted up to 300% of salary (e.g. to compensate for value forfeited from a previous employer).	• Granted subject to a blend of challenging financial (e.g. EPS), shareholder return (e.g. relative TSR) and strategic targets (e.g. sustainability). The performance targets may also include an additional underpin (e.g. a ROIC underpin). • Targets will normally be tested over three years. • In relation to financial targets (e.g. EPS growth and TSR) 25% of awards subject to such targets will vest for threshold performance with a graduated scale operating through to full vesting for equalling, or exceeding the maximum performance targets (no awards vest for performance below threshold). In relation to strategic targets or underpin targets, the structure of the target will vary based on the nature of target set (e.g. for milestone strategic targets it may not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if the criteria are met in full). • Vesting is also dependent on application of the Discretion Framework, including satisfactory underlying financial performance of the Group over the performance period, and the Committee may adjust outcomes (including potentially reducing to zero) if it considers it appropriate to do so. • There are also provisions that enable the Committee to recover value overpaid through the withholding of variable pay previously earned or granted (malus) or through requesting a payment from an individual (clawback) in the event of a misstatement of results, an error in assessing the performance conditions, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the PSP awards vest.

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
All-employee share plans – to encourage retention and long-term shareholding in the Company and to provide all employees with the opportunity to become shareholders in the Company on similar terms		
Periodic invitations are made to participate in the Group's Sharesave Scheme and Share Incentive Plan. Shares acquired through these arrangements have significant tax benefits in the UK subject to satisfying certain HMRC requirements. The plans can only operate on an all-employee basis. The plans operate on similar terms but on a non-tax favoured basis outside the UK as appropriate. In the event that Croda were to introduce an all-employee plan similar in nature to the current Sharesave and Share Incentive Plan, or where an Executive Director is located overseas, the Committee retains the discretion to allow Executive Directors to participate in all-employee share plans on the same basis as other employees.	• In relation to HMRC plans (or equivalent) the maximum participation level is as per HMRC limits. • For any other all-employee plan the maximum opportunity available to Executive Directors will be equivalent to the maximum applying to all employees.	• There are no post-grant targets currently applicable to the Group's Sharesave and Share Incentive Plan.
Pension – to provide competitive long-term retirement benefits and to act as a retention mechanism and reward service		
Pension benefits are typically provided either through (i) participation in the UK's defined benefit pension plan with a cash supplement provided above any pension salary cap; or (ii) a cash supplement provided in lieu of pension. In the event an Executive Director is located overseas, the Committee retains the discretion to offer pension benefits in line with local practice. Only basic salary is pensionable.	• In line with current pension benefits provided to all UK employees, career average revalued earnings scheme (CARE) with a maximum 1/60th accrual up to a capped salary plus cash allowance of 20% of salary above the cap; or cash allowance of 20% of salary. • Pension benefits for an overseas Executive Director would be aligned with workforce rates.	None.

Legacy arrangements

For the current CEO, and in line with other employees, there is a legacy capped defined benefit pension scheme. While there are no future accruals, the arrangement remains inflation-linked.

Senior annual Bonus Plan and Long-Term Incentive Policy

The Committee will operate the senior annual Bonus Plan, DBSP, PSP and all-employee plans according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include the following:

- Who participates in the plans
- The timing of grant of award and/or payment
- The size of an award and/or payment
- The determination of vesting
- Dealing with a change of control (e.g. the timing and basis of testing performance targets), restructuring, or other corporate event
- Determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends)
- The annual review of performance conditions for the senior annual Bonus Plan and PSP
- For DBSP, the extension of the length of the deferral period.

All discretions available under share plan rules will be available under this Policy, except where explicitly limited under this Policy.

The Committee retains the ability to adjust the targets and/or set different measures and alter weightings for the senior annual Bonus Plan and for the PSP if events occur (e.g. material divestment of a Group business or changes to accounting standards) which cause it to determine that an adjustment or amendment is appropriate so that the conditions achieve their original purpose.

The Committee may make minor amendments to the Remuneration Policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation).

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the 2014 AGM (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before this Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Choice of performance measures and approach to target setting

Under the senior annual Bonus Plan, an underlying profit-based objective such as profit growth will be used as the primary performance metric. Such a measure will be used as it aligns to growth in underlying profitability of the Group. The current profit-based measure also incentivises the efficient use of working capital. Sustainability metrics align with our strategy to be industry leaders in sustainability. Other metrics may be used in the future where it is considered that they provide clear alignment with the evolving strategy of the Group.

In terms of long-term performance targets, PSP awards vest subject to:

- financial targets (e.g. EPS growth) that are informed by the Group's long-term financial ambitions (e.g. long-term targeted earnings growth);
- shareholder return targets (e.g. relative TSR) which provide clear alignment of interests between shareholders and Executives; and
- strategic targets (e.g. New and Protected Products (NPP) and sustainability targets) that align to our long-term strategic ambitions (e.g. commitment to being sustainability leaders, and to grow through innovation).

The Committee retains the discretion to adjust both the measures and weightings (including to 0%) for each PSP award, subject to the broad framework in the Policy table above.

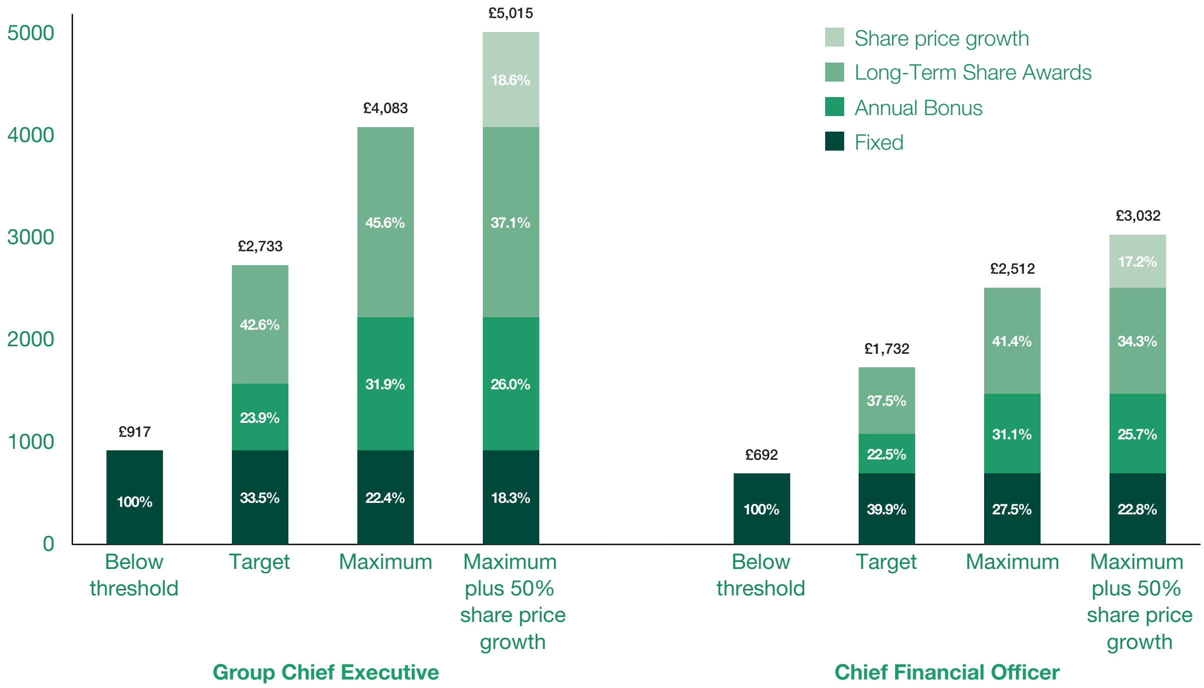
Financial and shareholder return targets (e.g. profit growth for the senior annual Bonus Plan and EPS growth and relative TSR for the PSP) are set based on sliding scales that take account of internal planning and external market expectations for the Group. In relation to strategic targets or underpin targets, the structure of the target will vary based on the nature of the target set. Targets and underpins may be set which provide for Committee judgement in assessing the extent to which they have been met.

In addition, prior to the determination of final outcomes, the Committee will apply its Discretion Framework to enhance the rigour and consistency of any payments and to ensure they truly align to overall Group performance and the wider stakeholder experience. While the Committee anticipates that any such discretion would normally result in a reduction, the Committee reserves the right to make an upwards adjustment if considered appropriate.

Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of the challenging plans approved at the start of each year. The Committee may reduce (but not increase) the percentage of an award that is capable of vesting for threshold performance set out in the Remuneration Policy table.

Remuneration Report continued

Remuneration scenarios for Executive Directors



Assumptions:

- **Below threshold** = fixed pay only (base salary, benefits and pension)
- **On-target** = 50% payable of the 2023 annual bonus and 62.5% vesting of the 2023 PSP awards
- **Maximum** = 100% payable of the 2023 annual bonus, 100% vesting of the 2023 PSP awards
- **Maximum plus 50% share price growth** = as per maximum but including 50% share price growth of the PSP award

Salary levels (on which elements of the package are calculated) are based on those applying on 1 January 2023. The value of taxable benefits is based on an estimate of the cost of supplying those benefits for the year ended 31 December 2023. Pension is 20% of salary. The Executive Directors can participate in the all-employee share plans on the same basis as other employees. The value that may be received from participating in these schemes has been excluded from the graph above.

Recruitment and Promotion Policy

For Executive Director recruitment and/or promotion situations, the Committee will follow the guidelines below:

Remuneration element	Policy
Base salary	Base salary levels will be set in accordance with the Group's Remuneration Policy, taking into account the experience and calibre of the individual. The Committee retains the flexibility to set the salary of a new hire at a discount to the market level initially, and to implement a series of planned increases in subsequent years, in order to bring the salary to the desired positioning, subject to the individual's performance. Above market salaries may also be offered if the experience and calibre of the candidate is considered to justify such an approach being taken by the Committee.
Benefits	Benefits in accordance with the Remuneration Policy table. In addition, where necessary, the Committee may approve the payment of additional benefits to facilitate recruitment (e.g. relocation expenses).
Pension	Pension in accordance with the current policy. For an internal promotion, any legacy defined benefit pension arrangements would be considered on a case by case basis.
Annual bonus	The annual bonus would operate in accordance with the current policy, with a maximum opportunity no greater than the 200% of salary exceptional limit set out in the Policy table. For the first year the annual bonus would be pro-rated for the period of employment as appropriate.
Long-term incentives	Share awards will be granted in accordance with the current policy in terms of maximum opportunity and performance targets. An award may be made shortly after an appointment (subject to the Company not being in a prohibited period). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant.
Buy-out awards	In the case of an external hire it may be necessary to buy-out incentive pay, benefit or other contractual arrangements (including in relation to the forfeiture of such amounts on leaving the previous employer). Any such buy-out would be provided for taking into account the form (cash or shares), timing and performance conditions of the remuneration being forfeited. Replacement share awards, if used, will be granted using the Company's existing share plans within the limits detailed in the Remuneration Policy table. Awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

Directors' service contracts and payments for loss of office

Executive Directors' service contracts are permanent and terminable by the Company on at least 12 months' notice and by the Director on at least six months' notice, save on retirement where the Director must give at least 12 months' notice to the Company.

In respect of termination, the Committee's policy is to deal with each case on its merits, in accordance with the law and any further policy adopted by the Committee at the time. In the event of early termination, other than for cause, the relevant Director's current salary and contractual benefits would be taken into account in calculating any liability of the Company.

The principal contractual benefits provided in addition to salary are the provision of a car or car allowance, private fuel allowance, pension, medical insurance, life assurance and, in the case of the new CFO, a travel allowance. Annual bonuses and long-term incentives are non-contractual and are dealt with in accordance with the rules of the relevant schemes.

The Committee's policy is for contracts to contain provisions which enable the Company to terminate contracts at any time with immediate effect. The Executive Director would be entitled to receive compensation equivalent to up to 12 months' salary plus the value of their pension benefits (currently valued at 20% of basic salary) and the value of other benefits, payable in a lump sum or in equal monthly instalments over the full notice period or, if less, the remainder of any notice period not yet completed. Such payments would normally discontinue or reduce to the extent that alternative employment is obtained.

An Executive Director's service contract may be terminated without notice for certain events such as gross misconduct. No payment or compensation beyond sums accrued up to the date of termination will be made if such an event occurs.

Payments may be made in respect of the Director's legal and/or professional advice fees in connection with their cessation of office or employment and/or fees for outplacement assistance. Payments may be made in respect of accrued but untaken holiday.

Remuneration Report continued

Other than in the event of a good leaver circumstance, at the discretion of the Committee, no bonus may be payable unless the individual remains employed and is not under notice at the payment date. In the event that an individual does cease employment as a good leaver, bonuses would become payable subject to performance assessment, and pro-rata based on the number of complete calendar days worked in the relevant year. A portion of any bonus payable will normally be deferred into shares in line with normal policy. Good leaver circumstances include circumstances such as death, injury, ill-health or disability, redundancy, transfer or sale of the employing company or business, retirement with the Company's agreement or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time).

The treatment for DBSP awards previously granted to an Executive Director will be determined based on the plan rules. DBSP awards will normally subsist, except in the circumstance where an individual is summarily dismissed. The default treatment is that deferred shares will be delivered at the normal time, although the Committee may permit the awards to vest earlier.

The treatment for PSP awards previously granted to an Executive Director will be determined based on the plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. In relation to awards granted under the PSP, in certain prescribed circumstances, such as death, injury, ill-health or disability, redundancy, transfer or sale of the employing company or business, retirement with the Company's agreement or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time) 'good leaver' status applies. If treated as a good leaver, awards will be eligible to vest subject to performance conditions, which will be measured over the performance period (unless the Committee permits the award to vest at an earlier date) and will be reduced pro-rata (unless the Committee considers it appropriate not to do so) to reflect the proportion of the period between grant and normal vesting date actually served.

Treatment of shares awarded under HMRC all-employee plans or equivalent will be in line with the share plan rules.

Treatment of incentive awards in the event of a change of control or similar corporate event will be in line with the relevant plan rules.

Shareholding guidelines

The Committee operates share ownership guidelines which apply to all Executive Directors and the Group Executive Committee. The Group Chief Executive is subject to a share ownership guideline of 250% of salary and the other Executive Directors to 200% of salary.

It is expected that the guideline will be met within a five-year time period from its adoption (or date of joining for new appointments) through a combination of share purchases and the retention of incentive shares. On the exercise of Sharesave options or the vesting of awards from the Company's long-term incentive plans, Executives are required to retain shares awarded representing 50% of the net of tax gain until the ownership target is met or exceeded. The Committee retains discretion to determine shares which count towards the share ownership guidelines.

Executive Directors will also normally be required to retain a shareholding for two years after leaving the Company. They will be required to retain 100% of their shareholding guideline (or the actual shareholding of relevant shares on leaving, if lower) for two years after leaving employment. This policy will apply only to awards that vest in 2020 and beyond. The Committee has the discretion to waive this requirement in certain circumstances (e.g. compassionate circumstances). Jez Maiden is due to step down from the Board at the Annual General Meeting on 26 April 2023 and retire on 31 May 2023. Following his departure he will be subject to the previous tapered two-year share retention requirements in the 2020 Policy.

External appointments

Executive Directors may accept external non-executive appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for non-executive director appointments.

Non-Executive Directors' letters of appointment

The Chair and Non-Executive Directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case, this term can be extended by mutual agreement. Non-Executive Directors have no entitlement to contractual termination payments. While not anticipated, the Policy allows flexibility to pay a notice payment if considered appropriate. The dates of the initial appointments of the Non-Executive Directors are set out in the Annual Report on Remuneration.

Non-Executive Directors' fees

The policy on Non-Executive Directors' fees is:

Operation	Maximum opportunity	Framework used to assess performance and for the recovery of sums paid
To provide a competitive fee which will attract those high calibre individuals who, through their experience, can further the interests of the Group through their stewardship and contribution to strategic development		
Fee levels are set by reference to the expected time commitments and responsibilities, and are periodically benchmarked against relevant market comparators, as appropriate, reflecting the size and nature of the role. The Chair and Non-Executive Directors are paid an annual fee and do not participate in any of the Company's incentive arrangements or receive any pension provision. The Policy provides flexibility for a portion of fees to be delivered as shares. The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairmanship of the Company's key Committees and for performing the Senior Independent Director role. Additional fees may be payable for other additional responsibilities. All Non-Executive Directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties (and associated tax on these expenses). The Chair's fee is determined by the Committee (during which the Chair has no part in discussions) and recommended by them to the Board. The Non-Executive Directors' fees are determined by the Chair and the Executive Directors.	Fee levels will be eligible for increases during the period that the Remuneration Policy operates to ensure they continue to appropriately recognise the time commitment of the role, increases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity.	None.

How the Executive Directors' Remuneration Policy relates to the wider Group

The Executive Directors' Remuneration Policy provides an overview of the structure that operates for the Group Executive Directors and those senior Executives forming the Group Executive Committee (noting, however, that there are some differences in PSP participation and application of holding periods and shareholding requirement, within this group).

The Committee is made aware of pay structures across the Group when setting the Remuneration Policy for Executive Directors. The key difference is that, overall, the Remuneration Policy for Executive Directors is more heavily weighted towards variable pay and share ownership, than for other employees.

Base salaries are operated under the same policy as detailed in the Remuneration Policy table with any comparator groups used as a reference point, being country and/or industry specific. The Committee considers the general basic salary increase for the broader Group and, in particular the UK-based employees when determining the annual salary review for the Executive Directors. The performance related bonus scheme operates on a tiered basis from 175% of salary down to 22% of salary across the most senior global grades. Outside of the most senior tiers of Executives, the PSP is not operated as this arrangement is reserved for those anticipated as having the greatest potential to influence Group level performance.

However, the Committee believes in wider employee share ownership and promotes this through the operation of the HMRC tax approved all-employee share schemes which are open to all UK employees. Other similar share schemes are offered in other jurisdictions where local securities laws allow.

Executive Director pensions are aligned with the UK workforce and are typically provided either through (i) participation in the UK's defined benefit pension plan with a cash supplement provided above any pension salary cap or (ii) a cash supplement provided in lieu of pension. The UK workforce defined benefit pension plan is a generous and inclusive benefit for our UK workforce.

How the views of employees are taken into account

The Group has a diverse workforce operating globally in 39 different countries, with various local pay practices. The President Human Resources updates the Committee periodically on feedback received on remuneration practices across the Group. In developing this Remuneration Policy, the Committee devoted time at the outset in considering the principles which apply to remuneration across the workforce. This included consideration of the 'One Croda' culture, as well as Croda's values and purpose. While the views of the global workforce were not explicitly sought during the process, alignment across the workforce was a key theme of the review.

How the views of shareholders are taken into account

In developing this Remuneration Policy, the Committee undertook an extensive shareholder consultation exercise, and the Chair of the Committee met with key shareholders to discuss the principles for the review and initial proposals. The Committee also considered emerging shareholder views in key governance areas. Feedback received during the consultation period was taken into account when developing the final Remuneration Policy and modifications were made to the proposed Policy. An overview of the shareholder consultation process is outlined on pages 102 & 103 of the 2022 Annual Report.

D. Report of the Remuneration Committee for the year ended 31 December 2022

Contents

1. How our reward strategy aligns to and supports the delivery of our business strategy

Over the last two years we have accelerated key elements of our strategy to transition to a dedicated Consumer Care and Life Sciences company. Across these markets, innovation and sustainability will be the core drivers of our future growth.

In developing and implementing our Remuneration Policy the Committee has been mindful to ensure that every element of reward directly aligns to our strategy, ensuring we provide and protect long-term shareholder value.

Element of reward	Link to strategy	Sustainability	Innovation	Growth	Long-term shareholder value
Senior annual Bonus Plan					
Profit	Clear and simple measure that supports our strategic objective of consistent bottom-line growth. One third of awards are deferred, further protecting shareholder value.			✓	✓
Sustainability	Sustainability is at the centre of Croda's strategy and therefore we have introduced for 2023 an ESG metric within the senior annual Bonus Plan. One third of awards are deferred, further protecting shareholder value.	✓			✓
Performance Share Plan					
Earnings per share (EPS)	A measure of earnings growth over a three-year period recognising that sustained growth can only come through relentless innovation.		✓	✓	✓
Total Shareholder Return (TSR)	Measured against our peers, a key indicator of long-term growth and shareholder value.		✓	✓	✓
New & Protected Products (NPP)	An established measure of innovation, the metric is growth of NPP, those products rewarding growth that is driven by innovation.	✓	✓	✓	✓
Sustainability	Since 2020 we have incorporated sustainability metrics directly linked to our ambitions to be Climate, Land and People Positive by 2030.	✓	✓	✓	✓
Underpins & Discretion Framework					
Safety, health and environment (SHE)	The SHE underpins ensure that rewards are not made at the expense of the safety, health and environment of our employees or the communities that we serve.	✓			✓

Element of reward	Link to strategy	Sustainability	Innovation	Growth	Long-term shareholder value
Financial underpins	The financial underpins including ROIC within our Discretion Framework ensure that reward reflects the overall financial health of the business.			✓	✓
Culture and ethics	The culture and ethics underpin ensures that reward reflects strong governance and the experience of all our stakeholders.	✓			✓
Other features					
Holding periods	Extends the period to five years before shares are released, further protecting shareholder value.				✓
Shareholding requirements	Ensures that our Executives' interests are aligned to shareholders.				✓
Malus and clawback	Allows incentive awards to be clawed back or reduced in the event of significant financial or personal misconduct.				✓

2. How our Remuneration Policy reflects the UK Corporate Governance Code

When developing the Remuneration Policy, the Committee was mindful of the UK Corporate Governance Code and considers that the executive remuneration framework appropriately addresses the following factors:

Factors	How these are addressed
Clarity	Our commitment to openness and transparency are reflected in our reward principles. The Committee is committed to providing open and transparent disclosure on executive remuneration for our stakeholders. Our arrangements are clearly disclosed and any changes to our Remuneration Policy and its operation are highlighted in a way that defines their alignment to both our strategic ambitions as well as the provisions of the UK Corporate Governance Code.
Simplicity	Our executive remuneration arrangements, as well as those throughout the global organisation, are simple in nature and well understood by both participants and shareholders. Our senior annual Bonus Plan, in which around 500 of our global employees participate, is primarily based on a single profit metric, with a simple key requirement that no bonus can be paid for this element until the previous year's profit is exceeded.
Risk	The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. Performance is based on a balance of metrics which also reflect our broader stakeholders, for example inclusion of sustainability targets and health and safety underpins. We then take a holistic assessment of performance using our Discretion Framework. Annual bonus deferral, the PSP holding period and our shareholding guidelines provide a clear link to the ongoing performance of the business as well as alignment with shareholders. Executives will be rewarded for sustainable long-term shareholder return. Malus and clawback provisions also apply for both the senior annual Bonus Plan and PSP.
Predictability	Our Remuneration Policy contains details of maximum opportunity levels for each component of pay, with actual incentive outcomes varying depending on the level of performance achieved against specific measures.
Proportionality	Our Remuneration Policy directly aligns to our strategy and financial performance. The Committee considers performance from a range of perspectives. Poor financial performance is not rewarded.
Alignment to culture	Alignment to our 'One Croda' culture is clearly established in our Remuneration Policy. Our senior annual Bonus Plan has the same metrics for all participants. Our PSP metrics, and from 2023 our senior annual Bonus Plan ESG metric, reflect our commitment to sustainability. Pensions are also aligned across the workforce.

Remuneration Report continued

Our Discretion Framework

To enhance the rigour with which performance is reviewed the Committee has adopted a Discretion Framework which it applies when assessing bonus and long-term incentive plan outcomes.

As with all Board/Committee decisions (in line with section 172) we also reflect on the experience of all our stakeholders throughout the course of the plan periods.

What is the formulaic result following consideration of the existing underpins?

What is the single figure outcome?
Committee to consider year-on-year change and whether this mirrors the trend in performance

How does the outcome compare with wider shareholder experience?
Committee to consider Total Shareholder Return in both relative and absolute terms over a number of different periods

How does the outcome compare with overall Company performance?
Consider performance against other KPIs, for example

- ROIC and EVA
- Sales
- Profit growth
- Sustainability

Culture and conduct

- Culture
- Conduct
- Health and safety
- Systems and control

Are there any external headwinds or tailwinds which need to be considered?

Are there any other events that should be factored in?
Other events could be reputational/risk related or a change of accounting standards

As an additional reference point, are the bonus and PSP outcomes consistent?

Input from others?
Draw on input from other Committees as well as other management teams including HR, Legal, Internal Audit and Risk

Consider shareholder response to results

Compare with historical use of discretion

Does the outcome appear reasonable/fair, or should an adjustment be considered?

3. Reward in the wider employee context

Workforce engagement

We continue to develop our approach to workforce engagement. We believe it is important to our culture and our values to have an active dialogue with employees on topics such as reward, recognition, motivation, wellbeing, safety, and inclusion. Therefore, in 2022, we have broadened our engagement by building on established channels such as Pulse Surveys and the dedicated email for employees to contact the Chair of the Committee. The Culture Pulse Surveys engage across the organisation and create an opportunity to gain feedback on the listening groups held during the year, including those attended by the Chair of the Remuneration Committee. A survey on reward and recognition, that included questions on understanding total reward offered to employees, and whether employees felt valued was undertaken in February 2022. A summary of engagement activities undertaken to date is as follows:

Reward principles	Our reward principles, which were developed and approved during 2019, guide the way we recognise and remunerate all our global employees. These principles focus on total reward including intangible rewards and were strongly influenced by the results of our previous Global Employee Survey. These have been shared across the organisation.
Employee pulse surveys	In 2022 a number of pulse surveys covering a range of topics, including culture and reward, were undertaken and findings were shared with the Board as well as management to help guide decisions.
Listening groups	During 2022 the Chair of the Board and other Non-Executive Directors attended listening groups to better understand how employees were feeling on a range of different topics, including reward.
Dedicated email to Chair of Committee	A dedicated email address has been established for employees to send comments or questions to the Chair of the Remuneration Committee.
Overview of pay and policy decisions	Committee members are updated annually on global employees' terms and conditions and are made aware of any significant changes to policies and other pay-related matters.

How our Remuneration Policy relates to reward in the wider employee context

When making decisions about executive remuneration the Committee considers the pay and reward structures across the business. Annually, the President Human Resources provides the Committee with a review of workforce remuneration, and the Committee is updated periodically on any feedback received on remuneration practices across the Group.

One of the principles of Croda's culture is to drive 'One Croda', therefore, many of the remuneration structures that apply to Executives also apply further in the global organisation, as set out in the table on the next page. The key difference between the policy for Executive Directors compared to other employees is that remuneration for Executive Directors is more heavily weighted towards variable pay and share ownership.

Remuneration Report continued

Remuneration element	Who participates?	Details
Base pay	All employees	Pay is set in line with the market and closely monitored. Any comparator group used as a reference point is country and/or industry specific. We pay a 'Living Wage' globally.
Annual bonus	Executive Directors, Executive Committee, senior leaders and senior managers (c.500 employees globally)	Consistent senior annual Bonus Plan aligned to increase in annual profit and ESG priorities. Operates across the most senior global grades on a tiered basis from 175% of salary to 22% of salary from 2023 onwards. Deferral applies for Executive Directors and members of the Executive Committee.
	All other employees	Local schemes apply in many locations.
Free Share Plan	All employees who do not participate in the senior annual Bonus Plan (c.5,150 employees globally)	An award of free shares or the cash equivalent if the senior annual Bonus Plan pays out. For 2022 this will be 10 shares or the cash equivalent.
Performance Share Plan	Executive Directors, Executive Committee and senior leaders (c.70 employees globally)	Consistent PSP based on EPS, TSR and sustainability metrics, including NPP. Operates across the most senior global grades on a tiered basis from 250% of salary to 30% of salary from 2023 onwards.
Restricted Share Plan (RSP)	Selected employees generally not eligible for PSP	Discretionary awards can be granted annually to selected employees to reward exemplary performance.
All-employee share plans[1]	All employees	Employees can participate in our global Sharesave Scheme, subject to qualifying service, allowing everyone to save monthly and purchase discounted shares.
Pension (UK only)[2]	All employees	Defined benefit plan based on career average salary plus 20% cash supplement paid for salaries above the cap or to employees who are tax limited and have opted out of the pension scheme.
Healthcare (UK only)[3]	All employees	From 2022 all UK based employees benefit from membership of Bupa private healthcare provided free of charge for employees and subsidised for family members. In addition, employees are provided with triennial health assessments also with Bupa.

1. Sharesave or similar schemes are provided where local social security laws allow.
2. Other pension arrangements, aligned to local practice and legislation, are available in many of our locations.
3. A range of health care benefits are also available in many of our locations globally.

4. Sharing success across the business

The Committee believes in sharing success across the business and extending share ownership more widely across our employee base. This is promoted through the operation of a new 'Free Share Plan' and a number of all-employee share schemes.

Response to cost-of-living-crisis

In response to the cost-of-living crisis and concerns about accessing health care, we extended private health care though Bupa to all our UK employees, with the Company also contributing 50% towards the cost of adding their families to the plan. As part of this provision, we now offer triennial private medical assessments to all employees. In addition one off payments were made to support UK employees with increases to fuel costs.

In countries outside of the UK we also provided one off payments and off cycle increases to support the cost of living crisis.

Free Share Plan

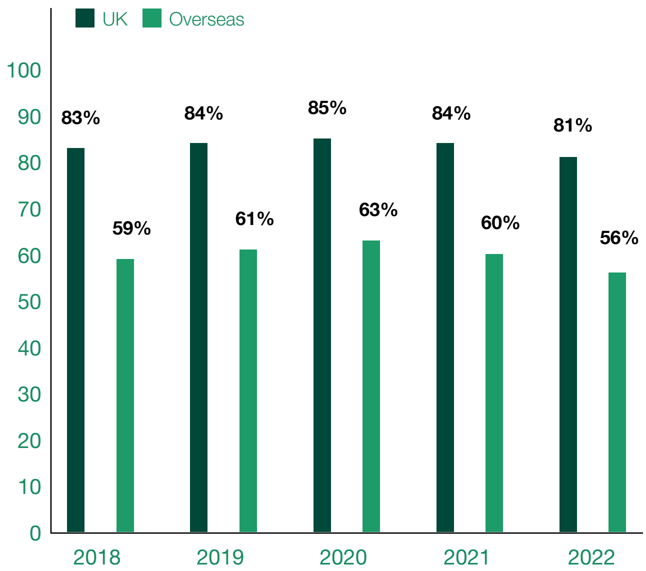
In 2021 we launched the 'Free Share Plan'. Under this new plan, all employees globally who are not eligible for the senior annual Bonus Plan are gifted Croda shares (or the cash equivalent) if the senior annual Bonus Plan pays out. Unlike other elements of remuneration this award is not set as a multiple of salary, instead it rewards all eligible employees at the same value.

The Free Share Plan was developed in response to findings from the Global Reward Survey in 2020 and aims to share success more widely across the business and encourage share ownership.

As the senior annual Bonus Plan paid out for 2022, all eligible employees will receive 10 Croda shares (or the cash equivalent) in May 2023 under the Free Share Plan. The value of the award is determined by the share price at vesting and based on the recent share price will be in the region of £684 (based on a share price of £68.42 on 13 February 2023).

All-employee share plans

Workforce participation in these plans has remained consistently strong and is driven by our culture of employees feeling a strong loyalty to the business.



Croda's strong share price performance has led to the all-employee share schemes being a strong benefit for employees.

Living Wage

We were pleased to announce in 2018 that we gained accreditation in the UK as a Living Wage Employer from the Living Wage Foundation. In 2023, we will continue to ensure that all our UK employees and regular contractors are paid at, or above, the rates advised by the Living Wage Foundation.

In addition, the business continues to pursue its Global Living Wage target, one of our sustainability KPIs linked to the UN SDGs. In 2020 we forged a partnership with the Fair Wage Network (FWN) to establish, using an independent and economically rigorous methodology, Living Wage levels across the world. In 2021, we compared our global wage levels to Living Wage comparators provided by the FWN and made all necessary adjustments to ensure that all our employees are now paid a Living Wage at a minimum.

We reviewed our Living Wage levels in 2022 and made any adjustments necessary in order to continue paying a Living Wage to all employees. We are now working with the Fair Wage Network to gain accreditation for our work and to ensure our progress stands up to external scrutiny. In 2022 we also began the process of ensuring all our regular contractors are paid a Living Wage and plan to achieve this milestone by the end of 2023.

More than just pay

Our employees and our culture remain central to the continued success of Croda. We continue to enhance our range of other workforce initiatives, including:

- We are proud of the training and development that we provide for employees and have set a target of ensuring all employees receive at least one week of training a year by the end of 2025. In 2022, our employees undertook over 145,000 hours of training with the average number of hours an employee completed being 26 hours.
- In 2021 we relaunched and redesigned our core company development programmes for senior leaders and future leaders with our values at their heart. 2022 was the first year many of these programmes have been able to run and all programmes have been positively received by employees.
- In 2021 we also launched an inclusion based global leadership programme, Phoenix Rising. In 2022 this programme ran for a second time with participants from all over the world. We also ran a series of leadership webinars on diversity & inclusive leadership.
- We recorded over 150 wellbeing activities which took place in 2022 and we continued with Employee Assistance Programmes in many of our countries. Each of our sites is tasked with ensuring at least four health and wellbeing events are run per year, with many sites running significantly more than this.

See pages 20 & 21 for further information on our culture including details on how we approach the recruitment, development and training of our workforce.

5. Promoting diversity & inclusion

Broad diversity, where different perspectives and experiences are able to create valuable innovation that improve lives, is critical to our long-term success as an innovative Company. We are committed to ensuring an inclusive workplace where everyone is able to have a successful and rewarding career.

Our D&I Roadmap has guided our work in 2022, with a focus on raising awareness and reward and recognition. Our Global Diversity and Inclusion Steering Committee and our regional and country-based committees have continued to challenge the business in 2022 by raising awareness on a variety of topics, including disability, transgender inclusion, and being an ally. They have also organised activities to support Black History Month, Pride, and Ramadan.

As of December 2022, we continue to meet the requirements of the Parker Review on ethnic diversity and have full gender balance on the Board.

Remuneration Report continued

6. Other disclosures

UK gender pay gap

The table below shows a summary of the gender pay gap for UK employees of Croda Europe Ltd:

	2018	2019	2020	2021	**2022**
Mean pay gap	27.7%	27.1%	18.7%	17.7%	**7.2%**
Median pay gap	23.1%	23.9%	19.2%	21.1%	**15.7%**
Mean bonus gap	63.1%	67.1%	64.4%	62.6%	**23.3%**
Median bonus gap*	33.3%	33.4%	0%	0%	**29.9%**

* The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 (payable in 2020) or 2020 (payable in 2021). A small number of employees received a sales bonus but the median bonus for both female and male employees was zero giving a median bonus gap of 0%.

We are confident that our gender pay gap is not an equal pay issue but is a result of a lack of female representation across our business at senior levels and particularly in production roles which represent the bulk of the workforce between the 25th and 75th percentile. Addressing this issue will require a long-term approach but we have already begun work to increase the number of females working in production and in senior positions.

The number of women in leadership positions is now 38% (2021: 36%). We are also pleased to report that we have 59 (2021: 43) women working as process operators across 14 of our sites globally.

Over 2022 42% of hires and promotions to leadership positions were female.

Other actions taken to address the gender pay gap include:

- Ensuring we have a balanced shortlist for all positions that we are recruiting for; we have a target of achieving balanced shortlists for 80% of roles by the end of 2023.
- Further improving our talent and succession planning processes to help identify and nurture talent early in their career. In 2021 we relaunched our global talent development programmes and participants in 2022 have been gender balanced.
- Finding ways to reduce shift work (especially night work) and to examine the feasibility of part-time and job share arrangements in our production facilities.
- Changing the way we advertise production roles to ensure we reach a diverse population.
- Improving family-friendly policies; in 2019 we introduced a new Global Parental Leave Policy and in 2020 we launched new Flexible Working guidance. All locations have implemented this and have local policies in place.
- Continuing to invest in our STEM activities to encourage a wide range of applicants to apply for roles in our business.

More information is available on the Croda website.

UK CEO pay ratio

The table below sets out the ratio of the CEO's 'single figure' total remuneration to the 25th, 50th and 75th percentile full-time equivalent total remuneration of the Company's UK employees. The pay ratios are calculated on a Group-wide basis by reference to UK employees only.

Under the regulations, there are three methodologies that companies can choose to report their pay ratio, known as Option A, B and C. For 2022 we have chosen to continue to use the Government's preferred option, Option A. Using this methodology, we have determined the full-time equivalent total remuneration for all UK employees and have ranked this data to identify employees whose remuneration places them at the 25th, 50th and 75th percentile. The pay ratios are then calculated by comparing total remuneration for these three employees against our CEO 'single figure' total remuneration.

	Methodology	25th percentile	50th percentile	75th percentile
FY 2022	**A**	**119:1**	**88:1**	**71:1**
FY 2021*	A	103:1	81:1	67:1
FY 2020	A	48:1	37:1	31:1
FY 2019	A	57:1	44:1	37:1
FY 2018**	C	85:1	67:1	57:1

1. Calculations for the workforce exclude severance pay, notice pay, SIP repayments, fractional share payments, SAR payments and relocation expenses.
2. The calculations for the workforce exclude the value of the defined benefit pension plan due to the difficulty of calculating these figures for our complex historical pension arrangements.
3. Calculations of annual bonus for the workforce reflect an estimate at the time of the calculation of the ratio. The actual amounts paid to employees will be finalised in March 2023 and the ratio will be updated in next year's report to reflect the actual amounts paid. Note that for Executive Directors' this amount will not change.
4. Calculations for the workforce include amounts granted under the Restricted Share Plan and Free Share Plan. Unlike the PSP these figures will not be restated at vesting.
5. Excludes Non-Executive Directors, contractors and employees who left during the relevant year.
6. New starters, part-time employees and employees on long-term sick and maternity are included; their salary has been amended to reflect a full-time and full-year salary.

* The ratio for 2021 has been restated. This is to reflect the updated CEO 'single figure' total remuneration for 2021, which was due to the 2021 PSP award being updated to reflect the actual share price at vesting. Where relevant PSP calculations for the workforce have also been updated on the same basis. Annual bonus amounts for the workforce have also been updated to reflect the actual amounts paid in March 2022.

** The CEO pay ratio for 2018 was calculated using Option C, which enabled us to calculate, on an indicative basis, the total remuneration packages of three individual UK employees at the 25th, 50th and 75th percentile. Option C was used in 2018 because the full administrative process to enable us to calculate the equivalent total remuneration for UK employees was not in place.

The CEO pay ratio is calculated based on the total remuneration payable to the CEO, which could include payments under the senior annual Bonus Plan and PSP. The outcomes of these elements are directly linked to performance, with the value of the PSP also incorporating share price growth. It is therefore expected that the ratios will fluctuate significantly year-on-year to reflect Croda's performance. In respect of the 2022 figures, as this has been an outstanding year for performance both the senior annual Bonus Plan and PSP have paid out at maximum levels. As the PSP has paid out at a slightly higher level, from 97.4% in 2021 to 100% in 2022 the ratio has increased slightly.

Employee total remuneration

	Actual base salary 2022	Total remuneration 2022
75th percentile	£51,915	£57,178
50th percentile	£39,026	£46,169
25th percentile	£30,880	£34,287

We believe that our CEO pay ratio is consistent with our pay, reward and progression policies. The sharing of success has been a strong theme in 2022 and although the CEO pay ratios have widened, employees have also benefitted from a strong performing year. The 'Free Share Plan' launched in 2021 will pay out for 2022, rewarding our most junior employees proportionally the most. The annual bonus plans will pay out globally also.

7. Remuneration Committee year ended 31 December 2022

Responsibilities

The Committee determines and agrees with the Board the Company's Remuneration Policy and framework, which should:

- Support the Company's strategy and promote long-term sustainable success; and
- Ensure that the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

The Committee also determines the remuneration packages for all Executive Directors, members of the Executive Committee, including the Company Secretary, and the Chair of the Board and recommends and monitors the level and structure of remuneration for senior managers.

Key responsibilities

Detailed responsibilities are set out in the Committee's terms of reference, which can be found at croda.com/en-gb/investors/governance/board committees/remuneration-committee.

A summary is provided below:

- Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chair, the Group Chief Executive, the Executive Directors, the Company Secretary and other members of senior management
- In determining such policy, take into account factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance
- Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the Remuneration Policy for Directors
- Feedback to the Board on workforce reward, incentives and conditions in support of the Board's monitoring of whether the workforce policies and practices of the Company are aligned with its Purpose, values and strategy
- Review the ongoing appropriateness and relevance of the Remuneration Policy
- Establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee and obtain reliable, up-to-date information about remuneration in other companies
- Oversee any major changes in employee benefits structures throughout the Group.

Key focus areas

Remuneration Policy

- Review of latest market and governance developments
- Discuss the Remuneration Policy for 2023 – 2026 and any proposed changes
- Review shareholder consultation feedback on the proposed changes to the Remuneration Policy
- Agree the proposed changes to Remuneration Policy

Remuneration outcomes for 2021 and approach for 2022:

- Remuneration outcomes for 2021, including vesting of 2019 PSP awards
- Establishing the senior annual Bonus Plan and PSP targets for 2022
- Granting of 2022 PSP awards and Restricted Share Plan awards

Wider workforce:

- Granting of the Free Share Plan
- Annual review of wider workforce remuneration

Remuneration approach for 2023:

- Approval of salary increase for the CEO and Group Finance Director effective 1 January 2023
- Approval of Chair fee increase effective 1 January 2023
- Agreeing terms for the new CFO

E. Directors' remuneration for the year ended 31 December 2022 – Audited information

1. Directors' remuneration for the year ended 31 December 2022

	Steve Foots		Jez Maiden	
	2022	2021	**2022**	2021
Salaries	**£716,457**	£682,340	**£494,108**	£470,579
Benefits[1]	**£22,402**	£24,939	**£20,064**	£20,126
Pension supplement[2]	**£143,291**	£136,218	**£98,822**	£94,116
Pension[3]	**–**	£417	**–**	–
Total fixed pay	**£882,150**	**£843,914**	**£612,994**	**£584,821**
Annual bonus	**£1,074,686**	£1,023,510	**£617,635**	£588,224
Long-term incentives[4A-B]	**£2,124,893**	£1,848,822	**£1,139,772**	£956,273
Other[5]	**£3,117**	£3,618	**£6,335**	£3,975
Total variable pay	**£3,202,696**	**£2,875,950**	**£1,763,742**	**£1,548,472**
Single total figure of remuneration	**£4,084,846**	**£3,719,864**	**£2,376,736**	**£2,133,293**

1. Benefits include benefit-in-kind for company car or cash allowance, benefit-in-kind for private medical insurance and private fuel allowance.
2. This represents the 20% of salary supplement. For January 2021 the supplement for Steve Foots was in relation to benefits provided above the salary pension cap.
3. For defined benefit pensions the amount included is the additional value accrued during the year, calculated using HMRC's methodology for the purposes of income tax using a multiplier of 20. Steve Foots was only an active member of the Croda Pension Scheme for one month in January 2021.
4. A. The PSP awards granted in March 2020 reached the end of their performance period on 31 December 2022. The awards will vest at 100% of maximum (see page 131). The values included in the table above are based on the three-month average price to 31 December 2022 of 6738.6p. Of these values, £604,834 and £324,427 is attributable to share price growth for Steve Foots and Jez Maiden, respectively. These values will be updated in next year's Annual Report based on the share price at vesting which will take place on 25 March 2023.
   B. The PSP award included in the 2021 single figure (the 2019-21 PSP award) has been updated to reflect the actual share price at vesting of 6904p. Of these values, £588,610 and £288,932 is attributable to share price growth for Steve Foots and Jez Maiden, respectively.
5. Represents the value received in the year from participation in all-employee share schemes. Steve Foots and Jez Maiden received 25 and 26 matching shares respectively as part of the Share Incentive Plan (SIP) with a transaction value of £1,768 and £1,846. Steve Foots and Jez Maiden also participated in the 2022 Sharesave Scheme and were granted 98 and 326 shares respectively at a discounted rate of 5509p. The share price on the date of grant was 6886p representing a 20% discount.

Annual bonus

The annual bonus for Executive Directors in 2022 was calculated by reference to the amount by which the profit for the year, after adjustment for the divestment of our PTIC business and the lipid system sales for our principal COVID-19 vaccine contract, exceeded the profit for 2021 (the 'Bonusable Profit'). The maximum pay-out target would have been met even if PTIC profits had been excluded from the calculations.

	Threshold target	Maximum target	Actual	Bonus outcome (% of maximum)
Bonusable Profit	£422.7m	£465.0m	£472.2m	100%

The Remuneration Committee has discretion to reduce (including to zero) the amount of any payment under the scheme if it considers the safety, health or environment (SHE) performance is in serious non-compliance with the Croda SHE policy statement document of minimum standards. In addition, the Committee can also reduce any payment (including to zero) if it considers the underlying business performance of the Company is not sufficient to support the payment of any bonus. The Committee also applies the Discretion Framework, a rigorous framework for the application of judgement and discretion, when reviewing awards (see page 124).

The Committee used the Discretion Framework to satisfy itself that performance was robust and sustainable. The Committee therefore determined that 100% of the senior annual Bonus Plan was payable.

One third of the bonus payable will be deferred into shares for three years. The awards vest unless the recipient has been dismissed for cause. There are no performance conditions attached.

PSP

PSP awards vesting in March 2023

The PSP awards granted in March 2020 reached the end of their three-year performance period on 31 December 2022.

Measure	Weighting	Threshold	Maximum	Actual performance	Out-turn (% of max element)
Relative TSR versus bespoke peer group[1]	35%	Median (50th percentile)	Upper quartile (75th percentile)	94.4 percentile	100%
Adjusted annual average EPS growth over three years[2]	35%	5% p.a.	11% p.a.	15.8% p.a.	100%
NPP	20%	NPP sales to grow at twice the rate of non-NPP, subject to overall positive Group profit growth and a minimum average of 3% NPP growth per year, with payments being made on a sliding scale up to 5% growth per year.		NPP sales 2.24x non-NPP sales and overall NPP growth of 17.4%	100%
Sustainability metric 1	5%	Development of decarbonisation roadmaps[3], covering all scope 1 and 2 emissions to define how we will achieve our targets across all our geographically dispersed and complex footprint. The achievement of this target in full would be a 5% pay-out with a 2.5% pay-out for a better than 95% achievement.		All roadmaps completed	100%
Sustainability metric 2	5%	Measurable reductions in scope 1 and 2 emissions. Target of 30,000 tonnes against an adjusted 2018 baseline of 232,000 tonnes. Following the discovery of a calculation error the 2018 baseline of 232,000 tonnes was reduced to 208,328[4] tonnes but the target reduction of 30,000 tonnes was not reduced, making it harder to achieve. The achievement for this target in full would be a 5% pay-out with a 2.5% pay-out for a better than 75% achievement.		39,335 tonnes	100%
				Total out-turn	100%

1. TSR peer group constituents: AkzoNobel, Albemarle, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.
2. EPS growth p.a. is calculated on a simple average basis over the three-year period. The calculation of the EPS growth has been adjusted for the divestment of the majority of the PTIC business. The mechanics of the adjustments were independently recalculated by KPMG under agreed-upon procedures standard (ISRS 4400) (advice delivered to the Company and not constituting assurance or an opinion). The outcome was not impacted by this adjustment.
3. Decarbonisation Roadmap: A plan for a site, charting emissions reduction through for example, maximising use of renewable energy, novel process technologies and energy efficiency measures. The quality assessment process was validated externally by Accenture who also performed sampling to validate the outcome assessments.
4. The revised 2018 baseline has been independently verified by Carbon Smart, as has the breakdown of emissions per site. Adjustments have been made for acquisitions and divestment of our PTIC business.

EVA Underpin

The PSP awards granted in March 2020 were subject to an EVA underpin such that an improvement in EVA over the three-year PSP performance period was required. EVA in the final year exceeded EVA in the year prior to the start of the performance period and therefore no adjustment to the awards is required as a result of EVA performance.

Remuneration Report continued

As well as considering the EPS, TSR and NPP and sustainability targets, under the rules of the PSP, the Remuneration Committee is obliged to consider the underlying performance of the Company over the performance period, which it did using the Discretion Framework on page 124. On review, the Committee considered the outcome of the PSP consistent with overall Company performance over the three-year performance period.

The forecast vesting value of the awards made in March 2020, subject to the above performance targets, is included in the 2022 single figure table on page 130. Any shares vesting will be subject to a two-year holding period.

Gains made on exercise of share options and PSP

The gains are calculated according to the market price of Croda International Plc ordinary shares on the date of exercise, although the shares may have been retained.

Executive Director	Exercise date	Shares exercised	Scheme	Exercise price	Market price	Gain (before tax)
Steve Foots	14 Mar-22	26,779	PSP	0	6904p	£1,848,822
	14 Mar-22	2,526	DBSP	0	6904p	£174,395
	06 Dec-22	138	Sharesave	3898p	6968p	£4,237
	15 Mar-21	11,161	PSP	0	6205p	£692,540
	15 Mar-21	5,581	DBSP	0	6205p	£346,301
	22 Mar-21	174	Sharesave	3092p	6257p	£5,507
	01 Nov-21	173	Sharesave	4144p	9432p	£9,148
Jez Maiden	14 Mar-22	13,851	PSP	0	6904p	£956,273
	14 Mar-22	1,449	DBSP	0	6904p	£100,039
	01 Nov-22	230	Sharesave	3898p	6758.2p	£6,579
	15 Mar-21	5,773	PSP	0	6205p	£358,215
	15 Mar-21	3,207	DBSP	0	6205p	£198,994
	01 Nov-21	217	Sharesave	4144p	9432p	£11,475

PSP awards granted in 2022

The PSP awards granted on 22 March 2022 were as follows:

Executive Director	Number of PSP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date[1]	% of award vesting at threshold (maximum)	Performance period
Steve Foots	21,649	225%	£1,611,985	25% (100%)	01.01.22 – 31.12.24
Jez Maiden	11,612	175%	£864,630	25% (100%)	01.01.22 – 31.12.24

1. Face value/maximum value is calculated based on a share price of 7446p, being the average mid-market share price of the three dealing days prior to the date of grant.

The 2022 PSP awards are subject to a performance condition which is split into three parts: 35% EPS, 35% TSR, and 30% sustainability metrics, including NPP. Performance targets were disclosed in full last year, see page 96 of our Annual Report and Accounts 2021. Vesting will take place on a sliding scale. An EVA underpin applies across the entire award, also detailed on page 96 of our Annual Report and Accounts 2021.

Any shares vesting will be subject to a two-year holding period.

All-employee share plans

Executive Directors are invited to participate in the HMRC tax-approved UK Sharesave Scheme and the Croda Share Incentive Plan (SIP) in line with, and on the same terms as, the wider UK workforce.

SIP

Details of shares purchased and awarded to Executive Directors under the SIP are shown in the table below. A brief description of the SIP is set out in note 23 on page 199.

Executive Director	SIP shares held 01.01.22	Partnership shares acquired in year	Matching shares awarded in year	Total shares 31.12.22*	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.22
Steve Foots	5,842	25	25	5,892	70	5,610
Jez Maiden*	481	26	26	541	35	277

There have been no changes in the interests of any Director between 31 December 2021 and the date of this report, except for the purchase of five SIP shares and the award of five matching shares by Steve Foots and the purchase of four SIP shares and the award of four matching shares by Jez Maiden during January and February 2023.

* Jez Maiden also had eight additional shares acquired through the Dividend Reinvestment Plan.

Sharesave

Details of awards made under the UK Sharesave Scheme are set out below:

Date of grant	Earliest exercise date	Expiry date	Face value*	Exercise price	Number at 01.01.22	Granted in year	Exercised in year	Cancelled in year	Number at 31.12.22
Steve Foots									
12 September 2019	01 November 2022	30 April 2023	£6,723	3898p	138	–	138	–	–
10 September 2020	01 November 2023	30 April 2024	£6,724	4804p	112	–	–	–	112
16 September 2021	01 November 2024	30 April 2025	£8,975	7327p	98	–	–	–	98
15 September 2022	01 November 2025	30 April 2026	£6,748	5509p	–	98	–	–	98
					348	**98**	**138**	**–**	**308**
Jez Maiden									
12 September 2019	01 November 2022	30 April 2023	£11,206	3898p	230	–	230	–	–
16 September 2021	01 November 2024	30 April 2025	£11,173	7327p	122	–	–	122	–
15 September 2022	01 November 2025	30 April 2026	£22,448	5509p	–	326	–	–	326
					352	**326**	**230**	**122**	**326**

During 2022, the highest mid-market price of the Company's shares was 9994p and the lowest was 5946p. The year-end closing price was 6604p. The year-end mid-market price was 6663p.

* Face value is calculated using the market value on the day before the date of grant, multiplied by the number of shares awarded.

2. Pension

The pension rights that accrued during the year in line with the policy on such benefits as set out in the Policy Report were as follows:

Executive Director	Normal retirement date under the CPS	Total accrued pension at 31.12.22 (p.a.)	Single remuneration pension figure 2022	Single remuneration pension figure 2021	Single remuneration pension figure 2022 excluding supplement
Steve Foots	14 September 2033	£134,606	£143,291	£136,635	–
Jez Maiden	N/A	–	£98,822	£94,116	–

* Neither Steve Foots or Jez Maiden were active members of the Croda Pension Scheme in 2022. Steve Foots was only an active member of the Croda Pension Scheme for one month in 2021. The single remuneration pension figure for 2022 therefore only relates to the pension supplement of 20% of salary.

Croda has a number of different pension plans in the countries in which we operate. Pension entitlements for Executive Directors are tailored to local market practice, length of service and the participant's age. In 2016, a Career Average Revalued Earnings (CARE) scheme was introduced with a cap applied to pension benefits; at this time the cap was set at £65,000. The cap is increased each year in line with inflation, and from April 2023 will be £76,614. Employees who earn in excess of the pension cap or who cannot be members of the plan due to tax limitations receive a pension supplement. For Executive Directors this supplement is up to 20% of salary in line with the wider UK workforce.

Steve Foots' historic pension provision

Steve Foots was a member of the Croda Pension Scheme up to 31 January 2021. Steve Foots accrued pension benefits under the Croda Pension Scheme up to this date with a CARE accrual rate of 1/60th and an entitlement to retire at age 60. From 6 April 2011 onwards, pension benefits accruing were based on a capped salary. This cap was £187,500 until April 2014 at which point it reduced to £150,000, and due to annual allowance regulations and changes to the pension scheme, reduced to £37,500 in April 2016 (reduced from the scheme cap of £65,650 due to annual allowance regulations) and reduced again in April 2020 to £15,000 following new annual allowance regulations. If Steve Foots retires before the age of 60, a reduction will be applied to the element of his pension accrued before 6 April 2006, unless he is retiring at the Company's request. In the event of death, a pension equal to two thirds of the Director's pension would become payable to the surviving spouse. Steve Foots' pension in payment is guaranteed to increase in line with the rate of inflation up to a maximum of 10% per annum for benefits accrued before 6 April 2006, and in line with inflation up to a maximum of 2.5% per annum for benefits accrued from 6 April 2006 onwards.

Steve Foots is entitled to death-in-service benefits from an Excepted Life Policy. Steve Foots elected to opt out of the Croda Pension Scheme from 31 January 2021 and therefore only now receives a pension supplement of 20% of salary.

Jez Maiden's pension provision

Jez Maiden has elected not to join the Croda Pension Scheme and was therefore paid a pension supplement of 20% of salary in 2022. He is entitled to death-in-service benefits from an Excepted Life Policy.

3. Payments for cessation of office

There were no payments for loss of office during the year under review.

4. Payments to past Directors

There were no payments to past Directors during the year under review.

5. Transition of Chief Financial Officer

Jez Maiden will retire as Group Finance Director of Croda in 2023 and will be succeeded by Louisa Burdett as Chief Financial Officer.

Joining arrangement for Louisa Burdett

Louisa Burdett was appointed on a salary of £520,000 and will receive a pension supplement of 20% of salary aligned to the UK workforce. In addition she will also receive a travel allowance to facilitate travel to Croda's offices in Yorkshire.

Louisa Burdett will participate in both the senior annual Bonus Plan and PSP on the same basis as Jez Maiden, which, subject to approval of the new Remuneration Policy will have maximum opportunities of 150% of salary and 200% of salary, respectively, for 2023.

There was no sign-on bonus or buy-out.

Remuneration arrangements for Jez Maiden on his retirement

Remuneration arrangements for Jez Maiden on his retirement were in line with the Directors' Remuneration Policy. He will continue to receive his salary, pension supplement and benefits up until the date of his departure. Jez Maiden was not a member of the Croda Pension Scheme, and so no pension is payable.

For 2023, Jez Maiden will remain eligible for a bonus under the senior annual Bonus Plan, which will be pro-rated for the period he is employed during the year. This will be paid at the normal time subject to the satisfaction of performance. Jez Maiden will not receive a PSP award in 2023.

In respect of outstanding share awards, these will subsist. For awards granted under the Deferred Bonus Share Plan and vested PSP awards that remain subject to a holding period, these will continue and will be released at the normal time. Outstanding PSP awards will vest in line with their original vesting dates, subject to the satisfaction of the original performance conditions, and the two-year holding period will continue to apply. Outstanding PSP awards will be pro-rated to reflect the period during which Jez Maiden was employed by the Group.

Outstanding shares and options under the SIP and UK Sharesave Scheme will be treated in accordance with the appliable plan rules.

In line with the 2020 Directors' Remuneration Policy, Jez Maiden will be required to retain a shareholding for two years post-employment. The post-employment shareholding requirement applies in respect of up to 100% of his in-employment guidelines for the first year post-employment, applicable in respect of all shares vested from 2020, tapering down to 0% over the second year. The Company will operate mechanisms to enforce the requirement.

There will be no payments for loss of office.

6. Share interests

The interests of the Directors who held office at 31 December 2022 are set out in the table below:

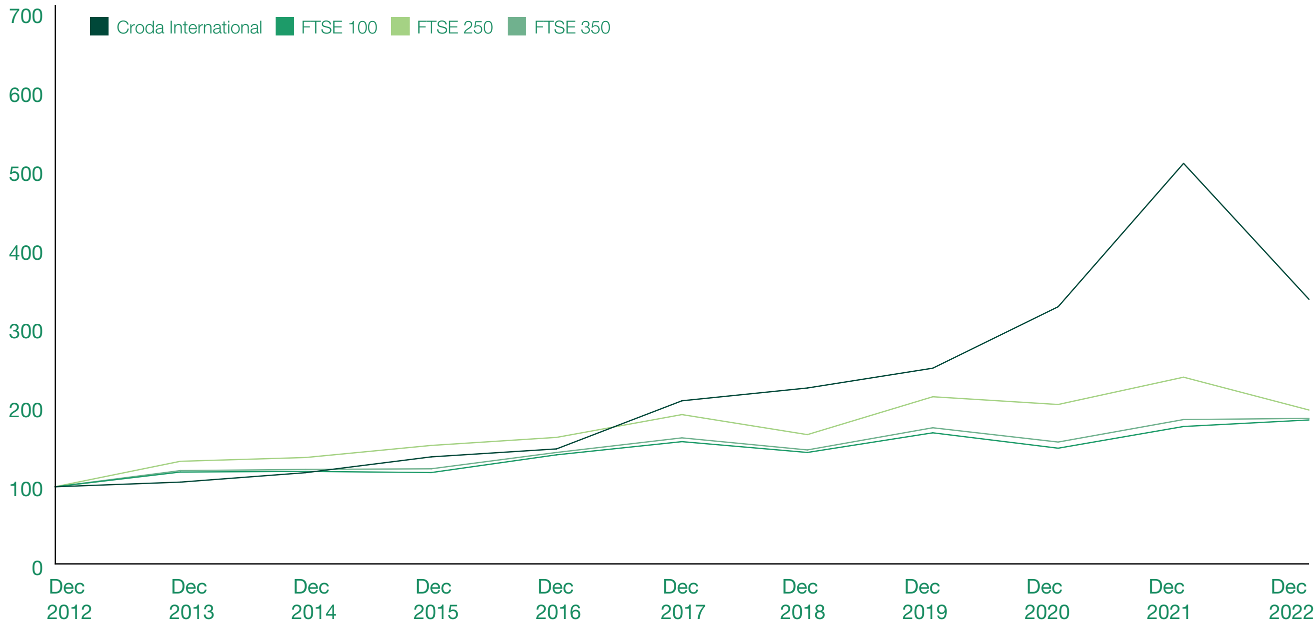
	Legally owned[1]					SIP			% of salary held under shareholding guideline
	31.12.21	31.12.22	PSP (unvested)	DBSP (unvested)	Sharesave (unvested)	Restricted	Unrestricted	Total 31.12.22	
Executive Director									
Steve Foots	173,115	188,756	77,604	4,650	308	282	5,610	277,210	>225% target
Jez Maiden	21,106	23,296	41,626	2,672	326	264	277	68,461	>175% target
Non-Executive Director									
Roberto Cirillo	–	–	–	–	–	–	–	–	–
Jacqui Ferguson	76	76	–	–	–	–	–	76	–
Anita Frew	9,425	9,425	–	–	–	–	–	9,425	–
Helena Ganczakowski	361	361	–	–	–	–	–	361	–
Keith Layden	60,339	60,339	–	–	–	–	–	60,339	–
John Ramsay	2,000	2,836	–	–	–	–	–	2,836	–
Julie Kim	60	60	–	–	–	–	–	60	–
Nawal Ouzren*	–	–	–	–	–	–	–	–	–

* Nawal Ouzren appointed 1 February 2022, holding on appointment Nil.
1. Including connected persons.

Post-employment shareholding requirements also apply for two years after leaving employment. The policy applies to shares from awards that vest from 2020. From adoption of the new 2023 policy, the post-employment shareholding requirements will be set at 100% of the in-employment guideline to be retained for the entire two year period following leaving. Jez Maiden's post-employment shareholding requirement will follow the current policy of 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. The Committee is implementing structures to ensure that post-employment shareholding requirements are adhered to, via our third-party share plan administrator.

7. Performance graph (unaudited information)

Ten year Total Shareholder Return chart



Source: Refinitiv Datastream

Remuneration Report continued

8. Ten-year remuneration figures for Group Chief Executive (unaudited information)

The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years. The annual bonus and long-term incentive award percentages show the pay-out for each year as a percentage of the maximum.

	2013	2014	2015	2016	2017	2018	2019	2020	2021[1]	**2022**
Total remuneration (£)	1,427,156	769,414	1,374,046	2,404,441	3,570,251	3,311,700	1,693,242	1,543,377	3,719,864	**4,084,846**
Annual bonus (%)	0%	0%	76.4%	100%	78.4%	36.2%	0%	0%	100%	**100%**
Long-term incentives vesting (%)	81.8%	0%	0%	43%	100%	100%	56.2%	40%	97.4%	**100%**

The 2021 total remuneration figure has been updated to reflect the value of the 2021 PSP award at vesting.

9. Board Chair and other Non-Executive Directors' fees 2022 and 2023 (unaudited information)

The fees paid to the Non-Executive Directors (including chairing of Committees) and to the Senior Independent Director were reviewed in January 2023 and increased by 4%, in line with the Executive Directors. These changes took effect from 1 January 2023. The revised fee structure for the Board Chair and other Non-Executive Directors for 2022 is detailed below.

Position	2022 fee £	**2023 fee £**
Board Chair (all-inclusive fee)	319,104	**331,868**
Non-Executive Director base fee	67,066	**69,749**
Additional fees		
Senior Independent Director	11,142	**11,588**
Committee Chairs (Audit and Remuneration)	16,226	**16,875**

10. Non-Executive Directors' remuneration

The remuneration of Non-Executive Directors for the year ended 31 December 2022 payable by Group companies is detailed below; this table reflects actual payments in 2022.

		Non-Executive Director fees £	Benefits[1] £	Total £
Anita Frew	**2022**	**319,104**	**4,030**	**323,134**
	2021	303,909	11	303,920
Helena Ganczakowski[2]	**2022**	**89,025**	**1,537**	**90,562**
	2021	89,937	456	90,393
Jacqui Ferguson[2]	**2022**	**72,475**	**3,090**	**75,565**
	2021	63,873	169	64,042
Roberto Cirillo	**2022**	**67,066**	**5,157**	**72,223**
	2021	63,873	903	64,776
Keith Layden	**2022**	**67,066**	**4,311**	**71,377**
	2021	63,873	89	63,962
John Ramsay	**2022**	**83,291**	**6,569**	**89,860**
	2021	79,326	794	80,120
Julie Kim[3, 4]	**2022**	**61,477**	**3,055**	**64,532**
	2021	–	11,142	11,142
Nawal Ouzren[5]	**2022**	**61,477**	**2,121**	**63,598**
	2021	–	–	–

1. The benefits relate to Directors undertaking business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax.
2. Helena Ganczakowski was replaced by Jacqui Ferguson as the Chair of the Remuneration Committee on 1 September 2022 and the fees for both were pro-rated accordingly.
3. Julie Kim was appointed to the Board on 1 September 2021 and voluntarily decided to waive her fees for 2021 and January 2022.
4. The benefits figure for Julie Kim relates to the undertaking of long-haul business travel and ensuring she is not out of pocket for the related tax.
5. Nawal Ouzren was appointed to the Board on 1 February 2022.

Non-Executive Directors' appointment

The effective dates of the letters of appointment for the Board Chair and each Non-Executive Director who served during 2022 are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Anita Frew	05 March 2015	24 April 2024
Roberto Cirillo	26 April 2018	26 April 2024
Jacqui Ferguson	01 September 2018	01 September 2024
Helena Ganczakowski	01 February 2014	26 April 2023
Keith Layden	01 May 2017	01 May 2023
John Ramsay	01 January 2020	01 January 2026
Julie Kim	01 September 2021	01 September 2024
Nawal Ouzren	01 February 2022	01 February 2025

11. Service contracts and outside interests (unaudited information)

The Executive Directors have service contracts as follows:

Executive Director	Contract date	Termination provision
Steve Foots	16 September 2010	by the Company 12 months, by the Director 6 months
Louisa Burdett	08 November 2022	by the Company 12 months, by the Director 6 months
Jez Maiden	09 October 2014	by the Company 12 months, by the Director 6 months

External directorships

Executive Directors are permitted to accept external appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for Non-Executive roles. Jez Maiden was appointed as a Non-Executive Director of Intertek Group in May 2022.

12. Remuneration Committee attendance and advisers (unaudited information)

The following Directors served as members of the Committee during 2022:

- Jacqui Ferguson (Chair from 1 September 2022)
- Helena Ganczakowski (Chair until 1 September 2022)
- Roberto Cirillo
- John Ramsay
- Julie Kim
- Nawal Ouzren

See page 88
for details of attendance at meetings during the year.

In addition, the Committee invites individuals to attend meetings to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2022, invitees included other Directors and employees of the Group and the Committee's advisers (see page 138), including Anita Frew (Company Chair), Steve Foots (Group Chief Executive), Jez Maiden (Group Finance Director), Keith Layden (Non-Executive Director), Tracy Sheedy (Group HR Director), Tom Brophy (Group General Counsel and Company Secretary) and Caroline Farbridge (former Deputy Company Secretary).

Attendees at Committee meetings are excluded from discussions that determine their own remuneration.

Summary of Remuneration Committee meetings

January 2022	Approved Chair fee increase for 2021 Reviewed the draft Directors' Remuneration Report Considered the sustainability targets for 2022 PSP awards Reviewed the EVA underpin PSP metric Reviewed remuneration governance trends
February 2022	Reviewed the draft Directors' Remuneration Report Reviewed the 2021 bonus baseline calculation Approved the calculation of the 2021 senior annual Bonus Plan award Approved the senior annual Bonus Plan targets for 2022 Approved the vesting outcome for the 2019 PSP awards Approved the PSP targets for 2022 and the grant of PSP awards for 2022 Approved the vesting of the 2019 RSP awards and the grant of RSP awards for 2022 Approved the vesting of the 2021 Free Share Plan Reviewed the update on ABI headroom limits as they apply to the business Reviewed share ownership guidelines Reviewed the Committee's Terms of Reference
May 2022	Received an update on shareholder voting in respect of the Directors' Remuneration Report Considered adjustments to incentives following the sale of the majority of the PTIC businesses Reviewed an update on PSP sustainability targets Gave authority for UK employees to join the UK Sharesave Scheme and non-UK employees to join the International Sharesave Scheme Agreed dividend enhancement to the Deferred Bonus Share Plan Approved early vesting of the PSP and RSP awards for 2020 and 2021 for employees transferring out of the business following the sale of the majority of the PTIC businesses
November 2022	Discussed outline policy changes Reviewed shareholder consultation feedback in respect of proposed changes to the Remuneration Policy Reviewed proposed sustainability targets for the 2023 PSP Reviewed changes to the Group bonus scheme rules Agreed dividend enhancement to the Deferred Bonus Share Plan Gave authority for the execution of actions in relation to the 2019 Sharesave maturity
December 2022	Reviewed initial draft of the Chair's letter for inclusion in the Directors' Remuneration Report Reviewed shareholder consultation feedback Reviewed the proposed adjustment to PSP targets following the sale of the majority of the PTIC businesses Reviewed proposed sustainability targets for the 2023 PSP Reviewed proposed targets for the 2023 senior annual Bonus Plan and PSP award Approved salary increases for the Group Chief Executive and Executive Committee Approved increases to the Executive Committee Car and Fuel Allowances Considered the Committee's effectiveness review Agreed the agenda programme for 2023

In addition to the above scheduled meetings, three additional meetings were held on 21 January 2022, 21 July 2022 and 20 September 2022.

Remuneration Committee advisers (unaudited information)

Deloitte LLP were retained as the appointed adviser to the Committee for the whole of 2022 having been appointed in October 2017, following a tender and selection process led by the Chair and including Committee members. As well as providing advice in relation to Executive remuneration and Non-Executive fees, Deloitte LLP also provide advice to the Group in relation to global employer services, global business tax services, indirect tax and M&A.

Deloitte LLP is a signatory to the Remuneration Consultants Group Code of Conduct. The lead engagement partner has no other connection with the Company or individual Directors. The total fees paid to Deloitte LLP for its services during the year in relation to Executive remuneration and Non-Executive fees were £109,720 (excluding VAT). The Committee regularly reviews the external adviser's relationship and is comfortable that the advice it is receiving remains objective and independent.

13. Other disclosures (unaudited information)

Percentage change in remuneration levels

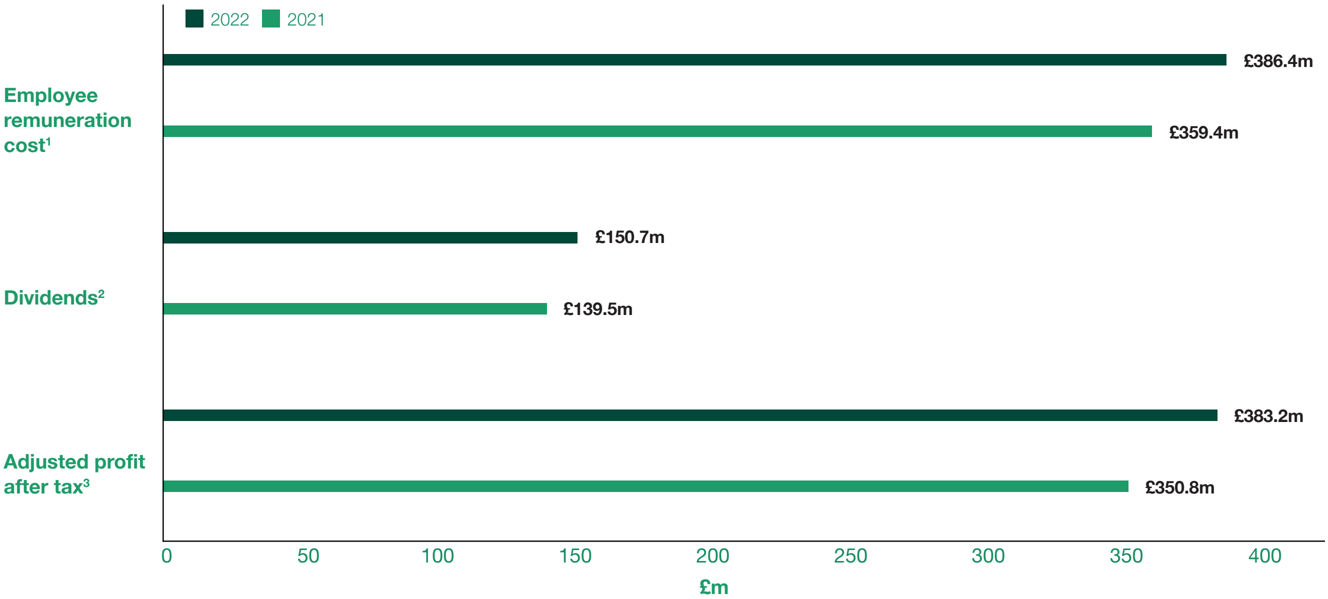
The following chart shows the movement in salary/fees, benefits and annual bonus for each of the Group's Directors between the current and previous financial year compared with that of the average employee of the Group's parent Company. The movement for the average UK employee is also provided for additional reference given the small number of employees employed by the Group parent Company.

		% change in salary/fees	% change in benefits[1]	% change in bonus[2,3]
Average employee of the Group's parent Company[4]	**2022**	**6.46%**	**27.95%**	**17.32%**
	2021	-5.12%	-25.04%	–
	2020	3.66%	-0.06%	0.00%
Average UK employee[4]	**2022**	**5.54%**	**46.21%**	**5.46%**
	2021	0.68%	-8.63%	–
	2020	3.43%	-3.27%	27.96%
Executive Directors				
Steve Foots	**2022**	**5.00%**	**-10.17%**	**5.00%**
	2021	1.00%	-25.87%	–
	2020	2.00%	0.50%	0.00%
Jez Maiden	**2022**	**5.00%**	**-0.31%**	**5.00%**
	2021	1.00%	0.04%	–
	2020	2.00%	2.29%	0.00%
Non-Executive Directors				
Dame Anita Frew DBE	**2022**	**5.00%**	**–**	**–**
	2021	1.00%	–	–
	2020	2.00%	-100.00%	–
Helena Ganczakowski[5,6]	**2022**	**-1.01%**	**–**	**–**
	2021	4.84%	–	–
	2020	11.41%	-100.00%	–
Keith Layden	**2022**	**5.00%**	**–**	**–**
	2021	1.00%	–	–
	2020	2.00%	-100.00%	–
Roberto Cirillo	**2022**	**5.00%**	**–**	**–**
	2021	1.00%	–	–
	2020	2.00%	-100.00%	–
Jacqui Ferguson[6]	**2022**	**13.47%**	**–**	**–**
	2021	1.00%	–	–
	2020	2.00%	-100.00%	–
John Ramsay[5,7]	**2022**	**5.00%**	**–**	**–**
	2021	7.50%	–	–
	2020	–	–	–
Julie Kim[8]	**2022**	**–**	**–**	**–**
	2021	–	–	–
	2020	–	–	–
Nawal Ouzren[9]	**2022**	**–**	**–**	**–**
	2021	–	–	–
	2020	–	–	–

1. The benefits for Non-Executive Directors relate to the undertaking of business travel on behalf of Croda and ensuring the Directors are not out of pocket for related tax. No taxable business travel expenses were claimed by Non-Executive Directors in 2020 due to the COVID-19 pandemic and therefore there are no comparable figures to give a % change in 2021. In 2022, Non-Executive Directors travel returned to pre-pandemic levels, however, reflective of the low levels of travel in the prior year, the % change figures are not meaningful. These are 35,311% for Dame Anita Frew DBE, 471% for Roberto Cirillo, 1,726% for Jacqui Ferguson, 238% for Helena Ganczakowski, 4,744% for Keith Layden, 727% for John Ramsey and -73% for Julie Kim. For a full breakdown of the benefits for non-Executive Directors see page 136.
2. Bonus including annual bonus, DBSP and sales bonus.
3. The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 or 2020 and therefore there is no comparable figure to give a % change in 2021 for Executive Directors or the Average employee of the Group's parent Company. For the Average UK employee, the % change in 2020 relates to only a small number of employees who received a sales bonus. As the senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme paid out in full for 2021, the bonus received by the Average UK employee in 2021 is significantly higher and as such the % change is not meaningful.
4. Excluding Executive Directors and Non-Executive Directors.
5. In 2020 Helena Ganczakowski was appointed as the Senior Independent Director and John Ramsay was appointed as the Chair of the Audit Committee. Their fees were pro-rated accordingly.
6. Helena Ganczakowski was replaced by Jacqui Ferguson as the Chair of the Remuneration Committee on 1 September 2022 and the fees for both were pro-rated accordingly.
7. John Ramsay was appointed to the Board on 1 January 2020 and therefore has no comparable remuneration figures for 2019.
8. Julie Kim was appointed to the Board on 1 September 2021 and voluntarily decided to waive her fees for 2021 and January 2022, she therefore has no comparable remuneration figures for 2020 or 2021.
9. Nawal Ouzren was appointed to the Board 1 February 2022 and therefore has no comparable remuneration figures for 2021.

Relative importance of the spend on pay

The chart below shows the movement in spend on staff costs versus that in dividends and adjusted profit after tax.



1. Employee remuneration costs, as stated in the notes to the Group accounts on page 177. These comprise all amounts charged against profit in respect of employee remuneration for the relevant financial year, less redundancy costs and share-based payments, both of which can vary significantly from year to year.
2. Dividends are the amounts payable in respect of the relevant financial year.
3. Adjusted profit after tax is profit for the relevant year adjusted for exceptional items, acquisition costs, amortisation of intangible assets arising on acquisition and the tax thereon.

14. Statement of voting (unaudited information)

	Remuneration Policy 2020 AGM		Annual Report on Remuneration 2022 AGM	
	number of votes	% of votes	number of votes	% of votes
Votes cast in favour	97,230,580	97.55%	102,924,327	94.95%
Votes cast against	2,445,834	2.45%	5,476,013	5.05%
Total votes cast	99,676,414	100%	108,400,340	100%
Withheld	152,926		144,054	

I will be available at the AGM to respond to any questions shareholders may raise on the Committee's activities.

On behalf of the Board

Jacquelne Ferguson

Jacqui Ferguson, Chair of the Remuneration Committee

27 February 2023