

A close-up photograph of a scientist's face. The scientist is wearing clear safety goggles and a white lab coat. Their hands, wearing blue nitrile gloves, are visible in the foreground, holding a clear test tube. The background is blurred, showing laboratory equipment.

CRODA

Focused on delivery

Annual Report & Accounts 2023

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Visit www.croda.com to see our company in action

Highlights in 2023

Sales
£1,694.5m
2022: £2,089.3m

**Sales growth
(constant currency)**
(18.5)%
2022: +5.2%

**Adjusted profit before
tax (PBT)**
£308.8m
2022: £496.1m

**IFRS profit before
tax (PBT)**
£236.3m
2022: £780.0m

**Land area saved
(hectares)**
151,038
2022: 161,431

**Scope 1 & 2
emissions (TCO₂e)**
101,246^A
2022: 121,122

**Total Recordable
Injury Rate**
0.72
2022: 0.74

**Ordinary dividend
(proposed full year)**
+0.9%
2022: +8.0%

Focused on delivery

Croda is a company built on strong fundamentals including a clear Purpose, a unique culture and a successful business model.

With a portfolio aligned to long-term technology trends, our strategy is well established and is supported by ongoing investment.

We are focused on delivery, including driving operational improvements, to continue our long record of strong performance and progressive shareholder returns.

Reasons to invest in Croda

Strong fundamentals

→ Find out more on pages 6-17

A proven strategic direction

→ Find out more on pages 18-27

Focused on operational delivery

→ Find out more on pages 28-31

Delivering long-term performance

→ Find out more on pages 32-50

Sustainability is embedded into how we operate as a company and sustainability-related content is included throughout this report. This report forms part of a wider reporting suite and the table below details where to find certain disclosures within this suite.

	Annual Report	Sustainability Impact Report	Data pack	www.croda.com
Sustainability Commitment progress	✓	✓	✓	✓
Non-financial and sustainability information statement	✓			
TCFD	✓			
GRI		✓		
SASB/ISSB review		✓		
Principal Adverse Impact Statement		✓		
Limited Assurance Opinion and Reporting Criteria [△]			✓	



Note: We use a number of Alternative Performance Measures (APMs) to assist in presenting information in this report in an easily analysable and comparable form. APMs are defined in the Finance review on page 50.

Limited assurance of select non-financial metrics

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

At a glance

A specialty chemicals company...

Who we are and why we exist

As the name behind some of the world's most successful brands, we combine our knowledge, passion and entrepreneurial spirit to develop and supply innovative ingredients relied on by industries and consumers around the world. Our Purpose, Smart science to improve lives™, underpins our approach and guides what we do.

Our Commitment to Sustainability

We have committed to becoming Climate, Land and People Positive by 2030. Delivering this Commitment will enable us to realise our ambition of being the world's most sustainable supplier of innovative ingredients, while providing solutions to some of the world's biggest challenges, in line with our Purpose.

Our markets

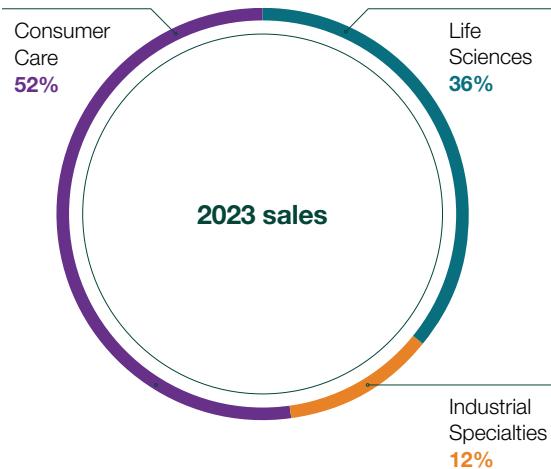
Consumer Care

Positively impacting everyday life
We develop innovative and sustainable ingredients that provide vital functionality to Consumer Care formulations, enabling customers to differentiate their products.

Life Sciences

Pharma – pioneering the future of healthcare
We develop components and systems for the delivery of Active Pharmaceutical Ingredients (APIs), enabling delivery of the next generation of biologic drugs and vaccines.

Agriculture – innovating for global food security
We are an innovation partner to crop science companies, developing delivery systems to meet sustainability challenges and enable next-generation solutions.



Our customers

We typically sell innovative ingredients to product manufacturers in the consumer care, agrochemical and pharmaceutical sectors. Our ingredients provide vital functionality at low inclusion levels, ensuring efficacy or helping to differentiate customers' products, with consumers benefitting through the application of those products.

Customers value the quality of our ingredients, sustainability leadership and the innovation that underpins our products and drives the development of new ingredients. Our direct selling model and collaborative approach to innovation enable us to build strong relationships with customers and our operating footprint supports this.

We operate a balanced footprint with regional manufacturing operations and local warehousing, sales and innovation centres. This balances the need for efficient manufacturing with our desire to be close to customers. We operate 24 principal manufacturing sites with 11 of these being large, multi-sector manufacturing sites. Principal manufacturing sites are complemented by local sites that typically support our Fragrances & Flavours and Seed Enhancement businesses, where local manufacturing supports agility.

...with a global footprint

North America

5
manufacturing sites

6
innovation sites

6
sales offices

845
employees

£396.6m
sales

23% of Group sales



Europe, Middle East & Africa

18
manufacturing sites

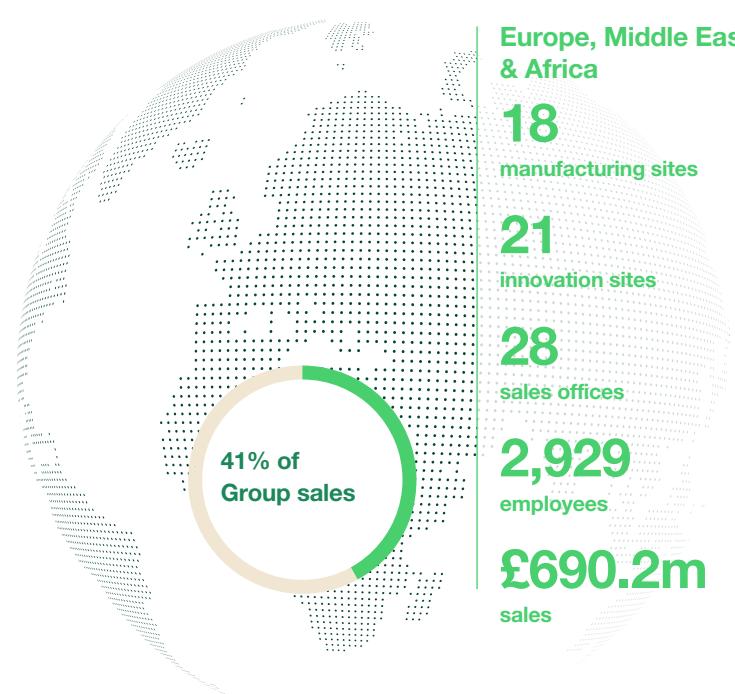
21
innovation sites

28
sales offices

2,929
employees

£690.2m
sales

41% of Group sales



Latin America

6
manufacturing sites

6
innovation sites

11
sales offices

460
employees

£185.4m
sales

11% of Group sales



Asia

13
manufacturing sites

14
innovation sites

26
sales offices

1,618
employees

£422.3m
sales

25% of Group sales



2023 in review

Financial performance impacted by macroeconomic environment

£1,694.5m **£320.0m**

Sales
(down 11% pro forma)

Adjusted operating profit
(down 33% pro forma)

£165.5m

Free cash flow
(up 5.1%)

1.3x

Leverage
(net debt/EBITDA)

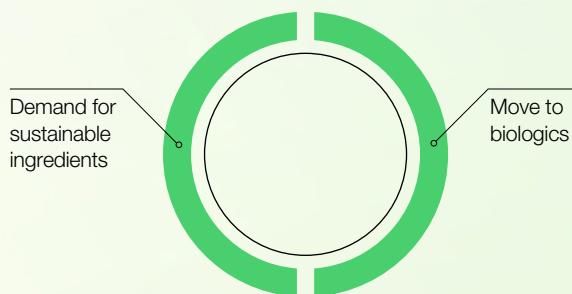
Encouraging progress against our Sustainability Commitment

Our Commitment to being Climate, Land and People Positive by 2030 is demonstrated by the progress we have continued to deliver in non-financial performance:

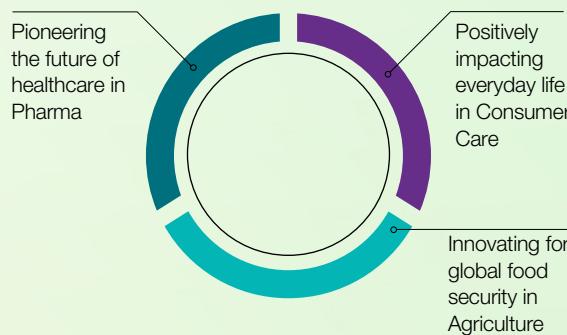
- Scope 1 & 2 emissions down 33% since 2018 (on track against verified SBTs)
- 151,038 hectares of total land area saved
- The Croda Foundation has sustainably improved the lives of more than 22 million people

Megatrends intact

Technology trends shaping our markets



Well positioned to capture market opportunities



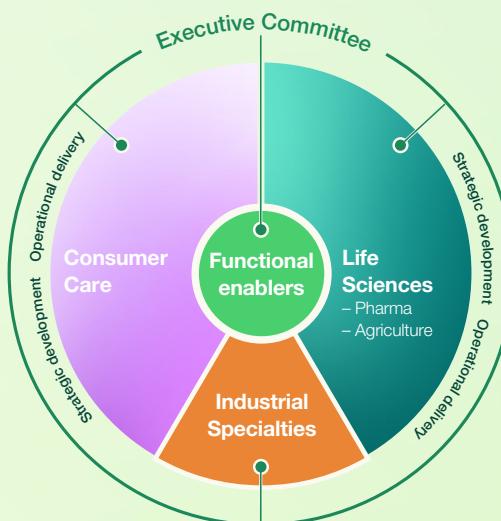
Continued strategic investment

Well positioned for recovery

- Completed the acquisition of Solus Biotech adding naturally-derived ceramides and phospholipids to the portfolio
- Prioritising investment in Consumer Care in Asia, with new R&D labs in Shanghai and a manufacturing site in India to be commissioned in 2025
- Scaling up Pharma to support ongoing expansion of customer drug pipelines, with a new R&D lab in India and additional nucleic acid delivery capacity expected on-stream in 2025

Organisational structure

Transitioned to a simpler organisational structure to ensure we deliver more effectively for customers



Investment case

Strong fundamentals



As a purpose-led organisation we collaborate with our customers to create innovative ingredients that deliver meaningful benefits, using Smart science to improve lives™. Our culture, innovation model and customer intimacy are the strong foundations on which our business is built.

→ To find out more see pages 6-17

A proven strategic direction



Global challenges such as growing populations, climate change and the need to live sustainably are driving long-term structural growth trends in our markets. We are at the forefront of these growth opportunities with a proven strategy that combines sustainability and innovation.

→ To find out more see pages 18-27

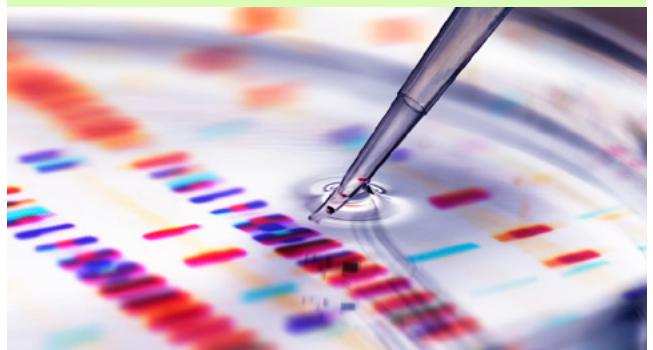
Focused on operational delivery



We are optimising performance in a challenging environment while simplifying our structure, processes and ways of working to support future growth. By continuously improving customer service and efficiency, and focusing on operational delivery, we will leverage the power of our strong foundations.

→ To find out more see pages 28-31

Delivering long-term performance



Our strong track record of growth over many decades and high cash conversion have enabled us to grow the dividend for more than 30 years. With our growth strategy supported by structural trends and conservative leverage, we are well positioned to deliver continued out-performance.

→ To find out more see pages 32-50

Reasons to invest in Croda

Built on strong fundamentals

A purpose-led company delivering positive impact

By developing and supplying ingredients that are included at low inclusion levels but are vital to the functionality and claims of our customers' products, we can have an outsized positive impact, applying our Smart science to improve livesTM.

→ To find out more see pages 10-11

We partner and create value across the full development lifecycle

Direct selling supports customer intimacy, with customer insight informing innovation priorities. We partner with customers, academia and SMEs to develop ingredients that address global challenges and build strong relationships in the process.

→ To find out more see pages 12-15

Our high-performance and innovation-focused culture is unique

As a people-based business, our culture is pivotal to our success and our unique values-based culture transcends our global operations.

→ To find out more see pages 16-17

Chair's statement

Focused on delivery



"Our Purpose, Smart science to improve lives™, is the bedrock of our approach and is embedded across our company through our strategy, and our approach to governance, risk and remuneration."

Dame Anita Frew DBE
Chair

Navigating a challenging market environment

Four years after the outbreak of Covid-19, our markets have continued to see the ripple effects of the pandemic. The chemical industry has experienced a prolonged period of destocking, following on immediately from a period where customers rapidly increased inventory levels to meet surging demand as lockdowns were lifted.

Delivering long-term performance

High inflation, rising interest rates and customer destocking had a significant effect on Croda's financial performance in 2023 and the Board took the decision to issue two unscheduled trading updates through the year as the trading environment deteriorated. Overall pro forma sales were down 11%, adjusting for the divestment of the majority of the Performance Technologies and Industrial Chemicals businesses on 30 June 2022, and operating profit was down 33%.

Despite this disappointing financial performance, we have seen continued customer demand for Croda's innovation and ingredients that are differentiated by their sustainability credentials. Both Consumer Care and Life

We use a number of Alternative Performance Measures (APMs) to assist in presenting the information in this report. For detail on any APMs used see the Finance review on page 50.

Sciences have more than doubled their annual sales in the period since I became Chair in 2015 through a combination of organic growth and portfolio development, and our customer net promoter score has improved further from +23 in 2022 to +34 in 2023 according to the latest survey.

Most importantly, we have delivered continued progress in a difficult market environment whilst caring for each other right across our company. Despite the challenges we faced in 2023, we maintained our overall employee engagement score at 68%, with 71% of our people saying that they would recommend Croda as a place to work. We are continuing to improve our safety record and made good progress towards achieving our goal of embedding safety as a value, spending over 4,500 hours coaching more than 500 senior leaders globally.

Our commitment to providing regular returns to shareholders is demonstrated by the Board's decision to increase the 2023 full year dividend, despite lower adjusted earnings. During my tenure as Chair, we have increased the dividend from 69p for full year 2015 to 109p for 2023, a compound annual growth rate of 6% over that eight-year period.

Strong fundamentals

Croda is built on exceptionally strong fundamentals. This includes our Purpose which guides the strategic choices we make, a culture where we put people first and an established business model which enables successful implementation of our strategy.

Our Purpose, Smart science to improve lives™, is the bedrock of our approach and is embedded across our company through our strategy and our approach to governance, risk and remuneration. By achieving our strategy we will deliver growth in our own business while creating positive impacts for the planet and society. Our governance framework covers both financial and non-financial performance, our appetite to risk is higher where that risk is integral to delivering on our Purpose and our Remuneration Policy incorporates sustainability-related targets.

United by our strong sense of Purpose and our values, we work as one team. We also promote a 'One Croda' culture through our Remuneration Policy and high levels of employee share ownership.

Croda has a well-established and powerful business model, founded on our own local, science-focused sales force. This direct selling model builds relationships with customers and provides us with insights about their challenges that are key to how we innovate.

Proven strategic direction

Following Croda's significant strategic transition over recent years, we have a compelling focused portfolio operating in attractive market niches, with long-term technology trends creating valuable growth opportunities.

In the Consumer Care market, sustainability is the biggest single driver over the next decade, accelerating the demand for sustainable ingredients and driving legislation change. The Life Sciences market is being

Chair's statement continued

driven by the rise of biologics, complex molecules that are already transforming medicine and will transform agriculture over the next decade. These long-term growth drivers have remained intact in the challenging environment that we have seen in 2023 and our strategy is to leverage our leadership in innovation and sustainability to capture the opportunities for growth that they are creating.

Despite a tough year, we have continued to invest in R&D and manufacturing capacity. We started construction of three new manufacturing sites in China, India and the USA. We continued to invest in R&D in our fast-growing markets including China, Singapore, and Brazil and we opened up a new technical centre for our Pharma business in Hyderabad, India. We also welcomed Solus Biotech to the Croda family with exciting new growth platforms in ceramides and phospholipids that will contribute to our future growth.

Execution against our sustainability agenda, which is central to our strategy, has continued with the objective of delivering restorative impact throughout our value chain and in wider society. We remain on track to meet our 2030 Science Based Targets for greenhouse gas emissions and the Croda Foundation has sustainably improved the lives of more than 22 million people since the charity was founded in 2021. We also established a Board Sustainability Oversight Committee this year to guide and monitor progress.

Focused on operational improvements

Our focus in 2023 has been on 'controlling what we can control' to protect profitability alongside longer-term improvement programmes to drive efficiency savings by simplifying business processes and ways of working. This focus will ensure Croda is positioned to recover when the macro-environment improves.

A new organisational structure has been effective since the start of 2024 with all regional teams, including sales, R&D, marketing, customer service and manufacturing, reporting into Consumer Care and Life Sciences. This simplifies how we work and will ensure we deliver more quickly and more efficiently for our customers.

Profit-protection measures and changes to our ways of working have created further change and challenges for our employees in addition to tough trading conditions. Throughout 2023, our people have demonstrated their resilience, adaptability and determination and I wanted to take a moment to share my thanks and appreciation with everyone at Croda.

A number of the improvements to business processes have been led by Louisa Burdett, Chief Financial Officer (CFO), who informed us in December that she has accepted a new role as CFO at Spirax-Sarco Plc and so will be leaving Croda in June 2024. We are sorry that Louisa is leaving but she will have our very best wishes when she departs this summer. In the meantime, she is continuing to make a valuable contribution to our future success by establishing a functionally-led finance organisation, leading the upgrade of our systems and driving other important improvements to the way we operate. The search for her successor is well underway and we will make a further announcement in due course.

"Execution against our sustainability agenda, which is central to our strategy, has continued with the objective of delivering restorative impact throughout our value chain and in wider society."

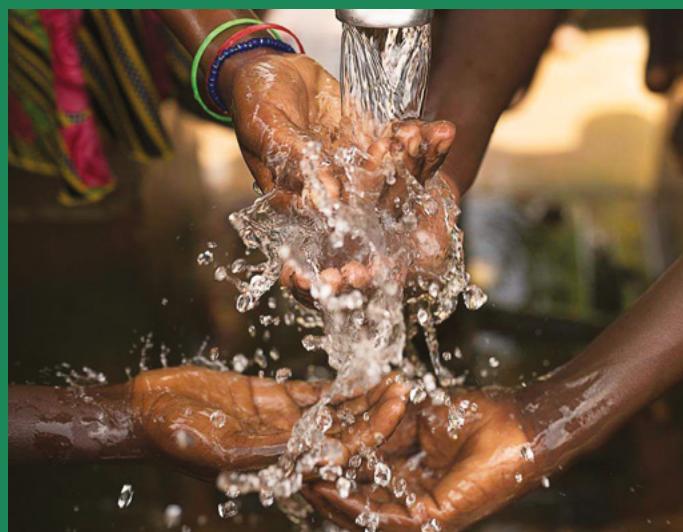


Looking back and looking forwards

This will be my last letter to shareholders as I am stepping down as Croda Chair at the conclusion of Croda's AGM on 24 April 2024. The Board has appointed Danuta Gray as my successor, who is currently Chair of Direct Line Insurance Group Plc and a Non-Executive Director at Burberry Group Plc. Danuta has held Board positions across a range of sectors for the past 19 years and has a deep understanding of growing consumer focused and technology-rich businesses in international markets. Danuta has already joined the Board so I have already had the opportunity to start handing over the reins to her.

Croda Foundation 'Neverthirst' project

Improving access to clean water, hygiene and sanitation in rural Uganda



In 2021, we established the Croda Foundation, an independent charitable company funded solely by grants from Croda. The Foundation's priority impact areas include improving access to healthcare, protecting and restoring ecosystems, and reducing hunger and poverty while improving livelihoods. Since 2021, the Foundation has sustainably improved the lives of more than 22 million people, funding 34 projects across 21 countries. One of these projects is improving access to clean water, basic hygiene and sanitation in rural Uganda, upgrading infrastructure, and training 250 people on improving sanitation through building their own household latrine.

Chris Good also joined the Board in April 2023 having spent his career in the consumer care industry, most recently at Estée Lauder as a member of the Executive Committee. Chris' insights into beauty care markets and consumers will be of great value to Croda and the Board.

In my first letter to shareholders as your Chair in 2016, I emphasised the Board's commitment to high standards of corporate governance and to instilling the right culture, behaviours and approach to how we do business. We have never wavered from that commitment and I am pleased that the high standards of corporate governance at Croda were recognised in the recent independent Board review. Our achievements as a Board and as a company have benefitted from the contribution of all Board Directors past and present to whom I offer my heartfelt thanks.

In 2015, I was one of only two female Board members. Today, Croda has exceeded the gender and ethnic diversity requirements of the Parker Review and the FTSE Women Leaders Review and operates a fully gender balanced Board. I am proud of the progress that we have made on this topic, in line with my belief that diversity of experience is critical to Board effectiveness.

When I look back on almost a decade as Chair of Croda, I am pleased to have worked with Steve Foots and his executive team to transform Croda into a focused Consumer Care and Life Sciences company.



Introducing Croda's Chair-designate, Danuta Gray



"With its talented employees, positive culture and refocused portfolio, Croda has an exciting future and I look forward to working with the Croda team to deliver on the opportunities that are ahead."

Danuta was appointed to the Board on 1 February 2024 and will take over as Chair at the conclusion of the AGM on 24 April 2024. Danuta has held Board positions at FTSE 100 and FTSE 250 companies across a range of sectors and is currently Chair of Direct Line Insurance Group Plc and a Non-Executive Director and Chair of the Remuneration Committee at Burberry Group Plc. She is also a member of the Board of Trustees of the Resolution Foundation and supporter of Employ Autism. She has extensive Non-Executive listed company Board experience having previously been Chair of St Modwen Property Plc and also serving on the Boards of Aldermore Bank Plc, Old Mutual Plc, Page Group Plc, Paddy Power Plc and Aer Lingus Plc.

This transition has involved continued investment and multiple acquisitions during my tenure and has opened exciting new growth opportunities for the business.

It has been a great privilege to serve as your Chair and I am proud of the progress we have made. I would like to thank all of my Croda colleagues for their support and commitment and wish them all the best for the exciting future ahead.

A handwritten signature in black ink, appearing to read "Anita Frew".

Dame Anita Frew DBE
Chair

Our Purpose

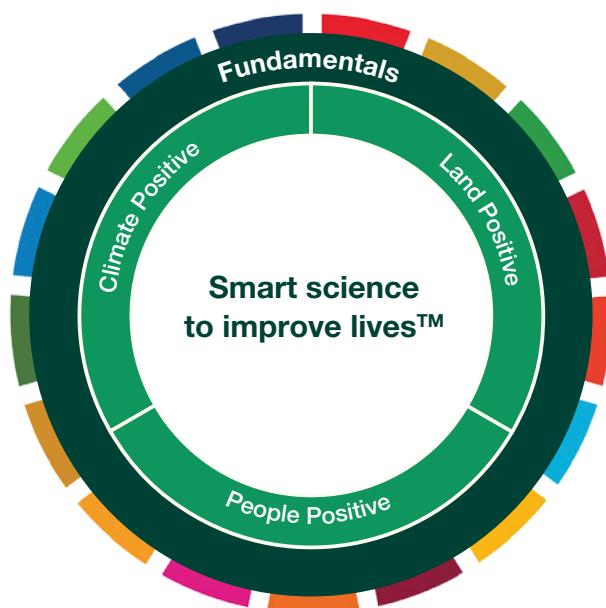
Smart science to improve lives™

Our Purpose, Smart science to improve lives™, remains constant and is embedded throughout our company. It guides how we operate and aligns our efforts to deliver positive impact for stakeholders.

Our Commitment

What we will deliver

We are committed to becoming the most sustainable supplier of innovative ingredients. We will develop and supply solutions to tackle some of the biggest challenges the world is facing and by 2030 we will be Climate, Land and People Positive.



Read more on our Commitment in our Sustainability Impact Report at www.croda.com

Our values-led culture

How we work

Our shared values of 'Responsible', 'Innovative' and 'Together' underpin our distinctive culture. These values drive collaboration, ownership and a solutions-oriented approach in support of our Purpose.



For more information on our people and culture see pages 16-17

How our Purpose is embedded throughout Croda

Delivered through our strategy

Our strategy aims to create value by combining sustainability and innovation. By helping our customers to differentiate their products and meet their own ambitious sustainability goals, we deliver growth in our own business while creating positive impacts for planet and society. In this sense, our approach to growth supports our Purpose and desire to deliver positive impact.

Integrated into our risk and opportunities framework

Risks and opportunities are identified, monitored, and managed both centrally and locally. This approach engages the entire business in considering risks and opportunities that arise from emerging sustainability and societal challenges. Our risk appetite is guided by our Purpose and we are willing to accept more risk where doing so is integral to delivering our Purpose.

Governed by our Board

Our Board of Directors oversees both financial and non-financial performance, with robust governance processes in place and regular engagement from the Board on our culture and Purpose. In 2023, the Board created a Sustainability Oversight Committee to guide the sustainability strategy development and execution, providing greater oversight and challenge.

Reflected in our remuneration

Remuneration policies have included sustainability-related targets alongside financial and innovation-based targets in long-term incentive plans for over four years. In 2022, our annual bonus scheme was revised to include sustainability-related targets. Our Remuneration Policy therefore aligns with our Purpose, incentivising the use of Smart science to improve lives™, not just to drive financial performance.

→ Read more on pages 26-27

→ Read more on pages 51-57

→ Read more on page 98-99

→ Read more on pages 106-108

Delivering positive impact

The breadth of our portfolio of sustainable ingredients and sector-leading Sustainability Commitment help us to have a positive impact on everyday life by...



...preventing, treating and potentially curing diseases through the development of drug delivery systems.

→ Find out more on page 45



...enhancing crop yields, enabling land savings and improving food security through the development of crop care technologies.

→ Find out more on page 45



...sustainably improving lives through the Croda Foundation which is working to improve access to healthcare, reduce poverty and hunger, and protect and restore ecosystems.

→ Find out more on page 8



...reacting to climate change and nature loss through the delivery of our 2030 Commitment and use of sustainable feedstocks.

→ Find out more on page 41



...promoting the hygiene, health, wellbeing and confidence of consumers through the creation of impactful Consumer Care ingredients.

→ Find out more on page 41

Key

Climate Positive



Land Positive



People Positive



Business model

What we do

We use our smart science to create high performance ingredients and technologies that improve people's lives.

We are a B2B company that, through direct local relationships, sells small quantities of high-value ingredients to customers of all sizes. These ingredients deliver vital functionality and downstream benefits at low inclusion levels, giving us a strong competitive advantage. We operate globally with a focus on high-value niches in consumer care and life science markets. We work closely with customers at every stage of the value chain and aim to enhance our reputation for innovation, sustainability and quality in everything that we do.

 Read more about how we are driving positive impacts and operational excellence across the value chain on page 14

The solutions we provide

Consumer Care

We develop innovative and sustainable ingredients that provide vital functionality to consumer care formulations, enabling customers to differentiate their products, build strong brands, meet their sustainability commitments and satisfy changing consumer requirements. For example, we extract wrinkle-reducing actives from plants that are critical ingredients in anti-ageing skin creams.

 See page 38

Life Sciences

Pharma

We develop components and systems for the delivery of Active Pharmaceutical Ingredients (APIs), supporting customers across the whole lifecycle of a drug – from early-stage research to commercial manufacture. For example, our ingredients encapsulate the mRNA used in vaccines allowing it to be transported into human cells.

 See page 42

Agriculture

We are an innovation partner to major crop science companies and an increasing number of smaller customers, developing delivery systems to meet the sustainability challenges of current-generation products and to enable next-generation solutions. For example, our technologies ensure crop care formulations are biodegradable in the soil.

 See page 42

Driven by our Commitment to be the most sustainable supplier of innovative ingredients

Climate Positive

We are successfully leading our sector in delivering absolute reductions in our GHG emissions, in line with our verified 1.5°C Science Based Target. We are working to provide our customers with the verified product-level carbon footprint data that, together with the reduced and avoided emissions in use that our technologies can bring, will help them deliver on their climate targets.

 See page 34

Land Positive

Using natural resources brings with it the responsibility to take a holistic approach to the role natural ecosystems play in achieving global climate goals while addressing social inequalities. We are already Land Positive – with our crop and seed technologies saving more land than is used to grow our bio-based raw materials, and are working to deliver on our aspiration to contribute to a Nature Positive world by 2030.

 See page 34

People Positive

Our People Positive commitments impact both our employees and wider society. We deploy our smart science to improve the lives of people around the world, targeting vaccine solutions to the most challenging diseases and protecting millions of people from damage caused by the sun. Internally, we recognise the value diversity of thought brings to our organisation and our responsibility to reward fairly and look after the health, safety and wellbeing of every employee.

 See page 35



What our business needs

Employees

We employ 5,852 individuals, with employee costs accounting for approximately 20% of our sales. We commercialise and develop their skills and knowledge to drive a high return on sales. The employee base is expanding globally, with notable growth in science-based roles and increasing workforce diversity.

Raw materials

Raw material costs constitute approximately 35% of our sales. Our raw materials primarily comprise bio-based (rather than petrochemical-derived) resources, including grown commodities and natural oils. Overall, raw material costs fell in 2023, following a period of significant inflation in 2021-22.

Sites and infrastructure

We invest 6-8% of sales in capital expenditure annually to maintain, develop, and decarbonise our sites and infrastructure. Targeted organic investments are being made to scale up our pharmaceutical technology platforms.

Capital

Our capital requirements are primarily met through loans and credit facilities, including a sustainable banking facility, with no significant debt maturing before 2026. Our leverage ratio of 1.3x net debt to EBITDA is at the lower end of our targeted range of 1-2x over the medium-term cycle, providing flexibility for future organic growth and potential acquisitions.

R&D

In 2023, we allocated £62m to in-house innovation. This investment is supplemented by a robust pipeline of technology acquisitions and over 500 open innovation partnerships. These collaborations with universities, SMEs and leading scientists enhance our R&D capabilities and provide access to specialised expertise and facilities.

Supply chain and logistics

A global network of local warehouses ensures efficient delivery of ingredients to customers worldwide, despite recent global supply chain challenges. We have actively managed down our finished goods inventory back to pre-Covid levels.

Energy

Energy costs represent approximately 3% of our sales. Our efficient use of energy, sourced from diverse internal and external sources, minimises its proportion in our cost structure. Renewable energy was 37% of total energy use in 2023.

Regulations

Operating globally, we adhere to relevant regulations governing our product ingredients and applications, with regulatory change often driving requirements for our innovation. Active involvement in shaping regulations and standards, alongside collaborative efforts with industry partners, helps maintain product efficacy, increase competitive advantage and build stakeholder confidence.

Our competitive advantages

1. ‘One Croda’ culture

United by our strong sense of Purpose and our values, we work as one team. We promote a ‘One Croda’ culture through our Remuneration Policy and high levels of employee share ownership. We strive to be more agile and entrepreneurial than our competitors, with a decentralised operating model that ensures decisions are made ‘close to customers’.

 See pages 16-17

2. Customer intimacy

We employ our own local, science-focused sales force who understand our customers, rather than using distributors. This direct selling model builds relationships with customers and provides us with insights about their challenges that are key to how we innovate. We complement direct selling with local innovation centres where we co-formulate with customers to accelerate their time-to-market. This intimacy coupled with innovation enables us to anticipate future demands faster than our competition, particularly more disruptive market changes, such as the demand for sustainable ingredients and solutions from novel technologies.

3. Innovation leadership

We are the leading innovator in our markets with a technology portfolio differentiated by protected intellectual property and know-how, including over 1,600 patents across more than 275 patent families. This means our ingredients have unique attributes and deliver higher value to our customers. We have a collaborative, open innovation model which combines internal R&D with partnering and technology acquisitions.

4. Sustainability leadership

With a heritage of using natural raw materials and providing sustainable solutions, we have embedded a long-term sustainability strategy in the way we work to ensure we deliver on our Commitment to be the world’s most sustainable supplier of innovative ingredients by 2030. With consumers and other end-customers keen to make a positive impact through their purchasing decisions, the creation of sustainable ingredients and offering sustainability claims through the use of our products are key drivers of our future commercial success.

5. Our approach to growth

Our growth strategy is focused on pioneering new market and technology niches where our leadership in innovation and sustainability allows us to compete on value rather than on price.

We operate flexible, capital-light manufacturing sites, rather than large continuous operation plans, producing ingredients in test tube quantities rather than tanker loads. Our principal focus is on driving the continued differentiation of our portfolio through innovation and sustainability. In parallel, we prioritise sales volumes in those parts of the portfolio where there is less differentiation to underpin consistent plant utilisation.

There is no one big competitor that spans all our markets; instead, there are different competitors in each of our niches. We have a broad base of customers, large and small, and a high number of customer/product combinations which reduces our exposure to any specific customer, market or geography.

Value creation, from discovery to supply

Croda sits at the intersection of bio-based raw materials and high-performing innovative ingredients. Through the application of our intellectual property and technology platforms, we transform basic feedstocks into ingredients that enable customers to maximise their impact with minimum footprints.



Global population growth is challenging current assumptions about food production, healthcare and living sustainably within planetary boundaries. We have refocused our portfolio so our capabilities help address these challenges.

We sell and deliver ingredients directly to our customers using local warehouses for speed and flexibility, enabling us to develop local relationships that gives us access to privileged understanding of customer needs and future requirements.

We design innovative ingredients that deliver vital functionality with superior sustainability profiles to customer formulations and collaborate with customers at innovation centres around the world to understand their needs.

We produce ingredients to consistently high standards, using mainly bio-based raw materials at 42 sites globally, all of which have decarbonisation roadmaps in place.

We employ our own sales teams rather than use distributors, enabling us to build close partnerships with our customers and anticipate future demands.

By using our innovative ingredients, customers maximise the impact of their products with minimum footprints, so that our smart science contributes to improving lives.

How we are creating value

Consumer purchasing decisions, customers' public sustainability commitments and new regulations are significant drivers of change. We are exploring the use of AI and analytics to complement direct interaction with customers and regulators, enabling us to better anticipate change.

We are aligning sales, marketing and R&D with Consumer Care and Life Sciences, so that insights about customer challenges contribute more directly to how we innovate.

We are increasing our partnerships with universities and SMEs to access a broader range of scientific expertise and ensuring that all innovation is impact-focused by considering the lifecycle of customer products during the design phase.

We are focused on ensuring our sourcing has a positive impact on planet and society and are transforming how we manufacture to meet our Sustainability Commitment and support customers in meeting theirs. We are improving our understanding of asset utilisation to aid capacity planning, particularly during this period of limited visibility and uncertain customer demand.

We are improving our understanding of stock levels across downstream supply chains and rebalancing our finished goods inventories to strike the right balance between improving working capital and meeting customer needs.

We are building a more complete picture of the wider benefits in use of our ingredients by engaging with customers to understand the full lifecycle of our products.

Delivering stakeholder value

Employees

We take the safety and wellbeing of our employees seriously and pay all employees globally a Living Wage. Our people can have engaging and rewarding careers, undertaking meaningful purpose-driven work that has a positive impact on society and the environment. We regularly engage with employees through surveys, listening groups and other face-to-face engagement mechanisms, to understand their perspective, recognising that our people drive the future success of our business. Key topics of engagement in 2023 included safety, cost-of-living support, the challenging trading environment and need to control costs, and the impact of our new operating model. With the majority of employees actively participating in share schemes, we benefit from strong alignment of interests between stakeholders.

Suppliers

We are committed to fair payment practices but also partner with suppliers to help improve sustainability practices in supply chains. This includes helping them to understand our requirements on supply chain transparency, ethics, and human rights, with suppliers assessed through EcoVadis assessments. By 2023 83% of key suppliers by volume had been assessed by EcoVadis. With most of our carbon emissions embedded in our supply chain, engagement with suppliers to understand emissions data is critical in providing Product Carbon Footprint data to customers, but our focus goes beyond carbon, with a commitment to be Net Nature Positive and to reduce impacts on biodiversity.

Shareholders

We aim to deliver consistent top and bottom-line growth in a way that benefits the environment and society, which should deliver attractive returns to shareholders over the long term. We engage extensively with shareholders to help them understand our performance and strategy and to gain insight that can help guide our thinking. In 2023, engagement included discussions on the challenging trading conditions and the impact on financial performance. We also continued to engage on our non-financial performance and strategy, reflecting the importance of ESG practices to our investors.

NGOs

Acting responsibly ensures we satisfy regulatory requirements, protect our reputation and extend our positive impact through our influence within trade associations and other non-governmental organisations (NGOs). We engage with various NGOs on topics including upcoming regulations, supply chain sustainability and human rights both directly and through membership of industry working groups and task forces. This includes our work as part of Together for Sustainability, a consortia of chemical companies working to improve sustainability practices. In 2023, 88% of palm oil derivative volumes were RSPO certified.

Customers and consumers

With sales of more than 6,000 products to more than 15,000 customers, our solutions enable a broad range of customers to differentiate their products. Our customers value our product quality, responsive sales teams, technical support, and the impact that our innovative and sustainable ingredients can have. We engage regularly with customers through our direct selling model and through customer surveys with over 3,000 responses received in 2023. Our customer NPS increased by 11 points to +34 in 2023 and sits within the category of 'Great', reflecting our desire to be close to customers. Engagement in 2023 often covered stock management, online service and recent innovation.

Innovation partners

Our innovation activities include collaboration with academia, SMEs and our customers to accelerate innovation. Our shared knowledge enables our innovation partners to secure funding, advance science and make breakthroughs, ultimately helping us to grow sales of New and Protected Products as we commercialise this innovation. To date nearly 600 innovation partners have collaborated on over 300 innovation projects. Engagement topics in 2023 included sustainable innovation, leveraging biotechnology and green chemistry.

Communities

We support local communities through educational outreach and provide access to our smart science through the Croda Foundation, working to ensure that the local communities where we operate benefit from our presence. In 2023 Croda employees donated 5,310 hours of their time volunteering in local communities through the 1% Club and by the end of the year the Croda Foundation had improved the lives of more than 22 million people. Our community liaison activities are localised, ensuring our communities can engage on the issues significant to them.

Section 172(1) statement

The Board of Directors confirms that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006, being:

- the likely consequences of any decision in the long term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly between members of the Company.

The information on pages 14 to 15 in the Strategic Report should be read in conjunction with the information provided in the Directors' Report on pages 78 to 81. The content on these pages constitutes our s.172 statement, as required under the Companies (Miscellaneous Reporting) Regulations 2018.

Our culture

Unlocking potential

We create an inclusive culture where our people feel able to give their best every day, are respected for who they are and recognised for the contribution they make.

Our people strategy strengthens our culture and creates inclusive and engaging environments. Our values of Responsible, Innovative and Together and their associated competencies guide everything we do and are reinforced through our performance reviews, succession, and talent planning and through organisational change.

Behavioural competency model



In 2023 we have continued to focus on accelerating growth, embedding the behaviours, skills and capabilities to help foster an organisation that acts responsibly, develops cutting-edge innovation, and works together as 'One Croda'. We also transitioned to a new simplified organisational structure from the start of 2024, with Consumer Care and Life Sciences now responsible for both longer-term strategic development and operational delivery. This will improve accountability and create a more agile and responsive business to support our future growth ambitions (see page 31).

Measuring culture

Our Purpose and Sustainability Commitment (PSC) survey, introduced in 2022, helps us gain insight into how employees feel about aspects of Croda's culture. Alongside town hall meetings and listening groups, the insight we gain is invaluable and helps us identify focus areas to improve employee experience and engagement. Overall, our PSC score for 2023 was 68%, flat against 2022, despite the challenging trading environment leading to increased pressure on our people.

71%
of employees are highly likely to recommend Croda as a great place to work to family and friends

76%
of employees are highly likely to see leaders and managers guiding them to achieve their activities safely

75%
of employees overall enjoy the work that they do

79%
of employees overall work to deliver their best as efficiently as they can

Looking below the headline score, we saw encouraging responses in areas for improvement that were identified in 2022 and became our focus for 2023. Reward and recognition saw improved responses, in part reflecting the cost-of-living pressures and our actions to support employees including one-off support payments, as well as the introduction of the Free Share Plan in 2021.

Employees' ability to get involved with activities outside of their role and to focus on self-led development were scored less positively in 2023 but remained 'good'. We view this as a symptom of the requirement to focus on delivering value in a challenging year. Although feedback suggests employees feel their workloads are more manageable, we believe we have more work to do in ensuring employees have time to be curious, develop and to get involved in employee-led activities that contribute to our culture.

We have already laid the foundations to improve with changes implemented to our hiring and talent planning activities in 2023. For instance, we implemented Competency Insights profiles for new hires to aid in the review of areas for initial development for new employees. In talent planning, departments worked with HR Business Partners to highlight potential career paths, aligned to the competences and skills needed in different roles and different areas of the business. This gives employees a clearer idea of where to focus their development activities and helps managers have more meaningful development conversations.

Reporting Data Pack 2023: All people-related data is included in our Reporting Data Pack which is available at www.croda.com. This includes employee numbers, pay ratios, training and safety data.

Developing our Employee Value Proposition (EVP)

In 2023, we developed our EVP framework to support our people strategy and to help our people connect with the core ideas that enhance Croda's culture. Our EVP focuses on:

Developing our people

The development and retention of high-quality people with the curiosity and ability to challenge conventional thinking and to further innovation ultimately determines the success of our business. Central to our philosophy is self-led development with extensive learning resources made available to our people. Our target is for all employees to receive at least one week's training in 2024, with our people collectively undertaking over 197,000 hours of training in 2023, equivalent to 33.7 hours of training per employee (2022: 26.1 hours). Our leadership development programmes offer a more structured approach to development with around 170 high-potential individuals participating in development programmes in 2023, with all those selected exhibiting model behaviours aligned with our values.

Our development programmes:

Leadership Development Group plus: For established senior colleagues in key roles, who may have completed other development programmes

Leadership Development Group: High performing, high potential senior colleagues

Accelerated Leadership Programme: High performing, mid-level colleagues showing leadership behaviours

Leading with purpose: A values-aligned development programme available to all grades

Phoenix Rising: For a cross section of colleagues looking to unlock potential and/or increase contribution – participants must display a strong commitment to inclusion and self development

Wellbeing and safety

Our leaders worked on embedding safety as a value in 2023, recognising that while priorities change, our values endure and guide how we behave. Through a tailored programme, more than 500 leaders have collectively undertaken over 4,500 hours of safety training aimed at building confidence around safety leadership and driving debate on safety. Scores for safety-orientated questions in our PSC questionnaires have improved, indicating that this focus is impacting how employees are feeling and interacting on safety initiatives. Our Total Recordable Injury Rate improved in 2023 (see page 35) but remains too high and we hope improving sentiment and focus on safety by employees is a positive leading indicator.



A collaborative and supportive workplace

We embrace our differences, nurturing an inclusive and supportive culture where everyone feels valued, respected and empowered to contribute. Employee-led diversity and inclusion networks support us in raising awareness, creating connections and ensuring that all aspects of diversity are considered in decision-making. Our 1% club allows employees to spend working hours contributing to local communities, with 5,310 hours donated in 2023. Our voluntary employee turnover remains below industry averages and in 2023 was 9.1% (2022: 8.5%), a small increase against the prior year reflecting the difficult trading environment in 2023 and near-term uncertainty.

Reward and recognition

We are committed to paying all employees a Global Living Wage and work closely with the Fair Wage Network to ensure employees continue to be paid more than this. Our reward framework supports our 'One Croda' culture with performance metrics for bonus schemes aligned across the Group. In addition, our Free Share Plan awards shares to employees who do not participate in our senior annual Bonus Plan when an award under this Bonus Plan is made, ensuring everyone shares in our success. Recent surveys indicate access to generous employee share plans is valued, with 83% of UK employees and 71% of non-UK employees participating in these schemes. Employees can also enjoy non-financial benefits, such as free healthcare plans, flexible working and other wellbeing focused benefits.

Positive impact through sustainable innovation

A key aspect of Croda's success is a can-do entrepreneurial spirit that pervades through our business. Our people have the freedom to find solutions, explore new ideas and collaborate to drive positive change, something that is celebrated through our annual 'Purpose in Action' awards. As a celebration of those who embody our Purpose and have a positive impact, the awards, hosted by Group Chief Executive, Steve Foots, recognise individuals and teams. In 2023, there were 98 projects nominated – many of which were employee-led initiatives born out of a drive to solve problems. The opportunity to have a positive impact through sustainable innovation is often a key factor in employees joining and staying with Croda.

Reasons to invest in Croda

A proven strategic direction

Capturing growth opportunities presented by megatrends

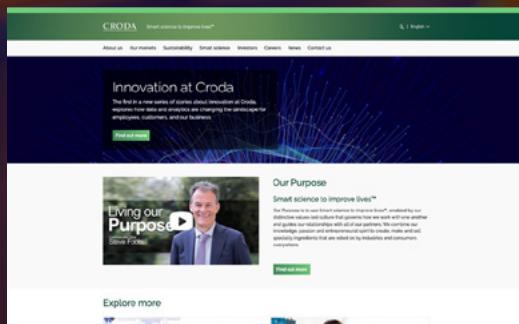
Long-term technology trends such as the demand for sustainable ingredients and the move to biologics are presenting significant opportunities for growth. We have aligned our portfolio with these megatrends, enabling us to help address some of the world's biggest challenges.

 To find out more visit our website at www.croda.com

A strategy built on sustainability and innovation

Our strategy builds on our heritage of producing innovative ingredients from natural raw materials, combining sustainability and innovation to deliver growth.

 To find out more see pages 26-27



 Visit Croda.com to see our business in action

Chief Executive's statement

Strategic delivery in a challenging environment



“Despite the impact of the prevailing macroeconomic uncertainty, the technology trends that will drive our future growth have not changed with an accelerating transition to sustainable ingredients and biologics.”

Steve Foots
Group Chief Executive

A challenging year with destocking and a weaker macro environment

Croda's performance in 2023 reflects challenging market conditions throughout the year with customer destocking and weaker economic conditions. It follows a record performance in 2021 and 2022 when the Group significantly benefitted from customers building up inventory levels in the face of strong consumer demand, escalating prices and supply chain disruption. As central banks raised interest rates to manage inflation and market conditions softened, customers subsequently reduced inventory levels, albeit at different times across the different market segments and geographies that we serve. For Croda and the wider chemical industry, this resulted in a prolonged period of destocking that was unprecedented in the breadth of its impact across most markets, compounded by a slower economic recovery in China than some of our customers had anticipated.

As a consequence, sales volumes were down across all sectors. Adjusting for the divestment of the majority of the Performance Technologies and Industrial Chemicals (PTIC) business to Cargill on 30 June 2022, Group sales fell by 11% on a pro forma basis to £1,694.5m (2022 pro forma (pf): £1,898m), comprising positive price/mix, lower volumes, a contribution for the Solus Biotech acquisition completed in July and a small headwind from currency translation.

In 2023, average customer inventories were below 2022 levels but remained elevated compared to pre-pandemic levels. In Consumer Care, indications are that destocking has largely worked its way through the supply chain with a slow improvement in sales volumes in the year. By contrast, weak industrial demand globally impacted Industrial Specialties where volumes remained weak. Similarly, customers in agriculture markets continued to reduce inventory levels throughout the second half year having started destocking in the second quarter, later than in other markets. In Pharma, our ability to react quickly with valuable lipid technology allowed us to support mRNA vaccine sales through the Covid-19 pandemic. Inevitably, as Covid demand fell, this resulted in lower shipments in 2023, contributing to just over half of the Life Sciences variance from prior year, but we still supplied c.\$60m of Covid lipids in 2023 (2022: c.\$120m). The Covid experience did allow us to establish our technology and provided us with valuable insights, facilitating resilient non-Covid sales as customer drug pipelines continue to develop.

Significant volume declines across most of our markets at a similar time led to low levels of capacity utilisation at our manufacturing sites, particularly those that produce ingredients for multiple business units, with negative operating leverage impacting profit margins. Whilst there are likely to be some bounce-back costs as trading normalises, there are also opportunities for margin expansion from higher sales volumes and improved mix particularly if the recovery is broad-based across our markets.

IFRS operating profit was £247.5m (2022: £444.7m) and adjusted operating profit was £320.0m (2022 pf: £476m), adjusting for the one-off exceptional items outlined in the Finance review. The adjusted operating margin of 18.9% (2022 pf: 25%) was negatively impacted by the operating leverage effect of the reduction in volumes and lower sales of high-margin lipid systems for Covid-19 vaccine applications. Profit before tax (on an IFRS basis) was £236.3m (2022: £780.0m), with the prior year including a gain on the PTIC business divestment of £356.0m, and adjusted profit before tax was £308.8m (2022 pf: £463m).

Despite the impact of the prevailing macroeconomic uncertainty, the technology trends that will drive our future growth have not changed with a continued transition to sustainable ingredients and biologics. We have successfully realigned our portfolio with these megatrends and are making strategic progress with continued investment through the downturn in R&D and capacity. Demand for innovation has remained strong among our customers, which will be key to driving a recovery in Croda's performance as the macro-environment improves. Sales of New and Protected Products (NPP) held up well at 34% of total sales (2022: 35%), with an increase in the proportion of NPP sales in Consumer Care. Customer demand for our ingredients that are differentiated by their sustainability characteristics has also been resilient with sales of ECO surfactants, for example, up by more than 20% year-on-year.

Our commitment to sustainability is demonstrated by the progress we have continued to deliver in our non-financial performance. We remain on track to meet our 2030 Science Based Targets for emissions reduction, the Croda Foundation has already sustainably improved the lives of more than 22 million people and we delivered more than 4,500 hours of training to leaders as we embed safety as a value. Our sustainability leadership was recognised by CDP, which awarded us leadership status for the first time, complementing our long-standing triple A rating from MSCI.

Chief Executive's statement continued

Managing challenging market conditions

To mitigate the impact of tough trading conditions, we took some immediate actions to actively manage cash flow and address costs to protect profitability, while increasing customer sales activity to drive incremental sales growth. Production schedules were optimised to meet lower demand, reducing energy and freight costs. Underlying employee costs were broadly flat as inflation-based salary increases were offset by a hiring freeze and natural attrition. In addition, Group margin benefitted by one and a half percentage points due to negligible charges for variable remuneration. Cash flow improved through proactive management of working capital and our balance sheet remains strong, enabling us to pay an increased full year dividend and to continue to invest the £665m proceeds from the divestment of PTIC, the business we sold in 2022.

Alongside these temporary cost reduction measures, we have been driving improvements that will deliver sustained benefits to our operational effectiveness over the longer term. Priorities have included consolidating our site footprint and delivering our 'doing the basics brilliantly' programme to drive ongoing efficiencies. This programme will improve customer experience and employee productivity through a combination of customer insights, digital technology, and streamlined processes. Our customer net promoter score (NPS) has improved further from +23 in 2022 to +34 in 2023.

Following rapid portfolio transition in recent years through the acquisitions and divestments we have made, a new organisational structure has been in place since the start of 2024 to further streamline our operating model. Previously, the Consumer Care and Life Sciences sectors were responsible for strategy whereas the regions were responsible for performance. Now, all regional teams, including sales, R&D, marketing, customer service and manufacturing, report directly into Consumer Care and Life Sciences. The Presidents of these sectors are now fully accountable for their performance and strategy including innovation, sustainability and the acquisition of technologies aligned with our strategic priorities. This clarifies accountability, simplifies the organisation for our employees, is more cost efficient and will ensure we deliver faster and more effectively for our customers, positioning us well to take advantage of the recovery.

Regional summary

Key drivers of performance were similar globally in 2023, notably a slow but steady improvement in Consumer Care in the second half year as customers worked through heightened inventory levels but a weakening performance in Life Sciences mainly driven by rapid destocking by Crop Protection customers which began in the second quarter. Performance in Asia reflected these global drivers, with Consumer Care improving and Life Sciences weakening during the year. Despite demand in China not recovering as quickly as some of our customers had anticipated, our direct Consumer Care sales to China were robust, partly owing to strong relationships with regional customers who value our innovation expertise. Sales fell in North America although the declines were less significant in the second half year and we began to win back some sales in Consumer Care which were lost in 2022 through our inability to supply ingredients for certain periods. Consumer Care sales grew in Europe, particularly in Beauty Care and Home Care. Latin America was the strongest region but saw adverse impacts from destocking in Crop Protection as well as significant currency movements during the second half year.

Sector summary**Consumer Care – leadership in innovation and sustainability driving demand**

Consumer Care sales fell 1% to £886.1m (2022: £897.8m) with strong double-digit percentage sales growth in Fragrances and Flavours (F&F) but lower underlying sales in Beauty Actives, Beauty Care and Home Care. Price/mix was up 2%, mainly due to a positive mix impact from Beauty Actives, with pricing broadly flat. Sales volumes were down 4%

year-on-year but were up 9% in the second half year compared with the second half of 2022. Acquisitions added 1% due to sales of ceramides following the Solus Biotech acquisition, with foreign currency translation a small headwind for the full year.

IFRS operating profit was £127.8m (2022: £144.5m) and adjusted operating profit was £160.3m (2022: £204.7m), resulting in adjusted operating margin reducing to 18.1% (2022: 22.8%). Four and a half percentage points of the margin decline was due to the operating gearing effect of continued weak volumes in Consumer Care, compounded by lower volumes in Life Sciences and Industrial Specialties which share the same manufacturing assets, with overheads therefore allocated across all sectors. Two percentage points of the margin decline was due to weaker mix, primarily as a result of strong growth of lower margin F&F sales, with the lower variable remuneration charge and earn out accrual release providing a two percentage point offset.

In Consumer Care, our leadership in sustainability and innovation continues to drive customer demand for Croda's differentiated ingredient portfolio. NPP improved to 42% of total sales (2022: 41%) and sales of sustainable ingredients such as ECO surfactants and biotech-derived ingredients were stronger than other ingredients in our portfolio. To support demand for lower carbon ingredients, we can now provide carbon footprint data for three quarters of the Beauty Care portfolio so that customers can quantify the benefits associated with using our ingredients in their products. Sales to Asia exceeded sales to North America for the first time with significant potential for further growth. We are prioritising the region for investment in R&D and manufacturing, particularly in China and India where underlying sales grew 12%.

The stand-out performer in 2023 was F&F which delivered 18% underlying sales growth, benefitting from its distinctive positioning in fast-growing markets and agile, cost competitive model. F&F sales were up in all product categories and established regions, with the Middle East particularly strong. F&F's excellent sales growth principally reflects its high exposure to local and regional customers outside North America and Europe, as well as sales synergies that are being realised under Croda's ownership.

In Beauty Actives, reported sales were up 4% or down 1% on an underlying basis (i.e. excluding the Solus Biotech acquisition). Positive mix helped offset weaker volumes as sales of Sederma active ingredients grew, particularly in China, whereas sales of lower value botanical ingredients fell. Beauty Actives supported customer product launches including the new Boots No7 Future Renew range and a new Deciem product that repairs scars caused by acne. Having completed our acquisition of Solus Biotech in July, we are excited about the opportunities that the addition of further fermentation-derived active ingredients, notably ceramides, are starting to open up.

Performance remained weakest in Beauty Care with sales down 11% driven by lower volumes. Our approach here is to manage sales volumes in the less differentiated parts of the portfolio to help base-load our manufacturing assets and cover fixed costs, while accelerating differentiation by driving innovation, enhancing the sustainability profile of our ingredients, and transitioning our manufacturing processes to biotech and other low carbon technologies. The 20% plus growth in sales of ECO surfactants during a challenging year, and a continued increase in sales of sulphate-free 'clean' surfactants, illustrate continued customer demand for bio-based, lower carbon and biodegradable ingredients.

The recovery of sales volumes in Home Care accelerated as the year progressed, with underlying sales down 1% year-on-year but up 12% in the second half compared with the second half of 2022. Once again it was sales of innovative ingredients differentiated by sustainability that led the way, including our range of biopolymers which extend the life of fabrics with future growth underpinned by a long-term contract with a key customer.

Life Sciences – continued progress building industry-leading positions in high-growth markets

Life Sciences sales were down 12% to £602.3m (2022: £682.3m), with approximately seven percentage points of the reduction due to lower sales of lipid systems for Covid-19 vaccine applications. On a reported basis, positive price/mix of 3% partly offset a 15% decline in volume, the majority of which was due to destocking by Crop Protection customers with a small effect from similar trends in consumer health. There was also a contribution from six months of phospholipid sales following completion of the Solus Biotech acquisition in July and a small foreign currency headwind.

IFRS operating profit was £131.7m (2022: £220.3m) and adjusted operating profit was £150.3m (2022: £229.4m), resulting in an adjusted operating margin of 25.0% (2022: 33.6%). Six percentage points of the margin reduction was the result of adverse price/mix mainly due to lower Covid lipid sales, and four percentage points was the result of the negative operating leverage effect of lower volumes, mainly in Crop Protection, partly offset by the benefit from a negligible variable remuneration charge.

Crop Protection is developing sustainable crop care solutions as well as delivery systems for biopesticides, launching two new delivery systems, one specially designed for biologicals and the second for drone delivery. Following an exceptional 2022, when Crop Protection delivered both strong double-digit percentage volume growth and price/mix, the business started the year with good momentum, but began to experience rapid customer destocking in the second quarter. Volume weakness continued throughout the second half year, to fall 21% year-on-year with a small offset from positive price/mix, resulting in sales falling 19% overall. In Seed Enhancement, most sales are derived from providing just-in-time enhancement services for vegetable seeds so the business only saw a limited impact from destocking, delivering 9% sales growth driven by strong structural growth trends. Seed Enhancement is winning market share through its leadership in microplastic-free seed coatings which are in high demand following the EU's decision to ban the use of microplastics in agriculture in the next five years.

Pharma continued to make good progress with its industry-leading position in biologics drug delivery as well as recent partnerships and new product launches further strengthening the pipeline of opportunities. Pharma sales fell 11% but grew 3% excluding lipid sales for Covid-19 vaccine applications. Whilst we were not immune from the challenges impacting the market, including customers reducing inventory levels, Covid normalisation and funding constraints for early-stage biotech companies, the breadth and diversification of our pharma portfolio enabled the business to deliver a resilient performance. Destocking primarily affected the heritage consumer health business where customer products are often sold over the counter, with lower Covid-19 demand adversely impacting Adjuvant Systems sales as well as lipids for Covid-19 mRNA vaccines. By contrast, drug delivery technologies for Small Molecule, Protein and Nucleic Acid applications continued to grow.

To drive the growth of Protein/Small Molecule Delivery we opened an applications centre in 'Genome Valley', Hyderabad, India, and launched our first processing aid for biopharma (technologies which are integral to the production of therapeutic proteins) which secured its first sales within three months of launch. The future growth of Adjuvant Systems will benefit from the launch of a new proprietary lipid-based adjuvant and two new adjuvant partnerships agreed with Amyris and BSI. One of these is for a sustainable squalene adjuvant that is produced by fermentation, which is already being qualified by three major vaccine companies. In Nucleic Acid Delivery, shipments of c.£60m of lipid systems to our principal Covid vaccine customers occurred as planned at the end of the fourth quarter, benefitting sector operating profit margin. Continued growth will be driven by the commercialisation of new nucleic acid drugs with the number in development continuing to expand, and Croda supporting most of those that specify a lipid delivery system. The strong medium-term growth trajectory for Nucleic Acid Delivery is likely to be realised in three phases: firstly, mRNA vaccines for infectious diseases,

where we are working closely with the Big Pharma companies driving this development; secondly, oncology applications which require more targeted delivery systems; and thirdly, gene editing therapies such as a CRISPR treatment for sickle cell anaemia which we are supporting and was recently approved by the US FDA.

Industrial Specialties – contributing to the efficiency of our manufacturing assets

Following the PTIC divestment, the retained business became Industrial Specialties (IS), operating a supply contract to the new owner of the divested business and contributing to the efficiency of our shared manufacturing site model by helping to optimise utilisation rates. On a pro forma basis, sales fell 35% to £206.1m principally due to lower volumes, reflecting destocking and weak industrial demand globally, and limiting the ability of IS to help optimise site utilisation. Pro forma adjusted operating profit fell 78% to £9.4m as negative operating leverage compounded the impact of lower volumes. The impact of these adverse market conditions on the Sipo joint venture in China resulted in a goodwill impairment charge of £20.8m taken at the 30 June 2023 balance sheet date. Including the impairment charge, the reported IFRS operating loss was £12.0m (2022: £79.9m profit), with the prior period including the full contribution from the divested business.

Continued balance sheet strength

Our focus on active cash flow management in 2023 delivered excellent results with improved free cash flow reflecting a £29.1m working capital inflow (2022: £133.8m outflow) more than offsetting lower profit and higher capex. In particular, we focused on managing down our own inventories, with stock days falling by approximately 20% during 2023. We expect our finished goods inventories to be back to pre-pandemic levels by the end of the first quarter of 2024, mitigating the risk that selling from stock (manufactured from higher cost raw materials) has a detrimental impact on profit margins.

With improved free cash flow of £165.5m (2022 restated: £157.4m), our balance sheet remains strong and we closed the year with net debt of £537.6m (2022: £295.2m), including the £227.4m consideration paid on completion of the Solus Biotech acquisition in July 2023. The resulting debt leverage ratio was 1.3x (2022: 0.5x), within our one to two times target range, despite the lower EBITDA.

Given the challenging market conditions, we reviewed the pace of in-flight capital expenditure projects, as well as all new proposals for non-safety-critical projects, whilst continuing to invest in our refocused portfolio to drive profitable growth. This resulted in some capital expenditure originally planned for 2024 being delayed until 2025. Organic capital expenditure in 2023 was broadly as expected at £170.1m (2022: £138.5m), focused on growing our R&D capability, in Asia especially, and expanding our manufacturing footprint to increase capacity.

With our strong balance sheet, we have been able to continue to invest despite the weaker macroeconomic environment. R&D investment included a new Consumer Care laboratory in Shanghai, China and a new applications centre in Hyderabad, India to support growing demand for protein and small molecule delivery from pharma customers. With our Pharma business a top priority for capital allocation, we also opened an adjuvant systems lab in Denmark and are due to expand our R&D capabilities for nucleic acid delivery at Alabaster in the USA and in Singapore in 2024.

Alongside investments that help deliver the carbon reduction roadmaps that we have put in place for all Croda sites, we have also invested in capacity expansion focused on Asia, including starting construction of a new surfactants plant in Dahej, India, and the first stage of a £30m investment in a combined Beauty Actives and F&F manufacturing facility in Guangzhou to grow domestic sales in China. In addition to our typical capital investment of around 6-8% of sales, we are investing an extra £175m over the period 2021 to 2024 to scale up Pharma production, particularly to meet forecast market demand for new nucleic acid drugs which are widely expected to come to the market from 2025, with the US and UK Governments co-investing up to an additional £75m combined. We have invested over £110m in the programme to date. As a result of

Chief Executive's statement continued

"We complement organic investment with selective acquisitions of adjacent technologies, particularly those which can accelerate our transition to greater use of natural raw materials or build new technology platforms, enhancing future growth."



the review of phasing of current capital projects, total capital expenditure is expected to fall slightly in 2024, but with heightened levels of capex (compared to the pre-2021 period) continuing through 2025 as the Pharma facilities are built and capacity in Asia comes on-stream.

We complement organic investment with selective acquisitions of adjacent technologies, particularly those which can accelerate our transition to greater use of natural raw materials or build new technology platforms, enhancing future growth. The acquisition of Solus Biotech from Solus Advanced Materials has excellent alignment with our strategic priorities, expanding our Asian manufacturing capability, adding a new biotechnology R&D hub in the region, and providing our Beauty Actives and Pharma businesses with access to Solus' existing biotech-derived ceramide and phospholipid technologies, and its emerging capabilities in natural retinol. We will drive sales growth by leveraging Croda's global selling network and formulation science expertise.

Capital deployment will be executed within our consistent capital allocation policy, set out in the Finance review. Alongside organic and inorganic investment, the policy provides for a regular and increasing ordinary dividend to shareholders, while operating an appropriate balance sheet. With 32 years of unbroken dividend progression, consistent distribution to shareholders is a critical consideration for the Board. Therefore, despite temporarily taking us outside our stated through-the-cycle payout ratio of distributing 40-50% of earnings, we have proposed a small increase in the full year dividend at 109p a share (2022: 108p). The Board is keeping the Company's future capital requirements under close review.

Strategy overview – megatrends intact; continued strategic investment through the downturn; well positioned for market recovery

Strategy overview

Despite the challenging market conditions in 2023, the technology trends that will drive our future growth have not changed with continued demand for sustainable ingredients and a continued transition from small molecule active ingredients to large molecule biologics. Through the acquisitions and divestments we have made in recent years, we have successfully realigned our portfolio with these megatrends and our strategy of combining sustainability leadership with market-leading innovation is unchanged.

In line with our Purpose of using Smart science to improve lives™, we enable customers to realise their sustainability ambitions through the application of our innovation and the creation of sustainable ingredients. We are reinforcing our sustainability leadership by reducing the adverse impact of our operations, by replacing fossil-based ingredients with bio-based materials, reducing emissions, promoting biodiversity and ensuring our sourcing activities make a positive contribution to communities in our supply chains. Our sustainability leadership delivers benefits that are increasingly valued by our customers; for example, we can now provide cradle-to-gate product-level carbon footprint data for approximately 1,300 of our ingredients so that customers can quantify the

benefits associated with using them in their products. We are continuing to expand this data set to cover more of our ingredient portfolio and a broader range of sustainability factors.

Innovation is at the heart of what we do, creating new market and technology niches. We filed more than 100 new patents in 2023 and have stepped up our rate of innovation through more external partnerships, for example with Amyris and BSI for sustainable vaccine adjuvants. Even in the unprecedented market conditions that we have seen this year, customers are continuing to invest in new product development, drawing on Croda's deep scientific expertise and application-focused innovation. The foundation of our innovation model is internal R&D investment, applying the expertise of our scientists at our global innovation centres to meet customer needs. Our R&D teams now report directly into Consumer Care and Life Sciences, ensuring that our priorities are customer driven. This is complemented by 'big bet' projects often delivered with partners from our open innovation network which provides access to universities and SMEs, helping develop new intellectual property.

Strategic priorities

We are implementing specific strategic priorities to ensure our refocused portfolio delivers consistent top and bottom-line growth. Alongside our sector strategies we are (1) scaling biotech, (2) exploring acquisition opportunities to supplement organic capital deployment, (3) investing in fast growth in Asia, and (4) improving our customer and employee experience through our 'doing the basics brilliantly' programme.

'Scaling biotech' will transform our approach to sustainability, particularly in reducing customers' scope 3 carbon emissions. Projects are underway to develop bio-based fragrance ingredients, prioritising aroma chemicals which are used in a high proportion of our fragrance references. Our Beauty Care business is adding biotech-derived surfactants to our existing ECO range, and Beauty Actives is launching novel anti-ageing actives developed through collaboration between our biotech and high throughput screening centres in the UK, France and Canada. This is one example of how Croda is reinforcing its leadership in biotechnology, established over more than a decade in plant cell cultures and fermentation, and now being enhanced by investment in processing for scale up, biocatalysis and synthetic biology.

We are supplementing our organic investment with 'acquisitions', where our global scouting network identifies potential adjacent technology opportunities in Consumer Care and Life Sciences with the acquisition of Solus Biotech in South Korea completed in the year.

There are significant emerging opportunities for Croda across Asia particularly in consumer care and pharmaceutical markets. We are driving 'fast growth in Asia', by investing in innovation and sales resource plus selective expansion in manufacturing.

Our 'doing the basics brilliantly' programme is simplifying our operating processes to improve employee productivity and driving efficiencies within our well-established customer-centric model including a new online ordering portal complemented by more self-serve data for customers. The programme is delivering good results including a 6% improvement for 'ease of doing business' alongside a further increase in overall net promoter score in our latest customer survey.

Sector strategies

Our sector strategies are to 'strengthen to grow' Consumer Care and 'expand to grow' Life Sciences. We are 'strengthening to grow' Consumer Care to be the most innovative, sustainable and responsive solution provider globally. Even in the current trading environment, demand for innovation remains strong and we are continuing to enhance our portfolio by adding more fermentation-derived ingredients and high-performance replacements for fossil-based products. Similarly, we are broadening our unrivalled ability to substantiate ingredient claims to include product-level carbon footprint data, incorporating the impact of

decarbonisation to 2030. Finally, the continued fragmentation of consumer markets plays to our strengths as we partner with customers large and small globally, enabling smaller customers to partner with us to launch their products quickly.

The move to biologics is the key structural driver of growth in both pharmaceutical and agriculture markets over the next decade, and we are ‘expanding to grow’ Life Sciences to empower biologics delivery. In agriculture, this move will enable greater targeting of actives and reduced biodiversity impact. In this market we are positioned as an innovation partner for delivery systems, creating new systems specifically for the delivery of biopesticides and meeting the sustainability challenges of conventional pesticide delivery. In pharma markets, the move from chemical to biological active pharmaceutical ingredients is already underway and we have developed a portfolio focused on segments with the highest development and innovation needs. As a result, our pharma portfolio has a well-diversified risk profile and opportunity set, which we are expanding through new technologies from our own innovation pipeline and via partnerships. The competitive positioning of our Pharma business is extremely strong, providing delivery systems that are critical to next-generation drugs and with excellent customer relationships spanning drug discovery through to commercial supply.

Future performance drivers

In Consumer Care, average customer inventory levels have fallen and volume recovery should be an important driver of near-term performance, particularly in Beauty Care which has broad market exposure and is larger than the other business units. Our approach in Beauty Care is to manage sales volumes in those parts of the portfolio where there is less differentiation to underpin consistent plant utilisation while also accelerating portfolio differentiation through innovation, sustainability and biotech. More recent additions to Consumer Care, including ceramides in Beauty Actives – which have significant growth potential, and the F&F business – which is delivering impressive sales growth albeit at margins which are below the average for Consumer Care, can also influence our future performance. Geographically, Asian consumer care markets are likely to grow faster than the rest of the world, particularly in India and China. While our direct sales to China have remained robust, a broad-based recovery in Chinese consumer spending and travel would underpin improved global demand for consumer care products.

In Life Sciences, an end to destocking in Crop Protection markets would be an important driver of improved performance in the near term. However, the timing of this inflection point is uncertain as destocking started later, and customer concentration is higher, so demand can be determined by the buying decisions of four or five major customers. In addition, agriculture markets are seasonal, so a lack of demand can mean that a whole season is missed, but conversely when a recovery comes it is likely to have a more immediate effect. Historically, the market for field crop seeds experiences changes in demand later in the cycle, so the market environment could be tougher in 2024, but for Croda, this risk is mitigated by our focus on vegetable seeds as well as market leadership in microplastic-free seed coatings and the incremental opportunities that are being created by regulation change.

The challenges that faced pharmaceutical markets in 2023, including the reset of demand post Covid-19, destocking and contraction in the availability of early-stage funding, appear to be temporary rather than structural, but their effects could continue into 2024. Over the longer term, accelerating growth and margins will be driven by incremental revenue from our own innovation pipeline and the commercialisation of new biologic drugs. The drivers of future performance in Pharma are therefore the rate of growth of our new delivery systems and vaccine adjuvants that we are bringing to the market, many of which are already generating revenue and have meaningful peak sales projections, and the pace of approval of new mRNA drugs and vaccines, a high proportion of which we are supporting during clinical trials and have invested capital in to be able to produce at scale when launched.

Outlook

Consumer Care has started the year well and we are cautiously optimistic about the improving demand trend we experienced in January. Within Life Sciences, we expect the non-Covid Pharma business to grow but that destocking will continue in Crop Protection. Demand in Industrial Specialties is expected to remain weak.

Given the ongoing uncertainty in our end markets, the recovery trajectory for each of our business units remains difficult to predict and the range of possible outcomes in 2024 is therefore wider than usual at this stage of the year. Overall, however, the Group expects to deliver mid to high single digit percentage sales growth in 2024, excluding the c.\$60m Covid-19 lipid sales in 2023, with higher sales volumes more than offsetting lower price/mix.

We expect 2024 Group adjusted operating margin to be two to three percentage points lower than 2023 due to the following:

- Different business mix effects year-on-year, with no Covid-19 lipid contribution and continued strong growth in Fragrances and Flavours.
- Low overhead recovery is expected to persist as sales volumes remain depressed in Crop Protection and Industrial Specialties, two of the three businesses with the highest production volumes, alongside Beauty Care.
- To support the return to sales growth, the cost base will reset back to a more normalised level from its low point in 2023. This will include the likely unwind in 2024 of the c.£25m benefit we saw in 2023 from a negligible variable remuneration charge. Some of this will be offset by modest cost savings from our recent reorganisation.
- We will continue to invest to support our long-term strategy. Customer interest in innovation and sustainable ingredients remains strong, despite the current destocking cycle.

Using these assumptions and at current exchange rates, we expect Group adjusted profit before tax to be between £260m and £300m in full year 2024.

Croda will report sales performance quarterly during 2024 and we will provide an update on first quarter trading at the AGM on 24 April 2024. Croda expects to return to its normal cycle of half yearly reporting in 2025.

With our strong balance sheet, improving cash flow and consistent investment in our refocused portfolio, Croda is well positioned to take advantage of the demand recovery when it occurs. We expect the Group's performance to accelerate from 2025, generating continued increasing returns for our shareholders.



Steve Fooths
Group Chief Executive

The Strategic Report was approved by the Board on 26 February 2024 and signed on its behalf by Steve Fooths.

We use a number of Alternative Performance Measures (APMs) to assist in presenting the information in this report. For detail on any APMs used see the Finance review on page 50.

Megatrends

Delivering solutions for the changing world

Meeting global challenges

Of the trends affecting our markets and supply chains, we have identified three key global challenges that our strategy helps to address.

Feeding a growing population and restoring nature



Feeding a global population that is expected to reach 10 billion people by 2055 will require a 70% increase in agricultural output¹. With most suitable land already farmed, increased output will come from higher yields and growing more resilient crops on less suitable land, supported by restoring degraded ecosystems and nature.

Living more sustainably within planetary boundaries



Population growth and increasing consumption, fuelled by the expansion of the middle class particularly in developing countries, are putting pressure on planetary systems such as water, climate and biodiversity, and scarce natural resources. Addressing this challenge requires transformational new approaches to consumption and circularity.

Global demand for health and wellbeing



The pandemic has made consumers more conscious of their physical and mental wellbeing, and expanded demands on healthcare systems, already increasing due to a growing and ageing population. This has increased demand for effective ingredients that are underpinned by science and support physical and mental health.

Technology trends affecting our markets

Move to sustainable ingredients

With population growth and increasing consumption putting pressure on planetary systems, consumers are supporting companies they think are acting responsibly and providing solutions to the causes and impacts of climate change. This is influencing consumer decisions when it comes to the products that they buy.

As a result, consumer-facing companies are looking for ingredients that enable them to deliver products with substantiated claims and transparent information about their social and environmental impacts.

The move to sustainable ingredients is not confined to the consumer market, with crop science companies seeking biodegradable ingredients with a low carbon footprint, that can make a positive contribution to improving yields, soil health and biodiversity.

Growing demand for sustainable ingredients is also driving increased regulation by industry and national authorities.

Move to biologics

The move to biologics – large molecules manufactured using microorganisms rather than small molecules made by chemical synthesis – is transforming medicine and agriculture.

Biologic drugs are much better at treating disease in a targeted way with fewer side effects, but they are hard to make, difficult to stabilise, and need sophisticated delivery systems. Nucleic acid drugs that teach the body to make its own medicine represent the next phase in the move to biologics, further enhancing patient outcomes and increasing drug complexity.

Biologically active technologies, including naturally occurring microbes and RNA interference, are also being used as precisely targeted, environmentally friendly pesticides.

The ability for these biologics to target specific elements in the host offers significant opportunities to reduce negative impacts on the planet and society.

1. Food and Agriculture Organisation of the United Nations. Global agriculture towards 2050.

Market environment

Navigating a complex market

Short-term market drivers

Impact of high inflation

Four years after the outbreak of Covid-19, our market environment has continued to experience the ripple effects of the pandemic and subsequent surge in demand as lockdowns were lifted.

The challenges businesses faced meeting surging demand, compounded by the impact on energy and food prices of Russia's invasion of Ukraine, resulted in the highest inflation the global economy has seen for the last 15 years.

From early 2021 until mid-2022, in the face of escalating prices, our customers bought ingredients as early as possible to reduce their costs, resulting in the unprecedented stocking of supply chains.

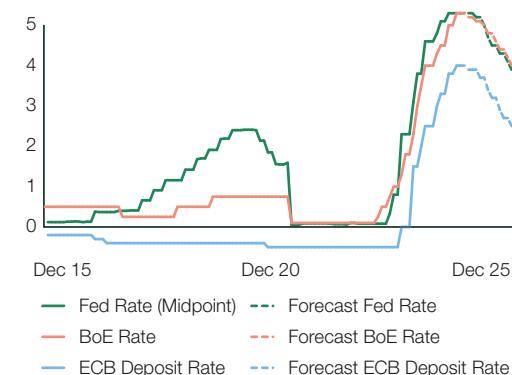
From the start of 2022, central banks began increasing interest rates to manage inflation and reduce overall spending. As this monetary tightening took hold, customers began to reduce inventory levels, albeit at different times across the different market segments that we serve.

One impact of this change in the trading environment was that raw material costs fell during 2023 enabling us to reduce prices in market segments where price is important to competitiveness.

Higher interest rates have also negatively impacted the availability of funding, particularly for early-stage companies which often drive the development of nascent technologies in sectors such as pharmaceuticals. To date, the impact of this funding squeeze on Croda's Pharma business has been limited, as the development of novel drugs that use our delivery systems, such as mRNA vaccines for respiratory diseases, are principally driven by 'Big Pharma'.

With inflation now falling and the US Federal Reserve indicating that the period of tightening monetary policy could be over, interest rates are likely to fall in 2024, supporting lower volatility in customer demand.

US, UK and EU central bank interest rates (%)



Source: Interest rate forecasts are from Bloomberg as at 19 January 2024.

Rapid and indiscriminate destocking

The chemical industry has experienced a prolonged period of destocking with an impact across all markets.

In 2021-22, customers carried higher levels of inventory to meet surging demand, avoid disruptions and as a hedge against inflation. With higher interest rates in 2023, customers have freed up capital held in excess stock.

Destocking has been compounded by a weaker demand environment, particularly in China, where the economy has not recovered from Covid-19 as fast as some of our customers were anticipating.

As a result, order visibility has been shorter than normal, and sales volumes were down across most markets. This led to low levels of capacity utilisation at our 'shared' manufacturing assets (that produce ingredients for multiple business units) with negative operating leverage impacting profit margins.

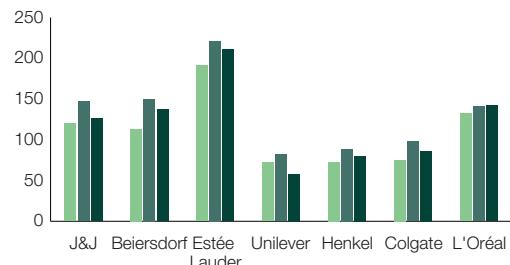
Encouragingly, customer demand for our ingredients that are differentiated by their sustainability characteristics has been resilient and demand for innovation has remained strong.

In 2023 customer inventories remained elevated compared to pre-pandemic levels. In Consumer Care inventory levels reduced through the year as shown in the chart below, but in Crop Protection inventory levels remained significantly elevated. Looking into 2024, whilst geopolitical risks remain heightened, customer inventory levels should continue to fall.

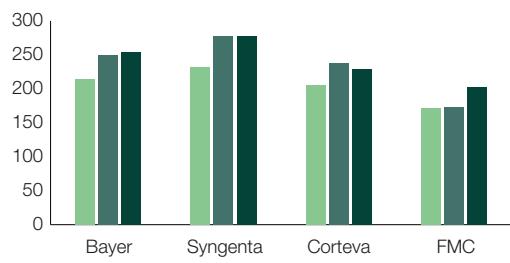
Inventory days for large customers

Pre-Covid 2022 2023

Consumer Care customers



Crop Protection customers



Source: Inventory days are derived from public company disclosures for the relevant customer.

Strategy

Sustainability + Innovation = Growth

Our strategy combines market-leading innovation and sustainability, providing innovative solutions with superior sustainability profiles to drive growth. To support our Group strategy we have six shorter-term strategic priorities.



Expand to grow Life Sciences

Our strategy in Life Sciences is to empower biologics delivery, enabling the shift to biological active ingredients in pharmaceutical and agricultural markets that will drive structural growth opportunities in the years to come. This move from chemically-synthesised to biological active ingredients is already underway in pharmaceutical markets but is in its earlier stages in agricultural markets. We aim to broaden our portfolio of pharma delivery systems and bioprocessing aids through organic investment, technology partnerships and selective bolt-on acquisitions that bring a unique capability to the Group.

→ See more on page 43

Strengthen to grow Consumer Care

In Consumer Care we aim to be the most sustainable and responsive supplier of innovative ingredients. We are strengthening the portfolio through continued innovation, developing claims-based ingredients with objective and verifiable performance data provided by our advanced validation techniques. The sustainability profile of our portfolio is a source of competitive advantage and we are further strengthening the portfolio by developing new ingredients with superior sustainability credentials, including bio-based, biodegradable and low-carbon products, with validated claims data.

→ See more on page 39

Progress on Group strategy

Sustainability

Strategic progress 2023

- Launched product-level carbon footprint (PCF) data covering scope 1, 2 and 3 emissions for around 1,300 ingredients
- Further reduced our GHG emissions, remaining on track to achieve our 1.5°C Science Based Target by 2030, with several manufacturing sites in Brazil, Denmark and France achieving close to carbon neutrality
- Saved more than 150,000 hectares of land through the use of our crop and seed technologies
- Received limited assurance for significant climate related data, strengthening the integrity of non-financial data

Priorities for 2024

- Meet interim 2024 milestones as part of our 2030 Commitment, including zero process waste to landfill, reducing our water impact and sustainable sourcing targets
- Review and refresh the sustainability strategy at the midpoint of the decade of action
- Conduct the first double materiality assessment of our business

Innovation

Strategic progress 2023

- Aligned R&D teams directly with Consumer Care and Life Sciences to ensure that our priorities are customer-driven
- Focused on 'big bet' projects harnessing the potential of biotechnology, alongside our traditional chemical technologies
- Expanded innovation infrastructure to support high growth in Asia, with new facilities in both China and India
- Continued to expand formulation academies to share our technical expertise with customers

Priorities for 2024

- Continue to strengthen innovation capability across core technology platforms including synthetic biology, biocatalysis and downstream processing
- Broaden ongoing activity within open innovation programmes to accelerate the discovery of new technology platforms and continue to drive collaboration with customers to deepen our technical relationships

Progress on strategic priorities

Fast grow Asia

- Opened new labs in Shanghai (China) and Hyderabad (India) for Consumer Care and Pharma, respectively, and committed to opening an applications lab for Nucleic Acid Delivery in Singapore in 2024
- Commenced construction of combined F&F/Beauty Actives manufacturing site in China and surfactants plant in India

Proactive M&A

- Acquired Solus Biotech, a global leader in premium, biotechnology-derived active ingredients
- Delivered first sales of naturally-derived ceramides and phospholipids from Solus Biotech

Expand Life Sciences

- Added biotechnology-derived squalene and QS-21 to the portfolio through licensing agreements, both of which are used as advanced vaccine adjuvants
- Progressed Pharma investment programme adding capacity to support future growth from nucleic acid-based therapies, due onstream in 2025

Scale biotechnology

- Launched several new IP-protected biotech-derived ingredients, including anti-ageing active ingredients
- Expanded our biotech capabilities in the UK, France and South Korea

Doing the basics brilliantly

- Adopted a new organisational structure which will reduce complexity and improve accountability and customer intimacy
- Saved hundreds of employee hours per month through the launch of an online ordering portal

Strengthen Consumer Care

- Increased the proportion of New and Protected Product sales by accelerating the differentiation of our portfolio
- Accelerating the transition to biotechnology, launching new ingredients derived from plant cell cultures, marine microorganisms and fermentation

Reasons to invest in Croda

Focused on operational delivery

Driving efficiency across the Group

We are ‘controlling what we can control’, optimising performance in a challenging market environment through short-term cost measures. This is alongside longer-term operational improvements such as our ‘doing the basics brilliantly’ programme, which is improving our processes and ways of working, benefitting the customer experience.

→ To find out more see page 29

An organisational structure that leverages our strengths

Our new organisational structure, introduced in January 2024, aligns the accountability for strategy and performance, creating greater ownership and improving agility and customer responsiveness.

→ To find out more see page 31

Continuing to invest in future growth

Despite short-term pressures, we continue to invest in future growth, matching our customers’ appetite for innovation through targeted investment in R&D and manufacturing, with continued capital discipline.

→ To find out more see page 27

Focused on operational delivery

Driving Group efficiency

“There are further opportunities to drive efficiency savings by simplifying our business processes and driving improvements to the way we work that will deliver sustained benefits to our operational effectiveness over the longer term.”

Louisa Burdett

Chief Financial Officer

Given the challenging trading conditions in 2023, we took some immediate actions to address costs, at the same time as driving incremental sales growth by increasing customer sales activity and using quieter time during 2023 to bring forward maintenance and focus on other capital projects. Prioritising customer-facing activities will help ensure we can take advantage of the demand recovery when it occurs.

Tight cost control measures were implemented from the second quarter of 2023 to maximise profitability. A refreshed operational dashboard was also introduced to provide up-to-date performance data to leaders. As we saw volumes reset downwards, we optimised production to match the lower demand through plant shutdowns, reduced shift patterns, and introducing more ‘make to order’ contracts with customers. This helped us avoid costs, with energy and freight costs falling through the year and second half costs 12% lower than the first half. Outside of production, our main focus was on budgeted cost avoidance such as restricting travel, curtailing headcount and other common-sense measures.

Annual salary increases were granted at the start of 2023 but a hiring freeze from Q2 onwards meant underlying employee headcount fell. In addition, a negligible charge for variable remuneration versus 2022 benefitted operating profit margin. A new organisational structure has been in place since the start of 2024, with all regional teams now reporting into Consumer Care and Life Sciences. This will ensure we deliver more effectively for our customers and should result in annual cost savings of £9m from 2025. A £5.4m exceptional restructuring

charge was recognised in the 2023 accounts associated with the introduction of this simpler operating model and we expect a charge of low single-digit millions in 2024 as further benefits are realised. In addition, we regularly review our site footprint and closed a site at Cikarang in Indonesia which principally served industrial customers.

There are further opportunities to drive efficiency savings by simplifying our business processes and driving improvements to the way we work that will deliver sustained benefits to our operational effectiveness over the longer term. A number of workstreams are already underway under our ‘doing the basics brilliantly’ programme, including through the use of artificial intelligence, data analytics, an online ordering tool that is saving hundreds of employee hours, and a multi-year SAP upgrade.

We have actively managed our cash flow encouraging all employees to focus on generating cash, managing down our own inventories and collecting payments promptly. This delivered excellent results with improved free cash flow due to a working capital inflow and a significant reduction in inventory days which fell by around 20%. We expect our finished goods inventories to be back to pre-pandemic levels from a high point at the end of 2022 by the end of the first quarter of 2024, mitigating the risk that selling from stock (manufactured from higher cost raw materials) has a detrimental impact on profit margins. Enhanced by this improved free cash flow, our balance sheet remains strong with our debt leverage ratio within our target range of one to two times.

During the year we reviewed the pace of all in-flight capital expenditure projects, as well as every new proposal for non-safety-critical projects. This ensured that we maintained strong capital discipline whilst continuing to invest through the downturn in our refocused portfolio to drive profitable growth.

In addition to continued organic capital expenditure to support significant opportunities for growth across Consumer Care and Life Sciences, on 4 July 2023, we completed the acquisition of Solus Biotech from Solus Advanced Materials for a total consideration of £227.4m, funded from cash and debt facilities. This brings biotechnology-derived ingredients into our portfolio including ceramides and phospholipids.

With a track record of more than 30 years unbroken dividend progression, consistent distribution to shareholders is a key consideration for the Board. We have proposed a small increase in the full year dividend at 109p a share (2022: 108p).

A balanced approach to capital allocation

Our continued capital deployment was executed within our consistent capital allocation policy which is to:

1

Reinvest for growth – invest in organic capital expenditure to drive shareholder value creation through new capacity, product innovation and expansion in attractive geographic markets to drive sales and profit growth;

3

Acquire disruptive technologies – to supplement organic growth, we are targeting a number of exciting technology acquisitions in existing and adjacent markets, with a focus on strengthening Consumer Care and expanding in Life Sciences with a particular emphasis on Pharma technologies; and

2

Provide regular returns to shareholders – pay a regular dividend to shareholders, representing 40 to 50% of adjusted earnings over the business cycle;

4

Maintain an appropriate balance sheet – to meet future investment and trading requirements, targeting a leverage ratio of 1 to 2x over the medium-term cycle. We consider returning excess capital to shareholders when leverage falls below our target range and sufficient capital is available to meet our investment opportunities. The Board is keeping the Company’s future capital requirements under close review.

Driving operational delivery in 2023

Our focus in 2023 has been on ‘controlling what we can control’ to protect profitability, alongside longer-term improvement programmes to drive efficiency savings by simplifying business processes and ways of working. This focus will ensure Croda is positioned to recover when the macro-environment improves.



Leveraging data analytics

Croda is exploring the use of data science and Artificial Intelligence (AI). By investing in data science capabilities, including visualisation tools, we have been able to protect existing revenue through targeted customer retention, improve the speed and accuracy of assessing the carbon footprints of our ingredients, and cut the time our scientists need to identify effective formulations for a range of products – from months to days.

20,000

Product Carbon
Footprints can be
calculated instantly
following the
introduction of
advanced analytics

70%

We have used AI to
successfully predict 70%
of customers at risk of
changing supplier

Cost measures to protect profitability

Several cost measures have been implemented since June 2023 to protect profitability. Actions include tighter budgetary control of fixed costs, optimising production through plant shutdowns and reduced shift patterns, at the same time as increasing sales activity to meet ongoing customer demand for innovation.



Refreshed operational performance dashboard

Our operational performance dashboard has been refreshed and made available as an App to provide a single source of performance data for Croda's senior leadership team.

Order intake Volume and value of orders plus trends	Turnover rate Employee turnover segmented by years of service and location	Capital expenditure Monthly cumulative capex versus target	Controllable costs Monthly controllable costs in constant currency
Pipeline conversion Leads converted into won opportunities	Working capital	Business at risk Total weighted value of business at risk based on sales, CRM and delivery data	Receivables Month-end receivables plus overdue percentage
	Profit before tax	Safety performance Number of major incidents collated weekly	Revenue

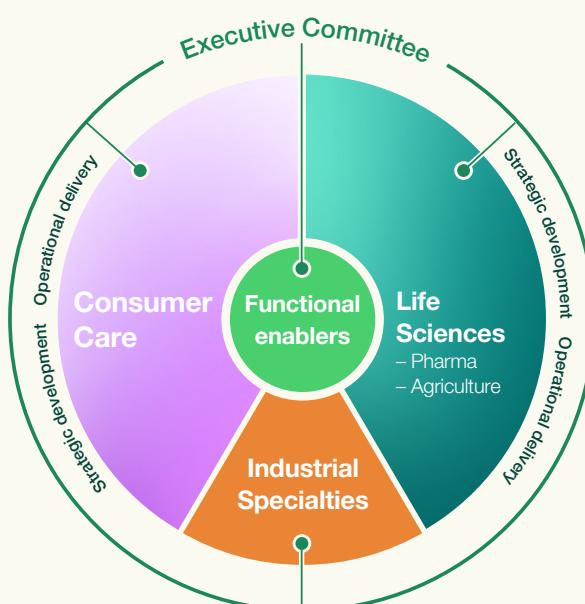


'Doing the basics brilliantly' programme

We are seeking efficiency savings through improving business processes. Our 'doing the basics brilliantly' programme is improving our customer experience and employee productivity through a combination of customer insights, digital technologies and process improvements. This programme has driven efficiencies within our well-established customer-centric model including an online portal and more self-serve data for customers.

Simplifying our structure

A new organisational structure has been effective since the start of 2024 with all regional teams, including sales, R&D, marketing, customer service and manufacturing, reporting into Consumer Care and Life Sciences. This will ensure we deliver more quickly and more efficiently for our customers.



Reasons to invest in Croda

Delivering long-term performance

A long-term track record

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

→ To find out more see page 33

Consistent capital allocation in line with a clear policy

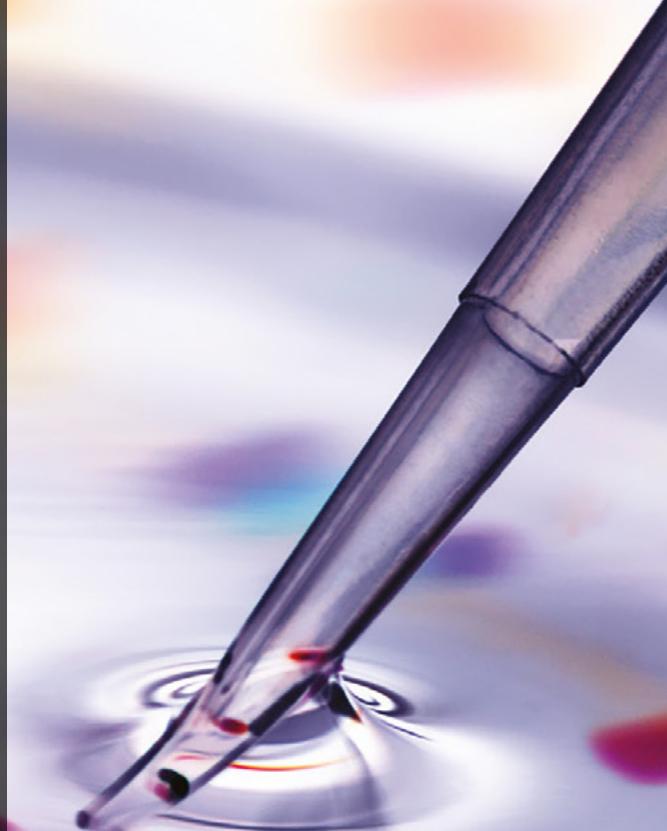
A clear capital allocation policy guides our investment decisions with a preference for organic capital investment, complemented by technology-led ‘bolt-on’ acquisitions, which has delivered attractive long-term growth.

→ To find out more see page 29

Retained a strong financial position despite market headwinds

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

→ To find out more see pages 47-50



Long-term financial and non-financial performance

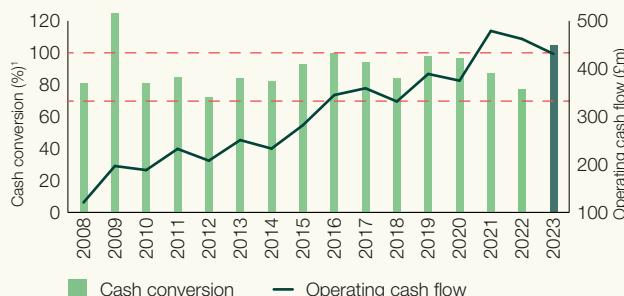
A proven track record

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

Attractive financial characteristics

Highly cash generative

Operating cash flow and cash conversion



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

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

A track record of dividend growth

Full year ordinary dividend per share (pence)



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

Delivering non-financial progress

Progressing to a carbon-light business model

Emissions intensity 2018-2023¹



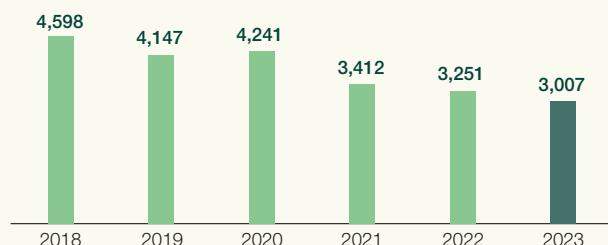
At the same time as delivering on our absolute Science Based Target aligned with the 1.5°C pathway, we are decoupling value growth from our impact on climate.

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

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

Reducing our water footprint

Total water withdrawal 2018-2023²



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

→ See page 15 of our Sustainability Impact Report.

2. Excludes PTIC businesses that were divested in 2022.

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

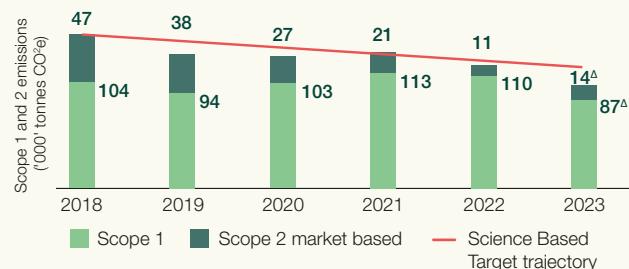
Key performance indicators

Delivering on our sustainability ambitions

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

Scope 1 and 2 GHG emissions

101,246 tonnes CO₂e



Definition

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

Target

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

Performance

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

R

→ See pages 9-13 of our Sustainability Impact Report



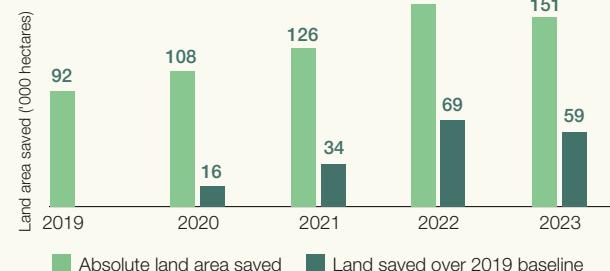
Progress on our Commitments in 2023

Climate Positive

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

Land area saved

151,038 hectares



Definition

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

Target

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

Performance

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

R

→ See pages 14-18 of our Sustainability Impact Report

Land Positive

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

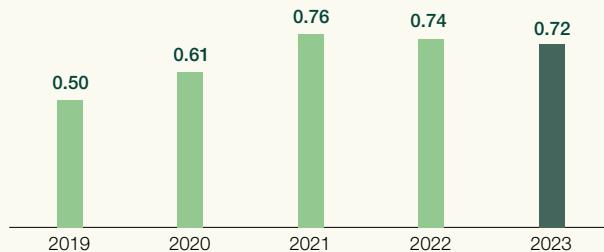
Key

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

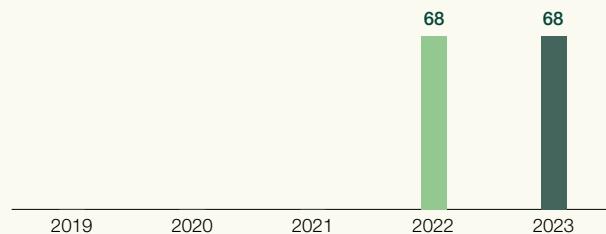
While the focus of our Sustainability Commitment is delivering positive impact, we also understand the value of external ratings to our stakeholders. We have received an AAA rating from MSCI, are in the top 1% of companies rated by EcoVadis and recently received an A- rating from CDP across all categories.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



Total Recordable Injury Rate (TRIR)

0.72

Purpose and Sustainability Commitment (PSC) score

68%

Definition

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

Target

Achieve TRIR of 0.3 by the end of 2024.

Performance

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



→ See more about safety initiatives on page 17

Definition

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

Target

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

Performance

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



→ See more on our culture on page 16

People Positive

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

Fundamentals

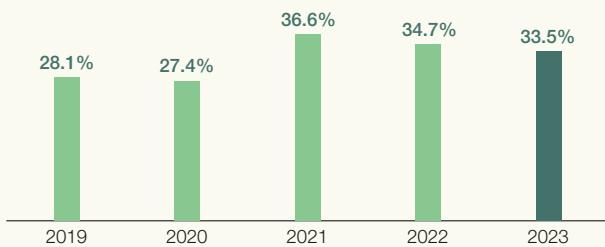
The Fundamentals element of our Commitment represents the social licence required for a multinational company such as Croda to operate in 2030. We consider all stakeholders in our ecosystem and strive to adopt best practices in environmental protection, labour and human rights, ethics and sustainable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

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

Key performance indicators continued

Driving innovation

New and Protected Products sales (%) 33.5%



Definition

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

Target

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

Performance

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



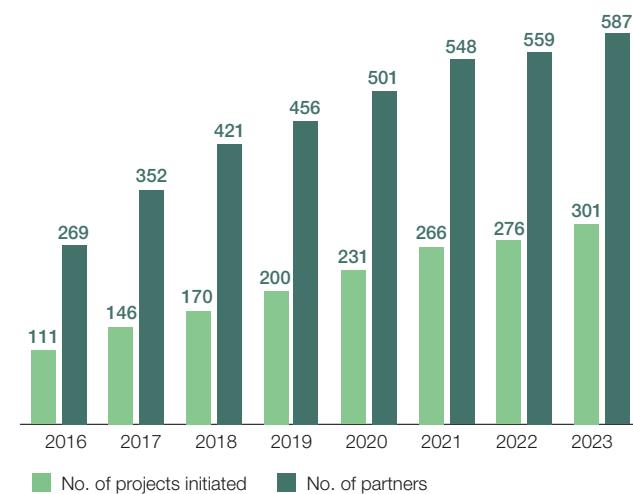
Delivering innovation in 2023

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

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

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

Open innovation partners and initiated projects



Converting opportunities for growth

Sales growth (constant currency) (18.5)%



Definition

Total sales growth measured at constant currency.

Target

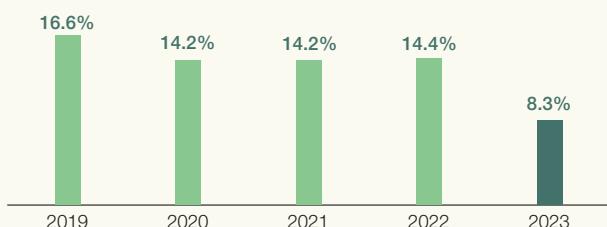
Mid-single digit percentage growth in Consumer Care and high-single digit percentage growth in Life Sciences.

Performance

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

B

Return on invested capital (ROIC) 8.3%



Definition

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

Target

ROIC of at least two times cost of capital.

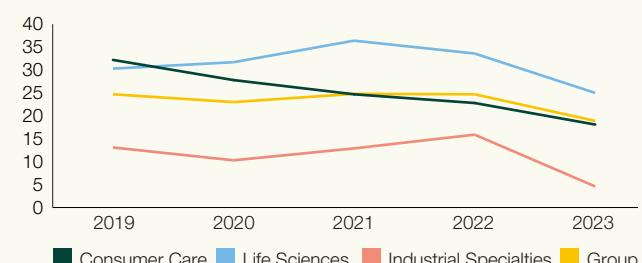
Performance

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

R

Return on sales

18.9%



Definition

Adjusted operating profit as a percentage of sales.

Target

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

Performance

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

B

Adjusted basic earnings per share (EPS) 167.6p



Definition

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

Target

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

Performance

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

R

Sector review

Consumer Care

Our ambition is to be the world's most sustainable, innovative and responsive solution provider. Already recognised as a market-leading innovator, our strategy is to continue to strengthen Consumer Care in fast growth niches, by accelerating innovation, expanding our sustainable product portfolio and enhancing our customer intimacy.



Business units

Consumer Care SDG alignment:

Contributes to 19 targets across 11 of the 17 SDG goals



Number of customers in Consumer Care:

>6,100
customers, up from 4,300 in 2014

Presence in:

>120
countries, up from 54 in 2014

Beauty Actives

(c.15% of sector sales)

Beauty Actives operates in the highest premium part of the market, offering customers scientific expertise for unparalleled product efficacy. Croda is a market-leader with a large actives portfolio across two ranges: Sederma Actives for high efficacy skin actives derived from peptides and biotech; and Croda Botanicals for natural plant-based actives.

Fragrances and Flavours (F&F)

(c.30% of sector sales)

F&F is a preeminent emerging market provider, with global reach and innovative technologies that meet customer needs with agility and quality. This is delivered through two fragrance brands: Iberchem, differentiated by its customer intimacy and responsiveness; and Parfex, with its excellent reputation in prestige markets for fine and natural fragrances, as well as Scentium in Flavours. The strategy is to develop the business as a leader in sustainable fragrances, unlocking the potential of F&F through organic growth and driving synergies with Croda's technology and customer bases.

Beauty Care

(c.50% of sector sales)

Beauty Care delivers differentiated ingredients across skin, hair and solar care. The strategy is to strengthen Beauty Care through a focus on growth and agility in the target market segments, innovate in sustainable effect ingredients, deliver a full-service formulation capability for customers and differentiate our products through a rich data set which customers can leverage to meet their specific market needs.

Home Care

(c.5% of sector sales)

Home Care is focused on bringing Croda's ingredients to selective premium home care markets. This is delivered through two technology platforms which deliver improved efficacy and sustainability: fabric care, with biopolymers that increase the lifetime of clothes; and household care, with sustainable alternatives to fossil-based surfactants.

Market opportunities

Positively impacting everyday life

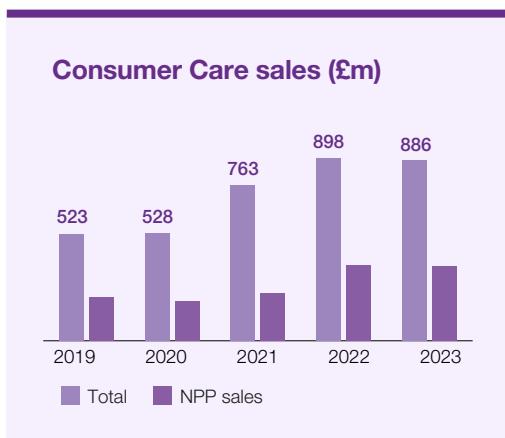
Croda is a global leader in speciality ingredients providing high-performance technologies behind the world's biggest brands. Long-term trends such as an ageing population are driving consumption, with increased penetration of consumer care products across all cultures of the world. Beauty, in particular, is becoming synonymous with wellbeing, confidence and self-esteem at every stage in life.

With growing economies and an expanding middle class, Asia and the Middle East represent significant growth opportunities. We are implementing our objective to achieve fast growth in Asia and are well placed to serve regional and indie customers whose importance is growing in the region.

Science and sustainability are driving consumers and our customers. Consumers are always on the look-out for improved performance and new trends, with Croda delivering new ideas with proven substantiated claims. Consumers also prefer products that are good for them and the planet, as well as highly effective. We are complementing our leading range of sustainable ingredients with assured information about their impacts and an R&D programme focused on delivering sustainability benefits in use to our customers.

Customers also want intimate relationships with key suppliers to reduce time to market so our ability to facilitate fast innovation is creating new opportunities. We supply key ingredients, with on-trend formulations, complemented by regulatory expertise to ensure that all-important element – speed.

Across consumer markets, we are focused on faster-growing niches which value our innovation, including anti-ageing, hair conditioners and mineral sunscreens. Our unrivalled portfolio is the foundation of our success and is constantly evolving, with more than 40,000 different product/customer combinations, and 40,000 fragrance references.



Consumer Care vision

To be the world's most responsive, innovative and sustainable solutions provider in consumer care markets

Strategy to strengthen Consumer Care

Responsive

- Enhance customer intimacy
- Full formulation capability

Innovative

- Drive innovation in premium markets
- Scale biotechnology

Sustainable

- Develop more sustainable ingredients
- Support with science-based performance claims

Fast grow Asia

Strategy

Croda creates critical Consumer Care ingredients that are both sustainable and underpinned by performance. Our business model helps us to win; operating in over 120 countries, Croda supports customers large and small globally.

The Consumer Care strategy anticipates and responds to the megatrends influencing consumer behaviour and shaping our customers' needs. In an era defined by rapid global economic shifts and evolving consumer desires, our strategy positions us at the forefront of the market, ready to meet the demands of an increasingly discerning consumer base. Consumers will pay a premium for high-quality, innovative formulations and substantiated product claims. They also want to live their lives more sustainably and this is impacting their decisions when it comes to the products to buy.

Our ambition is to be the world's most sustainable, innovative and responsive solution provider. Already recognised as a market-leading innovator, our strategy is to continue to strengthen Consumer Care in fast growth niches, by accelerating innovation, expanding our sustainable product portfolio and enhancing our customer intimacy. Leadership requires us to deliver sustainable ingredients with the best performance and data to support customer claims. We will also lead in formulation science and application technologies.

Our innovation is improving the sustainability of our ingredients and finding high performance replacements for fossil-based products. We showcase our ingredients, educate customers on their use and develop finished formulations for customers, incorporating both our performance-based ingredients and emotion-driven fragrances and botanicals to deliver complete solutions. This is particularly attractive to smaller companies, who can partner with Croda to launch products to the market at pace.

With the personal care market in Asia developing rapidly, we have a 'fast grow' programme to expand our technical and sales presence. This is being supported by selective expansion in manufacturing and a focus on acquisition opportunities, targeting adjacent active technologies and natural ingredients. We have completed the acquisition of Solus BioTech, a global leader in premium, biotechnology-derived materials located in South Korea. With over 30 years of expertise in the development of naturally derived ceramides, the acquisition broadens Croda's offering of high performance, natural ingredients for luxury beauty customers in Asia and globally.

Sector review continued

Consumer Care continued

Consumer Care

Performance summary – leadership in innovation and sustainability driving demand

Consumer Care sales fell 1% to £886.1m (2022: £897.8m) with strong double-digit percentage sales growth in F&F but lower underlying sales in Beauty Actives, Beauty Care and Home Care. Price/mix was 2% mainly due to a positive mix impact from Beauty Actives, with pricing broadly flat. Sales volumes were down 4% year-on-year but were up 9% in the second half compared with the second half of 2022.

Acquisitions added 1% due to sales of ceramides following the Solus Biotech acquisition, with foreign currency translation a small headwind particularly in the second half year.

IFRS operating profit was £127.8m (2022: £144.5m) and adjusted operating profit was £160.3m (2022: £204.7m), resulting in adjusted operating margin reducing to 18.1% (2022: 22.8%). Four and a half percentage points of the margin decline was due to the operating gearing effect of continued weak volumes in Consumer Care, compounded by lower volumes in Life Sciences and Industrial Specialties which share the same manufacturing assets. Two percentage points of the margin decline was due to weaker mix as a result of strong growth of lower margin F&F sales, with the negligible variable remuneration charge and provision release associated with an earn-out on the Iberchem acquisition providing a partial offset.

In Consumer Care, our leadership in sustainability and innovation continues to drive demand for Croda's differentiated ingredient portfolio. Sales of New and Protected Products (NPP) improved to 42% of total sales (2022: 41%) and sales of sustainable ingredients such as ECO surfactants and biotech-derived ingredients were stronger than other ingredients in our portfolio. We can now provide product-level carbon footprint data to our customers so that they can quantify the benefits associated with using around 1,300 of our ingredients in their products, supporting a structural shift in behaviour by customers and consumers towards sustainable ingredients. The focus of our work has been on Beauty Care where Product Carbon Footprints are now available for three quarters of our portfolio.

Sales to Asia exceeded sales to North America for the first time with significant potential for further growth, particularly for premium products driven by the increasing number of middle-class consumers. To maximise fast growth in Asia, we have prioritised investment in R&D, sales and production in China and India in particular where underlying sales grew 12% in 2023. While our performance in China has remained robust, owing to strong relationships with regional brands built on our innovation expertise, a broad-based recovery in Chinese consumer spending and travel would underpin improved global demand for consumer care products.

The stand-out performer in 2023 was **Fragrances and Flavours (F&F)** which delivered 18% underlying sales growth, benefitting from its distinctive positioning in fast-growing markets and agile, cost competitive model. F&F sales were up in all product categories and established regions, with the Middle East particularly strong. This excellent sales growth principally reflects F&F's high exposure to local and regional customers outside North America and Europe as well as sales synergies that are being realised under Croda's ownership. These include a new multi-million pound a year sales opportunity to supply fragrances to a multinational company in regions where F&F has local production. Projects are also underway to further increase the proportion of bio-based fragrance ingredients, to continue the move towards lower carbon and a more natural footprint.

Approved R&D and manufacturing investment programmes are underway in China, Indonesia, France and Spain to continue the growth momentum.

In **Beauty Actives**, reported sales were up 4% but down 1% on an underlying basis (i.e. excluding the Solus Biotech acquisition). Positive mix helped offset weaker volumes as Sederma active ingredients grew, particularly in China, whereas sales of lower-value botanicals fell. The business supported new customer products with peptides for the new Boots No7 Future Renew range and for a new Deciem product that repairs scars caused by acne. Our ingredients are increasingly derived from biotechnology, both plant stem cells and fermentation, and we recently launched LuceaneTM, an anti-ageing active with its origins in marine biotechnology, and an active ingredient that fades age spots caused by the sun. Having completed the Solus Biotech acquisition in July 2023, we are excited about the opportunities that the addition of further fermentation-derived active ingredients to our portfolio are starting to open up, with strong customer demand already evident for ceramides. We will drive rapid sales growth of Solus ingredients by leveraging Croda's global selling network and formulation science expertise.

Performance remained weakest in **Beauty Care**, which has broad market exposure and is larger than the other business units, with sales down 11% driven by lower volumes. Our approach in Beauty Care is to manage sales volumes in the less differentiated parts of the portfolio to underpin consistent plant utilisation and cover fixed costs. We are also working to win back business in North America which we lost in 2022 through our inability to supply. In parallel, we are accelerating the differentiation of the Beauty Care portfolio by driving innovation, enhancing the sustainability profile of our ingredients, and transitioning our manufacturing processes to biotech and other low carbon technologies. Already a sustainability leader, the business is adding further high-performance replacements for fossil-based products, such as biotech-derived surfactants to reinforce a number one position in sustainable surfactants. In hair care, our focus is on biodegradable hair care ingredients and non-animal alternatives for hair conditioning. In sun protection, we specialise in mineral sunscreens that deliver superior SPF protection, are 'reef safe' and appear clear on the skin. The continued fragmentation of beauty care markets plays to our strengths as we partner with customers large and small enabling them to launch their products quickly. We are leveraging this position as go-to-market partner at our innovation centres globally where we offer to co-create customer products.

The recovery of sales volumes in **Home Care** accelerated as the year progressed, with underlying sales down 1% year-on-year but up 12% in the second half compared with the second half of 2022. Once again it was sales of two technology platforms that are differentiated by sustainability that led the way – bio-based ECO surfactants for household care and biopolymers which extend the life of fabrics. We also agreed a long-term contract with a key customer that underpins future sales of our biopolymer range.

Alongside investments that help deliver the carbon reduction roadmaps that we have put in place for all sites, Consumer Care investment is focused on Asia to support continued growth momentum. In China, we opened a new laboratory in Shanghai and started work on a £30m combined Beauty Actives and F&F manufacturing facility in Guangzhou to grow domestic sales. In India, we commenced construction of a new surfactants plant at a greenfield site in Dahej. The acquisition of Solus Biotech in South Korea has also given us another state-of-the-art plant in the region and strengthened our presence across Asia.



Growing our portfolio of premium beauty actives with the addition of naturally-derived ceramides

With the acquisition of Solus Biotech, which completed in July 2023, we added naturally-derived ceramides to our broad offering of premium beauty actives ingredients. Ceramides help form a protective layer, reinforcing the skin's natural barrier and improving hydration while reducing free radicals and protecting against damage from pollution. Although ceramides are naturally found in the skin, their concentration depletes with age, and they are increasingly recognised as a 'miracle' ingredient with the number of new personal care products containing ceramides doubling over the last five years. The acquisition not only broadens our beauty actives offering to include ceramides, but also expands our biotechnology capabilities and brings a new site in South Korea which will act as a springboard into premium markets in Asia.

Enabling customers to make purchasing decisions aligned to their environmental goals

In October 2023, we launched product carbon footprint (PCF) statements for around 1,300 of our Beauty Care ingredients, representing about three quarters of the revenue for our Beauty Care portfolio. The statement is a cradle-to-gate life cycle assessment that provides our customers with the total greenhouse gas emissions (GHG) associated with the ingredient, from sourcing the raw materials through to when the final product leaves our factory gates.

PCFs allow customers to make more informed purchasing decisions as they work towards their own decarbonisation plans. This means customers can assess the benefits of using Croda ingredients in terms of the GHG impact on their finished product.

For Croda, PCFs enable us to see our GHG emissions at a product level so we can understand where our product portfolio is successfully helping us meet our decarbonisation targets and opportunities to further reduce our impact. They will also help us prioritise the carbon claims of new ingredients as a source of competitive advantage.

The Croda proprietary tool automates the calculation of cradle-to-gate product carbon footprints and was created by a team comprising data scientists, mathematicians, and accountants as well as sustainability specialists.



Leveraging biotechnology to deliver advanced ingredients with improved sustainability profiles

Utilising biotechnology, including plant cell cultures and the fermentation of microorganisms, to create innovative ingredients is not new to Croda and is something we have been doing in our Beauty Actives business for more than 30 years. By enabling us to exploit the cellular and biomolecular processes of living organisms outside of animals, biotechnology makes it possible to produce alternatives to ingredients which are currently manufactured with synthetic chemistry using solvents, catalysts and in some cases hazardous materials. The use of biotechnology therefore offers the potential to develop innovative active ingredients, using natural ingredients with sustainable supply chains, while improving certain processes to deliver time savings and higher yields.

In 2023, we launched Luceane™, a patented active ingredient that counteracts hypoxia ageing by stimulating and protecting cell respiration and energy production, while also inducing micropollutant removal within cells. Studies have shown Luceane™ slows down the ageing process by five years after just one month of application, reducing signs of fatigue and improving skin radiance. Manufactured using the fermentation of marine microorganisms, Luceane™ is 100% natural, fully biodegradable, RSPO certified and uses sustainable manufacturing with complete waste recovery, demonstrating how our smart science can deliver advanced ingredients sustainably.

Sector review

Life Sciences

Our strategy is to expand Life Sciences to empower biologics delivery, enabling the move from small chemically synthesised molecules to large and complex biologics, a megatrend which is transforming the pharmaceutical market and which will transform agriculture.



Business units

Life Sciences SDG alignment:

Contributes to 18 targets across 9 of the 17 goals



Total number of Pharma customers:

>5,000

Partner to major crop science companies and a growing number of small and medium-sized customers

Agriculture

Crop Protection

(c.30% of sector sales)

Crop Protection has leading relationships with the major crop science companies, offering ingredients that improve performance and delivery of crop formulations. Our strategy is to deliver sustainable solutions using technology platforms and expertise in complex crop formulation systems, improving yields, accelerating the transition to biopesticides and contributing to food security.

Seed Enhancement

(c.15% of sector sales)

Seed Enhancement leverages our leadership in seed coating systems and enhancement technologies to improve germination, stimulate healthy development of seeds and increase crop yield. Our strategy is to be the leader in sustainable seed enhancement solutions for both field and vegetable crops.

Pharma

(c.55% of sector sales)

Pharma targets leadership in biologics drug delivery, delivering drug and vaccine systems through synthesis, system formulation and application technology know-how. Our innovation portfolio is designed to selectively support customers, large and small, who are driving emerging pharma technologies, and to unlock value from our technology strengths. Pharma comprises three technology platforms:

Protein/Small Molecule Delivery has an established record of providing delivery systems for complex protein drugs. These large, sensitive molecules are typically injected. Our differentiated range delivers the highest purity excipients to customers, including 'Big Pharma'. Our strategy is to support established small molecule drugs and develop excipients for complex protein and monoclonal antibody (mAb) applications, and expand our portfolio of high purity reagents for bioprocessing.

Adjuvant Systems is the most advanced third-party supplier of adjuvants (immune response boosters) for vaccines. There is a large, recognised need for innovation in vaccine adjuvant systems as a result of the development of novel therapeutic vaccines that cure diseases previously only treatable with symptomatic treatments. Croda is well-positioned with the broadest range of vaccine adjuvant systems and is embedded within vaccine pipelines across many indications.

Our strategy is to accelerate use of innovative adjuvant systems, comprising multiple building blocks, supporting WHO vaccine programmes and the development of future preventative and therapeutic vaccines.

Nucleic Acid Delivery was created after our 2020 acquisition of Avanti and enabled the world's first commercial lipid system for mRNA vaccines for Covid-19. Our innovation pipeline looks to improve lipid delivery systems and create new transfection agents for cell and gene therapy. We are included in a high proportion of the rich pipeline of nucleic acid drugs that are in development and due to commercialise from 2025.

In addition, our **Avanti Research** catalogue continues as a distinct strategic arm targeting early-stage R&D and academic relationships. This embeds our technologies in clinical development and, if successful, we position ourselves as the partner of choice for commercialisation.

Expanding Life Sciences

Market opportunities – Pharma

Pioneering the future of healthcare

In pharmaceutical markets, Croda focuses on providing systems that deliver Active Pharmaceutical Ingredients (APIs) to the target site in the body, maintain stability and improve efficacy.

We are pioneering the future of healthcare by focusing on segments with a high development need. Our key differentiator is innovation, creating new ingredients from sustainable sources with a unique quality.

For protein delivery we provide a range of speciality excipients for challenging formulations including injectables. In adjuvant systems, we are the only independent supplier with a full component portfolio and the ability to put those vaccine adjuvants together to power the therapeutic vaccines of the future. We are the leading innovator of components for nucleic acid delivery, capable of both developing new systems and scaling them up to support commercial roll out.

In total we have over 5,000 customers across the whole pharmaceutical lifecycle. Our approach is to develop delivery systems for candidate drugs in early-stage research, generating revenue from providing materials during clinical development and then as the principal supplier of the delivery system if the drug is commercialised. Our broad base means we are exposed to a wide range of customers, drugs and applications.

Market opportunities – Agriculture

Innovating for global food security

The agriculture industry is at a pivotal moment, facing the dual imperatives of delivering higher yields to feed a growing population and reducing chemical use as required by tighter regulation. Through our deep understanding of plant science, we can contribute to increasing food production without the need to use more land, thereby helping to improve global food security.

We are helping address the challenges with conventional pesticides by developing low carbon, biodegradable delivery systems to enable sustainable formulations and promote soil health. Our drift reduction technologies target crop spraying and are a key enabler of new farming practices such as drone application. We are also first to market with microplastic-free seed coatings many years before regulatory change and are enhancing seeds so that they germinate in the more challenging conditions created by climate change.

Whilst the market for biopesticides is much smaller than the market for conventional pesticides, it is growing much faster, presenting the opportunity for agriculture to have a much lower impact on biodiversity. We are creating solutions for a more sustainable future by developing delivery systems for biopesticides in which the active ingredients are microorganisms rather than chemicals and even nucleic acids that target a specific pest or inactivate a disease.

Life Sciences vision

To empower biologics delivery

Strategy to expand Life Sciences

Pharma

- Focus on delivery systems with high development needs
- Transition from ingredients supplier to systems provider

Agriculture

- Reinforce leadership in sustainable delivery systems
- Enable the transition to biopesticides

Invest in innovation pipeline, knowledge and capacity

Strategy

In Life Sciences, Croda focuses on providing delivery systems for active pharmaceutical and crop ingredients. Our technologies deliver the active, improve its efficacy and solve challenges of stability and sustainability in customer formulations.

Our global footprint gives us presence in the major crop regions and access to leading pharma R&D. Our strength in North America and Western Europe is now leveraged through expansion in Asia and Latin America. Working as an innovation partner to the major crop science companies, we have also expanded with medium and smaller-sized customers, especially local customers in Latin America, India and China. Our acquisition of research-focused Avanti in 2020 expanded our pharma customer base to span drug discovery and clinical trial stages, alongside our established commercialisation business. These relationships extend beyond global brands to academia, start-ups and biotech, where significant breakthrough discovery happens.

Our strategy is to expand Life Sciences to empower biologics delivery, enabling the move from small chemically synthesised molecules to large and complex biologics, a megatrend which is transforming the pharmaceutical market and which will transform agriculture. In Pharma, we focus on segments with the strongest growth and highest innovation needs, leveraging our delivery systems and technology platforms to create new solutions for customers. In our Agriculture business, we are reinforcing our leadership with sustainable solutions and leveraging our expertise to accelerate the transition to biopesticides, which will enable greater targeting of actives and reduced biodiversity impact.

To deliver this strategy, we are investing in innovation, knowledge and capacity. Our R&D investment is creating an extensive innovation pipeline. We are increasing our knowledge base in innovation, sales and manufacturing, co-investing with national governments who recognise the importance of biologics in the 21st century. We are supplementing organic growth with acquisition of new technology platforms, building on the successful growth of our vaccine adjuvant platform, acquired in 2018 and already doubled in sales, and our lipid systems platform, acquired in 2020, the first to deliver a commercial Covid-19 mRNA delivery system and widely utilised within the fast-evolving gene editing market.

Sector review continued

Life Sciences continued

Life Sciences

Performance summary – continued progress building industry-leading positions in high-growth markets

Life Sciences sales were down 12% to £602.3m (2022: £682.3m), with approximately seven percentage points of the reduction due to lower sales of lipid systems for Covid-19 vaccine applications. On a reported basis, positive price/mix of 3% partly offset a 15% decline in volume, the majority of which was due to destocking by Crop Protection customers with a small effect from similar trends in consumer health. There was also a contribution from phospholipid sales following completion of the Solus Biotech acquisition in July 2023 and a small foreign currency headwind. Sales of New and Protected Products (NPP) as a percentage of total sector sales fell to 29% (2022: 42%) or by one percentage point to 31% (2022: 32%) excluding the impact from Covid-19 lipid sales.

IFRS operating profit was £131.7m (2022: £220.3m) and adjusted operating profit was £150.3m (2022: £229.4m), resulting in an adjusted operating margin of 25.0% (2022: 33.6%). Six percentage points of the margin reduction was the result of adverse price/mix mainly due to lower Covid lipid sales, and four percentage points was the result of the negative operating leverage effect of lower volumes mainly in Crop Protection, partly offset by the benefit from a negligible variable remuneration charge. Shipments of c.\$60m of lipid systems to our principal Covid vaccine customers occurred as planned at the end of the year benefitting second half operating profit margin.

Crop Protection is meeting the ‘innovation gap’ created by regulatory pressure to reduce pesticide use by developing sustainable crop care solutions as well as delivery systems for crop biologics that are enabling customers to transition to biopesticides. We recently launched our first delivery system specially designed for biopesticides, which has secured sales in all regions, and a new product that meets the growing demand for drone application particularly in Asia. Following an exceptional 2022, when Crop Protection delivered both strong double-digit percentage volume growth and price/mix, the business started the year with good momentum, but began to experience rapid customer destocking in the second quarter, with Q2 volumes down more than 30% compared with Q1. Volume weakness continued throughout the second half year, to fall 21% year-on-year with a small offset from positive price/mix, resulting in sales falling 19% overall. An end to destocking in Crop Protection markets would be an important driver of improved Life Sciences performance in the near term but the timing of this inflection point is uncertain as destocking started later than in other markets, and customer concentration is higher, so demand can be determined by the buying decisions of four or five major customers. In addition, agriculture markets are seasonal, so a lack of demand can mean that a whole season is missed, but conversely when a recovery comes it is likely to have a more immediate effect.

In **Seed Enhancement**, a significant proportion of sales are derived from providing just-in-time enhancement services for vegetable seeds. As such, the business only sees a limited impact from stocking cycles and delivered a 9% sales increase, driven by strong structural growth trends. Seed Enhancement is winning market share through its leadership in microplastic-free seed coatings which are in high demand globally following the European Union’s recent adoption of measures that will ban the use of microplastics in agriculture in the next five years. Historically, the market for field crop seeds experiences changes in demand later in the cycle, so the market environment could be tougher in 2024, but for Croda, this risk is mitigated by our focus on vegetable seeds, our sustainability leadership and the incremental opportunities that are being created by regulation change.

Pharma continued to make good progress with its industry-leading position in biologics drug delivery as well as recent partnerships and new product launches further strengthening the pipeline of opportunities. Pharma sales fell 11% but grew 3% on an underlying basis excluding lipid sales for Covid-19 vaccine applications. The period also saw the first sales of phospholipids for drug delivery and intravenous nutrition following the completion of the Solus Biotech acquisition in July 2023. Whilst we were not immune from the challenges impacting the market, including customers reducing inventory levels, Covid normalisation and funding constraints for early-stage biotech companies, the breadth and diversification of our pharma portfolio enabled the business to deliver a resilient performance. Destocking primarily affected our heritage, consumer health ingredients for over-the-counter medicines, with lower Covid-19 demand adversely impacting Adjuvant Systems sales as well as lipids for Covid-19 mRNA vaccines. These challenges appear to be temporary rather than structural, but their effects could continue into 2024. By contrast, drug delivery technologies for Small Molecule, Protein and Nucleic Acid applications continued to grow.

Over the longer term, accelerating growth and margins will be driven by the commercialisation of new biologic drugs, many of which we are supporting during clinical trials, augmented by incremental revenue from our own innovation pipeline.

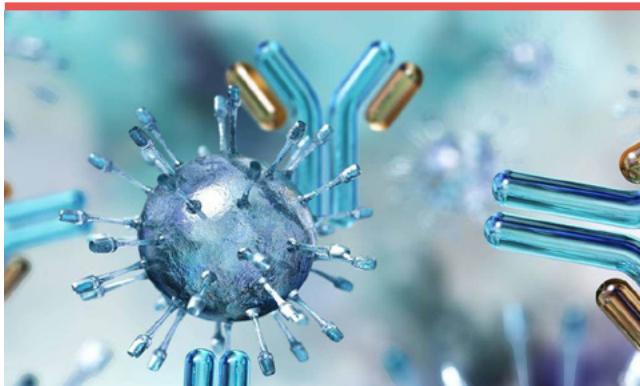
Protein/Small Molecule Delivery provides delivery systems for both the more mature small molecule drugs and the higher growth protein and monoclonal antibody (mAb) applications. Through the Solus Biotech acquisition, we have added naturally derived phospholipids to our portfolio which can be used as delivery systems for protein and small molecule actives, and for intravenous nutrition. In line with our strategy, we also expanded into bioprocessing aids, a target adjacency, launching Virodex as an aid for biopharma manufacturing and a superior alternative to a competitor product that is now banned in Europe. The first sales of Virodex were secured within three months of launch.

Adjuvant Systems is the leading independent supplier of adjuvants which are used as immune response boosters in both commercialised vaccines and those in development. It will benefit from two new adjuvant partnerships agreed during the year with Amyris and BSI. One of these is a sustainable squalene adjuvant that is produced by fermentation and is free from shark-derived material that forms the basis of competing adjuvants, and is already being qualified by three major vaccine companies. We have also expanded our adjuvants portfolio through new launches from our own innovation pipeline including PHAD, a new proprietary lipid-based adjuvant already sampled into over 20 vaccine projects.

The growth of **Nucleic Acid Delivery** will be driven by the commercialisation of new nucleic acid drugs with the number in development continuing to grow, and Croda supporting the majority of those that specify a lipid delivery system. Clinical trials of nucleic acid-based drugs have increased rapidly over the last 12 months as pharma industry pipelines continue to grow. The strong medium-term growth trajectory for our Nucleic Acid Delivery platform is likely to be realised in three phases: firstly, mRNA vaccines for infectious diseases which are expected to come to the market from 2025, where we are working closely with the Big Pharma companies driving this development; secondly, oncology applications which require more targeted delivery systems; and thirdly, gene editing therapies such as a CRISPR treatment for sickle cell anaemia which we are supporting and was recently approved by the US FDA.

During the year, we opened an applications centre in 'Genome Valley', Hyderabad, India to support growing demand for protein and small molecule delivery. With our Pharma business a top priority for capital allocation, we also opened an adjuvant systems lab in Denmark and are due to expand our R&D capabilities for nucleic acid delivery at Alabaster in the USA and in Singapore in 2024. We are investing an

extra £175m over the period 2021 to 2024 to scale up Pharma production, particularly to meet forecast market demand for new nucleic acid drugs which are widely expected to come to the market from 2025, with the US and UK Governments co-investing up to an additional £75m combined. We have invested over £110m in the programme to date.



Helping to prevent and treat life-threatening diseases with our drug delivery systems

Adjuvants are used in vaccines to enhance the immunogenicity of antigens, inducing a stronger immune response and improving the efficacy of the vaccine. We are a leading supplier of aluminium and saponin-based adjuvants, used in traditional preventative vaccines, with a growing portfolio of advanced adjuvant systems for use in next generation vaccines. This means we can positively contribute to the growing demand for health and wellbeing. We are making progress towards our target of contributing to the development of at least 25% of vaccines identified as priorities by the World Health Organisation and are also providing adjuvant systems for new therapeutic vaccines such as a personalised vaccine for patients with melanoma.

In 2023 we signed two partnership agreements for the supply of biotechnology-derived Squalene and QS-21 adjuvants. With Squalene commonly sourced from shark liver and QS-21 produced by harvesting the bark of mature soap trees in Chile, these agreements ensure we will positively contribute to both patient health and biodiversity by establishing sustainable supply chains.



Improving agricultural output without negatively impacting nature

The application of coatings makes seeds easier to sow and the inclusion of micronutrients and plant protection products improves the overall performance of seeds while reducing the need for crops to be sprayed after planting. As such, seed treatment has a positive environmental impact, but many seed coatings contain polymer-based binding agents, leaving microplastics in the soil when the seed coatings break down.

Croda has addressed this issue, becoming the first company to develop high-performing microplastic-free seed coatings for use on both vegetable and field crop seeds. The European Union has adopted legislation which bans the use of microplastics in agriculture within the next five years resulting in increasing demand for microplastic-free coatings which have already been applied to seeds covering several million acres. With soil health becoming ever more important, we expect to deliver incremental growth with microplastic-free seed coatings not just in Europe, but in other regions such as Latin America too.

Sector review

Industrial Specialties

Industrial Specialties plays a critical role in our business contributing to overall asset utilisation and therefore profitability.



Contributing to the efficiency of our manufacturing assets

With the divestment of the majority of Croda's Performance Technologies and Industrial Chemicals (PTIC) business on 30 June 2022, the retained industrials business, including the SIPO joint venture in China, became Industrial Specialties (IS). IS leverages investments in Consumer Care and Life Sciences, our core sectors, and plays a critical role in our manufacturing site model. This includes contributing sales volumes to our shared production assets and thereby enhancing overall asset utilisation, cost absorption, and ultimately profitability, as well as monetising co-streams so that we maximise the value of all our products. The business is regionally led, to enable flexible optimisation of manufacturing capacity matched against local demand, with global leadership from an Executive Committee member. It also operates a medium-term supply contract to Cargill, the new owner of the divested business.

The 2022 comparator year comprised the full PTIC business in the first half year and the retained business in the second half year. It is estimated that, had the divestment occurred at the start of 2022, sales in 2022 would have been £191m lower at £318m and 2022 adjusted operating profit would have been £39m lower at £42m. On this pro forma basis, sales fell 35% to £206.1m principally due to lower volumes, reflecting destocking and weak industrial demand globally. The effect of weak demand was similar on both sales direct from Croda and to Cargill as part of the supply agreement and limited the ability of IS to help optimise site utilisation. Pro forma adjusted operating profit fell 78% to £9.4m as negative operating leverage compounded the impact of lower volumes. The impact of these adverse market conditions on the SIPO joint venture in China resulted in a goodwill impairment charge of £20.8m taken at the 30 June 2023 balance sheet date. Including the impairment charge, the reported IFRS loss was £12.0m (2022: £79.9m profit), with the prior period including the full contribution from the divested business.

Finance review



Louisa Burdett
Chief Financial Officer

Focused on profit protection and active cash management

A weak macroeconomic environment and customer destocking had a significant effect on Croda's financial performance in 2023 with sales down 11% and adjusted operating profit down 33% both on a pro forma basis. Given the challenging trading conditions, we took some

immediate actions to address costs alongside driving improvements to the way that we work that will deliver sustained benefits over the long term. We actively managed our cash flow, resulting in a significant reduction in working capital and inventory days, and our balance sheet remains strong, enabling us to continue to invest through the downturn to drive future growth.

Currency translation

The US Dollar and the Euro together represent approximately 65% of the Group's currency translation exposure. Sterling was broadly flat against the US Dollar at an average for the year of US\$1.243 (2022: US\$1.237) and weakened slightly against the Euro to €1.149 (2022: €1.174) on a similar basis. The impact of changes in exchange rates for other smaller currencies, which represent 35% of the exposure, was more significant. Overall, the negative impact from currency translation was £9.1m on sales and £10.3m on adjusted operating profit. The disproportionate impact on adjusted operating profit reflected a £6m adverse effect from the application of IAS 29 ('Financial Reporting in Hyperinflationary Economies') to reporting in Argentina and Turkey, and a £2m foreign exchange loss from the devaluation of the Argentine peso, with the balance from the net effect of other currency movements. The transactional impact of foreign currency exchange was not material.

Impact of PTIC divestment

The Group successfully completed the divestment of the majority of the Performance Technologies and Industrial Chemicals (PTIC) business on 30 June 2022, with the retained industrials business, including the SIPO joint venture in China, becoming Industrial Specialties (IS). Given the divested business did not meet the requirements for classification as a discontinued operation, the first half of 2022 included the full PTIC business and the second half year only the retained business. It is estimated that, had the divestment occurred at the start of 2022, sales in 2022 would have been approximately £191m lower at £318m and 2022 adjusted operating profit would have been approximately £39m lower at £42m. Pro forma 2022 results have been adjusted for the divestment. On this basis, IS sales fell 35% to £206.1m and adjusted operating profit fell 78% to £9.4m.

Sales

	2023 £m	Price/mix	Volume	Acquisition	Currency	Change	2022 £m
Sales							
Consumer Care	886.1	1.9%	(3.6)%	1.0%	(0.6)%	(1.3)%	897.8
Life Sciences	602.3	3.2%	(15.4)%	0.7%	(0.2)%	(11.7)%	682.3
Industrial Specialties	206.1	(3.9)%	(55.1)%	0.0%	(0.5)%	(59.5)%	509.2
Group	1,694.5	10.9%	(30.0)%	0.6%	(0.4)%	(18.9)%	2,089.3
Estimated pro forma sales							
Group	1,695	11%	(30)%	1%	(1)%	(19)%	2,089
Pro forma adjustment							(191)
Group (pro forma)	1,695	5%	(16)%	1%	(1)%	(11)%	1,898

Reported sales were down 18.9% to £1,694.5m (2022: £2,089.3m). On a pro forma basis they were down 11%. Within this, price/mix improved by 5%, supported by positive mix in Consumer Care and weaker IS sales. Group volumes reduced by 16% pro forma, with a weaker macroeconomic environment and continued customer destocking across consumer, crop and industrial markets having a significant impact. While sales volumes remain significantly lower than

2022, they are slowly improving in Consumer Care and were 9% higher in the second half of 2023 than they were in the second half of 2022. Sales of ceramides and phospholipids contributed 1% following completion of the Solus Biotech acquisition in July, with a 1% headwind from currency translation mainly due to movements in smaller currencies to which the Group has less exposure.

Finance review continued

Profit and margin

	2023			2022		
	IFRS £m	Adjustments £m	Adjusted £m	IFRS £m	Adjustments £m	Adjusted £m
Sales	1,694.5	–	1,694.5	2,089.3	–	2,089.3
Cost of sales	(964.5)	–	(964.5)	(1,103.7)	–	(1,103.7)
Gross profit	730.0	–	730.0	985.6	–	985.6
Operating costs	(482.5)	(72.5)	(410.0)	(540.9)	(70.4)	(470.5)
Operating profit	247.5	(72.5)	320.0	444.7	(70.4)	515.1
Gain on business disposal	–	–	–	356.0	356.0	–
Net interest charge	(11.2)	–	(11.2)	(20.7)	(1.7)	(19.0)
Profit before tax	236.3	(72.5)	308.8	780.0	283.9	496.1
Tax	(64.2)	9.5	(73.7)	(126.7)	(13.8)	(112.9)
Profit after tax	172.1	(63.0)	235.1	653.3	270.1	383.2

	2023			2022		
	IFRS £m	Adjustments £m	Adjusted £m	IFRS £m	Adjustments £m	Adjusted £m
Operating profit						
Consumer Care	127.8	(32.5)	160.3	144.5	(60.2)	204.7
Life Sciences	131.7	(18.6)	150.3	220.3	(9.1)	229.4
Industrial Specialties	(12.0)	(21.4)	9.4	79.9	(1.1)	81.0
Group	247.5	(72.5)	320.0	444.7	(70.4)	515.1

Cost of sales benefitted from a 12% reduction in raw material costs in 2023, with freight and energy costs also reducing as we progressed through the year. In addition, underlying employee costs were broadly flat as a hiring freeze and natural attrition offset inflation-based salary increases.

Significant volume declines across most of our markets at a similar time led to low levels of capacity utilisation at our manufacturing sites, with negative operating leverage impacting profit margins. IFRS operating profit was £247.5m (2022: £444.7m) and profit before tax £236.3m (2022: £780.0m), the prior period having included the gain on the PTIC divestment of £356.0m. IFRS profit before tax included a charge for adjusting items of £72.5m (2022: £72.1m charge excluding the gain

on business disposal), comprising a goodwill impairment of £20.8m to the carrying value of the Chinese SIPO joint venture in Industrial Specialties, a charge for amortisation of acquired intangible assets of £36.7m (2022: £34.3m), acquisition costs of £9.6m (2022: £nil) and restructuring costs associated with changes to the Group's operating model of £5.4m (2022: £nil). Prior year adjusting items included a gain on contingent consideration on a previous acquisition of £6.1m and an impairment charge of £42.2m, reflecting a £34.6m write-down of goodwill in the Flavours cash generating unit and a £7.6m write-off of unusable manufacturing equipment in Japan. The adjusting charge within net interest related to unwind of the discount on contingent consideration of £1.7m.

Adjustments excluding gain on business disposal	2023 £m	2022 £m
Business acquisition costs	(9.6)	–
Restructuring costs	(5.4)	–
Impairments	(20.8)	(42.2)
Fair value movement on contingent consideration	–	6.1
Unwind of discount on contingent consideration (net interest)	–	(1.7)
Amortisation of intangible assets arising on acquisition	(36.7)	(34.3)
Total adjustments	(72.5)	(72.1)

Adjusted profit	2023 £m	Full year ended 31 December				
		Underlying growth £m	Acquisition impact £m	Currency impact £m	2022 £m	Change
Consumer Care	160.3	(41.3)	0.4	(3.5)	204.7	(21.7)%
Life Sciences	150.3	(73.9)	0.0	(5.2)	229.4	(34.5)%
Industrial Specialties	9.4	(70.0)	0.0	(1.6)	81.0	(88.4)%
Operating profit	320.0	(185.2)	0.4	(10.3)	515.1	(37.9)%
Net interest	(11.2)	–	–	–	(19.0)	(41.1)%
Profit before tax	308.8	–	–	–	496.1	(37.8)%

Estimated pro forma profit	2023 £m	2022 £m	Change
Adjusted operating profit	320	515	(38)%
Pro forma adjustment	–	(39)	
Adjusted operating profit (pro forma)	320	476	(33)%
Net interest	(11)	(13)	15%
Adjusted profit before tax (pro forma)	309	463	(33)%

Group adjusted operating profit reduced by 33% on a pro forma basis to £320.0m (2022 pf: £476m), with an adjusted operating margin of 18.9% (2022 pf: 25%). With a large reduction in sales volumes, the biggest impact on margin was operating leverage, with reduced fixed overhead coverage accounting for a reduction in operating margin of around five percentage points. Adverse mix, principally lower Covid-19 lipid sales, also had an impact, reducing operating margin by around three percentage points.

There were a number of non-trading impacts that benefitted the adjusted operating margin by a total of approximately two percentage points. The most significant of these was a one and a half percentage point benefit from a negligible variable remuneration charge due to the impact of a lower share price on share scheme costs and because the annual bonus for 2023 was not triggered. Consumer Care also benefitted from the release of an accrual for an earn out associated with the Iberchem acquisition. Following the PTIC divestment, associated dis-synergy costs that were previously allocated to the divested business have been reallocated across the Consumer Care and Life Sciences sectors. This benefitted Industrial Specialties but reduced the operating margin in Consumer Care and Life Sciences by approximately half a percentage point each.

Whilst there are likely to be some bounce-back costs in 2024 as trading normalises, including a higher charge for variable remuneration and higher employee costs, there are also opportunities for margin expansion from higher sales volumes and improved mix, particularly if volume recovery is broad-based across all markets. There will also be benefits from our simplified operating model.

Net finance costs were £11.2m (2022: £19.0m), with receipt of £665.0m proceeds from the PTIC divestment on 30 June 2022 and

payment of the £227.4m consideration for Solus Biotech on 4 July 2023 being the main drivers of changes over recent periods, as well as higher interest rates. Net finance costs are expected to be £15-20m in 2024. Adjusted profit before tax was £308.8m (2022 pf: £463m). The effective tax rate on adjusted profit was 23.9% (2022: 22.8%) and the effective tax rate on IFRS profit was 27.2% (2022: 16.2%). The 2023 IFRS tax rate was higher than the effective tax rate on adjusted profit as the exceptional costs were mainly capital in nature and therefore not tax deductible. The prior year IFRS tax rate was lower than the effective tax rate on adjusted profit having benefitted from corporate tax exemptions available on the PTIC divestment. Releases of prior year tax provisions benefitted the Group's adjusted effective tax rate by approximately two percentage points, otherwise there were no significant adjustments between the Group's expected and reported adjusted tax charge based on its accounting profit. IFRS basic earnings per share (EPS) were 122.5p (2022: 465.8p) and adjusted basic EPS were 167.6p (2022: 272.0p).

Improving free cash flow

As a result of active cash management during 2023, free cash flow improved to £165.5m (2022 restated: £157.4m), with a working capital inflow of £29.1m (2022: £133.8m outflow). The working capital inflow was principally driven by lower inventory with stock days falling by approximately 20%. The improvement in working capital was despite the impact on receivables of approximately \$60m of lipid sales shipped to our principal Covid-19 vaccine customers during the final quarter.

Net capital expenditure was £170.1m (2022: £138.5m), driving future growth opportunities and supported by government funding grants in the Pharma business.

	Full year ended 31 December	
	2023 £m	2022 (restated) £m
Adjusted operating profit	320.0	515.1
Depreciation and amortisation	89.5	86.4
EBITDA	409.5	601.5
Working capital	29.1	(133.8)
Interest & tax paid	(93.5)	(154.0)
Non-cash pension expense	(4.4)	4.5
Share-based payments	(4.2)	(11.0)
Other cash movements	1.0	1.0
Net cash generated from operating activities	337.5	308.2
Net capital expenditure	(170.1)	(138.5)
Interest received	8.3	5.1
Payment of lease liabilities	(17.0)	(17.4)
Exceptional items cash outflow add back	6.8	–
Free cash flow	165.5	157.4
Dividends	(150.7)	(144.4)
Acquisitions	(241.8)	(21.2)
Business disposal net of cash in disposed business	(4.6)	579.0
Exceptional items: cash outflow	(7.9)	(1.0)
Other cash movements	(10.3)	(7.5)
Net cash flow	(249.8)	562.3
Net movement in borrowings	125.1	(381.8)
Net movement in cash and cash equivalents	(124.7)	180.5

Closing net debt was £537.6m (2022: £295.2m), including payment of the £227.4m consideration for the Solus Biotech acquisition that was funded from cash and debt facilities. The balance sheet remains strong with a leverage ratio of 1.3x EBITDA (2022: 0.5x), within our 1-2x target range. As at 31 December 2023, the Group had committed funding in place of £1,050.0m, with undrawn committed facilities of £381.2m and £172.5m in cash. We received the most favourable rate of interest on our sustainable banking facility as our emissions reductions met the specified targets.

Retirement benefits

The post-tax asset on retirement benefit plans at 31 December 2023, measured on an accounting valuation basis under IAS 19, was £64.9m (2022: £75.2m). Cash funding of the various plans is driven by the schemes' ongoing actuarial valuations. The Trustee and Company are working on the 30 September 2023 triennial actuarial valuation for the largest pension plan, the UK Croda Pension Scheme. Initial results shared with the Company show that the funding position has improved and that the cost of providing benefits has fallen.

Alternative Performance Measures (APMs):

We use a number of APMs to assist in presenting information in this report. We use such measures consistently at the half year and full year, and reconcile them as appropriate. Whilst the Board believes the APMs used provide a meaningful basis upon which to analyse the Group's financial performance and position, which is helpful to the reader, it notes that APMs have certain limitations, including the exclusion of significant recurring items, and may not be directly comparable with similarly titled measures presented by other companies.

The measures used in this statement include:

- Constant currency results: these reflect current year performance for existing business translated at the prior year's average exchange rates. Constant currency results are the primary measure used by management to monitor the performance of overseas business units, since they remove the impact of currency translation into Sterling, the Group's reporting currency, over which those overseas units have no control. Constant currency results are similarly useful to shareholders in understanding the performance of the Group excluding the impact of movements in currency translation over which the Group has no control. The definition of constant currency profit has been revised in the year to reflect the impact on the Group of its operations in hyperinflationary countries. Constant currency results are reconciled to reported results in the review of financial performance below. The APMs are calculated as follows:
 - a. For constant currency profit, translation is performed using the entity reporting currency before the application of IAS 29 hyperinflation and any associated one-off foreign exchange gains or losses;
 - b. For constant currency sales, local currency sales are translated into the most relevant functional currency of the destination country of sale (for example, sales in Latin America are primarily made in US Dollars, which is therefore used as the functional currency). Sales in functional currency are then translated into Sterling using the prior year's average rates for the corresponding period;
- Underlying results: these reflect constant currency values adjusted to exclude acquisitions in the first year of impact. They are used by management to measure the performance of each sector before the benefit of acquisitions are included, in order to assess the organic performance of the sector, thereby providing a consistent basis on which to make year-on-year comparison. They are seen as similarly useful to shareholders in assessing the performance of the business. Underlying results are reconciled to reported results in the Finance Review;
- Pro forma results: these reflect the current year performance measured against 2022 adjusted for the estimated impact of the divestment of the majority of Performance Technologies and Industrial Chemicals on 30 June 2022. Given the divested business did not meet the requirements for classification as a discontinued operation, the first half of 2022 included the full PTIC business and the second half year only included the retained business. The Board believes that the pro forma information assists shareholders by providing a meaningful basis upon which to analyse business performance and make year-on-year comparisons. Pro forma analysis is used by management for budgeting and reporting purposes including the internal assessment of operating performance across the Group. In the first half of 2022, it is estimated that the divested operations contributed revenue of £191m, adjusted operating profit of £39m and adjusted profit before tax of £33m. Pro forma results are presented on a rounded basis due to the estimated nature of the measures. The level of estimation risk in arriving at the pro forma numbers is not considered material for the Group. Pro forma adjustments only impact Industrial Specialties and the Group, with no changes to Consumer Care or Life Sciences;
 - Adjusted results: these are stated before exceptional items (as disclosed in the review of financial performance below) and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a meaningful basis upon which to analyse business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results;
 - Operating margin or return on sales: this is adjusted operating profit divided by sales, at reported currency. Management uses the measure to assess the profitability of each sector and the Group, as part of its drive to grow profit by more than sales value, in turn by more than sales volume, as set out in the Chief Executive's Review;
 - Return on invested capital (ROIC): this is adjusted operating profit after tax divided by the average adjusted invested capital. Adjusted invested capital represents net assets adjusted for net debt, net retirement benefit assets/(liabilities), earlier goodwill written off to reserves and accumulated amortisation of acquired intangible assets. The definition of ROIC has been revised in the year to exclude the Group's net retirement benefit balances from invested capital, given they are not operating in nature. Comparative information has been restated to reflect the new definition, resulting in restated ROIC of 14.4% for 2022 (previously 14.1%). Calculations and reconciliations are provided in the five year record of the Group's Annual Report. The Board believes that ROIC is a key measure of efficient capital allocation, in line with its policy set, with its aim being to maintain a ROIC of at least two times the cost of capital over the cycle, and that it is useful to shareholders in assessing the superior returns delivered by the Group and the impact of deploying more capital to grow future returns faster;
 - Net debt: comprises cash and cash equivalents (including bank overdrafts), current and non-current borrowings and lease liabilities. Management uses this measure to monitor debt funding levels and compliance with the Group's funding covenants which also use this measure. It believes that net debt is a helpful additional measure for shareholders in assessing the risk to equity holders and the capacity to invest more capital in the business;
 - Leverage ratio: this is the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) adjusted to include EBITDA from acquisitions or disposals in the last 12 month period. EBITDA is adjusted operating profit plus depreciation and amortisation. Calculations and reconciliations are provided in the five year record of the Group's Annual Report. The Board monitors the leverage ratio against the Group's debt funding covenants and overall appetite for funding risk, in approving capital expenditure and acquisitions. It believes that the APM is a helpful additional measure for shareholders in assessing the risk to equity holders and the capacity to invest more capital in the business;
 - Free cash flow: comprises net cash generated from operating activities adjusted for the cash effect of exceptional items less net capital expenditure and payment of lease liabilities, plus interest received. The definition of free cash flow has been revised in the year to better align with the most directly reconcilable line in the Group's IFRS cash flow statement. Comparative information has been restated to reflect the new definition resulting in restated free cash flow of £157.4m for 2022 (previously £167.4m). The Board uses free cash flow to monitor the Group's overall cash generation capability, to assess the ability of the Company to pay dividends and to finance future expansion, and, as such, it believes this is useful to shareholders in their assessment of the Group's performance;
 - New and Protected Products (NPP): these are products which are protected by virtue of being either newly launched, protected by intellectual property or by unique quality characteristics. NPP is used by management to measure and assess the level of innovation across the Group.

Risk management

Managing risks

Risk strategy

Effective risk management enables the business to protect and create value, helping us to identify opportunities and minimise threats to the delivery of our strategy and to build resilience within our business model.

Risk governance

Our Board owns and oversees our risk management programme, with overall responsibility for ensuring that our risks are aligned with our goals and strategic objectives. The Audit Committee assists the Board in monitoring the effectiveness of our risk management and internal control policies, procedures and systems.

Risk monitoring

Global visibility of risks identified by regions, sites and sectors is obtained through bottom-up risk registers that are continuously updated in our risk and control system. Using our global risk management framework (page 52), bottom-up risks are combined with top-down risks, the latter being identified and owned by a member of the Executive Committee, in our Executive Risk Register.

Movements to the Executive Risk Register are reviewed by the Risk Committee during quarterly meetings, which also has standing agenda items to review and monitor internal and external emerging risks; IT and cyber risks; internal audit; and safety, health, environmental and quality (SHEQ) assurance. The Committee also provides the Board with visibility of the principal risks facing the organisation through quarterly reports.

Risk management

While our Board owns and oversees our risk management programme, risk management accountability is embedded throughout our organisation:

- Our first line of defence, our employees, have a responsibility to manage day-to-day risk in their own areas guided by Group policies, procedures, control frameworks and risk appetite. Local management, and ultimately the Executive, ensure that risks are managed and actioned according to these frameworks
- The second line of defence is provided by management team review of each risk register, culminating in review by the Risk Committee
- The third line of defence is through assurance over the effectiveness of mitigating controls, which is provided through internal audits, supplemented by reports from external assurance providers
- Our Global Crisis Management Plan, which is in place to manage significant risk events, is owned by the Executive Committee
- Croda's Group Fraud Policy, Group Code of Conduct, Group Code of Ethics and Group Whistleblowing Policy in addition to our controls framework are in place to prevent and detect fraud. Annually the Audit Committee reviews the adequacy and effectiveness of Company's anti-fraud procedures. See case studies on page 53 for more details on what we have done in 2023 to enhance our fraud risk management
- The process for managing climate related risks is fully embedded as part of our global risk management process (more details on climate related risks are provided on pages 59 to 69).

Risk appetite

Our risk appetite is the level of risk that Croda is willing to accept in the pursuit of a specific objective or strategy.

We define a risk appetite score for each risk subcategory, using a one ('risk averse') to six ('risk open') scale. For example, the risk subcategory for SHE sits at the lower end of the scale, meaning that we are not willing to accept risks of this nature and these must be reduced to a level as low as reasonably practical. At the other end of the scale sits the subcategory for innovation, an area where we are willing to accept risks to seize significant opportunities. Assessing risks against our risk appetite allows us to review and challenge the level of risk that we are taking for each of our key risks, to identify areas where additional controls may be needed, or where the level of control may be too onerous.

Our risk appetite statements are compiled based on our Company values, strategy and capacity to absorb risk.

We use our risk appetite statements as an effective tool to communicate the Company's appetite towards each type of risk, providing a consistent guidance for decision-making throughout the organisation.

Emerging risks

We consider emerging risks and opportunities as part of our risk landscape and define them as those whose effects have not yet been substantially realised and whose evolution is highly uncertain.

The Risk Committee reviews emerging risks and opportunities from internal and external sources at its quarterly meetings and considers whether they should be included in our risk register.

Emerging risks can be slow moving, when they have potential to materialise in more than a year, as well as rapid velocity, those that may materialise within the next year. The later are closely monitored and actively managed (see Artificial Intelligence case study on page 53).

Our risk framework

What we monitor

Executive Risk Register

Summary of the principal risks facing us prepared by combining risks identified through the local bottom-up registers with top-down risks identified and owned by the Executive Committee.

Our risk landscape

Current risks

Risks we are managing now that could stop us achieving our strategic objectives.

Emerging risks

Risks with a future impact from external or internal opportunities or threats. These can be slow moving as well as rapid velocity.

What we assess

- **Risk ownership:** each risk has a named owner
- **Likelihood and impact:** globally applied 6x6 scoring scale
- **Gross risk:** before mitigating controls
- **Mitigating controls:** subject to internal audit review and monitoring
- **Net risk:** after mitigating controls are applied
- **Risk appetite:** defined at risk subcategory level
- **Actions:** identify further mitigation if required

Risk categories we assess

Six categories, 17 subcategories, over 60 generic risks, one framework:

- Strategic
- People and culture
- Process
- External environment
- Business systems and security
- Financial

Our bottom-up registers

The core of our risk assessment. Owned by market sectors, regions, manufacturing sites and functions, they identify local risks and mitigating controls arising from day-to-day operations globally.

How we monitor

Board

- Responsible for the risk framework and definition of risk appetite
- Reviews key risks with an opportunity for in-depth discussion of specific key risks and mitigating controls annually
- Approves the viability statement

Audit Committee

- Reviews the effectiveness of the Group risk management process
- Reviews assurance over mitigating controls, directing internal audit to undertake assurance reviews for selected key risks
- Reviews viability scenario assessments

Risk Committee

Chaired by Chief Financial Officer

- Meets quarterly to monitor and review risks (other than SHEQ, ethics and sustainability, which are delegated to other committees)
- Standing agenda items to monitor emerging risks, IT systems and cyber risks
- Receives an in-depth presentation of specific key risks and mitigating controls from risk owners
- Considers the results of internal audit work

Sustainability Committee

Chaired by Chief Sustainability Officer

- Meets quarterly to oversee the development, measurement and delivery of our sustainability strategy and the significance of climate related risks and opportunities
- Monitors against stretching targets and agreed KPIs

SHEQ Steering Committee

Chaired by President of Operations

- Meets quarterly to review SHEQ risks
- Monitors against stretching targets and agreed KPIs
- Considers the results of assurance audits over SHEQ controls

Ethics Committee

Chaired by Group General Counsel

- Meets quarterly to review ethics and compliance risks
- Monitors against agreed KPIs
- Considers the results of assurance audits over ethics controls

Principal risks

We consider principal risks to be those risks, or combination of risks, that, were they to arise and not be effectively mitigated, would cause serious disruption to our business model, threatening future performance, solvency, liquidity or our ability to deliver our strategy. Risks at this level are recorded in our Executive Risk Register with a high pre-control score.

The Group's principal risks, as reported in the financial statements for the year ended 31 December 2022, were revenue generation; product and technology innovation and protection; digital technology innovation; delivering sustainable solutions – Climate and Land Positive; management of business change; our people – culture, wellbeing, talent development and retention; product quality; loss of significant manufacturing site; ethics and compliance; and security of business information and networks. During our periodic risk reviews, we confirmed that all principal risks reported in 2022 remain relevant and no new principal risks were identified. The following principal risks were identified as heightened relative to 2022:

- Revenue generation risk increased during 2023 as the risk of continuous escalation of geopolitical conflicts may exert further downward force on demand, consequently impacting revenue. Despite a difficult year with significant revenue and profit reductions, Croda's business model has remained resilient as evidenced by strong cash generation.
- Security of business information and networks risk also heightened in likelihood during 2023 because of evolving technologies and increasingly sophisticated malicious activities worldwide.

Focus on fraud risk management

Croda has a strong governance and reporting structure, set within a culture that reinforces 'doing the right thing' and embeds counter fraud behaviours throughout the organisation. It is Croda policy that we will not tolerate fraud. A culture of honesty, propriety and vigilance, which includes individuals at all levels, is fundamental to managing fraud prevention and detection. In 2023 the following changes were made to strengthen our risk management framework and enhance our ability to identify and mitigate fraud risks:

- a new risk subcategory 'Fraud' was added to our framework under the risk category 'External Environment'
- a risk appetite scored 'Risk Averse' was associated with this new subcategory (see details of our risk appetite scoring scale on page 51)
- an associated risk appetite statement was crafted to reinforce stringent risk management practices throughout the organisation

Following these changes to our risk management framework, comprehensive bottom-up risk reviews with focus on fraud were performed at regions, sites, and functions. This diligent and holistic approach allows us to proactively identify vulnerabilities and implement targeted measures against fraud from the ground up.



Emerging risk of Artificial Intelligence

The mass use of Generative Artificial Intelligence, intertwined with AI's transformative potential, presents a significant emerging risk, demanding close monitoring and proactive management. At Croda, we acknowledge Artificial Intelligence as both an emerging risk and opportunity.

Understanding the substantial impact of AI on business growth and operational efficiency, we are committed to deploying AI in a controlled, risk-conscious manner. This approach aims to uncover efficiency gains and unlock new business capabilities while mitigating associated risks.

To steer this journey responsibly and sustainably, Croda has instituted a multidisciplinary AI Steering Committee which is overseen by the Executive Committee. Its primary goal is to provide strategic guidance, ensuring the ethical, effective, and responsible implementation of AI technologies across the Company. By prioritising maximal value generation while minimising risks, the Committee aims to foster our values of 'Responsible', 'Innovative' and 'Together' (see details on our values on page 16).

Strategic

Principal risks

Key

Link to our strategy (page 26)

- Sustainability
- Innovation
- Growth

Risk movement

- Risk increase
- No change
- Risk decrease

Link to our business model (page 14)

- Global needs
- Problem discovery
- Solution development
- Ingredient manufacture
- Commercial supply
- Global impact

1. Revenue generation



Risk owner

Business Presidents

2. Product and technology innovation and protection



Risk owner

Business Presidents

Why this matters to us

Our ambition is to deliver consistent top and bottom-line growth, with profit growing ahead of sales, ahead of volume. To grow, we need to innovate and also keep pace with our customers as they serve consumers globally in established markets and higher-risk developing markets. Failure to manage these challenges and the consequences of geopolitical tensions will adversely impact delivery of our growth objective. Acquisitions of adjacent technologies will dilute growth if they are not effectively integrated.

Innovation is the lifeblood of our business. It plays a critical role across our operations; it differentiates us from the competition, protects sales and improves our margins. Failure to leverage our global innovation teams could lead to a reduction in New and Protected Products (NPP) impacting growth and margin.

Failure to protect our intellectual property (IP) in these products in existing and new markets could undermine our competitive advantage.

How we respond

Through our global sector sales, marketing and technology teams, we identify consumer trends and respond swiftly to satisfy customer needs through key technologies.

Our direct selling model enhances customer intimacy (see our competitive advantages – customer intimacy on page 13 for details).

Our resilient business model and focus on controlling costs, managing cash flow and increasing sales activity helps to mitigate the impact of difficult trading conditions (see our competitive advantages – our approach to growth on page 13 for details).

Our technical research and development (R&D) teams, based in our customer innovation centres and application laboratories globally, focus innovation on customer and market needs and are embedded across our business (see value creation, from discovery to supply – problem discovery on page 14 for details).

We invest in: R&D, Open Innovation and Smart Partnership programmes, developing premium niches and disruptive technology acquisitions (see value creation, from discovery to supply – solution development on page 14 for details).

Our specialist IP team protects new products and technologies, defending our IP and challenging third-party IP where appropriate (see our competitive advantages – innovation leadership on page 13 for details).

What we have done in 2023

- Focused on our ‘doing the basics brilliantly’ programme which aims to improve the customer experience and employee productivity
- Reorganisation designed to simplify and enable faster decision-making and localised customer response
- Progressed well with construction of new manufacturing site in Dahej, India, which will add capacity in fast-growth markets
- Broke ground on new site in China for fragrances and botanicals that will bring production closer to customer
- Expanded our R&D footprint in fast-growth countries such as new Pharma lab in Hyderabad, India
- Invested in our biotech capabilities enhancing the necessary skills and expertise to drive innovation in a strategic technology area
- Obtained further external funding to support projects such as novel sustainable fragrance molecules, which can be considered transformational for Croda in our long-term innovation focus
- Maintained strong NPP revenues demonstrating our commitment to the commercialisation of our investment in R&D
- Enhanced the performance of our high throughput screening capabilities, which has supported the accelerated development of a number of candidate solutions focused on developing customer needs

Strategic

Principal risks

3. Digital technology innovation



Risk owner

Chief Financial Officer

4. Delivering sustainable solutions – Climate, Land and People Positive



Risk owner

Group General Counsel

5. Management of business change



Risk owner

Group Chief Executive

Why this matters to us

Digital technology is a significant disruptor, rapidly changing markets that we operate in, changing the way we interact with our external partners and each other. New and established customers expect a high level of online service, from researching ingredients to procurement, and failure to meet these needs ahead of competitors will impact growth, hinder R&D knowledge sharing and create inefficient processes.

We have made a bold Commitment to be Climate, Land and People Positive by 2030, aligning our smart science with United Nations Sustainable Development Goals (SDGs). We are committed to delivering improvements in line with the objective to limit global temperature rises to no more than 1.5°C above pre-industrial levels. Climate change, biodiversity loss and rising inequality are changing consumer and other end-user demands, making sustainability leadership a key differentiator for our customers.

Failure to remain ahead of our competitors and to deliver on our stretching 2030 targets will damage our reputation as a sustainability leader and compromise growth.

Delivery of our strategy requires significant business change globally, including acquisition of businesses and investment in our capital expenditure programme which is taking place in an environment of cost inflation and interruptions to availability of materials. Such transformational change has the potential to distract the organisation, resulting in failure to deliver expected results, or at worst destroy value.

Ineffective management of change could result in a failure to integrate new acquisitions effectively and impact the realisation of expected benefits.

How we respond

Our digital specialist teams focus on what our business needs (see page 13 for details) and provide global leadership to take advantage of the fast-evolving digital world. They deliver an integrated market-facing environment that encompasses our entire value creation business model (see page 14 for details).

Digital pilot projects embedded in the organisation support agile, local trials of innovative ideas, which can grow into global roll outs.

The Executive-level Sustainability Committee, which meets quarterly and is chaired by our Chief Sustainability Officer, monitors progress and allocates the necessary resources to meet our targets, with accountability embedded across the organisation. The central Sustainability team provides subject matter expertise, assists in measuring and reporting internally and leads our external reporting and assurance of non-financial data.

We see more opportunity than risk in climate change.

See our competitive advantages – sustainability leadership on page 13, and our value creation – ingredient manufacture and global impact on page 14 for details.

We have refocused our portfolio, so our capabilities address consumer and our customer needs (see value creation, from discovery to supply – global needs on page 14 for details).

The Board and Executive have oversight of the strategic change programme and receive regular updates on status and progress.

Skilled programme managers, supported by external consultants, lead our delivery of change programmes and our Capital Project Director monitors and oversees the capital investment programme.

What we have done in 2023

- Successfully delivered the second phase of our digital platform for knowledge management in R&D
- Programme to improve supply chain transparency included solution to improve forecast accuracy with the use of AI, implementation of barcoding and warehouse management system and pilot for long-term production planning
- Continued with the roll out of customer self-serve ordering portal.
- Developed digital marketing roadmap defining 2024 focus areas

- Launched 'live' product-level carbon footprint data for around 1,300 of our ingredients, to enable our customers to make decisions that will help meet their climate targets
- Created a Board-level Sustainability Oversight Committee to increase the capacity and competence of the Board to govern our sustainability approach
- Through our membership of WBCSD, joined a SBT for Nature Preparers group, to develop a more mature approach to minimise negative impacts of our activities on nature and support our customers' targets
- Continued to include sustainability targets into our senior-level long-term incentives and annual bonus scheme

- Developed an integration toolkit which was successfully used for the integration of Solus Biotech
- Ran leadership development programmes with focus on change management
- Responded to employee feedback on the complexity of the organisation by announcing new organisational structure launching in 2024, which will simplify the organisation and help create a high-performing inclusive culture, which will enhance customer responsiveness. Our new structure announcement was meticulously planned and carefully delivered to ensure we mitigate associated risks

People and culture Process

Principal risks

6. Our people – culture, wellbeing, talent development and retention



Risk owner

President Human Resources

7. Product quality



Risk owner

President Operations

8. Loss of significant manufacturing site (major safety or environmental incident)



Risk owner

President Operations

Why this matters to us

Retaining and developing the experience and motivation of all our knowledgeable and diverse employees is critical to maintaining our ability to deliver our strategic priorities. Failing to maintain our distinctive Croda culture within which people thrive and which attracts new and diverse talent to join the Company would significantly damage our ability to innovate.

We sell into a number of highly regulated applications and the transition to a focused Consumer Care and Life Sciences business increases our exposure to this environment. Weak product quality control leading to non-compliance with our customers' stringent product quality requirements and global and local regulation could expose us to liability claims, significant reputational damage and compromise our ability to deliver growth.

We rely on the continued sustainable operation of our manufacturing sites around the world, including newly acquired sites.

Climate change directly impacting the location of a site or availability of utilities used, or a major event causing loss of production and violating safety, health or environmental regulations, could limit our operations. This could also expose the Group to liability, cost and reputational damage, especially in light of our commitment to sustainability and customer service.

How we respond

A clear Purpose, strong development culture, excellent learning opportunities and competitive reward programmes support the retention, engagement and career development of the high-quality teams we need (see our competitive advantages – ‘One Croda’ culture on page 13 for details).

Global graduate and management development programmes include stretching and high-profile assignments and provide a pipeline of internal talent.

Our bi-annual global talent review process considers resources and succession plans for critical roles, with actions monitored by the Executive Committee and the Board.

Monitored by our Group SHEQ Steering Committee, our sites and products are certified to demanding external quality standards highly valued by our customers (including ISO 9001, GMP and Excipact). Our global network of quality professionals enforces compliance with the Group Quality manual, assured through internal audits delivered by our specialist Group Quality audit team and external certification audits. We work proactively with relevant trade associations to shape future regulation.

Monitored by our Group SHEQ Steering Committee, our global network of site-based safety professionals enforces compliance with global policies and procedures defined in the Group SHE manual. Assurance is provided by the specialist Group SHE internal audit team, whilst external auditors certify our compliance with international safety standards. Our sites are certified to ISO 14001 standards.

Risks specific to each site are identified in ‘bottom-up’ risk registers, including climate adaptation risks which are monitored by Group Sustainability and overseen by the Sustainability Committee (see details on how we manage climate-related risks on page 61). Additionally, local emergency response plans are in place which are regularly tested.

What we have done in 2023

- Continued work with our Living Wage partners, in process of gaining accreditation
- Improved use of data to further understand turnover in the organisation, including reporting on attrition rates with an ability to identify attrition trends faster and the introduction of new exit interview questions to gain a greater understanding as to why individuals leave the organisation
- Reviewed bonus levels for senior employees
- Mapped psychometric tests to Croda competencies to help contextualise and visualise our culture when assessing and recruiting new talent to the organisation
- Re-launched Graduate Development Programme in all regions, with a new focus on recruiting niche skills, diversity and inclusion and a modernised training programme

- Independent confirmation that Life Sciences manufacturing sites are operating to the correct standards
- Our progress to the 2030 target of 99.5% right first time in manufacturing is on target
- Increased the use of our maturity assessment audits which will enhance the effectiveness of our quality management systems
- Completed a Group-wide hazard assessment to focus the governance and application of the Group Quality Policy

- Introducing biofuel steam-raising boilers on several sites displacing natural gas
- Introducing continuous processes with improved safety profiles in several plant areas
- Process risk peer review programmes have been completed across all relevant sites at the end of 2023
- Several sites are reaching higher process safety maturity and using leading metrics to drive down risk
- Senior leadership team commitment to improving SHE performance continues with over 500 senior leaders in the Group undertaking ‘Safety as a Value’ training

External environment

Principal risks

9. Ethics and compliance



10. Security of business information and networks



Risk owner

Group General Counsel

Risk owner

Chief Financial Officer

Why this matters to us

At Croda, compliance is at the heart of everything we do. We strive to conduct our business in accordance with all applicable laws and regulations, including UK ethics legislation which has extra territorial scope, competition laws, data privacy laws, tax laws and human rights legislation.

Our continued growth into higher-risk markets and the introduction of new regulation create an elevated compliance and reputational risk.

Society and business are subject to more numerous and increasingly sophisticated threats to security, including hackers, viruses and ransomware attacks, while keeping our data safe is subject to increasingly stringent regulatory requirements globally. Our business model relies heavily on the availability of IT networks and systems; an extended interruption of these services may result in an inability to operate.

How we respond

Our Group Ethics Committee has responsibility for the development, reinforcement, oversight and cascade of the Group's ethics strategy and programme, Code of Conduct and other policies and procedures. The Ethics Committee meets quarterly to consider new legislation, review the effectiveness of current processes (including monitoring annual training programmes) and promote the importance of ethics and compliance across our business and amongst key stakeholders.

Our Audit Committee reviews the effectiveness of the Group's compliance procedures on an annual basis.

We run our key applications in distributed computing environments with regular failover testing and penetration testing being undertaken. Our information security specialists monitor our IT services and networks, oversee cyber protection solutions and provide regular educations globally about cyber awareness, data protection and responsible use of emerging tools, whilst internal and external auditors review and report on the operation of cyber and system controls annually.

What we have done in 2023

- Appointed a Global Compliance Director and a Compliance Manager for further refining and improving the ethics programme
- Focused on designing and developing a human rights programme
- Continued with the ethics integration of newly acquired companies. This year we integrated Solus Biotech into our ethics programme
- Developed training materials to strengthen our ethics and compliance programme including training videos and leaflets in several languages
- Reviewed and updated our whistleblowing procedures to respond to new legislation and investigated reports received through the Speak Up system, our whistleblowing line
- Responded to an increase in risk from the threat of cyberattacks to all businesses and organisations
- Information Security programme performance has been good with no major cyber security incidents recorded in 2023
- Improved our ability to detect and respond efficiently to new threats, further strengthened our control environment and invested to build internal capability within our dedicated information security team
- Completed external assessment of our Information Security programme versus peers and industry averages

Long-term viability statement

Confirmation of viability

Based on their assessment of its prospects and viability, the Directors confirm that they have an expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years to 31 December 2026. The Directors also considered it appropriate to prepare the financial statements on a going concern basis, as explained in the Group accounting policies (page 157).

Assessment of viability

We assess viability through two lenses: a 'top-down' test which quantifies the magnitude of profit or loss required to endanger liquidity and our bank covenants and a 'bottom-up' assessment that makes use of downside scenario models, which reflect the key risks facing the Group, to test against the Group's financial headroom and leverage over the viability period.

We evaluate the Group's future outlook through five-year strategic and capital investment plans, with three-year detailed financial modelling being prepared. Most of the detailed sector delivery plans also look forward three years, including product innovation, manufacturing expansion timescale and market development. We chose to use a three-year period for the viability assessment because, given the inherent uncertainty of long-term planning, we believe this is the horizon that provides the most appropriate balance between accuracy and long-term visibility.

Our strategic plan is built from a bottom-up sector view considering different macroeconomic scenarios and near-term risk factors, including weaker demand, inflation and raw material price changes. The base case model and downside scenarios are used to assess the impact for both the viability statement and the going concern assessments. For more on going concern see page 157.

Top-down liquidity headroom

We assess our overall capacity to withstand catastrophic events by stress testing the EBITDA reduction required to trigger a default under our funding covenants,

and liquidity headroom available from committed debt facilities, including any which mature within the viability period:

- Bank leverage covenant: the leverage ratio at the end of 2023 of 1.3x remains substantially below the maximum covenant level under the Group's debt facilities of 3.5x. Based on 2023 results, stress testing assesses that EBIT would need to fall by more than 70% to trigger an event of default. In the event that breaching the maximum covenant level was possible, we would also take additional unmodelled action to conserve cash and improve the covenant position (we also test the impact on our interest covenant; however, with a high level of fixed rate debt, it is difficult to construct a plausible scenario which endangers compliance with this covenant);
- Unused committed liquidity headroom: at 31 December 2023, the Group had committed funding in place of £1,050m, with undrawn committed facilities of £381.2m (see page 49 for more details). Current committed debt facilities largely mature in the third year of the viability period and, in normal lending market circumstances, we would expect to have adequate access to renew facilities as these mature. The Company therefore expects to have the necessary liquidity headroom available to cope with unexpected risk events during the viability period.

Bottom-up risk scenario headroom

Using the 'base case' model, individual downside scenario events were identified and modelled. In addition, five severe but plausible combinations of these individual scenario events were tested to assess the potential combined downside impact on the liquidity and covenant headroom of the Group over the three-year viability period. None of the individual scenarios or scenario combinations was found to endanger the liquidity or covenant requirements over the viability period.

The key scenarios tested were as follows:

Scenario	Key assumptions	Principal risks	Scenario combination
New entrants or enhanced competition in our market space make significant inroads into our business	Loss of business in Consumer Care, Life Sciences and Industrial Specialties	1	
Regulatory or reputational issues affecting individual products or product groups	Loss of contribution from significant products	1	
Disruptive production or digital customer interaction technologies are brought to the market by competitors and we lose competitiveness	Loss of business in a major technology platform and competitive attrition within Consumer Care and Life Sciences customers	2 3	
Escalation of geopolitical upheaval results in sanctions to relevant countries and the global economy moving into recession, with significant business loss	No sales to sanctioned country and lower sales elsewhere, with greater impact in Consumer Care than in Life Sciences reflecting the different levels of exposure to discretionary income	1	
Failure to secure supply of key raw materials	Loss of contribution from products affected by lack of constrained raw materials	1	
Catastrophic incident leading to complete loss of a manufacturing site	Uninsured loss of major manufacturing site resulting in lost margin for an extended period	8	
Major ethics and compliance breach leading to government investigation and fine	Loss of business due to reputational damage, in addition to cost of fines and legal expenses	9	
Loss of main ERP system for prolonged time	Loss of contribution margin during the ERP outage, mitigated by business continuity actions	10	
Cyber attack	A significant cyber attack damages reputation and results in disruption of processes, in addition to costs of data recovery	10	
Failure to demonstrate delivery against sustainability commitments	Reputational damage, leading to loss of business in all sectors	4	
Product quality failure leading to a product recall	Financial impact from damages and legal costs in addition to loss of business due to reputational damage. Greater impact in Life Sciences due to nature of product applications	7	
Failure to deliver expected benefits from acquisitions	Commercial synergies from recent acquisitions (e.g. Solus Biotech) are not realised	5	
Persistent inflation combined with failure to recover cost increases in the market	Partially absorb increases in raw material and freight costs	1	
Failure to attract, retain and develop the necessary skills to deliver the expected growth	Sales growth rate is affected by lack of necessary skills	6	

The principal risks to which these scenarios relate are as follows:

Principal risks

1. Revenue generation; 2. Product and technology innovation and protection; 3. Digital technology innovation; 4. Delivering sustainable solutions – Climate, Land and People Positive; 5. Management of business change; 6. Our people – culture, wellbeing, talent development and retention; 7. Product quality; 8. Loss of significant manufacturing site (major safety or environmental incident); 9. Ethics and compliance; 10. Security of business information and networks

Non-financial disclosures

Task Force on Climate-related Financial Disclosures (TCFD)

Croda has long recognised the scale of the climate emergency, which we believe creates both opportunities and risks to our future growth. We develop innovative products which help our customers to reduce their own carbon footprint and we set stretching climate related targets as part of our Commitment to become Climate Positive¹ by 2030 (page 34 and Sustainability Impact Report (SIR) – page 13).

On pages 59 to 67 of this report we summarise material climate related disclosures consistent with the four pillars and 11 disclosures proposed by the TCFD, including the “Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures” released in October 2021. As part of these disclosures we have considered the guidance in Section C “Guidance for all Sectors” and Section E “Supplemental Guidance for Non-Financial Groups – Materials and Buildings” of the TCFD Annex. We also reference links to further information which can be found in our Annual Report, Sustainability Impact Report (SIR) and Reporting Data Pack (RDP) to supplement our compliance. We cross refer to our SIR throughout this TCFD section as that report offers us additional space to explain our strategic Climate Positive commitment, to illustrate this through case studies (SIR page 12) and enhance our explanation of our targets, metrics and progress (SIR pages 9 to 13). We continue to work to remain aligned with evolving climate and non-financial disclosure requirements as required by the Listing Rules.

Governance

	How we comply	What we have done in 2023	Next steps and timeframes supporting further improvement
a) Describe the Board's oversight of climate related risks and opportunities	<p>As one of the three pillars of our Commitment (page 10), climate risks and opportunities are core to our overall strategy and as such the Board considers climate related issues as part of its annual review of the strategy described on page 77. The Board is accountable for all risks, including those relating to climate, and reviews these annually. It receives a quarterly report from the Chief Sustainability Officer, as well as minutes and discussion materials from each Sustainability Committee meeting, which consider progress against climate targets, including the risks to delivering these.</p> <p>The Board approves significant capital expenditure and acquisition proposals and has oversight of the innovation strategy, considering how these align with our climate and decarbonisation goals.</p> <p>The Remuneration Committee agrees climate related performance objectives which are incorporated into senior leadership remuneration (page 112).</p> <p>The Board guides the leadership values we look for in Croda to ensure we build future leadership capabilities to include sustainability and decarbonisation know-how.</p>	<p>Following Committee discussions, the Board established a Sustainability Oversight Committee (page 98) to increase the capacity and competence of the Board to govern our sustainability approach.</p> <p>The Audit Committee approved the appointment of KPMG to provide limited assurance of the Group Climate Positive KPIs (pages 64 and 103).</p> <p>A sustainability competence framework for Board membership was devised and used in 2023. The induction received by Chris Good included deep dive sessions with Group Sustainability (page 97).</p> <p>The Board attended a dedicated training session aligned with our sustainability strategy.</p>	<p>Implementation of the Sustainability Oversight Committee which will meet quarterly. See page 98 for key responsibilities and focus areas.</p> <p>Audit Committee will continue oversight of non-Financial KPIs as we review the scope of metrics assured.</p> <p>The Audit Committee continues to monitor ESG reporting and disclosures and how we comply.</p>
b) Describe management's role in assessing and managing climate related risks	<p>The Board delegates responsibility for running the business to the Group Chief Executive Officer and the Executive Committee, which includes responsibility for managing climate related issues. A sub-committee, the Sustainability Committee, meets at least quarterly, chaired by the Chief Sustainability Officer who is supported by the Group Sustainability team. The Committee comprises senior leaders (including an executive sponsor for Climate Positive, the President of Global Operations, Mark Robinson) from across the business, each of whom has a responsibility to identify further strategic opportunities, understand the risks posed in delivery of the strategy, monitor progress towards declared targets and coordinate Group-wide engagement with our sustainability targets.</p> <p>Through our risk management framework (page 52) climate related risks are captured, assessed, mitigated and owned at the appropriate level of the organisation.</p> <p>Our Sustainability Professionals Network and local sustainability champions facilitate best practice sharing throughout the organisation, reporting progress back to management. Our organisation structure is shown in the Governance section (page 99).</p>	<p>The terms of reference for the Sustainability Committee were reviewed, approved in April, and include risk and compliance with accountability at Executive level. The Sustainability Committee focused on Executives as members only and increased time spent on monitoring and reviewing of climate related risks.</p> <p>The role of the sustainability champions has been further defined, setting best practice for cascading communication on climate throughout the organisation.</p>	<p>Enhance framework for sustainability risks, controls and oversight in new enterprise risk management system.</p> <p>Roll out awareness and training across the business to support consistent approach to assessment of climate risks.</p>

1. ‘Climate Positive’ is not considered a technical term with recognised definition, it is the branding Croda have used for our combined climate targets since we publicly launched this strategy in 2020 and indicates our efforts to go further than reducing our own carbon footprint.

Non-financial disclosures continued

Task Force on Climate-related Financial Disclosures (TCFD) continued

Strategy

	How we comply	What we have done in 2023	Next steps and timeframes supporting further improvement
a) Describe the climate related risks and opportunities the organisation has identified over the short, medium and long-term	<p>Our definition of short, medium and long-term time horizons is included on page 62 and they are aligned with business planning and our sustainability strategic commitments to 2030 and interim milestones for delivery.</p> <p>Climate related physical and transitional risks and opportunities are assessed using our global risk framework, described on page 52 of this report. They include increased raw material costs, carbon pricing, emerging regulation and the effects on our people and working environment. The four most impactful climate related risks, and how these were selected, are described in more detail on page 65 of this report, together with a summary of other less impactful risk themes identified from our bottom-up risk registers.</p>	<p>The Sustainability Committee reviewed significant sustainability related risks, transferring ownership to business owners as appropriate to allow improved monitoring and control.</p> <p>Group Sustainability were kept informed of plans for a new enterprise risk management system and will support development of a framework for climate and other sustainability risks as it is rolled out in 2024.</p>	Enhance framework for sustainability risks, controls and oversight in new enterprise risk management system.
b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy and financial planning	<p>Delivery of climate-related commitments identified in our Climate Positive strategy form a core part of our overall business strategy and as such the impact of not delivering our climate related objectives is significant. We reflect this in our principal business risks on page 55. The financial impact of the four highest risks in our register is described in more detail on pages 66 to 67 of this report.</p> <p>We include a GHG emissions metric in a revolving credit facility (RCF), with carbon emission targets in the seven-year agreement aligning with our 2030 Climate Positive commitments. Savings are reinvested into the decarbonisation capital expenditure programme.</p> <p>Since 2020 we have applied an internal shadow carbon price to capital investment to help to prioritise projects that will reduce scope 1 and 2 emissions (SIR page 10).</p> <p>All capital projects over £100k are required to complete a sustainability impact assessment. The impact of increased capital cost on impairment and useful economic life is considered on page 157.</p> <p>Since 2021 carbon budgets have been presented annually alongside the financial budgets at regional and sector level, which consider the impact of the short and long-term site decarbonisation plans.</p>	<p>Our business teams finalised 2030 decarbonisation roadmaps. These include scope 3 emissions, enabling the sectors to make portfolio management decisions incorporating carbon footprint data, which will inform the development of the next generation of low carbon products.</p> <p>It is worth noting that carbon offsets form no part of our decarbonisation strategy to 2030.</p> <p>Croda has developed a tool to automate the calculation of cradle-to-gate product carbon footprints. Assisting in business decision-making this has now been launched to customers representing around 70% of our Beauty Care portfolio.</p> <p>During the year, the pace of all of our non-safety-critical projects was reviewed, including some decarbonisation projects. This has introduced some temporary delays, but we remain confident in our ability to meet our Science Based Target by the end of 2029.</p>	<p>Commence development of Net Zero¹ Roadmaps for key technology platforms to support the transformation and future preparedness of our business to grow.</p> <p>Evaluate and reinforce our strategy and investment frameworks in 2024.</p>
c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios	<p>Supported by external consultants, Accenture, we have a detailed climate scenario analysis (CSA) of the most impactful climate related risks identified against three future climate related scenarios to assess our resilience to these risks. Under each scenario we consider impact across six, five-year time periods, which is significantly in excess of our strategic planning horizon but is in line with our commitment to be net zero and our SBT targets.</p> <p>Our methodology is described in more detail on page 62.</p>	<p>Feasibility study completed to scope out an approach to net zero in preparation for developing technology platform based Net Zero Roadmaps.</p> <p>Requirements of the UK Transition Plan Task Force Framework and guidance were reviewed. An initial gap analysis was performed, and scoping workshops held with key leaders to promote awareness and engagement for transition plan development.</p>	<p>Commence development of Net Zero Roadmaps for key technology platforms, to support the transformation and future preparedness of our business to grow.</p> <p>Continue the development of our formal transition plan aligned with the UK Transition Plan Task Force Framework.</p>

1. Our definition of 'Net Zero' is aligned with the SBTi definition: Scope 1, 2 and 3 emissions have been reduced to a residual level (no more than 10% of baseline emissions). Any residual emissions are neutralised by permanent carbon removals to reach net zero emissions.

Risk management

	How we comply	What we have done in 2023	Next steps and timeframes supporting further improvement
a) Describe the organisation's processes for identifying and assessing climate related risks	<p>The process for identifying climate related risks, assessing both their impact and likelihood, is fully embedded as part of our global risk management process which is described on page 51. New and emerging risks and opportunities can be identified at a local level (mainly physical risks) or by the Sustainability Committee (emerging risks requiring action to be driven globally, or requiring more granular analysis). We have used the TCFD framework to support our assessment of climate related risks.</p> <p>Impact and likelihood scoring for all risks uses the six-point scoring methodology defined in the Group risk framework.</p> <p>Emerging risks and opportunities include those resulting from the rapidly evolving climate and sustainability regulation. In both cases a business owner is identified, and the risk is assessed for both impact and likelihood using the global risk framework. As the impact of emerging risks on specific sites or regions is understood, local business owners are identified, and the risks are moved to local risk ownership to drive mitigating actions.</p>	<p>We have worked with external consultants to complete a gap analysis of our global footprint against emerging and current climate regulation to identify emerging risks relating to the changes. This included preparation of a workflow to support our plans for compliance with the EU Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD).</p> <p>We have completed an initial review of our readiness to report against International Sustainability Standards Board (ISSB) reporting requirements, mapping against our current response to SASB.</p>	Perform double materiality assessment in 2024 to confirm scope of reporting for CSRD.
b) and c) Describe the organisation's processes for managing climate-related risks. Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.	<p>Our Group risk framework, described on page 52, includes risk/opportunity areas across six categories and 17 subcategories, against which risk owners identify local interpretations. Sub-categories most relevant to climate include growth (organic and inorganic), innovation, production, sourcing, supply chain, and external environment, which incorporate the risks and opportunities referred to in appendix 1 of Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures June 2017.</p> <p>Whole Group transitional and emerging risks and opportunities are currently identified by the Sustainability Committee through the 'sustainability risk register'. When fully defined, these risks are migrated into the appropriate local risk register and transferred to local ownership. This includes risks identified through scenario analysis.</p> <p>Local physical climate related risks (both acute and chronic) are already embedded and managed in local risk registers with local owners and mitigation actions defined.</p>	<p>The Decarbonisation and Process Technology Director led a review to test for and secure the continued viability of the site level decarbonisation roadmaps.</p> <p>The Sustainability Committee reviewed significant sustainability related risks, transferring ownership to business owners as appropriate to allow improved monitoring and control.</p> <p>New enterprise risk management system commissioned which will improve the tagging and local monitoring of climate related risks.</p>	<p>Enhance framework for sustainability risks, controls and oversight in new enterprise risk management system.</p> <p>Formally embed accountabilities for climate related risks across our business teams.</p> <p>Launch the Sustainability Academy to develop our knowledge and competence enabling the wider Croda community to assist in the identification of risks and mitigation improvements.</p>

Non-financial disclosures continued

Task Force on Climate-related Financial Disclosures (TCFD) continued

Climate scenario analysis (CSA) methodology

The CSA was conducted using a standard methodology in line with the TCFD's guidance. Climate scenarios defined primarily by the Network for Greening the Financial Systems (NGFS) and supplemented with comparable Shared Socioeconomic Pathways (SSP) and Orbitas Finance scenarios, were used to model the potential climate related risks and opportunities that Croda may be exposed to, which were identified through our risk assessment process described in more detail on pages 53 to 55 of this report.

Three climate scenarios

	Orderly	Disorderly	Hot House World
Description	Assumes climate policies are introduced early and become gradually more stringent. There is increased international coordination and commitment to achieving development goals that reduce inequality across and within countries. Consumption is generally oriented toward low material growth as well as lower resource and energy intensity.	Assumes uneven commitment to climate policies with some countries making relatively good progress while others fall short of expectations. Disorderly scenarios exhibit higher transition risks due to coordinated policies being delayed to latter half of the century and medium-term and immediate progress being divergent across countries and sectors.	Assumes the drive for economic and social development is coupled with increased emissions due to continued consumption of fossil fuels and the adoption of resource and energy intensive lifestyles around the world. Climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant warming.
NGFS scenarios	Net Zero 2050	Delayed Transition, Divergent Net Zero	Current Policies
SSP scenarios	SSP 1-2.6	SSP 2-4.5	SSP 5-8.5
Orbitas scenarios	Co-ordinated Projects	-	BAU Projections
Estimated 2100 warming	1.5-2°C	2-3°C	3°C+

Three time horizons:

Short-term: 0 - 3 years, this is aligned with our time horizon used in our viability assessment (page 58) and with our interim sustainability milestones focused on delivery by or ahead of this date. This time horizon encompasses the typical life time of our plant and equipment.

Medium-term: 3 – 10 years, this is aligned to our strategic planning horizons. This time horizon encompasses targets supporting our Commitment to be Climate, Land and People Positive by 2030.

Long-term: 10 – 30 years, this is aligned to our longer-term aspirations including our Commitment to be net zero by 2050.

Six time points:

The assessment considered six time points, each five years apart, from 2025 to 2050, with 2030 reflecting our medium-term timeframe.

Defining financial impact materiality:

Risk impact is assessed using the same six point financial impact scale used in our group risk framework and is colour coded as follows:

Risk impact score	Financial impact
1-2	Opportunity – Minor Impact
3-4	Low – Moderate Impact
5-6	High – Critical Impact

Building the scenarios:

In line with good practice Croda commits to formally review the CSA at least every 3 years. The CSA was first performed in 2021, then refined and re-baselined in 2022 to remove the contribution of the majority Performance Technologies and Industrial Chemicals business divested in June 2022 and include the climate footprint of businesses acquired in 2021. Multi-disciplinary workshop groups reviewed the assumptions for forecasting our growth (using financial assumptions used in our strategic forecasting process), and our demands for each of raw materials, energy and people. The baseline for our energy estimates and site water use are taken from our non-financial reporting system, Sphera, which is fed with quarterly actual data from all our sites globally. There have been no material changes to the organisation in 2023, and periodic risk reviews confirmed that our principal risks reported in 2022 remain relevant and no new principal risks were identified (see page 55). No factors were identified to impact on the validity of the 2022 CSA.

Modelled in conjunction with external scenario data from the NGFS, Orbitas Finance and SSP to forecast and quantify the potential levels of climate related financial risk in line with Croda's risk matrix, the results of our 2022 assessment are shared on pages 66 and 67.

For each transitional risk we also considered the impact under the assumption that Croda continues to operate as today (business as usual) and secondly that mitigating actions to meet our verified science based targets are successfully implemented. This clearly illustrates the significance of the mitigating steps Croda is taking.

Croda climate scenario analysis has been conducted at an organisational level, however regions or sites that have material contributions to the overall risks have been identified, affording the opportunity to account for any dominant locations in the assumptions used.

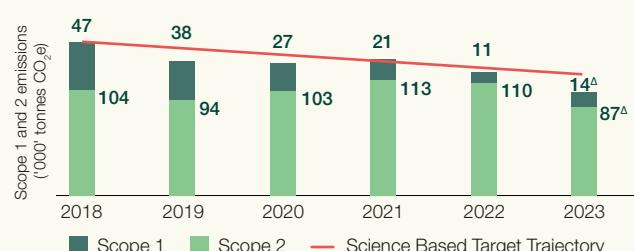
Metrics and targets

	How we comply	What we have done in 2023	Next steps and timeframes supporting further improvement
a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process	<p>Our sustainability strategy (page 36) defines strategic targets and milestones for 2030, progress towards which is reported quarterly to the Executive and Board. The metrics used to assess progress, and a description of the targets are presented in more detail on page 64 and in our Sustainability Impact Report on pages 13, 18, 23 and 26, and cover the following:</p> <ul style="list-style-type: none"> • Absolute scope 1, 2 and 3 emissions and emissions intensity • Energy usage • Land use and land area saved • Water Impact • Bio-based Raw Material • Process Waste to Landfill <p>Further climate related measures have been proposed for our primary transition and physical risks. These are presented alongside the relevant target on pages 66 and 67.</p> <p>The Remuneration Committee includes sustainability targets in the Performance Share Plan for senior executives currently relating to 15% of the award (page 122).</p> <p>We apply a shadow carbon price to capital expenditure projects, aiding prioritisation of those that result in reduced scope 1 and 2 emissions. This price is set at £124/tonne in line with the UK Government Green Guide.</p> <p>Refer to page 157 for consideration of climate change on our financial impact performance and position.</p>	<p>Conducted a review against the cross-industry metrics identified in Table A2.1 of the 2021 Implementation Guidance. New metrics have been proposed to assist better understanding of our exposure to key transitional and physical risks. See page 66 and 67. Further work is required to allow us to propose meaningful metrics for Climate Related Opportunities and Capital Deployment. In 2023 we have updated our Capex system to allow future tracking of our spend on decarbonisation. The results of our planned double materiality assessment in 2024 will aid identification of future measures.</p> <p>In addition, we have completed an initial review of our readiness to report against International Sustainability Standards Board (ISSB) reporting requirements, reflecting on the extent of our disclosures across this report, our Sustainability Impact Report and our Reporting Data Pack. Further works will be completed in 2024 to enhance our response.</p>	<p>Determine means to develop further meaningful metrics against TCFD and ISSB recommendations supported by quality data.</p> <p>Develop improved data management controls, reviewing opportunities to enhance reporting accessibility to leadership at business, Executive and Board level.</p>
b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks	<p>Scope 1, 2 and 3 greenhouse gas emissions and our calculation methodology are disclosed on page 64.</p> <p>Information on energy, water and waste is recorded in our Sphera system by all Croda locations globally as a single source of data for reporting of these and scope 1 and 2 emissions metrics. Our scope 3 upstream emissions are calculated using our automated corporate dashboard.</p> <p>Our 2023 GHG emissions and many other climate metrics (marked ^Δ throughout this reporting suite) have been assured (limited assurance) under ISAE (UK) 3000 and ISAE 3410 by KPMG, our independent assurance provider (opinion statement can be found at www.croda.com/sustainability). We have re-stated our reporting for 2018 - 2022 (see SIR page 25 for details). This has been re-verified by Accenture with their formal independent verification statement available at www.croda.com/sustainability, which also includes a summary of the calculation methodologies used.</p> <p>Our chosen calculation of carbon intensity is not industry standard and uses 'value add' as a measure of profit. This allows us to demonstrate how we are decoupling economic growth from environmental impact.</p>	<p>Croda has developed a tool to automate the calculation of cradle-to-gate product carbon footprints. Assisting in business decision making this has now been launched to customers representing around 70% of our Beauty Care portfolio.</p> <p>We have worked with Accenture to develop a downstream scope 3 inventory. This is based on life cycle assessment and extended input and output models. See page 11 of the SIR for the results of this modelling and potential benefits to our customers.</p>	<p>Commence development of Net Zero Roadmaps for key technology platforms, to support the transformation and future preparedness of our business to grow.</p>
c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets	<p>We have set strategic targets and milestones for 2030 as described in section a) above. Progress towards meeting these targets is reported quarterly to the Executive and Board. All targets are absolute. Supplemental information on our performance and progress is available in more detail on pages 9 to 13 of our Sustainability Impact Report.</p> <p>Refer to page 157 for consideration of climate change on our financial impact performance and position.</p>	<p>A detailed description of the targets and our progress towards these in 2023 is included in our Sustainability Impact Report page 13.</p> <p>A full financial and non-financial data pack has been developed and is available on our website at www.croda.com/sustainability</p> <p>KPMG engaged to provide limited assurance of our 2023 performance against a set of climate positive KPIs. Their opinion and our reporting criteria document are available online at www.croda.com/sustainability.</p>	<p>Develop improved data management controls, reviewing opportunities to enhance reporting accessibility to leadership at business, Executive and Board level.</p> <p>Review scope of KPIs for inclusion in limited assurance in 2024 to reflect strategic priorities and anticipation of future regulatory demands.</p>

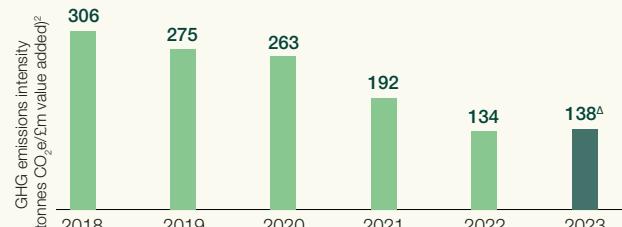
Task Force on Climate-related Financial Disclosures (TCFD) continued

Greenhouse gas emissions and intensity charts

GHG emissions¹



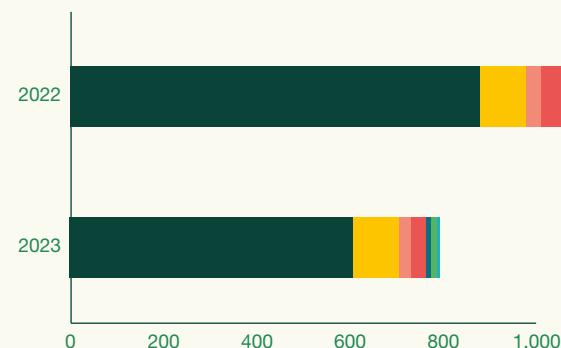
GHG emissions intensity



Emissions and energy usage

	2023			2022		
	UK	Rest of world	Total	UK	Rest of world	Total
Scope 1/tonnes CO ₂ e	15,024	71,716	86,740 ^Δ	16,993	93,494	110,487
Scope 2/tonnes CO ₂ e	71	14,435	14,506 ^Δ	278	10,357	10,635
Total scope 1 and 2/tonnes CO₂e	15,095	86,151	101,246	17,271	103,851	121,122
Scope 1 energy use/kWh	80,224,063	498,663,176	578,887,239	90,562,665	586,794,011	677,356,676
Scope 2 energy use/kWh	21,012,966	178,047,363	199,060,329	22,428,163	184,828,162	207,256,325
Total energy use/kWh	101,237,029	676,710,539	777,947,568	112,990,828	771,622,173	884,613,001

Upstream scope 3 emissions³ by category ('000 tonnes of CO₂e)



2023 breakdown

- Purchased goods and services – 76.6%
- Raw materials – 66.5%
- PFR/tolling – 3.7%
- Packaging – 3.3%
- Other – 3.1%
- Capital goods – 12.3%
- Fuel and energy-related – 3.4%
- Upstream transportation and distribution – 4.0%
- Road and sea – 3.4%
- Air – 0.6%
- Waste generated in operations – 1.2%
- Business travel – 1.8%
- Employee commuting – 0.7%

Since 2018, our baseline year, our total scope 1 and 2 greenhouse gas (GHG) emissions have reduced by 33%. Within this, scope 1 emissions decreased by 17% and we have seen a greater than 69% reduction in scope 2 emissions. Scope 1 and 2 GHG emissions from our UK operations were 15,095 TCO₂e in 2023 (2022: 17,271 TCO₂e) representing approximately 15% of our global GHG emissions.

In 2023 upstream scope 3 emissions decreased by 27% and we are now able to report downstream scope 3 emissions for the first time (see page 11 of our Sustainability Impact Report for more detail).

Limited assurance of GHG emissions data^Δ

^Δ indicates where metrics have been assured (limited assurance) under ISAE (UK) 3000 and ISAE 3410 by KPMG, our independent assurance provider. See www.croda.com/sustainability for details.

Emissions intensity

Our chosen measure of GHG emission intensity divides our GHG emissions (including market-based scope 2 emissions) by value added², a measure of our business activity. The GHG emission intensity for 2023 has been calculated using assured scope 1 and scope 2 emissions data and estimated value added. The result for 2022 uses verified⁴ scope 1 and 2 emissions and an estimated value added if the PTIC divestment have been completed at 01 January 2022. Results for 2018-2021 use actual value added and scope 1 and scope 2 emissions inclusive of the divested locations.

On this basis, our GHG emissions intensity has improved by 55% since 2018, indicating we are decoupling growth from climate impact.

Energy consumption and efficiency improvements

In 2023 we consumed 777,947,568 kWh (2022: 884,613,001kWh) of energy across our global operations. This included 101,237,029 kWh (2022: 112,990,828 kWh) consumed by UK operations.

As part of our strategy to improve the efficiency of energy consumption, 28 projects were implemented globally, realising 22,231,185 kWh of annualised efficiency improvements, equivalent to 3,798 TCO₂e avoided emissions.

1. Our GHG inventory has been completed in accordance with the Greenhouse Gas Protocol, Corporate Accounting and Reporting Standard (Revised Edition) using the operational controls approach. Scope 1 emissions are calculated using UK Government emission conversion factors for greenhouse gas company reporting. Scope 2 emissions have been calculated in line with the market-based method set out in the GHG Protocol Scope 2 standard.
2. Value add: Croda Group adjusted operating profit before depreciation, amortisation and Group employment costs including Directors, Share based payment costs and non-exceptional redundancies, at reported currency.
3. Our scope 3 emissions are calculated in accordance with The GHG Protocol Corporate Value Chain Scope 3 standard and cover all relevant upstream categories. Scope 3 emissions are calculated using primarily LCA data, and where this is not available, an Extended Environmental Input-Output (EIO) model method – using spend data, to quantify the emissions associated with a sector of the economy in a given geography.
4. Emissions data for 2018 – 2022 has been restated and verified by Accenture see www.croda.com/sustainability for their verification statement. See page 25 of SIR for more information.

Identifying our highest impact climate risks and opportunities

Climate related risks and opportunities are identified at all levels of our organisation and are assessed for both impact and likelihood using our global risk framework (page 52). Detailed scenario analysis was originally conducted in 2021 to investigate the risks identified to have the highest financial impact from these bottom-up assessments. The updated modelling in 2022 reduced the impact of climate on labour productivity which, we removed from our disclosure, and increased our assessment of water usage which we then introduced. We have enhanced our reporting in 2023 to reflect our assessment of water impacts, disruption from both water stress and flooding, rather than simple water usage. We consider the geographical impact of these key risks below.

Transitional risks

Climate risk	Description of risk/opportunity	Geographical impact
Impact of carbon pricing on our emissions	Rising carbon emissions from our sites may impact profits through increased direct costs if emissions are taxed. Evolving local regulation in key markets and regions, such as the EU carbon border tax, will add further pressure.	Atlas Point is our largest contributor to scope 1 & 2 emissions and when viewed with our other manufacturing sites in North America this region is the most material, accounting for c.43% of our scope 1 & 2 emissions.
Impact of carbon pricing on the cost of utilities, particularly natural gas	The increasing cost of natural gas resulting from recent geopolitical issues may increase further as a result of carbon pricing. Natural gas is a key utility used in our manufacturing process, accounting for 58% of our energy consumption.	Atlas Point is currently our largest consumer of natural gas and when viewed with our other manufacturing sites in North America this region is the most material, accounting for more than 50% of our natural gas consumption.

Physical risks

Climate risk	Description of risk/opportunity	Geographical impact
Climate change impact on the availability of natural raw materials	Potential changes in mean global temperatures are likely to affect the location, yield and type of crops grown around the world, with a resulting impact on raw material availability and cost. Palm oil derivatives form a significant volume of our raw materials and this trend is expected to continue. As such the future change in the price of palm derivatives will have a direct effect on the cost of palm-based products/ingredients.	The use of palm oil derivatised raw materials is spread across our operations. Asia has the highest use c.46% followed by Western Europe c.28% of our total purchased palm oil derivatives.
Water impact – water stress and flood risk	Changes in global climate can significantly increase/decrease precipitation at a given location over time. Potential changes in precipitation, reduced rainfall over extended periods and extreme rainfall events are likely to affect Croda sites 1) water stressed locations by causing droughts or 2) in areas of increased riverine floodrisk. This can have financial implications for local industry by impacting regional water supply, with loss of production due to flood damage leading to lost revenue and potential loss of business.	Changes in global climate have varied localised effects and therefore periods of both high and low precipitation levels will become increasingly extreme and prolonged. Sites located in water stressed areas across Southern Europe, Northern Africa and Latin America are expected to face increasingly arid conditions. As reported in 2022 the scenario analysis has demonstrated that there is no material financial risk associated with operating our sites in water stressed regions. Sites located in riverine flood risks in India, and those with recent flood events in Alabaster and Mevisa, are expected to face increasing risks. The results for the flood risk component have been reported on page 67.

Other climate related risks/opportunities identified

Other climate related risks currently assessed to have a lower impact are identified in our risk registers across products and services, distribution and supply chain, suppliers, R&D, operations and acquisitions and divestments.

Non-financial disclosures continued

Task Force on Climate-related Financial Disclosures (TCFD) continued

The tables below set out the assumptions used, the risk profile generated and our planned mitigations for each of the four key climate risks selected. Our analysis shows that the financial risks they present to Croda could be managed by currently planned mitigating actions meaning that we would not have to materially change our strategy or business model and indicating confidence in the resilience of both. The impact of climate change is considered under our Accounting Policies, see page 157.

Impact of carbon pricing on our emissions

Driver for assumptions	Risk profile and financial impact			Mitigations and measures
	2025	2030	2050	
Using Croda revenue and GHG emissions projections, the potential cost impact of increased carbon prices associated with Croda emissions (scope 1 and 2) was calculated. Predicted emissions were reviewed for assumptions of both no climate action (pro-rata for 2021 performance) and achievement of our net zero strategy, considering our validated SBT trajectory to 2030.	In a Hot House World scenario, the additional cost of carbon tax increases is limited, resulting in a minor level of financial risk to the business out to 2050.			Croda has a verified 1.5°C 2030 Science Based Target. Every location, including non-manufacturing sites, has a decarbonisation road map towards achieving a 50% reduction in scope 1 and 2 emissions by the end of 2029. The quality assessment process for these was externally validated by Accenture.
The cost was modelled across the future climate related scenarios using carbon price models at an organisational level from the NGFS database.	In both the Disorderly and Orderly transition scenarios the additional costs due to higher levels of carbon taxation and restrictive measures are forecast to expose Croda to high levels of financial risk beyond 2035 and 2040 respectively assuming a business-as-usual emissions trajectory.			Whilst a high proportion of the reduction is based on alternative energy sources, assuring a high confidence level, our plans also cover reducing energy consumption and increasing energy efficiency. For example, our manufacturing site in Spain installed a heat recovery system and solar panels that led to a reduction in annual CO ₂ emissions of 15%, Incotec's new highly sustainable Aquarela site in Holambra, Brazil has 788 solar panels installed on the roof, aiming to generate 100% of its electricity consumption, our site in Chocques, France, receives steam, vital for process heating, from a local municipal waste incinerator verified as having zero impact on the site's scope 2 emissions and several UK collaborative funding opportunities have been applied for to further accelerate the decarbonisation of our heat. For further details see pages 9 to 13 of our Sustainability Impact Report.
	2025	2030	2050	We apply a shadow carbon price to capital expenditure projects, aiding prioritisation of those that result in reduced scope 1 and 2 emissions. This price is set at £124/tonne in line with the UK Government Green Guide.
				Related targets and metrics:
				By 2030, we will have achieved our SBTs, reducing scope 1 and 2 emissions by 46.2% from a 2018 baseline, in line with limiting global warming to 1.5°C, and reducing upstream scope 3 emissions by 13.5%
				(see page 64 for progress)
				Potential carbon tax based on scope 1 & 2 (market-based) emissions: £12.6m 2023, £15m 2022
				Potential carbon tax as % PBT: 4% 2023, 3% 2022

Impact of carbon pricing on utilities, particularly natural gas

Driver for assumptions	Risk profile and financial impact			Mitigations and measures
	2025	2030	2050	
Using Croda revenue and natural gas usage projections, this scenario assessed the possible cost to Croda of increased natural gas prices. Predicted natural gas usage was reviewed for assumptions of both no climate action (pro-rata for 2021 performance) and achievement of our decarbonisation strategy. The cost was modelled across the future climate related scenarios using natural gas price models at an organisational level from the NGFS database.	In a business-as-usual energy usage trajectory, the Hot House World scenario saw the lowest levels of financial risk, with a moderate risk level to 2050.			The development of our decarbonisation road maps has enabled all locations to assess the opportunities for migrating to alternative energy sources, reducing energy consumption and increasing energy efficiency. Notable projects relating to natural gas substitution include the installation of a bioethanol boiler on our manufacturing site in Brazil, our Singapore site has switched from steam heat tracing to electrical, using less natural gas, and our Atlas Point site at Delaware, USA has increased its landfill gas burning capability in 2023 to replace part of its natural gas demand. As a material consumer, the latter will substantially reduce Croda's overall exposure to natural gas pricing.
	In both the Disorderly and Orderly transition scenarios the additional costs due to natural gas price increases are expected to expose Croda to high levels of financial risk from 2045 and 2050 respectively.			(For further details see SIR page 10).
	2025	2030	2050	Related targets and metrics:
				By 2030, we will have achieved our SBTs, reducing scope 1 and 2 emissions by 46.2% from a 2018 baseline, in line with limiting global warming to 1.5°C, and reducing upstream scope 3 emissions by 13.5%
				(see page 64 for progress against our emissions targets and details of our total energy consumption)
				PBT per kWh natural gas consumed: £0.7 / kWh 2023, £0.8 / kWh 2022

Risk impact score	Financial impact
1-2	Opportunity – Minor Impact
3-4	Low – Moderate Impact
5-6	High – Critical Impact

Impact of climate change on raw material availability

Driver for assumptions	Risk profile and financial impact	Mitigations and measures
<p>The potential changes in the cost of sales that Croda may be exposed to has been modelled using the future percentage increase of palm oil prices (Orbitas – Climate Transition Risk Analyst Brief: Indonesian Palm Oil) against the total volumes and price of palm oil derivatives purchased by Croda in 2021. Indonesia is the dominant origin of Croda's supply.</p> <p>The cost of palm oil is forecast to expose Croda to varying levels of risk across the two different climate related scenarios – Current Policies and Net Zero 2050 – for which clear models are available.</p>	<p>In the Hot House World scenario, the cost of palm oil increase is limited, resulting in a low level of financial risk to the business out to 2035, at which point the cost of palm oil is forecast to drop below the 2021 baseline cost resulting in a cost saving opportunity for the business, driven by continual efficiency improvement in farming technologies (partially supported by Croda crop innovation) driving prices down.</p> <p>In an Orderly transition scenario, a predicted increase in the cost of palm oil (driven by increasing demand for palm oil as an alternative to fossil based oils for fuel) is expected to drive initially moderate impacts towards critical levels of financial risk by 2045.</p>	<p>Roundtable on Sustainable Palm Oil (RSPO) certified palm oil cultivation leads to increased yields due to more efficient farming practices, increasing availability of palm and palm kernel oil without further deforestation. Being a leading voice in industry and working with coalitions such as Action for Sustainable Derivatives (ASD) to drive further industry transition to RSPO helps to mitigate the risks associated with increased pricing due to lack of availability.</p> <p>88.4% of our palm derivative purchases in 2023 were RSPO-certified and >99% of purchased volumes in 2022 were mapped back to either refineries, mills or plantations, working with ASD. For further details see page 15 of our Sustainability Impact Report.</p> <p>Our focus on high value niches and differentiated products with unique characteristics also helps to mitigate this risk by enabling us to pass on raw material cost increases to our customers.</p>
	<p>2025 2030 2050</p> <p>(Orderly transition)</p>	<p>Related targets and metrics</p> <p>By 2030, over 75% of our organic raw materials by weight will be bio-based, absorbing carbon from the atmosphere as they grow. 59% in 2023^A and 59% in 2022 of our organic raw materials were bio-based.</p> <p>We seek to improve mapping in 2024 to allow future reporting of % revenue linked to bio-based raw materials.</p>

Water Impact - Riverine Flood risk

Driver for assumptions	Risk profile and financial impact	Mitigations and Measures
<p>The most at-risk sites were identified as either being within areas of Extremely High Riverine Flood Risk from the WRI Aqueduct tool or have recently been exposed to flooding events.</p> <p>Using Croda revenue and assessment of financial impact (loss production leading to lost revenue and potential loss of business), this scenario assessed the possible cost to Croda of damage from river floods. The cost was modelled across the future climate related scenarios in line with expected annual growth rate (CAGR) and increase in Annual Expected Damage from River Floods for India from the NGFS database. India was chosen due to the higher risk of flooding at Croda's sites in this area.</p>	<p>In all three forecasted climate scenarios (Hot House World, Disorderly and Orderly), the predicted cost increase as a result of Annual Expected Damage from River Floods reaches 'high' levels of financial risk to the business by 2040. This gradual increase in financial exposure is replicated across all four sites in the analysis.</p>	<p>Following a specific risk assessment conducted by Croda's insurers, with recommended controls, the residual risk is relatively low to the business.</p> <p>Specific measures underway include implementing flood mitigation strategies including flood monitoring, hard defences in the form of flood barriers and soft defences such as marshland/wetlands.</p> <p>Contingency plans and controls are in place for these variations and flooding scenarios. Croda has multiple sites which can produce products which alleviates this issue, and there is a large investment in the region to mitigate this.</p> <p>To measure our water use impact, Croda developed an internal methodology that considers the entire water cycle and accounts for the social, environmental, and business impacts of water use. Six Croda sites were identified as being located in regions exposed to the highest levels of disruption from water impacts (flooding or water stress) and have defined realistic water impact reduction roadmaps.</p> <p>Related targets and metrics:</p> <p>Reduce our water use impact by 50% from our 2018 baseline: By the end of 2022 there had been an 18% reduction from the baseline water impact score for our six material sites.</p> <p>% revenue for sites with significant risk of Flood: 14.9% 2023, 13.7% 2022.</p> <p>Note this is gross risk and does not account for transfer of production at alternative locations.</p>

Non-financial disclosures

Non-financial and sustainability information statement

In accordance with the Non-Financial Reporting Directive we have summarised where non-financial information relating to environmental, employee, social, respect for human rights, anti-corruption and anti-bribery matters can be found in our Annual Report (AR), Sustainability Impact Report (SIR) and online. Our Viability Statement on page 58 assesses the key risks and combinations of risks (including consideration of business relationships and products) which could adversely impact the Group. Confirming environmental integrity and social accountability is an increasingly important prerequisite in our upstream supply chains. During 2023 we can confirm there were no significant safety, health, environment or quality incidents across our operations on which to report.

Our Purpose

Smart science to improve lives™

10

Business model

- What we do
- Value and impact creation
- Stakeholders

12
14
15
2
3
4

Global megatrends

24

We have identified three global challenges our strategy helps to address:

- Feeding a growing population and restoring nature
- Living more sustainably within planetary boundaries
- Global demand for health and wellbeing

Other sources of Non-Financial and Sustainability Information

Further information can be found in our Sustainability Impact report (SIR), Reporting Datapack (RDP) and online at www.croda.com



● Annual report page number

● Sustainability Impact Report (SIR) page number

All policies listed can be found using the QR code below:

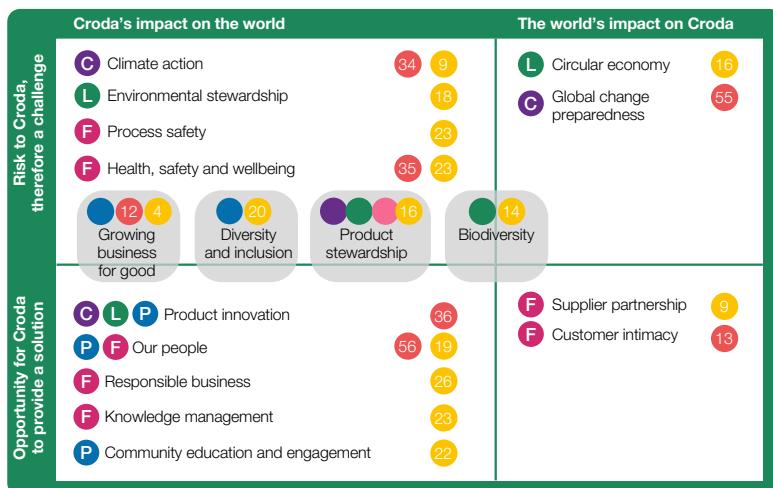


Risk	Policies	Impacts and metrics
Environmental matters		
<ul style="list-style-type: none"> • Major safety or environment incidents • Delivering sustainable solutions • TCFD 	<ul style="list-style-type: none"> • Supplier code of conduct • Group SHE policy 	<ul style="list-style-type: none"> • Process safety (TRIR) 35 19 • Environmental stewardship 18 • Product stewardship 18 • Sustainable sourcing and supplier partnership 13 • Climate Positive 34 13 • Land Positive 34 18
Respect for human rights		
<ul style="list-style-type: none"> • Our people 	<ul style="list-style-type: none"> • Code of conduct • Guidelines policy for Managing Diversity 	<ul style="list-style-type: none"> • Fair income (Living Wage) 117 23
Social matters		
<ul style="list-style-type: none"> • Our people 	<ul style="list-style-type: none"> • Code of Conduct • Guidelines policy for Managing Diversity • Group Transgender policy 	<ul style="list-style-type: none"> • Diversity and inclusion 93 23
Employees		
<ul style="list-style-type: none"> • Our people • Ethics and compliance 	<ul style="list-style-type: none"> • Group Code of Ethics • Code of Conduct • Group policy on Training and Development • Equal opportunities policy • Group SHE policy 	<ul style="list-style-type: none"> • Culture 16 • Key people metrics 94 • Purpose and Sustainability Commitment Score (Workforce Engagement) 35 • Gender balance 95 23 • Health, Safety and Wellbeing 23
Anti bribery and corruption		
<ul style="list-style-type: none"> • Responsible business 	<ul style="list-style-type: none"> • Code of Conduct • Guidelines policy for Managing Diversity • Group Transgender policy • Anti bribery and corruption statement • Ethics and anti-corruption compliance programme • Croda modern slavery statement • Whistleblowing reporting procedure • Competition law policy • Croda fraud policy 	<ul style="list-style-type: none"> • Responsible business 26
Business model		
<ul style="list-style-type: none"> • Principal risks 	<ul style="list-style-type: none"> • Key performance indicators 	<ul style="list-style-type: none"> • Key performance indicators 34

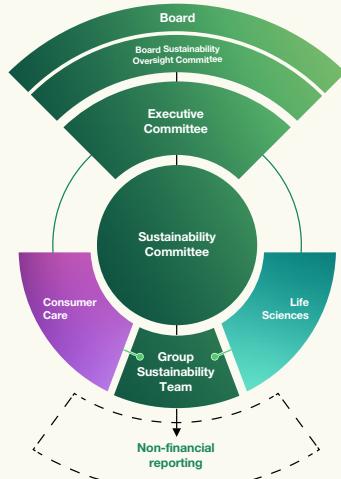
Materiality matrix

This grid provides a summary of the key issues identified through our latest materiality assessment and how they relate to Croda.

- Climate positive ● Land positive ● People positive ● Fundamentals
- Material areas that range across axes

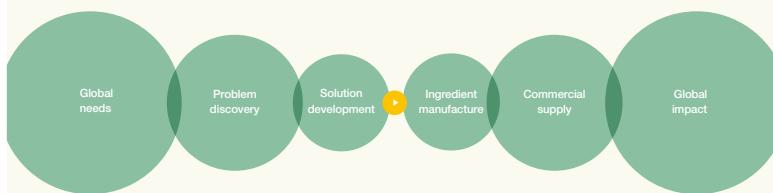


Oversight

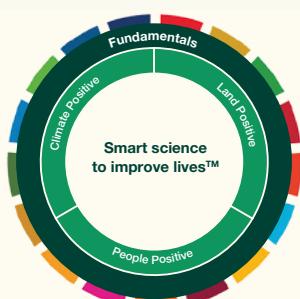


Accountability for delivery of our strategy is embedded across the company, monitored by the Sustainability Committee and supported by Group Sustainability, our in-house centre of excellence.

Executing the vision



Our Commitment is to be Climate, Land and People Positive by 2030, working towards our goal of becoming the world's most sustainable supplier of innovative ingredients. We will be a partner of choice for our customers and suppliers in delivering on our strategy and will maximise our positive impacts on climate, nature and society.



New Board-level Sustainability Oversight Committee

Given the growing importance of the sustainability agenda to our stakeholders and its core position in our corporate strategy, the Board approved the creation of a Board-level Sustainability Oversight Committee (BSOC) for 2024, to be led by Chris Good, Non-Executive Director. The new Committee will create additional capacity at Board level to give due attention to this growing area of governance and develop the ESG competency of Board members. The BSOC met for the first time in January 2024.

Chair's introduction

Chair's letter



"Effective governance together with the strength of leadership of our Board continued to support the Executive on strategic investment through challenging conditions."

Dame Anita Frew DBE

Chair

This report, together with the Directors' Remuneration Report, set out on pages 106 to 134, describes how the 2018 UK Corporate Governance Code principles have been applied by the Company. The Company has complied with the provisions of the Code for the period under review. The 2018 UK Corporate Governance Code is available at www.frc.org.uk.

→ For more information on the Board's activity see pages 74 to 77

→ For more details on the search for our new Chair see page 96

Dear fellow shareholder

It has been a challenging year for our business and whilst the trading environment is now beginning to improve, high inflation, rising interest rates and customer destocking had a significant effect on our financial performance. However, effective governance together with the strength of leadership of our Board continued to support the Executive on strategic investment through challenging conditions.

Health and safety continues to be a key focus and is at the top of the agenda at every Board meeting. It is also a key focus for site visits, with a briefing document prepared so that site specific key health and safety information is available in advance of the visit thereby allowing the visiting Director to effectively challenge any particular areas of concern or educate themselves on good practice for wider learnings. In June, the Board attended a safety training day at the Leek site where the Group's safety values were reiterated and the Board was able to engage with both process safety protocols and the behavioural safety of our employees and contractors.

The Board remained focused on sustainability and achieving our ambition to be the most sustainable supplier of innovative ingredients, by becoming Climate, Land and People Positive by 2030. Reflecting the Board's commitment, it approved the creation of a Sustainability Oversight Committee to provide the Board with enhanced oversight of sustainability matters and strategy implementation as well as ensuring compliance with relevant regulations. In July, the sustainability team provided the Board with a training session which focused on the leadership role the Board has in ensuring that Croda responds to social and environmental risks. See pages 98 to 99 for further information on the Sustainability Oversight Committee and the Board's focus on sustainability on page 77.

The Board oversaw the introduction of a new organisational model, moving to a more agile, simplified matrix structure with all regional teams reporting into Consumer Care and Life Sciences to provide a solid foundation for the next phase of Croda's development.

This will drive greater accountability and responsiveness to customers, empower decision-making through the organisation and facilitate the onboarding of new talent more effectively. See page 81 for more information.

During 2023, the Board continued its oversight and challenge to the management team in delivering the Group's strategy. This included taking part in two dedicated strategy sessions with the Executive Committee team with discussions focused on the changing market environment in Consumer Care and the need for a flexible strategy to meet the expectations of consumers. In Life Sciences, time was also spent understanding the evolution of the Pharma market towards emerging biopharma and genetic medicine modalities and the strategic focus on strengthening our current base, accelerating innovation and targeting complementary M&A. Further details on our Board strategy review can be found on page 77.

The acquisition of Solus Biotech, a global leader in premium biotechnology-derived beauty actives, completed in July following the unconditional approval from the South Korean regulatory authorities. The acquisition provides access to biotech-derived ceramide and phospholipid technologies, and emerging capabilities in natural retinol and will significantly strengthen our Beauty Actives portfolio. Located in South Korea, Solus expands our Asian manufacturing capability and will create a new biotechnology R&D hub in the region. See page 80 for more information on Solus Biotech.

The Board is always mindful of the impact of its decisions on our stakeholders and on the long-term sustainable success of the Company. On pages 78 to 83 we describe how the Board engaged with each of our key stakeholders and give some examples of how we have considered their interests in some of the Board decisions made during the year. The Board owns and oversees our risk management programme and has completed a robust assessment of the Group's emerging and principal risks. Further information is on page 51.

Our success depends on our skilled and highly committed employees and throughout 2023 our people have demonstrated their resilience, adaptability and determination to persevere in a very tough trading environment. During the year the Board met regularly with employees, through listening groups, Board presentations and site visits. Further details on how we engaged with our employees can be found on pages 78 and 84.

Leadership and diversity

Board succession planning continued to be a key focus this year with my retirement as Chair of the Board at the conclusion of the 2024 AGM.

During the year the Nomination Committee undertook a search for a new Chair to take over when I step down at the AGM at the end of my nine-year tenure. Following a comprehensive search process, in September we announced that Danuta Gray had been appointed as a Non-Executive Director and Chair designate. Danuta joined the Board on 1 February 2024, and will succeed me as Chair at the conclusion of the AGM in April. Further information about the rigorous selection process led by Jacqui Ferguson, our Senior Independent Director, can be found on page 96.

In December we announced that our CFO, Louisa Burdett, would be leaving Croda in June 2024. We are sorry that Louisa is leaving but she has our very best wishes. A search for her replacement is underway.

Helena Ganczakowski stepped down at the AGM in 2023 having served nine years as a Director. I extend grateful thanks, on behalf of the Board, for the outstanding contribution she has made to the Board and as Chair of the Remuneration Committee over the last nine years. Her insight, support and challenge will be missed and we wish her all the best. The Board undertook a search for a new Non-Executive Director to replace Helena and on 27 April 2023, Chris Good joined the Board as a Non-Executive Director. Chris has spent his executive career in the consumer care industry with more than 20 years at Estée Lauder Companies, a global leader in prestige beauty. Chris' deep understanding of the consumer care industry and in particular his insights into beauty care markets and consumers are of great value to Croda and the Board. His appointment strengthens the consumer care knowledge and experience around the Board table, supporting our continued transition to a pure play Consumer Care and Life Sciences business. Further details on Chris' induction can be found on page 97.



We believe that diversity in the Boardroom is essential for innovative thinking and improves the quality of decision-making. I am happy to report that the composition of the Board continues to exceed the new diversity requirements of the FCA Listing Rules as well as the ambitions set out in the FTSE Women Leaders Review and the Parker Review for FTSE 100 companies. Two of our Board members are from ethnic minority backgrounds. We are also comfortably in line with the requirement that listed companies should have at least one woman in a senior Board position with a female Chair, Senior Independent Director and Chief Financial Officer. Further information on Board diversity, including the new Listing Rule disclosure requirements, can be found on pages 93 to 94.

On the recommendation of the Nomination Committee, the Board agreed to extend Keith Layden's appointment for a further year and my appointment up to the 2024 AGM. This is in line with our policy to review appointments annually once six years' tenure has been completed. Following the retirement of Helena Ganczakowski in April, Jacqui Ferguson was appointed as Senior Independent Director. Before making a recommendation to the Board, the Nomination Committee considers the contribution made to the Board and the Committees by the individual and their time commitments. No Director being considered for re-appointment took part in any discussion relating to their own appointment. Further information about the tenure of other Board members can be found on page 95.

Board evaluation

In accordance with the 2018 UK Corporate Governance Code, this year's Board evaluation was externally facilitated and I am pleased to report that it confirmed that we continue to operate as a highly effective Board with many signature strengths. Details of the Board's annual evaluation are set out on pages 88 to 89.

Annual General Meeting

Our AGM will be held on 24 April 2024 and provides shareholders with a valuable opportunity to communicate with us and this dialogue is very important to the Board. As a result of the impact of Covid-19, from 2022 we offered shareholders a choice to attend the AGM in person or view the AGM remotely via a webcast. Take-up for remote attendance has, however, been very low with just one shareholder attending remotely in 2023 and no questions having been submitted by those attending remotely. In light of the apparent lack of demand for remote participation and to avoid unnecessary costs, we have decided to arrange our 2024 AGM on the basis that shareholders, their proxies and corporate representatives may attend in person without broadcasting the event. We will keep shareholder demand for remote participation under review in respect of our future AGMs.

It has been my great privilege to work with Croda and to serve as Chair of the Board since 2015. I would like to give thanks to my fellow Board members and all my colleagues working at Croda for their hard work, commitment and support during my nine-year tenure as Chair and I wish everyone every success for the exciting future ahead.

Dame Anita Frew DBE
Chair

Corporate governance continued

The Board's biographies

**Dame Anita Frew DBE**

Chair

N**Appointment:** March 2015 and Chair since September 2015**Nationality:** British

Anita has served on Plc boards in the chemical, resources, engineering, water and financial services industries for over 20 years. Prior to joining Croda, she was Chair of Victrex plc and Senior Independent Director of Aberdeen Asset Management Plc, IMI plc and was Deputy Chair of Lloyds Banking Group PLC. During her time as a Director, she has chaired main Boards, Remuneration, Responsible Business and Risk Committees. Currently she is also Chair of Rolls-Royce Holdings plc. In January 2023, Anita was appointed as a Dame Commander of the Order of the British Empire in recognition of her services to business and the economy and in May 2023, she was appointed as an Industry Expert for Advanced Manufacturing for the Pro-Innovation Regulation of Technologies Review.

Anita brings extensive experience as Chair to the Croda Board as well as leadership in strategic management, mergers and acquisitions, and risk experience from working internationally across many sectors.

**Louisa Burdett**

Chief Financial Officer

R E I**Appointment:** January 2023**Nationality:** British

Louisa is an experienced Finance Director who has held senior financial positions in industrial, manufacturing, publishing and pharmaceutical companies. She was previously CFO of Meggitt Plc and before that CFO of Victrex plc. She is currently a Non-Executive Director and Chair of the Audit Committee of RS Group Plc, a global distributor of industrial and electronic products.

Louisa brings financial, commercial, M&A and risk management experience to the Croda Board.

**Danuta Gray**

Non-Executive Director and Chair designate

N**Appointment:** February 2024**Nationality:** British

Danuta is a highly experienced Non-Executive Director and Chair with a strong understanding of consumers, technology, sales and marketing within the UK and international business markets gained through her executive career. Danuta is currently Chair of Direct Line Insurance Group Plc and a Non-Executive Director and Chair of the Remuneration Committee at Burberry Group plc. She is also a member of the Board of Trustees of the Resolution Foundation and a supporter of Employ Autism. She was previously Chair of St Modwen Properties plc, Senior Independent Director and interim Chair at Aldemore Bank plc, Non-Executive Director and Chair of the Remuneration Committee at PageGroup plc and Old Mutual plc, and Non-Executive Director at Paddy Power Betfair plc.

Danuta's wealth of Plc board experience and a deep understanding of UK governance requirements make her a strong asset to the Croda Board. Her broad knowledge and experience across a range of sectors will be invaluable to the Board and the Group as a whole.

**Steve Fooths**

Group Chief Executive

E I ES SHEQ**Appointment:** July 2010 and Group Chief Executive since January 2012**Nationality:** British

Steve joined Croda as a Graduate Trainee in 1990 and brings to the Board a business, strategic and operational background gained from a number of senior leadership roles across the Group. Outside of Croda, Steve is Industry co-Chair of the UK Chemistry Council which enables him to work alongside Government Ministers and industry peers to bring wider industry knowledge into the Croda business.

Having spent several years leading many different Croda businesses, Steve has gathered extensive insight into the markets served, the importance of customer focus and the power of an innovative culture.

**Jacqui Ferguson**

Non-Executive Director

RM A N S**Appointment:** September 2018**Nationality:** British

Jacqui is an experienced CEO from the technology industry with general management and M&A experience in international and emerging markets. She spent three years in Silicon Valley as Chief of Staff at Hewlett Packard, focused on a new company strategy and turnaround. Away from Croda, she is Chair of Tesco Bank, a Non-Executive Director of John Wood Group Plc, National Grid plc and Softcat plc, a member of the Scottish First Ministers Advisory Board for Women and Girls and Trustee of Engineering UK.

Jacqui's first-hand insight of transformational/disruptive digital, cyber security, technology and business process solutions bring valuable insight to Board discussions.

**Chris Good**

Non-Executive Director

S RM A N**Appointment:** April 2023**Nationality:** British

Chris has spent his career in the consumer care industry. He recently retired following more than 20 years at Estée Lauder Companies, a global leader in prestige beauty. Prior to joining Estée Lauder Companies, Chris spent over 10 years at Unilever in senior marketing, executive and general management roles across Europe, North America and Asia. Chris' deep understanding of the consumer care industry and in particular his insights into beauty care markets and consumers is of great value to Croda and the Board. As well as having significant P&L experience, Chris also brings a truly international perspective to the Board, having lived and worked in the USA, Switzerland, Japan, Singapore, Russia and the UK.

His appointment strengthens the consumer care knowledge and experience around the Board table and supports Croda's continued transition to a pure play Consumer Care and Life Sciences business.

Key

Chair of the Committee		Remuneration Committee	RM	Group Executive Committee	E
Member of the Committee		Audit Committee	A	Group Ethics Committee	ES
Secretary of the Committee		Sustainability Oversight Committee	S	Investment and Performance Committee	I
Nomination Committee		Group Risk Committee	R	Group SHEQ Steering Committee	SHEQ



Roberto Cirillo

Non-Executive Director

Appointment: April 2018

Nationality: Swiss

Roberto has ten years' experience as Country and Group CEO in the service and health care industries with many years spent as a strategy practitioner in Europe and Asia. Alongside his role as Non-Executive Director for Croda, he is CEO of Swiss Post. He was previously the Group CEO at Optegra Eye Health Care Ltd France, CEO and Group COO at Sodexo SA and Associate Partner at McKinsey & Co.

Roberto brings knowledge of, and passion for, growth and operations to the Croda Board. He can also share lessons learned from large transformations and M&A. Roberto's engineering background enables him to link Croda's R&D and production competencies with the evolving demands of its multifunctional markets.



Julie Kim

Non-Executive Director

Appointment: September 2021

Nationality: US

Julie brings nearly 30 years of experience in the health care industry, with more than 15 years in international leadership positions. She is currently President, US Business Unit and US Country Head at Takeda Pharmaceutical, a global, values-based, R&D driven biopharmaceutical leader headquartered in Japan. Previous executive positions include roles as Head of International Market Access and Global Franchise Head of multiple therapeutic areas at Shire, Baxalta and Baxter. Julie also sits on the industry board for the Plasma Protein Therapeutics Association.

Her geographic experience in both global and regional roles, focused on Europe, Asia and Latin America, means that she brings valuable strategic and operational insight to Board discussions.



Keith Layden

Non-Executive Director

Appointment: February 2012
and Non-Executive Director since May 2017

Nationality: British

Keith brings to the Croda Board 34 years' experience of working at Croda in a variety of positions, including leading the Global Research, Development and Innovation function and as President of the Global Life Sciences business before his retirement from the business in 2017. He also has an interest and background in organisational culture and innovation which are key considerations in the decision-making of the Board.

In his roles as Honorary Professor of Chemistry and Industry at the University of Nottingham and a Fellow of the Royal Society of Chemistry, he widens his network of emerging technology companies and research institutes to spot new talent that will aid Croda's future success.



Nawal Ouzren

Non-Executive Director

Appointment: February 2022

Nationality: French

Nawal has 20 years of expertise across a wide range of international business roles, including clinical development, operational and strategic management roles within the pharmaceutical industry. Nawal currently serves as CEO at Sensorion, a Euronext listed biopharmaceutical company headquartered in France.

Nawal brings to the Croda Board first hand experience in biologics and novel gene therapies. Her pharma experience and market insight provide a real advantage in driving the implementation of Croda's Pharma strategy.



John Ramsay

Non-Executive Director

Appointment: January 2020

Nationality: British

A chartered accountant, John has over 30 years' broad-based international finance experience with Life Science businesses such as ICI, AstraZeneca and Syngenta. A large part of this experience was gained while working in Latin American and Asian countries. He is a Non-Executive Director and Chair of the Audit Committee at DSM-Firmenich AG, RHI Magnesita NV and Babcock International Plc.

John brings extensive knowledge of business strategy to the Croda Board as well as a keen interest in building Croda's strong culture to deliver superior business performance.



Tom Brophy

Group General Counsel,
Company Secretary and
President Sustainability

Appointment: December 2012 as
Board Secretary

Nationality: British

Tom is an experienced corporate lawyer, having worked at City law firm Hogan Lovells and FTSE 100 company Ferguson. In addition to his General Counsel and Company Secretary role, Tom is President Sustainability and has previously held other senior roles in Croda, including leading our Group HR function and as the Managing Director of the Western European Region. Tom provides corporate governance know-how to the Board and Croda. Having spent many years leading global teams, Tom leads the Legal, Company Secretary, IP and Sustainability teams.

His expertise in public and private acquisitions supports Croda's inorganic growth plans and his professional background and breadth of experience in insurance, risk and compliance enable him to Chair the Ethics Committee.

Board activity

Board activity in 2023

Board meetings and structure in 2023

Board meetings are the main forum for the Directors to debate, review and challenge strategic, operational and governance matters concerning the Company, as required to ensure that the Directors discharge their duties including under Section 172(1) of the Companies Act 2006.

There were six scheduled meetings of the Board during the year plus two additional ad-hoc meetings to discuss business performance. Board meeting agendas are set through a collaborative process between the Chair, CEO and Company Secretary. The Chair ensures adequate time is allocated to allow effective discussion, with a typical agenda being structured to ensure a balance is maintained between reporting, approvals, strategy and governance.

Detailed planning is undertaken to create an annual Board agenda programme, which ensures important strategic, operational, financial, cultural and corporate governance items are discussed at the appropriate time during the year, with additional deep dives into key strategic areas.

In addition to the formal meetings of the Board, a separate Strategy Day was held in June, attended by members of the Executive Committee and their senior management teams; see page 77 for more information. A further five-year strategic plan session was held in the autumn.

Outside the Boardroom

The Non-Executive Directors have direct access at any time to the Executive Directors, senior management teams and employees across

the Group, which provides them with the opportunity to have a deeper understanding of the Company's operations or to request information about specific areas. This contributes to more effective meetings and decision-making and strengthens the ability of the Non-Executive Directors to constructively challenge at Board meetings. The Chair has regular catch up meetings with the CEO, CFO, Company Secretary and members of the Executive Committee between Board meetings. This ensures that she is kept apprised of significant developments and emerging issues and opportunities as they arise.

Site visits

In 2023, the Board was pleased to be able to undertake several face-to-face engagements with colleagues from across the organisation. The Board's annual overseas Board meeting was held in Spain at our manufacturing site in Mevisa, with additional site visits undertaken to France and Denmark immediately prior to this. In addition, during the year individual site visits for our Non-Executive Directors were organised, with visits to Croda's businesses in India, Singapore, Korea and the US. During site visits, Directors meet a wide range of employees and actively participate in workforce engagement sessions through listening groups, town halls and informal dinners as well as receiving business update presentations. These interactions allow Directors to have discussions and receive direct feedback from a cross section of employees, which fosters better and more informed decision-making at Board meetings and acts as an important mechanism in ensuring that the voice of our employees is heard in the Boardroom.

Split of the Board's time

During the year, the Board considered a comprehensive agenda programme including matters drawn from the schedule of matters reserved for the Board and the immediate and prospective operating environment. A summary of the Board's activities for 2023 is set out below, along with an estimate of the proportion of the time that the Board spent discussing each area.

Strategy 40%

- Five-year strategic plan
- Sustainability strategy including a dedicated training session
- Established a Board Sustainability Oversight Committee
- Discussed and considered acquisition opportunities
- Review of capital investment opportunities, including the approval of the development of a greenfield manufacturing site in China
- IT and digital strategy, including AI opportunities and risks
- Post capex performance review
- Reviewed and discussed innovation opportunities in Consumer Care

People 10%

- Approved the appointments of Danuta Gray as Chair designate and Chris Good as a new Non-Executive Director
- Extended the terms of office of Anita Frew and Keith Layden
- Monitored health and safety performance, both process safety at our sites and behavioural safety of our employees and contractors
- Received a report from the new Director of Safety on key initial observations, strategy and priorities
- Reviewed senior management succession plans and talent pipeline across the Group in relation to the new organisational business model

Governance and reporting 10%

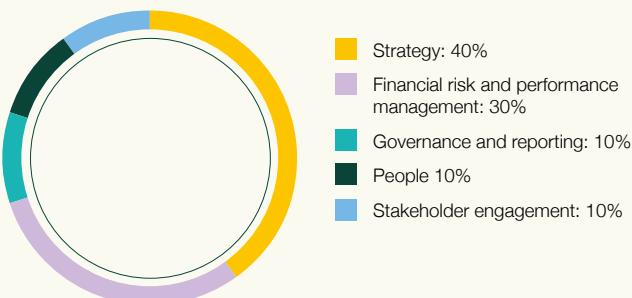
- Undertook an external Board and Committee effectiveness evaluation
- Approved the Annual Report and Accounts and other financial statements
- Undertook a Governance compliance review
- Approved the renewal of the Group's global insurance programme as part of the risk management framework
- Reviewed the Board Diversity Policy

Financial risk and performance management 30%

- Reviewed business performance
- Approved trading updates issued during the year
- Approved the Group's annual budget
- Reviewed and approved the dividend policy and the annual and interim dividends
- Discussed and evaluated key risks, internal and external assurance of each risk and risk appetite statements
- Approved the long-term viability and going concern statements
- Considered the Company's defence planning
- Undertook a review of the Group's tax strategy

Stakeholder engagement 10%

- Received updates on site visits undertaken by members of the Board including feedback from employee and customer engagement activities
- Analysed the results of the annual customer feedback survey
- Received updates on investor sentiment in response to financial results and trading updates
- Received reports from Executive Directors and senior management on the sentiment of customers and suppliers
- Considered stakeholders in discussions and decision-making



Board agendas and activity in 2023

Reporting – backward looking

The Board receives reports from members of the Executive Committee as well as the Board Committees, with reports from the CEO and CFO forming the main items for discussion at each meeting.

- The CEO's report focuses on strategic and operational activities. Safety is always the first matter he reports on with a focus on behavioural and process safety issues including relevant KPIs. He also reports on key Quality KPIs. The performance of each business is discussed, including sales, regional activity and competitor insights as well as any major customer, supplier and regulatory body issues. The global market and macroeconomic environments have also been a key focus given the challenging trading environment.
- The CFO reports on monthly and year to date sales performance, profit, cash flow, cost base, capital expenditure and outlook for the year. She also reports during the year on performance against budget and treasury items (including liquidity) and keeps the Board abreast of investor discussions and feedback.
- The Board receives quarterly reports from members of the Executive Committee in relation to all aspects of the business, including market sectors, regional delivery, sustainability, operations, innovation, people, risk and functional updates. These include sustainability related non-financial KPIs and are in addition to the deep dive sessions covered under the Board's annual programme of business.
- The Board closely monitors the trading environment and approved two unscheduled trading updates issued during the year.

Approvals – current issues

Approvals that form part of the matters reserved for the Board include corporate transactions, capital expenditure, significant commercial contracts, the financial statements, and dividends. For example, during 2023 the Board:

- Approved the trading updates in April and October.
- Approved capital investments in Guangzhou, China and at our sites in Leek in the UK and Lamar in the USA.

- Discussed acquisition opportunities, which were not progressed.
- Approved Chris Good's and Danuta Gray's appointments.
- Approved the Group's IT strategy, including AI risks and opportunities.
- Approval of the full year and half year dividends.

Strategy – forward looking

Each Board meeting agenda includes items key to progressing the strategic objectives of the business to enable the Board's understanding of the opportunities and challenges for the business in new markets, technologies and disruptive innovation. During the year the Board undertook strategic deep dives into the following areas:

- The annual Board strategy review provided a focused opportunity to assess and review strategy to ensure it remained appropriate for the long-term sustainable success of the Company.

- Monitored organic development proposals in technologies key to achieving the Group's 2030 Science Based Target and progressing its strategic focus on biotech operations and capability.
- Sustainability – as well as the annual review of sustainability leadership, the Board received a bespoke training session which included discussion on Croda's operating context and position, commercial implications and an outside-in perspective; see page 77 for more information.
- Innovation – reviewed the Beauty Care business' short and medium-term opportunities.

Governance

This typically comprises Board procedural and governance matters including:

- Updates on changes to relevant laws, regulations, and governance issues.
- Reports on compliance and insurance matters, including a review of policies and procedures on modern slavery, whistleblowing and ethics.
- Board agenda planning, Board effectiveness reviews, Committee membership and the annual review and approval of Board Committees' terms of reference.

Board activity continued

Progress of 2023 focus areas

The actions and progress in meeting the focus areas identified for 2023 are summarised below:

1. Continue to monitor safety leadership and performance

- Safety is always the first operational matter discussed at Board meetings with a focus on performance of process safety KPIs at our sites and the behavioural safety of our employees and contractors.
- Regular updates on the progress to embed safety as a value across the Group through the ‘Big Conversation’ initiative whereby over 500 senior leaders have collectively undertaken more than 4,500 hours of safety training aimed at building confidence around safety leadership and driving debate on safety.
- Active participation in a dedicated safety training day at the Leek site where, through training, engagement and inspection, the Directors were able to understand the management and delivery of process safety during a higher risk period of construction and development.

3. Continue its focus on organic capital investment programme

- Formal updates received on the progress of key growth investments including those fundamental for meeting our sustainability commitments.
- Approval of development projects in Lamar (USA), Guangzhou (China), and Leek (UK), which are aligned to the Group’s sustainability strategy.
- Annual capex review with a deeper understanding of the framework for managing large capital investment projects to ensure safe and on time budget delivery, as well as a detailed analysis and discussion of project performance and key themes and initiatives to take forward.

2. Oversight of inorganic investments in support of our Life Sciences and Consumer Care businesses

- Approval of the global integration framework for newly acquired businesses.
- Regular updates on the progress of the integration of the Solus Biotech acquisition.
- Business presentations included in-depth reviews of M&A pipeline opportunities.
- Discussed and considered potential acquisition opportunities.

4. Continue to bring external perspectives into the Boardroom – including focus on the competitive landscape, disruptive technologies and outside-in customer assessments

- Insights into disruptive technologies and competitive landscapes in Beauty Care and Pharma at the Strategy Day in June.
- Increased focus on the global competitor landscape in Board presentations.
- Directors met with key customers during a visit to the USA.
- Directors attended international industry events, such as In-Cosmetics in Barcelona and Beauty World in Dubai.

Focus areas for 2024**The Board will:**

- Monitor safety leadership and performance.
- Monitor the trading environment and market dynamics against expected performance and budget forecasts.
- Oversee the implementation of the new organisational structure including the review of wider executive succession and talent pipeline to ensure that we continue to have the capacity and capability to support our strategic priorities.
- Monitor our organic capital investment programme.



Key areas of focus throughout the year

Board focus on sustainability

Sustainability embedded in our decision-making

During the year the Board remained focused on delivery of our Sustainability Commitment, which is a fundamental aspect of how we work, how we are judged, and how we judge ourselves, as we decouple our continued growth and increasing shareholder value from our impacts on the environment.

The Board approved the Group's annual budget, which includes investments to achieve our Commitment and sustainability strategy and to ensure sufficient prioritisation of resource to support this.

Sustainability plays a central role in decision-making with new investments having to meet our rigorous sustainability requirements. In September the Board approved the development of a greenfield manufacturing site at Guangzhou in China to help transform our Fragrance and Beauty Actives businesses in support of our fast grow Asia strategy. The Board considered the impact on the Group's sustainability commitments, with the use of sustainable materials for construction, zero scope 1 emissions, no waste to landfill and progress to zero scope 2 emissions by buying renewable electricity as available. The acceleration of botanical actives sits alongside traditional Chinese medicine using locally sourced ingredients, meeting consumer demand for sustainability and 'clean beauty'.

The Board decided to proceed with the development of the Pharma expansion programme at the Lamar greenfield site in Pennsylvania in line with our strategy to grow our Nucleic Acid Delivery business and our commitment to contribute to the development and commercialisation of 25% of WHO-listed pipeline vaccines. The Board also took account of the site's five-year plan to target a carbon free manufacturing footprint.

In December 2022, the Board approved the acquisition of Solus Biotech, a global leader in premium biotechnology-derived ingredients for beauty care and pharmaceuticals. The acquisition enhances our sustainable biotechnology capabilities as well as consolidating our position as a global leader in sustainable actives with a North Asian manufacturing and innovation facility.

Monitoring and awareness

The Board receives quarterly sustainability reports which include a balanced scorecard against our Commitment and enable the Board to challenge the pace of change and resource allocation. The Board

monitored progress against the decarbonisation roadmaps produced for all sites in 2022 and oversaw the development of scope 3 reporting, including the quantification of downstream emissions fundamental to Croda and our customers, and reviewed and challenged progress in meeting the key milestones forming part of our sustainability commitments.

During the year a number of site visits were undertaken by our Directors and in advance of these a sustainability and safety briefing note is prepared to enable the visiting Director to have a Group perspective as well as focusing on relevant areas of interest and also any areas of concern.

As part of its annual risk review, the Board confirmed that 'Delivering sustainable solutions – Climate and Land Positive' continues to be a principal risk. See pages 51 to 53 for more information on our risk management process and pages 59 to 67 for our TCFD disclosures including our approach to identifying and assessing climate-related risk and integration into the risk management framework.

The Board and Audit Committee reviewed how best to ensure that the business complies with relevant standards and that it has assurance on the accuracy and reliability of climate-related and other sustainability disclosures and approved the appointment of an external assurance partner to provide limited assurance of significant climate and gender diversity KPIs.

Ensuring the Board has sufficient knowledge and expertise

The Board determined in the 2022 Board evaluation that sustainability was an area that it would benefit from further training given the ever evolving regulatory and reporting landscape. In July the Board received a sustainability training session focusing on its leadership role in ensuring Croda responds to ESG risks and opportunities and the need for enhanced transparency to satisfy our stakeholders. The sessions helped to improve understanding, explore Croda's leadership response and priorities and enrich the Directors' own thinking and perspective.

Following a number of discussions, the Board established the Sustainability Oversight Committee. The Committee's support will be fundamental as the Group seeks to manage the risks that come with climate change and to navigate through an increasingly stringent regulatory environment. Further details are set out in the Sustainability Oversight Committee report on pages 98 to 99.



Strategy review

The annual Board strategy review provides a focused opportunity to assess and review the Company's strategy and ensure that it continues to be appropriate. In 2023, the theme was delivery in a challenging market environment.

In Consumer Care, discussions centred around the changing market environment and meeting the social and environmental transparency expectations of consumers. In Life Sciences, discussions focused on the evolution of the Pharma market towards emerging biopharma and genetic medicine modalities and the strategic focus on accelerating innovation and targeting complementary M&A. The Board also discussed the alignment of Croda's organisational structure and talent management with future growth areas.

The day comprised presentations and break out groups led by members of the divisional teams, which encouraged more informal and interactive discussion and provided enhanced opportunity for Directors to share their external perspectives. A wrap up plenary session at the end of the day ensured that agreed actions and follow-up were captured.

Stakeholder engagement

Engaging with our stakeholders

S172 statement

Our Directors are bound by their duties under the Companies Act 2006 to promote the long-term success of the Company for the benefit of shareholders as a whole, having regard to other key stakeholders. The Strategic Report, Directors' Report, Financial Statements and the Sustainability Impact Report help our stakeholders assess how effectively the Board, supported by the Executive Committee, senior managers and employees, promoted the success of Croda and had regard to the factors set out in Section 172(1) of the Companies Act 2006 during the year. Please see page 15 for our Section 172(1) statement.

The Board recognises that engagement is essential to understand what matters most to our stakeholders and the likely impact of any key decisions. Having consideration for our stakeholders aligns with our Purpose and our values, both of which guide us in our approach to delivering our strategic commitments and promoting the long term success of Croda for our shareholders and society.

The Board is aware that in some situations, stakeholders' interests will be conflicted and they may have to prioritise interests. The Board, led by the Chair, ensures that as part of its decision-making process, an assessment is made of the impact of the decision on our stakeholders and the likely consequences of any decision in the long term.

The Board receives a range of information to help in its understanding of our stakeholders:

- Updates from the CEO and CFO at each Board meeting include details of any significant engagement with stakeholders.
- Updates on shareholder sentiment from the Head of Investor Relations following the issue of annual and interim results and trading updates.
- Quarterly reports to the Board covering risk, innovation, global operations including customer service, Safety and Sustainability, IT and Digital operations, Legal and Company Secretarial, HR, culture and diversity include details of any relevant stakeholder matters.
- At its annual strategy session, the Board reviews the plan to achieving the long-term sustainable success of the Group and considers how this affects the interests of each of our key stakeholders.
- Presentations to the Board on performance across the sectors and regions from members of the Executive Committee and their senior teams include details of stakeholders relevant to the item being discussed.
- In reviewing the progress of delivering the Group's sustainability strategy, the Board assesses the impact on stakeholders and stakeholder interests. See page 77 for more information on the Board's focus on sustainability.

Our people

The Board understands that engaging with our employees, listening to their views and responding to any issues raised is essential for ensuring that our employees feel valued, supported and heard. It also ensures that the Board understands the needs of our employees and any pressing issues.

How we engage, including KPIs

- Site visits – enable Directors to interact with employees across a wide range of locations, functions, roles and experiences so that different perspectives can be heard.

- Listening groups and town halls – the Board considers key themes and issues arising from listening groups and town halls.
- Pulse surveys – the Board considers the results and response rates enabling better understanding of employee engagement with our culture.
- People initiatives – the Board is kept up to date on the wide range of activities undertaken across the business.
- Dinners and lunches provide a more informal environment for Directors to gain a different perspective on employee sentiment and interactions.
- Employee turnover rates are monitored to enable any trends to be identified.

Our customers

Customer engagement is vitally important for ensuring we are continuing to meet their needs and expectations, particularly in a challenging trading environment.

How we engage, including KPIs

- Quarterly reports from the business teams contain details of customer relationships and innovation programmes, as well as information on customer quality metrics (such as on-time-in-full, right first time).
- Customer feedback survey results and response rates are reviewed and discussed by the Board. Review of the net promoter score enables the Board to monitor and compare if the business' overall

customer relationships are improving, and gain insights on what issues are most important to our customers.

- Customer visits by Directors enable a better understanding of the challenges faced in the current business environment.
- Regular updates on innovation pipelines provide the Board with an indication of how effectively the business is engaging with customers on new projects, providing insights into where our products and services are meeting our customers' needs and expectations.

Our communities

As a responsible business, we believe it is essential that we operate safely and sustainably in the communities in which we operate and that we understand the impact of our operations on these communities and the environment.

How we engage, including KPIs

- The majority of our main manufacturing sites have well established community engagement committees, attended by representatives from the sites and the local community. These committees provide a forum for us to listen to the local communities where we operate and engage in local community activities and social events.

- Our sustainability materiality assessments provide us with an understanding of the issues and opportunities most material to our stakeholders, including our local communities, such as waste management and water usage.
- During site visits, our Directors gain an understanding of the engagement sites have with our local communities and of both the positive impact being made and areas where we could do better.
- The Croda Foundation continues its work providing access to our smart science by making grants aligned to our Purpose, values and expertise, with the Board receiving updates on the Foundation's work.

Our suppliers

Supply chain integrity is essential to Croda being a sustainable business and our supplier relationships provide valuable insights to the Board.

How we engage, including KPIs

- Each quarter the Board receives a report from our Operations team, which includes details from our procurement teams on interactions with our key suppliers.
- We regularly assess our suppliers to ensure they are aligned with our values and adhere to our standards outlined in the Supplier Code of Conduct. Our primary

tool for these assessments is EcoVadis, and we undertake additional assessments based on supplier risk.

- Annual review by the Audit Committee and Board of the effectiveness of the Company's ethics programme, including underlying policies and procedures, enables the Board to have an overview of how successfully the Group is engaging with suppliers.

Our shareholders

It is imperative that we listen to our shareholders and that we operate the business in a way that delivers long-term value growth and sustainable returns. Regular engagement ensures shareholders are well informed of our strategy and allows them to share any feedback.

How we engage, including KPIs

- Board engagement is primarily through the CEO, CFO and the Investor Relations team who follow a comprehensive programme of investor meetings and calls to discuss investors' questions and any areas of concern, particularly following the release of annual and half year results and trading updates.
- The Investor Relations and Corporate Affairs Director keeps the Board appraised of investor sentiment following the release of annual and half year results and trading updates to ensure that all Directors are aware of and have a clear understanding of the views of our major shareholders.
- An annual Defence presentation with the Company's broker enables the Board to gauge shareholder sentiment from an external perspective.

- All Board members are available at the AGM to answer questions either submitted in advance or raised on the day.
- In 2023, the Remuneration Committee Chair continued to consult with major shareholders and proxy agencies on the Group's 2022 remuneration outcomes and proposed changes to the Remuneration Policy which was voted on at the 2023 AGM.
- 2023's challenging market environment and downgraded performance expectations have meant additional Board and Disclosure Committee meetings to ensure that performance is closely monitored to ensure that we meet all disclosure obligations to the market.

Considering the interests of our stakeholders



Development of a greenfield manufacturing facility in China

The Board approved a significant investment in the development of a greenfield site at Guangzhou in China to help to transform our Fragrance and Beauty Actives businesses in the region.

In considering the investment, the Board considered a number of key issues including the Group's strategy to fast grow Asia, the importance of protecting the existing business and supporting its future growth. The investment would assist in the retention of key personnel and expertise as well as supporting the increasing customer demand for locally sourced ingredients. It also demonstrated Croda's belief and commitment in the local market and community. The investment aligned with Croda's sustainability strategy and safety priorities by providing a state-of-the-art manufacturing facility providing a sustainable, carbon neutral, efficient and safe manufacturing facility to support the development of innovative and sustainable ingredients.

Having regard to the interests of all stakeholders, the Board concluded that it was in the best interests of the Company and its shareholders to approve the investment in the project.

Relevant stakeholders

- Customers
- Suppliers
- Employees
- Shareholders
- Communities



Completion of the acquisition of Solus Biotech

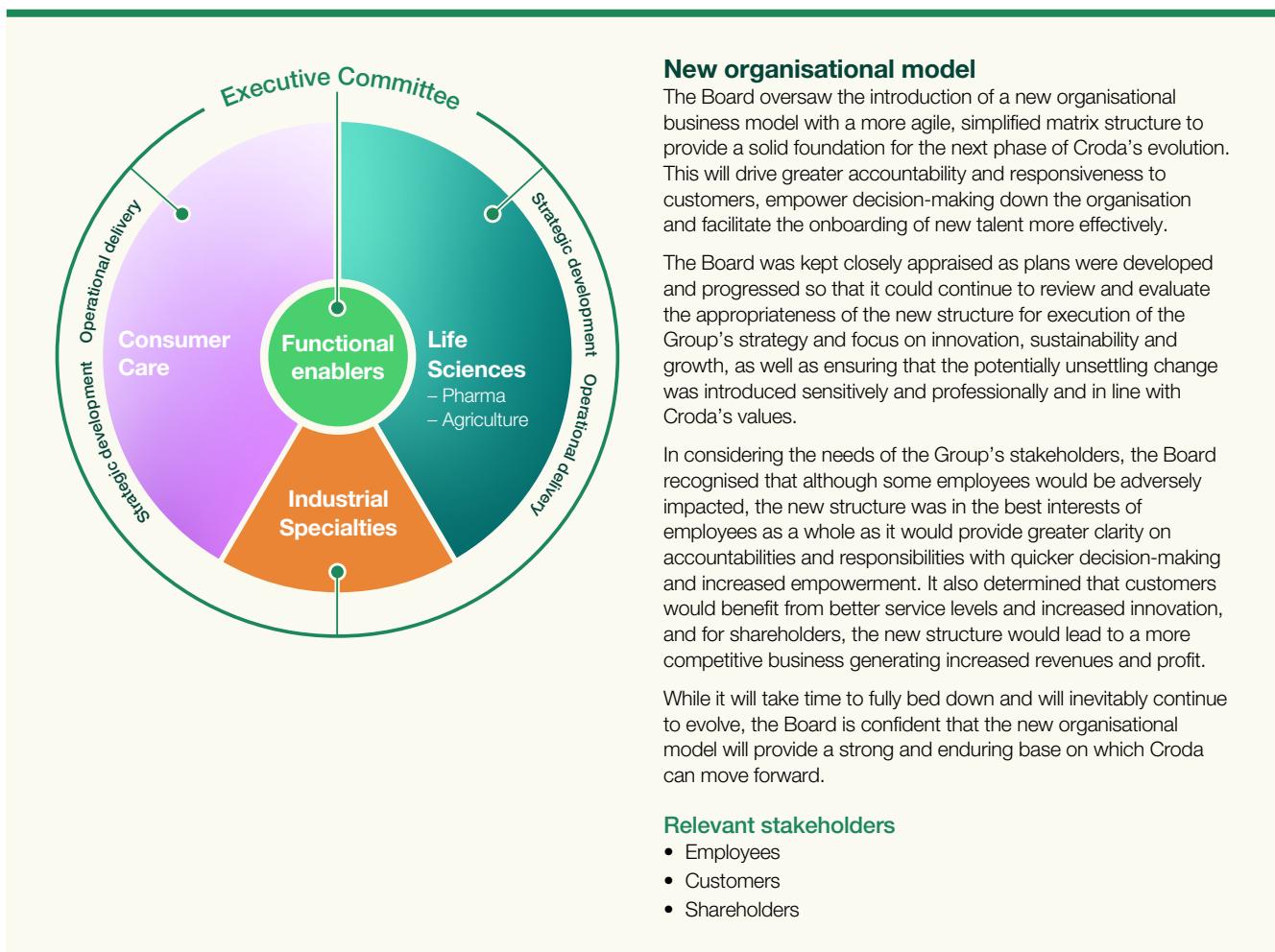
The acquisition of Solus Biotech, a global leader in premium, biotechnology-derived active ingredients for beauty care and pharmaceuticals, was approved by the Board in 2022 and completed in July 2023 following receipt of unconditional approval from the South Korean regulatory authorities.

The Board considered the impact of the acquisition on our stakeholders and determined that it was in the best interests of our shareholders as a valuable addition to the Croda portfolio and increasing the opportunity to deliver against many of the Group's strategic goals, including expansion of Life Sciences, strengthening of Consumer Care, fast grow Asia and the scaling of Biotech. For customers, it consolidated Croda's position as a global leader in producing sustainable actives as well as building the Group's biotech knowledge base with a portfolio of fermented (biotech derived) ingredients to meet consumer demand for more sustainable ingredients. It also strengthened our regional and local community presence. Increasing the Group's IP and proprietary know-how would provide opportunities for learning and development for both existing employees and our new employees from Solus Biotech.

The Board monitored the integration of the new business, with the immediate priorities being to establish Croda's core values, particularly in relation to safety, and to integrate Solus' natural ingredients into Croda's global selling network. This was as well as supporting the Solus team with Croda's technical and R&D expertise.

Relevant stakeholders

- Shareholders
- Customers and consumers
- Employees
- Communities



New super refining project

In line with the Pharma strategy to be a leading partner for high purity excipients and bioprocessing aids, the Board approved investment in additional super refining capabilities at our site in Leek.

In reviewing the proposal, the Board considered a number of key areas, including an understanding of the new technology required and the approach to project management with safety a key consideration for employees and contractors. The Board also considered the commercial case and the extent to which the development of high purity low carbon products would increase Croda's product value proposition across the business.

In considering investment in the project, the Board considered the interests of Croda's stakeholders and concluded that the development would create opportunities for jobs and career development and provide a sustainable, efficient and safe workplace for employees and the local community. The Board also determined that customers and consumers would benefit from the enhanced and more sustainable product offering and for shareholders the investment would support the development of Croda's Pharma protein delivery strategy.

Relevant stakeholders

- Employees
- Customers and consumers
- Communities
- Shareholders

Shareholder engagement

Approach to engagement

The Board is committed to maintaining regular dialogue with investors and communicating in a clear and transparent manner. A comprehensive investor engagement programme is led by David Bishop, Investor Relations and Corporate Affairs Director, and comprises results presentations, investor roadshows, attendance at conferences, seminars, site visits and ad-hoc meetings. This programme includes direct Board engagement through the CEO and CFO.

The Chair and other Non-Executive Directors are also available to meet with major shareholders to discuss topics including governance, strategy, ESG performance, and remuneration. The Board reviews monthly Board papers, meeting presentations and investor feedback following roadshows and other events. Direct engagement and the feedback it receives gives the Board insight into investors' views, helping to inform key decisions and the future direction of the Company.

Our AGM offers the opportunity for all shareholders to meet with the Board in-person to receive an update on the business and to engage directly with the Board on topics deemed relevant. A number of investors and their representatives attended our AGM in April 2023 where Phil Ruxton, Chief Sustainability Officer (pictured below), gave an update on our sustainability commitments and progress to date. All results presentations are webcast live and with replay facilities available ensuring all investors and analysts have equal opportunities to engage with the business. Investors can also sign up to receive regulatory alerts at www.croda.com, ensuring they are notified of company updates.



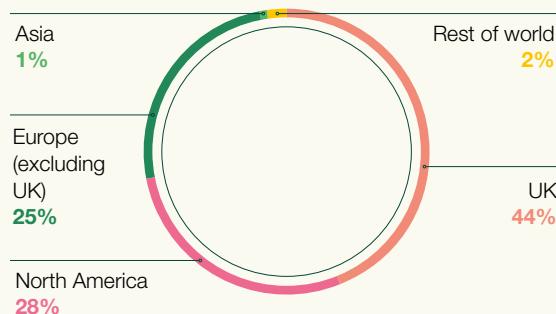
Engagement in 2023

In 2023 we met with 369 institutions across 870 interactions, with 26 of our top 30 investors meeting management at least once. Engagement levels were slightly lower than 2022 given the absence of any large investor seminars, but nonetheless remained high and above FTSE 100 averages based on available benchmarks. Management engaged in roadshows after both full year and half year results, as well as roadshows in the USA, Germany, and France, ensuring investors had the opportunity to engage with them face-to-face.

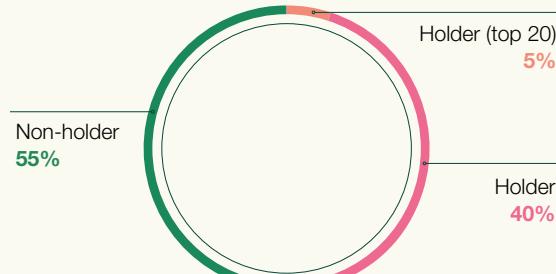
As the trading environment rapidly deteriorated in the second quarter, the Board took the decision to issue an unscheduled trading update to the market in June. This was followed by another update in October as operating conditions remained challenging. Following both of these updates there was significant engagement with investors, with management making themselves available to discuss the trading dynamics and performance.

In addition to both in-person and virtual meetings we hosted a range of site visits during the year, aimed at enabling investors to build an understanding of our operations and what differentiates our business first hand. These visits included multiple visits to Rawcliffe Bridge in Yorkshire, visits to our Beauty Actives and F&F businesses in France, a large group visit to our Seed Enhancement business in the Netherlands and various other visits to sites in the USA, Singapore and China.

Meeting breakdown in 2023 by investor location



Meeting breakdown in 2023 by holders and non-holders



Common investor questions

1. When do you expect customer destocking to end?

Through 2023 our largest customers have reduced their inventories, impacting our sales volumes. While customers cannot reduce inventory levels indefinitely, calling an end to destocking is challenging. In Consumer Care, customer inventory levels in 2023 were lower than in 2022 and our sales volumes improved during the year. Inventory levels remained heightened in Crop Protection, with customer destocking continuing throughout the year, and demand remained weak in Industrial Specialties.

2. Why have operating margins reduced and will they return to previous levels?

Across the Group we operate 11 large, multi-sector manufacturing sites. Historically the markets in which we operate have traded somewhat independently of each other, however in 2023 volume weakness impacted all our markets. This resulted in utilisation levels falling with reduced fixed overhead coverage at these sites impacting our margins. While we would expect margins to recover as utilisation improves, significant margin expansion will require a broad-based improvement across all markets.

3. What is the future growth profile for the Pharma business?

Our Pharma business is focused on fast-growth niches where innovation needs are high. We expect the Pharma business to continue growing, excluding the Covid-19 lipids, for which we do not anticipate any revenue in 2024. Longer-term, our Nucleic Acid Delivery platform, which enabled the roll out of Covid-19 vaccines, has a particularly exciting growth pipeline with customers developing new mRNA vaccines that we expect to start commercialising from 2025.

4. What is a 'normal' level of capital expenditure for the business?

Capital expenditure has been elevated in recent years as we redeploy the investment proceeds from the disposal of our PTIC business which completed in 2022. This includes our Pharma investment programme of £175m which was initiated in 2021 and will continue through 2025. Longer-term we anticipate capital expenditure to maintain existing assets and provide future growth to be 6-8% of sales.

5. What is your policy with regard to returning capital to shareholders?

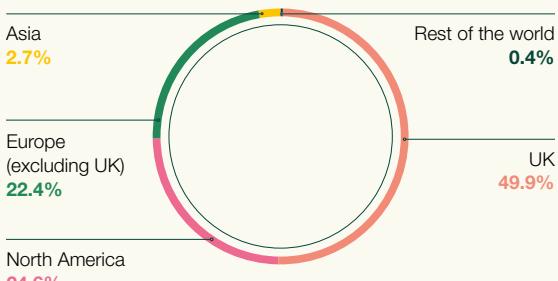
Our capital allocation policy prioritises organic capital investment, complemented by bolt-on acquisitions and technology investments. We aim to maintain a strong balance sheet with net debt of 1-2x EBITDA and to make regular returns to shareholders through our ordinary dividend, with a track record of more than 30 years of progressive dividend growth. Our preference in the current trading environment is to retain a strong balance sheet, however, we will continue to monitor our capital requirements and make a special return to shareholders if appropriate.

Shareholder register

Our shareholder base is largely made up of institutional shareholders across the UK, Europe and North America. Around 18% of our shareholders have a specific sustainability focus matching our ambition to be the most sustainable supplier of innovative ingredients.

Top 10 shareholders	Holding (%)
Norges Bank	6.3
Impax Asset Management	4.5
Vanguard Group	4.0
BlackRock Investment (US)	3.8
BlackRock Investment (UK)	3.6
MFS Investment Management (US)	3.6
RBC Global Asset Management	2.9
Brewin Dolphin	2.9
MFS International Management (UK)	2.4
Legal & General	2.3

Shareholders by region



* The data above is at 31 December 2023 based on register analysis conducted by a third party. This may differ from the detail shown on page 136 which is based on notifications the Company has received under DTR Chapter 5.

The Board and culture

Our Purpose

Our Purpose, Smart science to improve lives™, is made possible thanks to our distinctive values-led culture and the positive impact our activities and ingredients have on the environment and world around us. Our ambition is to become the most sustainable supplier of innovative ingredients and to be Climate, Land and People Positive by 2030. Our culture governs how we interact with our customers, how we work with each other, and guides our relationships with our stakeholders. Our customer-focused values of being Responsible, Innovative and Together are integral to the way we behave individually and collectively and to the way we do business. The Board seeks to continually reinforce these values so that the right behaviours cascade throughout the organisation, ensuring our culture and behaviours drive what we do.

The Board is responsible for assessing, monitoring and promoting our culture and understands the importance of setting the right tone from the top. The importance of personal traits that reflect Croda's values and culture are a key part of the selection criteria when appointing a new Non-Executive Director or, as was the case this year, a new Chair. See page 96 for more information on the Chair selection process.

Monitoring our culture

Great emphasis is placed by the Board on ensuring that our culture is aligned to our Purpose, values and strategy and one of the Board's key focus areas is to monitor and assess culture across the Group. Although culture is not tangible and cannot be assessed by metrics alone, the Board uses multiple information sources and KPIs to help to judge and assess how our culture is embedded in the organisation, how it shows across employee sentiment, and how it is observed in behaviours and trends. These include:

- Regular meetings with members of the Executive Committee and management.
- Employee survey results and response rates.
- Feedback from employee engagement.
- Quarterly safety and employee wellbeing data.
- Feedback from shareholders.
- Employee retention rates.
- Diversity and inclusion metrics – such as gender balance, balanced shortlists, diversity on development programmes.
- Ethics and whistleblowing reports.

The Board monitors the results and response rates of the regular pulse surveys undertaken during the year by all our employees across the Group. Each survey has a focus on particular aspects of culture, for example, Croda being a 'Great place to work'. In 2023 the surveys mirrored those of the previous year so that progress on regional and local actions to improve the workplace and employee experience could be assessed.

During the year the Board had oversight of initiatives focused on facilitating inclusion such as the Solaris programme which supports the pipeline of talent from underrepresented groups, including those from an ethnic minority. Steve Foots gave a presentation at a Solaris alumni session which prompted views from different perspectives and increased the understanding of challenges faced by minority groups.

As a business, we run a number of development programmes for high performing and high potential senior colleagues. The senior leader mentoring programme enables the Directors and Executive Committee members to interact directly with a diverse group of talent from a range of functions across the business and support them in their professional growth through guidance, support and knowledge transfer. During the year, separate sessions of the Group's Leadership Development Group, for high performing and high potential senior colleagues, were attended by Steve Fooths and Nawal Ouzren. Steve attended a session in San Francisco and Nawal attended Ashridge Business School for a

module on Leading with impact and authenticity. Nawal took part in group discussions, a Q&A and joined the group for dinner which provided her with the opportunity to provide her insights and experiences in senior leadership roles and a perspective from the Boardroom. A session of the Women Lead Affinity Group in the USA was attended by Anita Frew which enabled her to share her experience and perspectives as a successful female leader. As well as benefitting the participants, these interactions help the Directors to build relationships with our highest potential employees and leaders. The Board remains engaged in the furtherance of diversity and inclusion initiatives across the business.

In June, Croda was included in the Sunday Times Best Places to Work following a third-party assessment of culture and workplace experience which concluded that Croda reflected good practice for employee engagement and wellbeing in the workplace. The nationwide survey honours and celebrates Britain's top employers and is a clear representation of the positive experience of our employees and Croda's culture and values.

Listening to our employees

In view of Croda's global operations, the Board decided that the most effective way of organising its engagement with employees was to continue to share the responsibility among all Non-Executive Directors and to utilise the variety of mechanisms in place. The Board is comfortable that it can continue to rely on alternative methods to engage with employees, rather than one of the three methods outlined in the 2018 UK Corporate Governance Code.

In addition to formal Board meetings, during the year our Non-Executive Directors visited operational sites in India, Singapore, Spain, France, Denmark, and the USA in order to better understand the Group's businesses and operations in these countries. These visits allow the Directors to observe the Group's operations in action, reinforce their knowledge and enable them to experience at first hand the culture of the Group. As part of these visits, wherever possible, the visiting Director leads workforce engagement sessions including listening groups and town halls with a diverse range of employees. A wide range of topics are discussed including those that are particular to the site and those of a more business and strategic nature. Topics which arose during the year included: knowledge management, safety, local business opportunities, organisational effectiveness, digitisation and data, human performance initiatives, serving customers and current trading. Feedback is then provided to the Board on discussions held and the Board's response on key themes and insights is in turn relayed back to those employees who attended thereby creating a feedback loop between the Board and employees. The Company Secretary takes responsibility for any actions requiring follow up. Perspectives from employees are taken into account in decision-making. For example, employee feedback regarding challenges around operational effectiveness within a matrix structure was a key factor in the development of the Group's new organisational model. See page 81 for more details.

As well as individual site visits, during the year the Board undertook a safety focused visit to our site at Leek which included discussions with the site management team, process engineers and safety managers. Extensive construction activities were underway at the time of the visit which enabled the Board to understand the additional process safety risks and protocols in place. In February the Board held an informal lunch with the Product Safety and Regulatory Affairs team at the Cowick office. As well as meeting the team, this provided the Board with key insights into the areas of innovation, ingredient defence and global registrations as well enabling a better understanding of the key challenges faced by the team.

Board site visits in 2023

Governance of a site visit

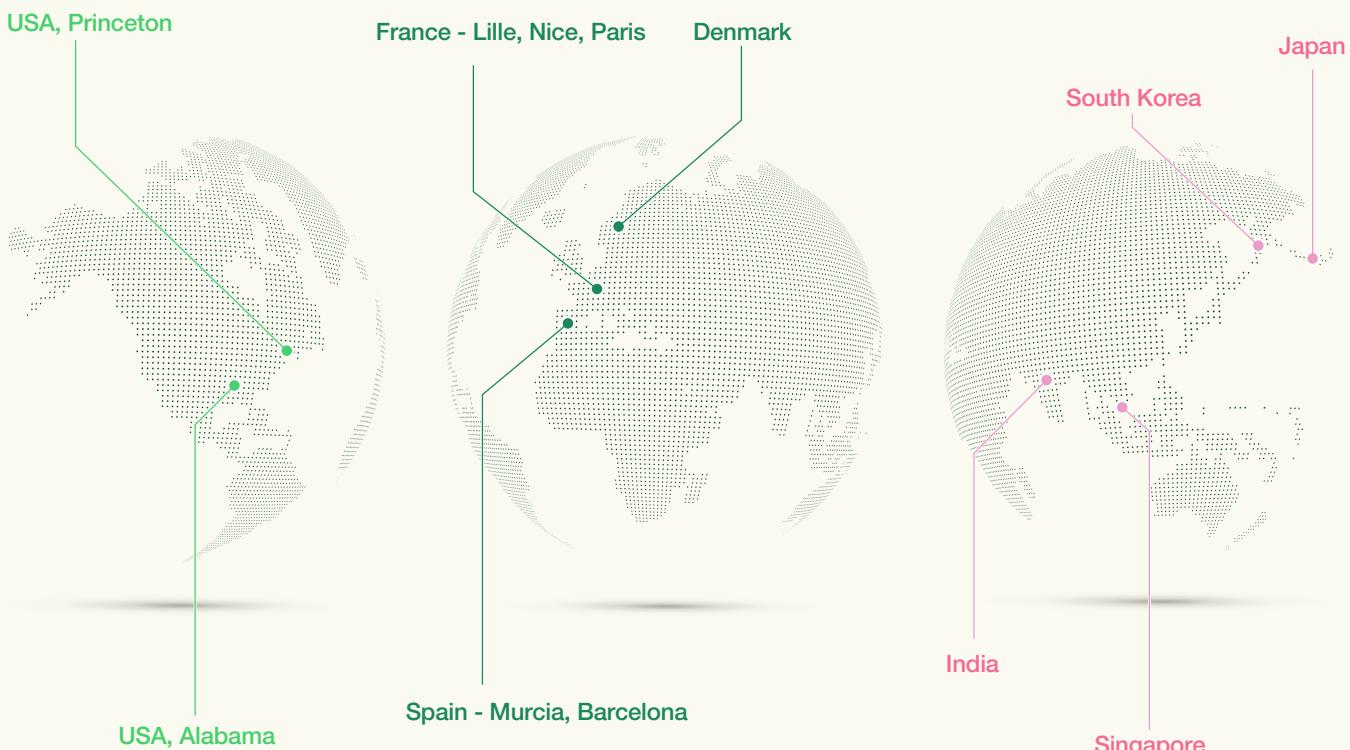
Where – the CEO and Company Secretary identify relevant sites that are of particular interest in terms of strategic focus, organic development or any specific issues. The aim is for the Board to gain insight into as wide a range of operations and locations as possible.

Itinerary – detailed itineraries and agendas are planned and agreed well in advance with the local site management teams to ensure maximum benefit is derived out of the time available. In advance of the visit, Directors receive briefings on safety, sustainability and any other relevant matters specific to the site.

Visit – Directors meet with the local management teams and receive presentations on a variety of topics, including safety, strategy, sustainability, business and financial performance, distribution and

marketing. At operational sites, Directors undertake a tour which enables direct engagement with process engineers, operators and research scientists on the ground. An informal dinner is held to facilitate more relaxed interaction with the local team. Workforce engagement sessions are usually included and, where possible, customer meetings are also organised.

Feedback – Directors present feedback of their observations to the Board and the Company Secretary takes responsibility for ensuring that any follow up actions are allocated to individuals with outcomes reported to the Board. Feedback from the Board on observations following employee engagement sessions is given to employees who attended.



Croda Iberica, Spain



Croda Denmark



Croda Chocques, France

Board leadership

The Company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board has ultimate responsibility for the overall leadership of the Group. In this role, it oversees the development and delivery of a clear Group strategy in line with our Purpose.

At the date of this report, the Board comprises 11 Directors: the Chair; the Group Chief Executive; the Chief Financial Officer; seven independent Non-Executive Directors, including from 1 February 2024, the Chair designate; and one non-independent Non-Executive Director, who was the Company's Chief Technology Officer until his retirement in 2017. The size of the Board allows time for constructive debate and challenge on key elements of the Company's performance and strategic projects and enables all Directors' views to be heard. It monitors operational and financial performance against agreed goals and objectives and ensures that appropriate controls and systems exist to manage risk and that there are the necessary financial resources and people with the necessary skills to achieve the strategic goals the Board has set. The Non-Executive Directors have a broad range of business, financial and international skills and experience, which provide appropriate balance and diversity of thought. The Executive Directors use the specific areas of expertise of the Non-Executive Directors as a source of ideas, experience, as well as challenge when developing strategic plans. The Directors' biographical details are on pages 72 to 73. The Board maintains a formal schedule of matters reserved for its approval. These matters include approving the Group's strategy and budget, material corporate transactions and the authorisation of capital expenditure above delegated authority limits. They also include matters relating to risk management, approval of the Annual Report and Accounts, dividends, appointing new Directors and significant communications to shareholders. The full schedule of matters reserved for the Board can be found in the governance section at www.croda.com.

The Board discharges some of its responsibilities directly and others through its Committees, details of which can be found on page 87. In recognition of the importance of sustainability in achieving our Purpose and delivering our strategy as well as the growing and increasingly complex regulatory landscape, in 2023 the Board decided to establish a Sustainability Oversight Committee. Further details of the role of the Sustainability Oversight Committee are on pages 98 to 99.

Execution of the strategy and day-to-day management of the Company's business is delegated to the Executive Committee, and subsequently to senior leadership teams where relevant, with the Board retaining responsibility for overseeing, guiding and holding management to account. In addition to its monthly scheduled meetings, the Board met and heard from the Executive Committee members, senior management and a wider range of colleagues on a regular basis. Contributions from the Executive Committee members can be found throughout this report.

The terms of reference for each Board Committee can be found at www.croda.com.

Division of responsibilities

Chair

The Chair leads the Board and sets the tone from the top, promoting a culture of openness and debate and effective communication between the Executive and Non-Executive Directors. She creates an environment at Board meetings in which all Directors are able to contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge.

Senior Independent Director

The Senior Independent Director provides a sounding board for the Chair and acts as an intermediary for the Non-Executive Directors, where necessary. She is available to shareholders where communication through the Chair or Executive Directors has not been successful or where it may not seem appropriate. During the year, our Senior Independent Director played a critical role in leading the search for our new Chair.

Independent Non-Executive Directors

The role of the independent Non-Executive Directors is central to an effective and accountable Board structure as they provide strategic and specialist guidance together with effective governance. They constructively challenge the Executive Directors and scrutinise the performance of management in meeting agreed goals and objectives and ensure all stakeholder views are considered.

Non-independent Non-Executive Director

Having served Croda for 34 years, the latter six of which were as a member of the Board, Keith Layden is not considered independent. However, because of his experience, Keith contributes strongly to the Board's culture and personality, and adds unique and valuable insight as well as constructive challenge to Board discussions, in particular in relation to innovation and R&D.

Group Chief Executive

The Group Chief Executive has day-to-day responsibility for the effective management of the Group's business and for ensuring that Board decisions are implemented. He plays a key role in devising and reviewing Group strategies for discussion and approval by the Board. The Group Chief Executive is tasked with providing regular reports to the Board.

Chief Financial Officer

The role of Chief Financial Officer is to bring a commercial and financial perspective to the Boardroom. Working with the Group Chief Executive, she is responsible for the leadership and management of the Company according to the strategic direction set by the Board. She leads the global finance function and oversees the relationship with the investment community.

Group General Counsel and Company Secretary

The Group General Counsel and Company Secretary is Secretary to the Board and its Committees. He works closely with the Chair in the formulation of meeting agendas and annual agenda programmes. He ensures that Board procedures are complied with and also advises on regulatory compliance and corporate governance. This role is to support the Chair and the Non-Executive Directors.

Governance structure

The Board has four main Committees: the Nomination Committee, the Audit Committee, the Remuneration Committee and, from January 2024, the Sustainability Oversight Committee.

Principal Board Committees

Nomination Committee

Chaired by Dame Anita Frew DBE

Reviews the structure, size and composition of the Board and its Committees, identifies and nominates suitable candidates for appointment to the Board and has responsibility for Board and Executive Committee succession planning.

→ For more information see pages 92 to 95

Audit Committee

Chaired by John Ramsay

Monitors the integrity of the Group's financial statements and announcements, the effectiveness of internal controls and risk management as well as managing the external auditor relationship.

→ For more information see pages 100 to 105

Remuneration Committee

Chaired by Jacqui Ferguson

Recommends the Company's Remuneration Policy and framework and determines the remuneration packages for members of senior management.

→ For more information see pages 106 to 134

Sustainability Oversight Committee

Chaired by Chris Good

Monitors the execution and implementation of the Group's sustainability strategy and compliance with regulations and best practice and oversees communication of the Group's sustainability activities.

→ For more information see pages 98 to 99

The day-to-day operational management of the business is delegated by the Board to the Group Chief Executive, who uses several Committees to assist him in this task: the Group Executive Committee; the Investment and Performance Committee; the Group Risk Committee; the Group Safety, Health, Environment and Quality (SHEQ) Steering Committee; the Group Ethics Committee; and the Sustainability Committee. Further information on each of the Committees is shown below.

Group Chief Executive

Group Executive Committee

Chaired by Steve Foots (CEO)

The Committee met 12 times in 2023 and is responsible for: developing and implementing strategy, operational plans, policies, procedures and budgets; monitoring operational and financial performance; assessing and controlling risk; and prioritising and allocating resources.

Group SHEQ Steering Committee

Chaired by Mark Robinson (President Operations)

The Committee meets quarterly to monitor progress against the Group safety, health, environment and quality objectives and targets, review safety performance and audits, and determine the requirement for new or revised SHEQ policies, procedures and objectives.

Group Ethics Committee

Chaired by Tom Brophy (Group General Counsel, Company Secretary and President Sustainability)

The Committee meets quarterly in support of our culture of integrity, honesty and openness, and to promote the importance of ethics and compliance across the Group and amongst our supply chain partners.

Investment and Performance Committee

Chaired by Steve Foots (CEO)

The Committee met 11 times in 2023 to review monthly operating results and examine capital expenditure projects.

Group Risk Committee

Chaired by Louisa Burdett (CFO)

The Committee meets quarterly to evaluate and propose policies and monitor processes to control business, operational and compliance risks faced by the Group, and to identify and assess emerging risks.

Sustainability Committee

Chaired by Phil Ruxton (Chief Sustainability Officer)

The Committee met six times in 2023 to further develop the Group sustainability strategy, to embed sustainability practices throughout the organisation and to monitor progress towards achieving our ambition to be the most sustainable supplier of innovative ingredients and our Commitment to be Climate, Land and People Positive by 2030.

Board leadership continued

Board and Committee meetings and attendance**Meetings in 2023**

Membership of the Board and its Committees, and attendance (eligibility) at meetings held during 2023.

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Anita Frew (Chair)	C 8 (8)	C 6 (7)*		
Louisa Burdett	8 (8)			
Roberto Cirillo	8 (8)	7 (7)	5 (5)	6 (6)
Jacqui Ferguson	8 (8)	7 (7)	5 (5)	C 6 (6)
Steve Foots	8 (8)			
Helena Ganczakowski	2 (2)	3 (3)	3 (3)	3 (3)
Chris Good	6 (6)	4 (4)	2 (2)	3 (3)
Julie Kim	8 (8)	7 (7)	5 (5)	6 (6)
Keith Layden	8 (8)	7 (7)		
Jez Maiden	2 (2)			
Nawal Ouzren	8 (8)	7 (7)	5 (5)	6 (6)
John Ramsay	8 (8)	7 (7)	C 5 (5)	6 (6)

C – Chair of the Committee

* The purpose of the June Nomination Committee was to discuss potential Chair candidates and therefore Anita Frew did not attend.

Independence of Non-Executive Directors

Croda complies with the Financial Reporting Council's Reporting Code in having experienced Non-Executive Directors who represent a source of advice, strong judgement and challenge to the Executive Directors. At present there are nine such Directors, including the Chair, the Chair designate and the Senior Independent Director, each of whom has significant commercial experience. Details of their experience is on pages 72 to 73.

The independence of the Non-Executive Directors is kept under review to ensure continuing independence and objective judgement. The Chair was independent upon her appointment in 2015 and both the Chair as head of the Board and the Chief Executive as head of executive management have clearly defined roles. Further information on their roles is included on page 86. With the exception of Keith Layden, the Board considers that all Non-Executive Directors who served during the year are independent in character and judgement, with no relationships or circumstances that are likely to affect, or could appear to affect, their judgement. Keith Layden is not considered independent, having served as the Company's Chief Technology Officer prior to retirement from the Company and appointment as a Non-Executive Director in May 2017.

Director induction

New Non-Executive Directors receive a tailored induction that focuses on the Group's culture and values, stakeholders, strategy, structure, operations and governance. The aim is to enable a new Director to integrate into the Board as quickly as possible so that they are able to contribute to business and strategy discussions and provide effective challenge. Induction programmes are developed by the Company Secretary and discussions start well in advance of the appointment date to tailor the experience to the existing knowledge and experience and include meetings with members of the Board and Executive Committee, key senior managers and the Group's audit partner and other key advisers. A schedule of country and site visits is also arranged which enables a new Director to gain insight into business operations and culture. See page 97 for further information on Chris Good's induction programme this year and the planned induction for Danuta Gray for her role as Chair of Croda.

All new Directors are given access to our electronic Board papers which provide easy and immediate access to key documents including previous Board and Committee papers; recent reports from the external auditor; the Group's risk register and Schedule of Principal

Risks; the latest budget and strategic plan; recent sell-side analyst reports and feedback from our stakeholder engagement programmes; information on our sustainability initiatives; matters reserved for the Board; the Committee terms of reference and other key policies.

Training

All Directors keep their knowledge and skills up to date and include training discussions with the Chair in their annual performance reviews. As required, professional advisers are invited to provide in-depth updates and the Board also receives updates on market trends and environmental, technological and social considerations when appropriate. The Company Secretary provides regular updates to the Board and its Committees on regulatory and corporate governance matters and Directors receive training on their duties under Section 172(1) of the Companies Act 2006 as part of their induction process from the Group's corporate lawyers. All Directors participate in online compliance training courses as required, including competition law and anti-bribery and corruption. At induction, and as requirements change, training is provided on governance, legal and regulatory matters and specific training is provided when requested by the Directors. In June, the Board attended a site safety training day at Leek where the Group's safety values were reiterated and the Board was able to engage with both process safety protocols and the behavioural safety of our employees and contractors. In July, the Sustainability team provided the Board with a training session which focused on the leadership role the Board has in ensuring that Croda responds to social and environmental risks. See page 77 for further information. To remain up to date with wider issues the Directors are encouraged to participate in events hosted by external organisations to develop broader perspectives. For example, during the year Chris Good attended a sustainability event hosted by Critical Eye to enhance his knowledge in this area.

Board evaluation

The Board undertakes a formal review of its performance and that of its Committees each year and, in line with our three-year cycle, this year's review was carried out by an external facilitator. Heidrick & Struggles were appointed and were able to build upon their existing knowledge of Croda and its Board, following their external review in 2020. The process included virtual interviews with all Board members and selected executives, an anonymous online questionnaire, in-person observations of Board and Committee meetings, and a review of

relevant documents. Heidrick & Struggles presented a review of their findings to the Board at its December meeting highlighting the areas of greatest effectiveness as well as areas for development. See below for more information on this year's externally facilitated review.

The Chair and Non-Executive Directors met without the Executive Directors present to allow an additional opportunity to discuss areas relevant to the operation of the Board. The Non-Executive Directors also met on their own, without the Chair.

The Senior Independent Director met with the Chair to provide feedback on her performance following discussions with the other Non-Executive Directors and the Executive management to gather their views. It was agreed that the Chair remained dedicated to her role and that she creates a culture of trust, openness and debate, facilitating an atmosphere of challenge whilst encouraging the effective contribution of all Board members.

The Chair met and provided feedback to each Non-Executive Director and the Executive Directors. Following these discussions, the Chair was satisfied that all the Directors continued to be effective and demonstrate commitment to the role, including having time to attend all necessary meetings and to carry out all their duties.

Conflicts of interest

The Board has an established process in place for reviewing and monitoring potential conflicts of interests. The Company's Articles of Association allow the non-conflicted members of the Board to authorise an actual or potential conflict situation. Directors holding significant commitments outside the Company are required to disclose them prior to appointment and on an ongoing basis when there are any changes. Actual and potential conflicts of interest are included on a register which is maintained by the Company Secretary and reviewed annually.

During the year the Chair and the Company Secretary discussed any potential or perceived conflict of interest with John Ramsay's directorship of DSM/Firmenich following their merger in 2023, and concluded that no conflict of interest existed but that this would be

kept under review. As a precaution, the Board approved any situational conflict that may arise.

During the appointment of any new Non-Executive Directors other commitments are taken into account, in addition to whether or not a conflict or potential conflict would exist. Details of the professional commitments of the Non-Executive Directors are included in their biographies on pages 72 to 73. The Board is satisfied that these do not interfere or conflict with the performance of their duties for the Company.

Board support

Each Director has access to the advice and services of the Company Secretary. Where necessary, the Directors may take independent professional advice at the Company's expense. Board papers are made available electronically one week in advance of meetings, which ensures that each Director has the time and resources to fulfil their duties. A resource centre within the web portal provides access to useful information about the Group, including corporate governance materials, finance and strategy information, Group policies and procedures, and information on topics such as risk and insurance. In order to build and increase Non-Executive Directors' familiarity with, and understanding of, the Group's people, businesses and markets, senior managers regularly make presentations at Board meetings.

Board re-election

Following the individual performance assessments, the Board is satisfied that each Director continues to perform effectively, allocates sufficient time for their duties and remains fully committed to their role. The terms and conditions of appointment of Non-Executive Directors can be viewed at www.croda.com. Contracts for Executive and Non-Executive Directors can be inspected during normal business hours at the Company's registered office by contacting the Company Secretary and will also be available for inspection at the AGM. The Directors, with the exception of Anita Frew, will be proposed for election and re-election at the AGM on 24 April 2024 and details are in the Notice of Meeting.

Board evaluation

Outcome

Overall the evaluation concluded that the Board was highly effective with many signature strengths.

Strengths

Board dynamics – the Board is open, collegiate, collaborative, approachable, supportive and interested. Egos are noticeably absent and there is a high degree of trust with the Board seen as 'one' with good relationships amongst the Directors and with the executive team. A strong onboarding process has led to the successful integration of new Directors.

Composition – the Board possesses comprehensive coverage across all markets and segments of Croda's businesses with the newest Board members bringing a breadth of experience and relevant expertise. The composition of the Board is aligned with strategy. There has also been an improvement in diversity, both in terms of gender and ethnicity as well as background. Overall the Board is seen as having the skills and backgrounds to effectively steer strategic directions.

Commitment – all Board members are personally committed to Croda's success and dedicate time outside the Boardroom, for

example, site visits, sub-committee membership and specialist conversations, as needed. Board members come well prepared for meetings, aided by a focused agenda and timely issued Board packs.

Opportunities and future areas of focus

Accountability – although there is a high level of challenge to executives, this could be greater and the inclusion of more data-driven perspectives in Board presentations would enhance the evaluation of strategic proposals put forward by the executives. Increased use of outside-in perspectives would also help to facilitate challenge and bring fresh perspectives to guide effective decision-making.

Culture – whilst recognising the importance and strengths of Croda's culture, consideration should be given to the potential need to explore which aspects can be evolved to support the business' next phase of growth.

Succession pipeline – there is opportunity for the Board to place more regular emphasis on Croda's long-term succession and talent pipeline, increasing the time spent on wider executive succession as well as regular review of capabilities, skills and leadership skills.

Audit, risk and internal control

Fair, balanced and understandable

To assist the Board in determining whether the Annual Report was fair, balanced and understandable, the annual report team prepared a Board paper that, amongst other things, reviewed the process of preparation of the report, the controls in place to ensure consistency and reliability of the underlying information, identified the material positive and negative matters referred to in the report to ensure balanced content and provided details of the level of senior oversight of the content of the report.

The Annual Report and Accounts process is designed to give the Board enough time to assess whether it is fair, balanced and understandable, as required by the Code. The key themes and messages to be included in the Annual Report and Accounts are considered by the Board early in the process.

The Board considered whether the Annual Report and Accounts contained the necessary information for shareholders to assess the Company's position and performance, business model and strategy. The Directors received a full draft of the Annual Report and provided feedback. This review ensures that each Director has an opportunity to highlight any areas requiring further clarity as well as suggesting issues and areas that were not adequately covered or on which the report may have placed too much emphasis.

The key messages in the narrative in the Strategic Report and Governance sections of the Annual Report and Accounts were reviewed to ensure they were consistent with the financial reporting contained in the financial statements. The Board reviewed the new and amended APM definitions made during the year and believed that clear explanations had been provided for the KPIs.

The Board reviewed whether the Annual Report and Accounts disclosed the successes and the challenges that had been faced in the period and that the narrative and analysis effectively balanced the information needs and interests of each of our key stakeholder groups. In particular, the Board had regard to the current macroeconomic and geopolitical issues and the potential for wider impact alongside continued inflationary pressures.

The framework and layout were considered to be clear and coherent, with a consistent tone throughout and clearly signposted linkage between all sections, in a manner that reflected a comprehensive narrative and highlighted the key messages appropriately throughout.

Following this assessment, the Board was of the opinion that the 2023 Annual Report and Accounts are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

Risk management and internal control

The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management, in accordance with the guidance set out in the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the 2018 UK Corporate Governance Code. The Board receives updates on principal risks and risk appetite on an annual basis.

Transparent policies and procedures

Executive management have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority which was reviewed by the Board (page 87). In particular, there are clear procedures and defined authorities for the following:

Financial reporting and financial statements review

Policies and procedures governing the financial reporting process and preparation of the financial statements are owned by the Chief Financial Officer and clearly and transparently communicated through the Group Policies system. In order to assess the financial statements, the Audit Committee regularly reviews reports from members of the finance team and the external auditor who is invited to attend the Committee's meetings. When conducting its review the Committee considers material accounting assumptions and estimates made by management, any significant judgements or key audit matters identified by the auditor (pages 143 to 145), compliance with relevant accounting standards and other regulatory reporting requirements, including the 2018 UK Corporate Governance Code, and the accounting policies and procedures applied (pages 101 to 103).

Internal audit function

The internal audit function is a key element of the Group's corporate governance framework. Its role is to provide independent and objective assurance, advice and insight on governance, risk management and internal controls to the Board and Audit Committee and the Group. It supports the Group's strategy and objectives by evaluating and assessing the effectiveness of risk management systems, business policies and procedures, system and key internal controls. In reporting on their reviews, internal audit makes recommendations to address issues and improve processes. Once recommendations are agreed with management, the internal audit function monitors their implementation and reports to the Audit Committee on progress at every meeting. See pages 101 to 103 of the Audit Committee report.

Capital investment

The Investment and Performance Committee (a sub-committee of the Executive Committee) operates a clearly defined capital expenditure process including detailed business plan appraisal, risk analysis and authorisation. The Global Capital Project Director has developed a framework for managing major capital expenditure, and post-investment review processes are completed by internal audit (at the Audit Committee's request).

Business risk management

As described on page 51 the Executive Committee has established an ongoing process for identifying, evaluating and managing emerging and principal risks. The Board receives updates on principal risks and risk appetite on an annual basis and the Audit Committee receives reports from internal audit on the effectiveness of mitigating controls in place over selected principal risks at each meeting. The Group Risk Committee, a sub-committee of the Executive Committee (page 87), meets on a quarterly basis to monitor and review both current and emerging risks.

Internal controls

There is a documented framework of required internal controls for business processes, IT, safety, quality and compliance, which form part of our business as usual activities and which are documented in controls manuals. Policies governing the internal controls are documented in the Group Policies system, which is available online to all employees, and each Group policy is owned by a member of the Executive Committee. Confirmation that the controls are being adhered to is the responsibility of managers, who together with their teams complete an annual self-assessment process against all controls which provides a snapshot of the control environment at the start of the year. Compliance with controls is tested by the internal audit team as part of their annual plan of work approved by the Audit Committee each year, as well as being tested by other internal assurance providers; see page 103 for more information.

The Board discharged its responsibility for monitoring the operational effectiveness of the internal control and risk management systems throughout the year using a process which involved:

- Delegation of review of systems of risk management and internal control to the Audit Committee, whose activities are described in detail on pages 100 to 105.
- Receipt of written confirmations from senior management.
- Board review of the report on significant control weaknesses.
- Annual review of risk appetite statements and principal risks (page 51).

These processes have been in place for the full financial year up to the date on which the financial statements were approved by the Board.

The systems are designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against material misstatement or loss.

→ For the full statement of Directors' responsibilities see page 138.

Nomination Committee report

Report of the Nomination Committee



"This year the Committee spent significant time searching for a new Chair of the Board. After a comprehensive selection process led by the Senior Independent Director, the Board decided to appoint Danuta Gray to succeed me and to help steer Croda through this next phase."

Dame Anita Frew DBE

Chair of the Nomination Committee

The Committee's terms of reference are reviewed annually and can be found in the governance section at www.croda.com.

→ For details of meeting attendance during the course of the year see page 88

→ For more details on the search process for our new Chair see page 96

I am pleased to present the Nomination Committee report for the year ended 31 December 2023.

Main activities and priorities in 2023

Board changes

A key focus in 2023 was the search for a new Chair to succeed me when I step down at the conclusion of this year's AGM. After a comprehensive selection process led by the Senior Independent Director, the Board decided to appoint Danuta Gray to succeed me and to help steer Croda through this next phase. Danuta joined the Board as a Non-Executive Director in February and will be appointed as Chair at the conclusion of the AGM in April 2024. The selection process was led by Jacqui Ferguson in her capacity as Senior Independent Director with the whole Board engaged in the process throughout. The independent specialist executive search consultant Egon Zehnder (EZ) was appointed to assist the Committee with the process. EZ is a signatory to the Voluntary Code of Conduct for Executive Search Firms, and has no other connection with Croda or its individual Directors. See page 96 for further information on the Chair selection process.

In April, we welcomed Chris Good to the Board as an independent Non-Executive Director. Chris's deep understanding of the consumer care industry and in particular his insights into beauty care markets and consumers are of great value to Croda and the Board. His appointment strengthens the consumer care knowledge and experience around the Board table and supports Croda's continued transition to a pure play Consumer Care and Life Sciences business. Helena Ganczakowski retired from the Board at the conclusion of the AGM in April and on behalf of the Committee and the Board I would like to thank Helena for her outstanding contribution to the Board, both as Remuneration Committee Chair and Senior Independent Director, for her insight and support. Jacqui Ferguson has taken on the role of Senior Independent Director, in addition to her role as Remuneration Committee Chair.

In December we announced that our CFO, Louisa Burdett, would be leaving Croda in June 2024 having accepted another role as CFO. We are sorry that Louisa is leaving but she has our very best wishes when she departs this summer. A search for her replacement is underway.

The process for Board appointments is led by the Nomination Committee which makes recommendations to the Board for approval. It is the Nomination Committee's responsibility to keep Board composition under review, including Director independence and tenure. During the year the Committee reviewed the composition and skills of the Board using the skills matrix on page 95 as well as taking into account recent and likely future Board changes. Following review, it decided to initiate a search for an additional Non-Executive Director with recent and relevant financial experience to further strengthen the composition of the Audit Committee. The Committee is using an external search firm to assist in this process and we will report on the outcome of this process in due course.

Keith Layden's and my own appointment were considered by the Committee. My term was extended up to the 2024 AGM and Keith's for another year. This is in line with the Nomination Committee policy that once a Non-Executive Director has served six years, any extension to their term is on a year by year basis.

Diversity and inclusion

As a global organisation, we aim to recruit talented people that reflect the diverse nature of the countries in which we operate. We value the unique contributions that each employee brings to our business, and we are committed to creating an inclusive work environment where all our employees can fulfil their full potential. Diversity at Board level and throughout the organisation provides a broad range of perspectives, supporting the achievement of our strategy and contributing to our success and the Board views all aspects of diversity as important considerations when reviewing its composition. Our Board Diversity Policy, a copy of which is available in the corporate governance section at www.croda.com, is reviewed regularly and confirms our commitment to meeting or exceeding the target set by the FTSE Women Leaders and Parker reviews and our current Board composition exceeds the targets recommended.

We are also pleased to report on the new Board diversity targets introduced in the Listing Rules in 2022. Our chosen reference date is 31 December 2023 and, as at that date, the Company had met all three of the Board diversity targets of having 40% women on the Board, at least one ethnic minority director on the Board and having a woman in at least one senior Board role. We exceed all these requirements with a fully gender balanced Board, two Board members from ethnic minority backgrounds and three women in the senior Board positions of Chair, Senior Independent Director and Chief Financial Officer. Since the reference date, Danuta Gray was appointed to the Board as Chair designate and following Danuta's appointment, we continue to meet all three of the new Board diversity targets. We have not set any targets for senior management, but this is something we will be considering. In line with the new Listing Rule disclosure requirements, more detailed information relating to the gender and ethnic diversity of Croda's Board and Executive Committee can be found in the tables on page 94.

As at 31 December 2023, the gender balance of the Executive Committee and senior management teams (direct reports to the Executive Committee) stood at 39% female. We continued to increase the diversity of our leaders below Board and Executive Committee level. 40% of our Senior Leadership Group (comprising 36 of our most senior employees) are female, with the Senior Leadership Group made up of employees across 12 nationalities. While appointments at all levels will continue to be made based on skill and ability, all forms of diversity are key to ensuring that we have the right mix of backgrounds, knowledge and experience to meet our future business needs. Although there continues to be work to do to create further diversity and gender balance in the underlying management teams, diversity and inclusion is central to succession planning discussions and critical to the long-term sustainable success of our business.

Succession planning

The Committee and the Board oversaw the introduction of a new Group organisational structure with all regional teams reporting into Consumer Care and Life Sciences to simplify business processes and ways of working. Some changes were made to the Executive Committee with the team reducing from ten to eight as regional delivery and central research were absorbed into each business. Sandra Breene was appointed as President Consumer Care and Daniele Piergentili continued in his role as President Life Sciences.

Anthony Fitzpatrick will take on the expanded role of President Corporate Development and Industrial Specialties, Mark Robinson will continue in his role as President Operations and Michelle Lydon will continue as President Human Resources. Tom Brophy, our Group General Counsel and Company Secretary, was also appointed as President Sustainability. The restructuring also provided opportunities in the underlying management teams for several individuals identified through the organisation's review of talent and succession process.

Director induction

All Directors receive a comprehensive induction programme. This is tailored through discussion with the Chair and the Company Secretary and considers existing expertise and any Committee roles. All new Directors are given access to our electronic Board papers which provide easy access to key documents. Chris Good joined the Board in April and his induction started immediately to ensure that he had an understanding of our Purpose, the environment in which we operate and our core business activities as soon as possible. Further information on Chris' induction programme is on page 97. During 2024 the Company Secretary will be working closely with Danuta Gray on a comprehensive induction programme for her role as Chair of Croda.

Other activities of the Committee

The Committee reviewed the time commitment of the Non-Executive Directors which is assessed before appointment and on an annual basis thereafter. The Committee was satisfied that all the Non-Executive Directors remain able to commit the required time for the proper performance of their duties.

The Committee considered and concluded that, except for Keith Layden, all the Non-Executive Directors continue to fulfil the criteria of independence. As Keith was formerly an Executive Director of the Company, he is not currently considered to be independent.

This year's annual Committee evaluation was externally facilitated by Heidrick & Struggles who have no other connection with the Company or individual Directors. The evaluation confirmed that the Nomination Committee was effective and well led with strong operating mechanisms. The very thorough and robust process led by the Senior Independent Director to find a successor for the current Chair was highlighted. See page 89 for further information on this year's Board evaluation and page 96 for the Chair selection process.

Looking ahead, the focus will be on the handover and transition to Danuta as the new Chair and to ensure an effective induction programme to support this. We will continue with the search process for a new CFO and a Non-Executive Director to ensure that the Board maintains an appropriate balance of skills, experience, knowledge and diversity.



Dame Anita Frew DBE
Chair

Nomination Committee report continued

Nomination Committee overview

Responsibilities

The Committee is responsible for nominating candidates for appointment to the Board for approval by the Board, and for succession planning. It evaluates the balance of skills, knowledge, experience and diversity on the Board.

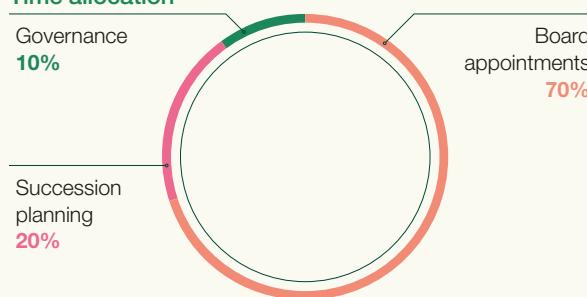
Key responsibilities

- To regularly review the structure, size and composition, including the skills, knowledge, experience and diversity, of the Board and make recommendations for any changes.
- To give full consideration to succession planning for Directors and other senior Executives, taking into account the challenges and opportunities facing the Company and, consequently, what skills and expertise the Board will need in the future.
- Where a Board vacancy is identified, to evaluate the balance of skills, knowledge, experience and diversity on the Board, and prepare a description of the role and capabilities required for the respective appointment.
- To identify and nominate candidates to fill Board vacancies, for the approval of the Board, as and when openings arise.
- To keep the organisation's leadership needs, both Executive and Non-Executive, under review to ensure that the Company continues to compete effectively in the marketplace.
- To review annually the time required from a Non-Executive Director and the Chair to fulfil their duties.
- To make recommendations on succession planning for the Board.

Key focus areas

- Board appointments – Reviewed the updated Board skills and experience assessment and led the recruitment process for a new Chair and Non-Executive Director.
- Succession planning – Assessed the changes to the Executive Committee and senior leadership teams in relation to the new organisational structure with all regional teams, including sales, R&D, marketing, customer service and manufacturing, reporting into Consumer Care and Life Sciences to simplify how we work.
- Governance – Ensured compliance with key governance issues.
- The Committee's terms of reference are reviewed annually and they can be found in the governance section at www.croda.com.
- Details of attendance at the meetings during the course of the year can be found on page 88. When it is appropriate to do so members of the Executive Committee attend meetings on request of the Chair of the Committee.

Time allocation



As at 31 December 2023, the Board met all of its own diversity targets, as well as the targets set out in the FCA's new Listing Rule requirements. Numerical diversity data, in the format required, is outlined below as at 31 December 2023. The Company has collected the data on which the tables below are based by the individuals concerned self-reporting their data on being asked about their ethnicity and gender.

Gender identity/sex of members of the Board and Executive Committee as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior Board positions (CEO, CFO, SID, Chair)	Number in executive management	Percentage of executive management
Men	5	50%	1	6	60%
Women	5	50% ^A	3	4	40%
Not specified/prefer not to say	0	0%	0	0	0%

Ethnic background of members of the Board and Executive Committee as at 31 December 2023

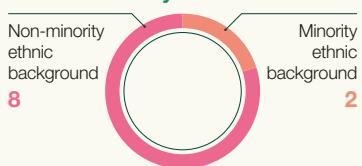
	Number of Board members	Percentage of the Board	Number of senior Board positions (CEO, CFO, SID, Chair)	Number in executive management	Percentage of executive management
White British or other White (inc. minority white groups)	8	80%	4	10	100%
Mixed/multiple Ethnic Groups	1	10%	0	0	0%
Asian/Asian British	1	10%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group including Arab	0	0%	0	0	0%
Not specified/prefer not to disclose	0	0%	0	0	0%

Board composition dashboard information

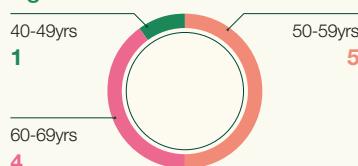
as at 31 December 2023

Board balance

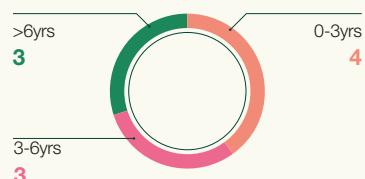
Ethnic diversity



Age

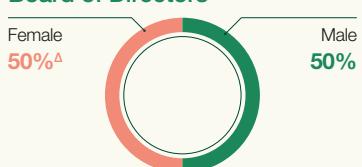


Tenure

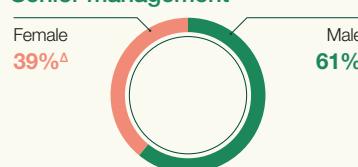


Gender balance

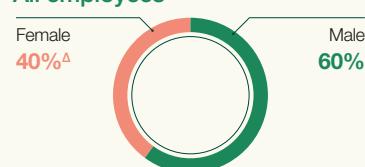
Board of Directors



Senior management



All employees

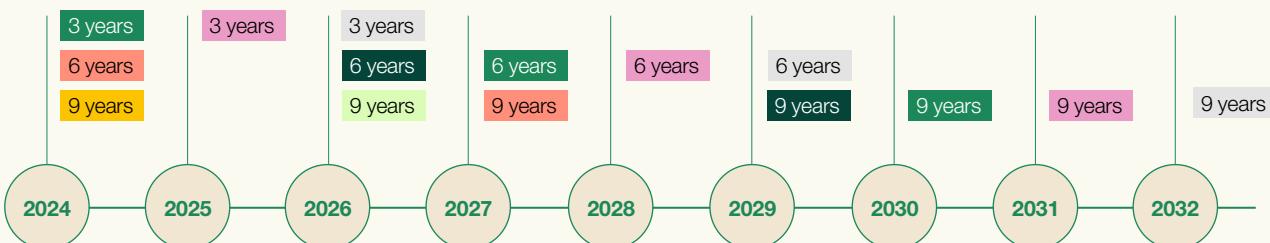


Non-Executive Directors' tenure

The Committee reviews the tenure and succession plans for the Non-Executive Directors annually. The focus in 2024 will be the search for a new CFO to replace Louisa Burdett and an additional Non-Executive Director.

Key

 	John Ramsay	 	Anita Frew
 	Julie Kim	 	Jacqui Ferguson
 	Keith Layden	 	Roberto Cirillo
 	Chris Good	 	Nawal Ouzren



Board skills and experience assessment

General – skills/experience required

for FTSE 100 Boards

Strategy	✓✓✓
Governance and risk	✓✓✓
Remuneration	✓✓✓
Finance/accounting	✓✓

Croda – skills/experience required from the majority of global speciality chemical company boards

Safety	✓✓✓
Operations	✓✓✓
Sustainability	✓✓✓
International and emerging markets	✓✓✓
Emerging markets ('in country' living and working experience)	✓✓✓
Experience as a CEO	✓✓✓
M&A	✓✓

Croda – skills/experience required from Croda's Board

Consumer Care (Personal Care and F&F)	✓✓✓
Life Sciences	✓✓✓
Crop/agriculture	✓✓
Marketing	✓✓✓
Digital	✓✓✓
Innovation	✓✓✓
Technical (including Biotech)	✓✓✓
Entrepreneurial	✓✓✓

Key

- ✓✓✓ the Board has the appropriate amount of skill/experience in this area
- ✓✓ the Board would benefit from additional skill/experience in this area
- ✓ the Board does not have the required skill/experience in this area

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

Nomination Committee report continued

Chair of the Board selection process**Background**

As Dame Anita Frew approached her ninth year on the Board, in 2023 a search commenced for her successor. Following a selection process involving five search firms, the Company appointed Egon Zehnder (EZ), an independent specialist executive search consultant to assist with the process. EZ has no other connection with the Company and has signed up to the diversity Voluntary Code of Conduct for Executive Search Firms. Helena Ganczakowski as the Senior Independent Director and subsequently Jacqui Ferguson who succeeded Helena as Senior Independent Director, led the process.

Board discussion

Following individual discussions by EZ with each Board member, a set of objective criteria were defined, including the experience, leadership competencies and personal and cultural attributes required to fulfil the role of Chair and meet the requirements of Croda in the future.

Nomination Committee process

The Nomination Committee appointed a sub-committee, comprising Helena Ganczakowski, Jacqui Ferguson, Roberto Cirillo, Keith Layden and John Ramsay, to focus on the search and selection process. The sub-committee met regularly and reported back to the Nomination Committee.

Based on the role specification and having regard to the Board Diversity Policy, a longlist of potential candidates, from both the UK and overseas, was identified. Following an evaluation in relation to the assessment framework of potential, personality, leadership and experiential fit, seven candidates were selected for stage one interviews with EZ and Helena and Jacqui. Five candidates were then invited to proceed to a stage two interview with the rest of the members of the sub-committee.

Two final candidates were then invited to proceed to stage three of the selection process, which included interviews with Non-Executive and Executive Directors, the Chair and the President Human Resources. The candidates also visited Croda's offices and laboratories in Cowick where the candidates met with members of the Executive Committee and their senior teams, enabling them to gain first hand insight into Croda and its culture.

Nomination Committee and Board approval

Following detailed due diligence and feedback carried out by the Nomination Committee, it was determined that Danuta Gray possessed the required skills and experience to carry out the role and that she would bring sound leadership to Croda. She was considered the ideal candidate to promote the long term success of the Company for the benefit of all stakeholders and the Board approved her appointment as a Non-Executive Director with effect from 1 February 2024 prior to becoming Chair at the conclusion of the AGM in April 2024.

"I am delighted that the comprehensive search process for our next Chair has resulted in the appointment of Danuta. Danuta is a highly experienced Non-Executive Director and Chair with a deep understanding of growing consumer focused and high technology businesses in international markets. She has served on the Boards of a variety of listed companies and her depth of Boardroom experience and strong understanding of UK governance will be of enormous benefit to Croda."

Jacqui Ferguson
Senior Independent Director

Jan – Feb 2023	Mar – June 2023	July 2023	Aug – Sept 2023	Feb 2024
Identify Candidate profile agreed Nomination sub-committee appointed Candidate longlist provided by EZ	Interview Interviews with potential candidates	Assess Two candidates selected for final shortlist Shortlisted candidates visited Cowick Final interviews held	Select Assessment of shortlisted candidates Recommendation to the Board on preferred candidate	Appoint Danuta Gray's appointment as a Non-Executive Director and Chair designate effective 1 February 2024

Croda induction



"I received a comprehensive and tailored induction that provided me with the knowledge and information I needed as a first time Non-Executive Director and clarity on the key issues facing the Group, all of which was incredibly insightful. It was great to hear first-hand from a wide range of colleagues about the Group's operations and I was particularly keen to listen to our customers and gain a deeper understanding of our relationship with them. I have been made to feel very welcome by the Board and all my Croda colleagues, and the induction has enabled me to hit the ground running and participate fully in Board and Committee meetings. I already knew that Croda was a truly sustainable company but to see a range of the projects in action has been invaluable."

Chris Good
Non-Executive Director

Chris Good's induction

The Company provides new Directors with a comprehensive induction programme tailored to their experience, background and relevant Committee membership.

Chris Good joined the Board in April and his induction started immediately. He met with our corporate advisers and received briefings on the role and responsibilities of being a UK listed Company Director and matters relevant to his Committee roles. New Directors are encouraged to engage with the business and Chris met and heard from members of the Executive Committee and their teams responsible for the delivery of the Group's strategy and key business operations. This enabled him to gain a deeper understanding of our Purpose, the environment in which we operate and our core business activities. He also visited a number of our sites both in the UK and overseas, including Rawcliffe Bridge and our Centre of Excellence in Goole, as well as sites in Singapore, France, Denmark, Mevisa and the US where he was able to observe our operations in action and meet colleagues to gain further insight into our culture and business operations. In the USA Chris also attended meetings with some of our key customers to better understand the challenges faced in the current business environment.

As the new Chair of the Sustainability Oversight Committee, Chris held a number of deep dive sessions with the Group Sustainability team and sustainability experts in the business, as well as attending external training and networking sessions in relation to sustainability. This has enhanced his knowledge and understanding of our sustainability strategy framework and how our Purpose is embedded into our culture, with our ambition to be the most sustainable supplier of innovative ingredients and our Commitment to be Climate, Land and People Positive by 2030.

Danuta Gray's planned induction programme

The programme is structured to provide the information needed to engage in Board meetings in the same way as for other Non-Executive Directors joining the Board and then further expanded to develop the oversight required as Chair. In addition to time spent with senior management to understand areas of focus, time will be scheduled with Anita Frew in the three months prior to her retirement to gain her insights as Chair.

Areas to be covered in the Chair's induction programme

Area of focus	Description	
Nature of Croda, its businesses and its markets	Group strategy including sustainability	Market sectors
	Business model and KPIs	Competitors and market analysis
Culture	Culture and values including safety	Croda's approach to reward
	People priorities	
Croda's main relationships	Major shareholder views	Key company advisers
	Customers	
Corporate governance	Croda's governance framework	Stakeholder engagement
Finance and treasury	Financial reporting and dividend policy	Funding sources and credit rating
	Budgeting	
Risk	Risk management and internal control procedures	Information technology and cyber risk

Sustainability Oversight Committee

Report of the Sustainability Oversight Committee



"At Croda, we recognise the fundamental importance of taking action to drive progress against our sustainability leadership agenda. The establishment of the Board Sustainability Oversight Committee reflects the Board's continued commitment and focus in this area."

Chris Good

Non-Executive Director

Detailed responsibilities are set out in the Committee's terms of reference. They can be found in the governance section at www.croda.com.



For more information on the Board's focus on sustainability see page 77

I am pleased to present our first Sustainability Oversight Committee report.

Following a number of discussions by the Board, the Audit Committee and Croda's sustainability team during 2023, the Board established the Board level Sustainability Oversight Committee. The Committee's support will be critical as the Group seeks to deliver on its sustainability leadership ambitions, manage climate and nature related risk, and navigate an increasingly complex and comprehensive ESG regulatory environment.

The Board approved the Committee's terms of reference (which can be found in the governance section at www.croda.com) and agreed that the responsibilities of the Sustainability Oversight Committee would be strategically focused, with the Audit Committee providing assurance on the accuracy and reliability of the Group's sustainability disclosures through the oversight of the control environment in relation to data and information used in support of such disclosures.

Committee membership

The Committee comprises myself as Chair and Jacqui Ferguson, Keith Layden and Nawal Ouzren as members. All other Directors are invited to attend Committee meetings, as are the CEO, CFO, Chief Sustainability Officer and the Group General Counsel, Company Secretary and President Sustainability.

Key responsibilities

Croda's sustainability strategy will continue to be developed by the Executive Committee and approved by the Board with the role of the Sustainability Oversight Committee to:

- Monitor the execution and implementation of the sustainability strategy, including performance against KPIs
- Monitor compliance with sustainability policies, regulations and best practice
- Support the Board by considering in more depth the Group's principal sustainability risks and opportunities
- Oversee communication of the Group's sustainability activities, including review of the sustainability reporting in the Annual Report
- Provide input to the Board and other Board Committees on sustainability matters as required

Complementing the Committee's role, the Audit Committee will continue to be responsible for overseeing the assurance programme of Croda's sustainability commitments and the Remuneration Committee will continue to be responsible for monitoring and approving sustainability linked performance metrics as well as the alignment of senior executives' individual objectives with Group sustainability goals. Cross Committee representation and collaboration will continue to provide a link between all the Board Committees and to ensure alignment.

Specific focus areas in 2024

Looking ahead, the Committee has identified the following areas of focus for 2024:

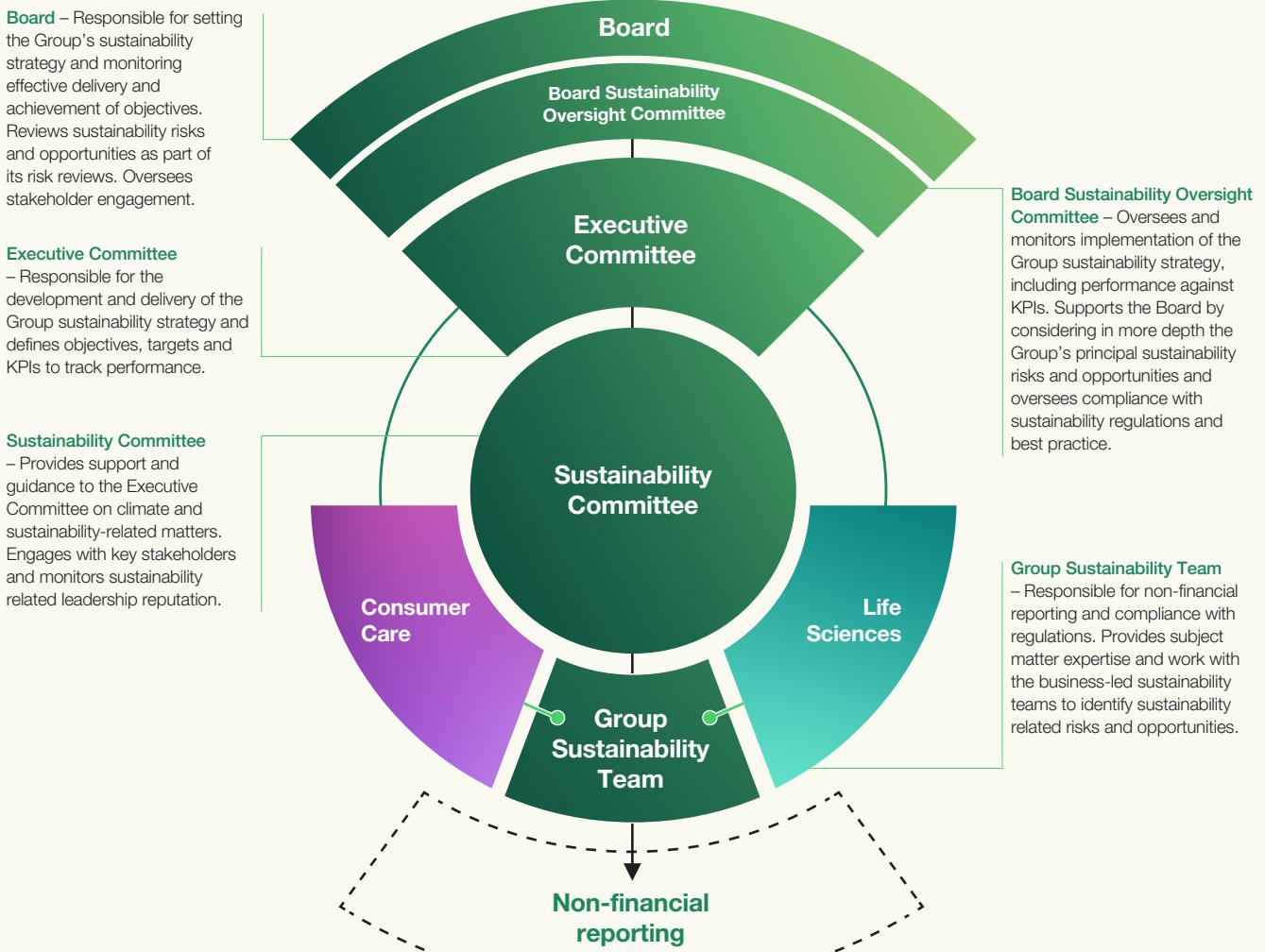
- Review disclosures in the Sustainability Impact Report and the Annual Report including TCFD disclosures
- Assess performance and progress of Group sustainability targets and metrics
- Monitor Group compliance with sustainability regulations including key developments and trends
- Oversee delivery of the Group's sustainability strategy, sustainability targets and metrics, and resources allocated to strategy delivery
- Build Board competency through recent sustainability related thought leadership as well as deep dives into nature and ecosystems impacts.

I look forward to continuing to lead this Committee and developing its important role in Croda's sustainability governance framework in 2024 and beyond.



Chris Good
Non-Executive Director

We are organised to deliver on our Commitment to become Climate, Land and People Positive by 2030



Audit Committee report

Report of the Audit Committee



"The Committee thanks the executive management team, the audit teams and Croda employees across the Group for their dedication and commitment to maintaining high standards of internal control and risk management in the current challenging market environment."

John Ramsay
Chair of the Audit Committee

Detailed responsibilities are set out in the Committee's terms of reference which are reviewed regularly. They can be found in the governance section at www.croda.com.

- For details of meeting attendance during the course of the year see page 88
- For details of the key focus areas for 2024 see page 104

Dear fellow shareholder,

Report of the Audit Committee for the year ended 31 December 2023

I am pleased to present the Audit Committee report for the year ended 31 December 2023. This report provides shareholders with an overview of the work undertaken by the Committee and the key areas considered when monitoring the integrity of the Group's financial reporting and the effectiveness of its system of internal control and risk management processes.

During the year, I received regular updates from the CFO, the wider global finance team, KPMG's Lead Audit Partner and the VP Risk and Assurance. The dedication and commitment from the Croda executive management team, the audit teams and Croda employees have once again delivered high-quality and robust audit processes.

In December we announced that our CFO Louisa Burdett will be leaving the business in June 2024. Louisa is leaving with our best wishes and a search for her successor is in hand, a process that is well underway and one in which I am heavily involved.

Committee membership and attendance

The Committee at the end of the year comprised six independent Non-Executive Directors. The experience of each Board member is outlined on pages 72 to 73. The Board considers that all members of the Audit Committee have the appropriate and relevant level of experience in financial matters as well as a diverse and broad range of competence relevant to the sector focus and the future strategic direction of the Group.

These skills and my own experience of over 30 years in international finance and extensive experience as an audit committee chair provide the Board with assurance that the Committee has the appropriate skills and breadth and depth of experience to ensure that it can be fully effective. Nevertheless a further Non-Executive Director is being sought for the Audit Committee who also has financial and accounting expertise. It also meets the Code requirement that at least one member has significant, recent and relevant financial experience.

The Chair of the Board, Keith Layden (a Non-Executive Director), the Group Chief Executive, the Chief Financial Officer, the Group Financial Controller, the VP Risk and Assurance (who leads the internal audit function) and representatives from the external and internal auditors attend the meetings by invitation.

The Committee met five times during the year and has met twice since the financial year end with each meeting agenda including a range of topics across the Committee's areas of responsibility. The Committee works to an agreed structured programme of business and meetings to coincide with key events around our financial calendar and, on behalf of the Board, to provide oversight of the Group's risk management and internal control process. I report formally to the Board on the Committee's activities after each meeting.

To ensure the work of the Committee remains focused on the key and emerging issues, I regularly meet and speak separately with the CFO, the Group Financial Controller, the VP Risk and Assurance and the internal and external auditor. Meetings without the Executive Directors present are also held with the internal and external auditors to facilitate open dialogue and assurance. Before each Committee meeting, I also meet with the external auditors, the Group Financial Controller and the VP Risk and Assurance and before most meetings with the CFO to discuss control and compliance issues generally and specifically the detail of the year end and half year results, accounting judgements and disclosures. This helps me to ensure there is a shared understanding of the key issues, technical matters and judgements and to make sure sufficient time is devoted to them at the meetings.

Audit Committee overview

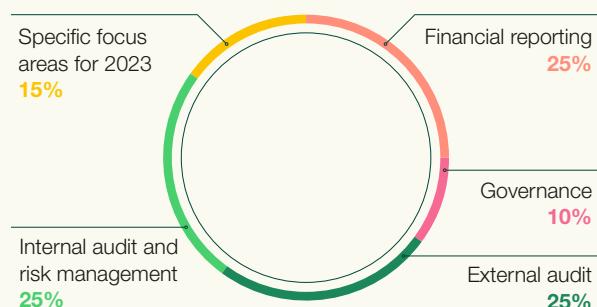
Responsibilities

The Committee assists the Board in ensuring that the Group's financial systems provide accurate and up to date information on its financial position.

Key responsibilities

- To monitor the integrity of the financial statements and results announcements of the Group and to review significant financial reporting issues and judgements.
- To recommend external auditor appointment and removal, assess audit quality, consider and approve the audit fee, assess independence, monitor non-audit services and be responsible for audit tendering.
- To review the adequacy and effectiveness of the Group's internal controls and risk management systems, and the adequacy, effectiveness and output of the internal audit function.
- To review the adequacy of the Group's whistleblowing arrangements and procedures for detecting fraud.

Time allocation



Specific focus areas in 2023

- Continue to maintain focus on cyber security and the delivery of projects identified in the information security strategy.
- Maintain focus on monitoring the impact of major business change programmes on Croda's risk and control environment.
- Monitor progress of control framework changes resulting from UK corporate reform.
- Review management's oversight and monitoring of quality controls within the Pharma business.

→ See page 103 for progress on these areas

Committee activity in 2023

The Committee's core activities, as well as the additional focus areas, and an estimate of the proportion of time spent on them, are:

Financial reporting (25%)

The Committee:

- Monitored the Group's financial statements and results announcements, including the Annual Report and the interim statement, and with support from the external auditor, reviewed those items in the Group's financial statements that were material to our reporting. The Committee challenged management on the statements and the underlying accounting judgements, including goodwill impairment considerations, acquisition and hedge accounting considerations for the Solus Biotech acquisition and hyperinflationary accounting considerations. Following its review, and after considering the evidence and accounting papers provided by management, the Committee was satisfied with the explanations provided. Consideration was given to the appropriateness of accounting policies, critical accounting judgements and key sources of estimation of uncertainty. Recommendations were made to the Board supporting the half and full-year accounts and financial statements.
 - Monitored the Group's financial performance and ensured that management's judgements and estimates remained reasonable and prudent considering the two unscheduled trading updates issued in 2023.
 - Reviewed the Group's external reporting framework and use of Alternative Performance Measures (APMs) and the updated and new definitions to assess ongoing appropriateness. The Committee was satisfied that the APMs reviewed were consistent with market practice of both the peer group and wider FTSE 100 companies, and that disclosures and reconciliations to statutory measures were appropriate.
- Reviewed consideration given by management relating to various Financial Reporting Council (FRC) thematic reviews and guidance for financial reporting.
 - Assessed the impairment testing reviews on goodwill balances on the Group's balance sheet and was satisfied with the output of the reviews. In conjunction with the Board, challenged management on the assumptions and forecasts behind the financial modelling and stress testing conducted for the going concern assessment. A recommendation was made to the Board to support the going concern statement. Further information can be found on page 157.
 - Reviewed the viability assessment process undertaken in support of the long-term viability statement, based on severe but plausible scenarios (including different combinations of scenarios) arising from key risks and their impact on headroom and debt covenants. The Committee challenged the assessment period, assumptions and calculations in the modelling and scenarios, noting the effect they would have during the viability period and was satisfied that they were robust and well thought through. The Committee also considered and was satisfied with the appropriateness of the three-year period for assessing the viability and the severity of the stress-testing scenarios. A recommendation was made to the Board to support the long-term viability statement. Further information can be found on page 58.
 - Undertook regular reviews of the Group's litigation. The Committee receives reports twice a year from the Group General Counsel, Company Secretary and President Sustainability and was satisfied with the approach to provisioning and disclosure.
 - Reviewed the accounting treatment of the Solus Biotech acquisition, including the purchase price allocation, the identification of cash generating units (CGUs) and the appropriateness of the foreign exchange hedge accounting applied to the acquisition. Impairment is not considered to be a key area of focus despite low headroom on the basis it is trading in line with expectations post-acquisition.

Audit Committee report continued

- Reviewed and approved the response to the FRC request for information from its review of the Group's 2022 Annual Report as part of its routine monitoring of corporate reporting, specifically to clarify whether the Group's UK defined benefit pension scheme was open to future accrual and how the Company expected to recover the scheme surplus through reduced future contributions. We were able to confirm that the UK scheme remains open to new members and future service accrual, clarifying that the surplus can be recovered through a reduction in future service contributions. We agreed to update our disclosures to make it clearer that the UK scheme remains open to future accrual and to new members. The letter also included suggestions concerning areas where the FRC believes users of the accounts would benefit from minor improvements to the Group's existing disclosures. Our response enabled the FRC to close its enquiries. The FRC review is limited to the 2022 Annual Report, and it does not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. Accordingly the review and comments received from the FRC provide no assurance that the Annual Report is correct in all material respects.
- Received presentations from the divisional Finance Directors of Latin America and Life Sciences which enabled the Committee to gain confidence in the depth of finance capability employed in the divisions as well as providing different perspectives and insights.

Governance (10%)

The Committee:

- Reviewed the effectiveness of the Group's anti-bribery and fraud procedures, including those for whistleblowing. The Committee received a report on the independent investigations that had been conducted in response to concerns raised under the whistleblowing and fraud policies and was satisfied with the conclusions, including follow-up actions. The Committee also reviewed a summary of the controls in place to mitigate the risk of fraud in the Group, along with a bottom-up fraud risk assessment prepared by management. The Committee was satisfied that the ethics and fraud programmes were effective.
- Undertook an external evaluation of the Committee's effectiveness. Information on the evaluation process can be found on page 89. The results of the review concluded that the Committee continued to be effective.
- Compared its remit favourably with the FRC's recently published 'Minimum Standards for Audit Committees'.
- Reviewed the Committee's terms of reference and confirmed that the role and responsibilities of the Committee are aligned with the 2018 UK Corporate Governance Code. Minor changes were made to confirm the Committee's assurance and monitoring role in relation to the Group's sustainability disclosures.
- Undertook its annual legal and compliance review of the corporate governance and regulatory requirements of the Committee, concluding that it was in full compliance with the 2018 UK Corporate Governance Code and other corporate governance requirements.
- Completed its annual review of the Group's tax compliance policy and risks relating thereto. No significant updates were required. The policy is available at www.croda.com.
- Considered the impact of the retraction of UK corporate reform legislation on Croda's preparation for the expected changes to legislation:
 - The Committee agreed that the work to enhance control design by standardising and leveraging automation should continue, as this would provide the benefit of improving visibility of control performance through consistent and accessible control evidence, which will be underpinned by the implementation of a new Integrated Risk Management system in 2024.

- Work will continue on scoping 'material information' in relation to sustainability reporting given its strategic importance to Croda to ensure that reported sustainability information is materially accurate. The scoping work around 'double materiality' (impact and financial materiality) is also required under upcoming Corporate Sustainability Reporting Directive (CSRD) legislation.
- Even though the proposal for a Fraud Statement was withdrawn, given the introduction of legislation regarding 'failure to prevent fraud', work in this area will continue. See page 53 for details on what has been done in 2023.
- Although the Company will no longer need to publish an Audit Assurance Policy, the Committee believes it will be of value to Croda's risk management programme to produce a comprehensive assurance map, which will allow a better assessment of the level of assurance currently in place, and gauge the appetite for more or less assurance over specific risks.
- The proposal to publish a resilience statement was withdrawn. Given the continued requirement for the Company to publish long-term viability and going concern statements, the Committee agreed that publication of a resilience statement would not add additional value to Croda's stakeholders.
- Monitoring the introduction of the revised corporate reforms will continue to be a focus area for the Committee in 2024.

External audit (25%)

The Committee:

- Discussed and approved the external audit plan, including the assessment of significant audit risks; the engagement risk profile; the use of data analytics; the scope of the audit in terms of coverage, the materiality level and the de minimis reporting threshold; the co-ordination of external audits; and the key members of the engagement team. The Committee monitored the progress made by the statutory audit team against the agreed plan and discussed issues as they arose.
- Discussed and approved the increase to the external audit fee. Information on the audit fees can be found in note 3 on page 166.
- Agreed with the auditor that there should be sufficient focus on areas of particular concern to the Committee (e.g. the acquisition of Solus Biotech and carrying value of goodwill in respect of the Flavours CGU).
- Reviewed in-depth a range of indicators to judge the overall audit quality as described in the auditor effectiveness considerations on page 104. Received a report from the Lead Audit Partner to ensure sustainable high levels of audit quality and the necessary prevailing culture amongst staff.
- Met with the auditor without management present. The Committee considered the auditor's views. There were no significant issues to report.
- Considered the independence and objectivity of the auditor. The Committee confirmed the independence of the auditor as further described on page 105.
- Considered the effectiveness of the external audit process, concluding that the audit was effective (see page 104) and a recommendation was made to the Board on the re-appointment of KPMG as auditor at the AGM.

Internal audit and risk management (25%)

The Committee:

- Reviewed the internal audit planning approach and its link to the Company's strategic objectives and priorities, reviewed reports on the work of the internal audit function from the VP Risk and Assurance and monitored compliance with the Group risk assurance programme. The Committee approved the internal audit plan and the implementation of any resulting actions by management.

- Discussed the results of the 2023 controls assurance internal audits delivered by our co-source partner, PwC. The Committee considered the adequacy of management's response to matters raised and challenged the timeliness in resolving such matters to ensure management was focused on prompt implementation of control improvements recommended by Internal Audit. The Committee requested that the internal audit team continued to monitor the completion rate.
- Reviewed the results of internal audits on General Computer Controls and Application Embedded Controls. The Committee considered the adequacy of the suggested action plan to address deficiencies identified at Iberchem, questioning the promptness in resolving these issues to ensure that management prioritises the timely implementation of control enhancements recommended by our co-source partner, PwC.
- Discussed sustainability related non-financial KPIs and how the Audit Committee and the Board could obtain visibility about the processes and systems that underlie the KPI calculations. For more information see page 68.
- Approved the appointment of KPMG as the external assurance partner to provide limited assurance of significant climate and gender diversity KPIs following a competitive tender process.
- Received assessments of several significant capital expenditure projects against the Group's project guidelines, following up on areas requiring attention by the project teams as the projects progressed.
- Continued to receive updates on IT security, particularly in relation to the Operations Technology control environment. The Chief Information Officer presented to the Committee to discuss strengths, weaknesses and action plans as well as the findings of third-party audits. The Committee received quarterly updates, including progress against agreed KPIs, and challenged management on the rate of progress on cyber security and asked management to consider ways of accelerating the work. For more information see the table below.
- Assisted the Board in its assessment of the Group's emerging and principal risks. The Committee assessed the results of the 2022 risk assurance activity carried out by internal audit and considered any additional key risks as a result of acquisitions during the year. The Committee reviewed and approved the 2023 internal audit plan and scope of the peer reviews.
- Met with the internal auditors without management present. There were no significant issues identified.
- Conducted its annual review of the effectiveness of the Group's internal audit function. The Committee concluded that the internal audit team, supported by PwC resource, was effective.
- Received a presentation summarising the bottom-up fraud risk review undertaken during the year. This reinforced management's high-level risk assessment previously reported to the Committee which indicated that processes and controls were generally well designed to address fraud risks. See page 53 for more information.
- Received a presentation on the Group's updated Business Continuity Plan framework and the planned risk based roll out approach.

Specific focus areas for 2023 (15%)

In addition to our core work, as set out in our terms of reference, we noted four specific focus areas for 2023, which absorbed the balance of the Committee's time.

Specific focus area	Actions during the year	Progress
Maintain focus on cyber security and the delivery of projects identified in the information security strategy	<p>Regular updates presented to the Committee on the execution of the Information Security Programme and review of KPIs.</p> <p>Cyber security internal audits covering technical vulnerability management and cyber incident response undertaken, including the audit successfully passed by Croda China in relation to the Multi-Layer Protection Scheme audit – a complex compliance environment with maturing cyber, data and espionage laws.</p> <p>Assessment of data privacy framework and policies undertaken by an external third party.</p>	Ongoing – will remain a focus for 2024
Maintain focus on monitoring the impact of major business change programmes on Croda's risk and control environment	<p>Completion of three internal audit reviews of major capex projects for assessment against the Group's project guidelines.</p> <p>The VP Risk and Assurance's membership of key business change programmes provides a comprehensive overview throughout the organisation, allowing for early detection of risks which are reported through the risk management framework.</p>	Ongoing – will remain a focus for 2024
Monitor progress of control framework changes resulting from UK corporate reform	<p>Regular updates provided to the Committee on legislative developments and the implications of the proposed reform on Croda's control framework.</p> <p>A formal project with a defined timeline was established to cover the four pillars of the reform, Internal Controls, Fraud, Audit and Assurance Policy and Resilience Statement. This was reviewed following retraction of UK corporate reform legislation in Q4.</p> <p>Engagement with the FRC through workshops and responding to the consultation on the proposed changes.</p>	Ongoing – will remain a focus for 2024
Review management's oversight and monitoring of quality controls within the Pharma business	<p>Completion by PwC of a quality management system (QMS) maturity assessment specifically around pharmaceutical quality requirements, including Good Manufacturing Practice (GMP) systems, which highlighted key risks and gaps with the current structure and provided a roadmap to further develop and improve Croda's Pharma QMS.</p> <p>Engagement by external GMP experts on an assessment of Croda's IT systems to evaluate the current status and to coordinate the validation efforts with key stakeholders from the relevant functions. The first phase of this engagement was completed with a satisfactory outcome. An additional IT headcount was added to perform the required validations in SAP on a continuous basis. Identified GMP requirements for future SAP system changes.</p>	To be included in future as part of Board oversight of quality risks

Audit Committee report continued

Looking ahead to 2024

In addition to our core business, the Committee has identified four focus areas for 2024. We will:

- Maintain cyber security as a focus area for 2024 given it remains a principal risk.
- Maintain focus on monitoring the impact of major business change programmes on Croda's risk and control environment.
- Maintain UK corporate reform as a focus area for 2024 and monitor progress of relevant control framework changes.
- Oversee the development of internal controls over the production and disclosure of non-financial information and oversee the provision of external assurance in respect of that information.

Internal audit and risk management

I met with the VP Risk and Assurance several times during the year outside of the formal meetings to discuss the performance and output of the internal audit function and aspects of risk management. The VP Risk and Assurance attended each Committee meeting and presented an internal audit report that was reviewed and discussed fully, highlighting any major deviations from the annual plan agreed with the Committee.

At each meeting, the Committee considered the results of the audits undertaken and the adequacy of management's response to matters raised, including the time taken to resolve such matters. Particular focus was addressed to those areas where there was a major divergence between the outcome of the internal audit and the scoring of the self-assessment questionnaire, completed annually by each business unit. In these instances, the Committee challenged management as to what actions it was taking to minimise divergences arising in the future.

In January 2024, the Committee conducted its annual review of the internal audit function, including its approach to audit planning and risk assessment, communication within the business and with the Committee and its relationship with the external auditor. Senior management feedback from sites, included in the 2023 audit programme, is gathered by questionnaire to support this process. Details on how the business monitors risk and how it implements its risk management framework are set out on pages 51 to 53.

Committee evaluation

Through the annual Board evaluation process, see page 89, the performance of the Committee was assessed and the output of the evaluation was considered by the Committee in January 2024.

Overall, the evaluation concluded that the Committee was operating effectively and was efficiently led by an experienced Chair. The overall performance of the Committee and that of the Committee Chair were both highly rated. Members were well prepared for meetings and engaged in productive discussions with a healthy balance of support and constructive challenge for executives.

Relationships between the Committee and Croda management were considered very effective. Senior leaders attended meetings as required which provided visibility into various business areas as well as the opportunity to strengthen relationships. Meetings were well run and adhered to a structured agenda and time frame with appropriate time allowed for more in-depth discussions when required.

It was recognised that with the establishment of the Sustainability Oversight Committee, there was a need for liaison between the two Committee Chairs to ensure no overlap. The review highlighted the opportunity to further diversify discussions to enhance consideration of external factors such as AI, geopolitical risks and the broader economic landscape.

External auditor's effectiveness

During the year, the Committee assessed the effectiveness of KPMG as Group external auditor. To assist in the assessment, the Committee considered the quality of reports from KPMG and the additional insights provided by the audit team, particularly at partner level. It took account of the views of the CFO and Group Financial Controller, who had discussed subsidiary component audits with local audit partners, to gauge the quality of the team and knowledge and understanding of the business. The Committee also considered how well the auditor assessed key accounting and audit judgements and the way it applied constructive challenge and professional scepticism in dealing with management.

The Committee reviewed the output from a questionnaire completed by senior members of the finance team to obtain their views on KPMG's effectiveness in carrying out the audit. The questionnaire covered:

- Structure of the external audit team and their quality and approach.
- The planning, delivery and execution of the audit.
- The effectiveness of their reporting.
- Effectiveness of communications between management and the audit team.
- Robustness of the audit, including the independence of the external audit team and their ability to challenge management as well as demonstrate professional scepticism and independence.
- The external audit team's judgement.

Scores were compared with previous years to understand trends and highlight areas of improvement. The independence, team size, seniority and expertise of the external audit team continued to be assessed positively. Examples included that the senior team had dealt with complex issues as they came up and were helpful in providing feedback on technical accounting and disclosure issues. Regional close-out meetings had been succinct and clear. Minor improvement areas were noted, which included the need for clearer upfront planning and effective communication on progress in some areas.

The Committee also reviewed a report produced by KPMG that summarised the internal measures that KPMG used to assess audit quality as well as responses to thematic areas identified by the FRC that were relevant to the Croda audit. And as mentioned above, the Committee received a report from the Lead Audit Partner on actions undertaken by KPMG to improve audit quality following the FRC report on the Carillion audit.

There were several quality interventions that attributed to the overall audit quality and ensured independent challenge. These included the use of specialists, audit consultations, a technical review, a second line inflight review and finally an independent audit partner review.

External auditor's independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditor, KPMG, in reporting to shareholders. Our Group policy on the provision of non-audit services by external auditors, which is on our website www.croda.com, sets out permitted and prohibited non-audit services and the controls over assignments awarded to the external auditor to ensure that audit independence is not compromised and the provision of such services does not impair the external auditor's objectivity.

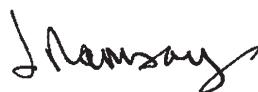
In 2023, non-audit fees were £0.3m, significantly less than the total audit fees of £2.8m; the non-audit to audit fees ratio stands at 0.1:1. The non-audit fees include the approved fees for carrying out a limited assurance of significant climate and gender diversity KPIs as noted earlier.

The Committee undertook its annual review of the Group's policies relating to external audit, including the policy that governs how and when employees and former employees of the Group's auditor can be employed by the Company. No changes were made. The Committee also reviewed and accepted KPMG's independence letter which annually confirms their independence and compliance with the FRC's ethical standard. In conclusion, the Committee agreed that KPMG were independent.

Croda is in compliance with the Statutory Audit Services Order 2014. We undertook an audit tender in 2017 and the Board appointed KPMG as external auditor. The first year to be audited by KPMG was the year ended 31 December 2018. Subject to the continued quality and effectiveness of the current auditor, we plan to re-tender ahead of a 2028 appointment. The current Lead Audit Partner, Ian Griffiths, was appointed for the year ended 31 December 2021.

External auditor reappointment

As noted above, the Committee recommended to the Board that KPMG be offered for re-election at the forthcoming AGM. I will be available at the shareholder engagement event to respond to any questions shareholders may raise on the Committee's activities in the year.



John Ramsay
Chair of the Audit Committee

Significant financial statement reporting items

The Committee, with support from the external auditor, reviewed those items in the Group's and Parent Company's financial statements that have the potential to significantly impact reporting. These are set out below.

Goodwill impairment: The strategy of the Group includes acquiring new technologies and businesses operating in adjacent markets. As a result, goodwill represents a significant asset value on the balance sheet of £937.9m out of total net assets of £2,368.1m at 31 December 2023.

The Committee completed its annual impairment review of the carrying value of goodwill, as prepared by management, including the detailed sensitivity analysis to a number of underlying assumptions, including the current macroeconomic outlook and the broader consequences on the markets in which the Group operates.

The Committee assessed the methodologies used and the adequacy of the management disclosures. Particular attention was given to the SIPO cash generating unit's value in use model, which demonstrated a £20.8m impairment versus its carrying value as lower forecast sales and margin have reduced its future value projection and the Flavours cash generating unit's value in use model based on its impairment in the prior year and low level of headroom. The Committee reviewed the methodology adopted to evaluate the risk of goodwill impairment. After challenge, the Committee was satisfied that the assumptions were reasonable and that no other impairments were necessary; however, enhanced disclosure was agreed to be appropriate for the Flavours cash generating unit, given the low headroom sensitivity of the calculations to certain assumptions.

Pensions: The Committee monitored the Group's pension arrangements, in particular the funding of the defined benefit plan in the UK, which are sensitive to assumptions made in respect of discount rates, salary increases and inflation.

The Group engages external actuarial specialists. The Committee reviewed the actuarial assumptions used and compared them with those used by other companies. The external auditor also challenged the benchmark assumptions applied and conducted sensitivity analysis. Following their review, the Committee found the assumptions to be reasonable.

Parent Company's carrying value of investments in subsidiaries and intercompany receivables: The Committee considered the carrying amount of the Parent Company's investments in subsidiaries and intercompany debtors, held at cost less impairment, representing 99% of the Parent Company's total assets (2022: 93%).

The recoverability of these balances is not considered judgemental; however, they are the most significant component of the Parent Company balance sheet and therefore require additional consideration as part of preparing the financial statements. This included comparing the carrying amount with the respective subsidiary's net asset value, profitability and cash generation. After review, the Committee was satisfied that the recoverability of these balances was acceptable, and no impairments were necessary.

Remuneration Committee report

Report of the Remuneration Committee



"The committee is satisfied that the operation of the policy balances the challenging market conditions, overall shareholder experience but recognises strategic progress and considers the attraction, motivation and retention of key talent."

Jacqui Ferguson,
Remuneration Committee Chair

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A. Chair's letter

On behalf of the Board and the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023.

This year has been a challenging year for the Group, with a weaker economic environment and customer destocking across consumer, crop and industrial markets impacting financial performance. Despite this, the Group continued to execute against the long-term growth strategy, driving sustainable innovation and continuing to invest in biotechnology, pharma expansion and capacity to support fast growth in Asia. We also took the opportunity to evolve our organisational structure, ensuring we are well positioned to capture future growth opportunities.

As a knowledge-based business, attracting, developing and retaining high-quality people throughout the organisation is key to our success. The Committee believes that an effective reward structure, as part of a wider employee engagement framework, plays a key role in the continued achievement of the Group's strategic objectives and in the delivery of sustainable, profitable growth.

Last year we reviewed and updated our Remuneration Policy to ensure alignment with Croda's evolving ambition and were pleased to receive 94% votes in favour. The Remuneration Committee is not proposing any changes to the operation of the policy in 2024, being satisfied with the outcome of the review and operation of the policy in 2023, with reward outcomes aligned with the shareholder experience.

As Chair of the Remuneration Committee, I would like to thank my colleagues for their commitment and engagement throughout the year and to welcome Chris Good as a new member of the Committee.

Remuneration out-turn for 2023

With a challenging trading environment in 2023, financial performance was weaker, with sales of £1.7bn down by 19% and adjusted operating profit of £320m down by 38%. Despite this, execution against our strategy continued, ensuring we are positioned for sustainable growth over the long term.

Under our senior annual Bonus Plan the maximum opportunity for the CEO and CFO was 175% and 150% of base salary, respectively, based on profit performance (90% weighting) and an ESG metric (10% weighting). Consistent with the approach taken in prior years, bonusable profit was adjusted for the lipid system sales for our principal COVID-19 vaccine contract. In 2023, however, profit performance was below the threshold with no annual bonus payable for this element of the award. For 2023 the ESG metric was based on safety. However, given the weakness of the overall financial performance of the Group, it was recommended by management and supported by the Committee that no annual bonus should be payable for 2023.

2023 was the year in which PSP grants made in 2021 concluded their three-year cycle and the Committee reviewed performance against targets. Over the period, Total Shareholder Return (TSR) performance (35% weighting) was (23.5%). This placed Croda below median when compared to our bespoke comparator group and this part of the award will not vest. Earnings per Share (EPS) growth over the period (35% weighting) was achieved at just above threshold at 5.6%. Consistent with last year, EPS was adjusted for the divestment of the majority of the PTIC business.

Remuneration Committee overview

Responsibilities

The Committee determines and agrees with the Board the Company's Remuneration Policy and framework, ensuring that reward structures incentivise senior management appropriately, are aligned with Company strategy and promote the long-term success of the Company.

Key responsibilities

- 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
- Ensure that the remuneration framework is aligned with the Company's strategy and promotes the long-term success of the Company, appropriately incentivising senior management and the wider workforce
- 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

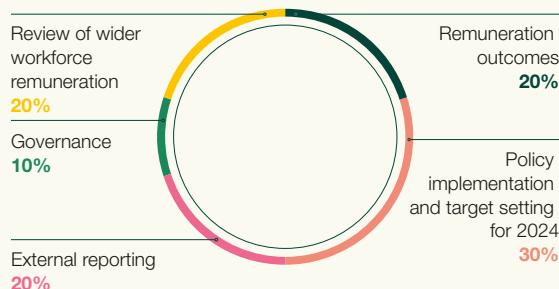
- Oversee any major changes in employee benefits structures throughout the Group.

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.

Specific focus areas in the year

- Determine remuneration outcomes for 2023, including vesting of the 2021 PSP awards
- Review of wider workforce remuneration including benefit structures
- Setting appropriate targets for the senior annual Bonus Plan and Performance Share Plan for 2024

Time allocation



New and Protected Products (NPP) growth (15% weighting) met the stretching vesting target, with NPP sales growing by 3.3 times non-NPP sales over the period and full vesting achieved for this element of the award. The 2021 PSP cycle included sustainability metrics (15% weighting), split equally between Climate Positive and Land Positive targets. The Climate Positive metric was a reduction in scope 1 emissions from a 2020 baseline of 102,750 MT. For 2023, Scope 1 emissions were 86,740 MT representing a 15.6% reduction against the baseline which results in 100% of this condition vesting. For the Land Positive element, the target was met, and full vesting was achieved.

The 2021 PSP award was subject to an Economic Value Added (EVA) underpin such that awards would be subject to a reduction (including potentially to nil) in the event that EVA had not improved over the three-year performance period. The EVA underpin was not met and the Committee therefore considered an appropriate reduction.

As part of these deliberations the Committee also took into account the Discretion Framework where a range of factors are considered to ensure payout is consistent with and reflective of overall performance over the period. One consideration made, as part of the Discretion Framework, was that the outturn against emissions targets had benefitted from the lower volumes in the year. More details of all the considerations taken into account are set out on page 122. Taking into account the EVA underpin alongside the Discretionary Framework the Committee determined that the overall vesting of the PSP would be reduced by 10%. The resultant overall PSP vesting was 37.1% of the total award.

Performance framework for 2024

Croda's strategy continues to focus on delivering sustainable, profitable growth by providing innovative and sustainable solutions to our customers. This is consistent with our Purpose, Smart science to improve lives™, with our remuneration framework therefore underpinning our Purpose through performance measures and stretching targets.

For 2024, the senior annual Bonus Plan will continue to be based on a profit performance metric (90% of the total award) and an ESG metric (10% of the total award). The ESG metric was introduced into the senior annual Bonus Plan as part of the policy review in 2023 and the focus of this metric varies each year, adapting to our evolving priorities in this area. For 2024 the focus will continue to be based on safety, building on the work done in 2023 to support the embedding of SHE as a Value through the entire workforce.

The PSP performance framework is unchanged in substance and will continue to include EPS growth (35% of the award), relative TSR (35% of the award) and NPP and sustainability targets (30% of the award). The NPP element (15% of total award) incentivises innovation based on NPP revenue, being revenue from 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 sustainability element (15% of total award) will be focused on our 'Climate Positive' sustainability commitments, which for this award will include scope 3 emissions targets as well as competency-building on scope 3 through our organisation. It is only through continued innovation and collaboration, that we can reduce scope 3 emissions

Remuneration Committee report continued

across the full life cycle of our customers' products, and ultimately achieve our ambition to be 'Climate Positive'.

In line with normal practice, the Committee reviewed targets ahead of 2024. Targets for our senior annual Bonus Plan continue to be set using a consistent and distinctive framework, focused on year-on-year growth in Bonusable Profit. Bonusable Profit is an established performance measure at Croda, which has been used for many years and is focused on operational profitability based on Group EBITDA.

For the PSP award to be granted in 2024, the Committee considered share price performance over last year, recognising the impact of the challenging macroeconomic environment. Performance is always considered holistically; each year the Committee applies our comprehensive 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. The Committee will review vesting outcomes against this Discretion Framework, with particular attention paid to share price performance to ensure Executive Directors do not benefit from any windfall gains. In addition to this we also have ROIC as an underpin in our PSP recognising that long-term ROIC performance continues to be a key focus for the business. The ROIC underpin, which is discretionary, has been revised for 2024 taking into account the current market environment. Safety also continues to be a specific underpin in our senior annual Bonus Plan.

Salaries for 2024

For 2024, there will be a general increase to salaries for UK employees of 3%. The Committee reviewed the salaries of our Executive Directors and determined that an increase of 3% would be awarded in line with that of the UK workforce.

Board changes

Danuta Gray will join the Board with effect from 1 February 2024 and will succeed Anita as Chair at the conclusion of the Company's AGM on 24 April 2024. Anita Frew will then retire from the Board after nine years as Croda's Chair.

In anticipation of the appointment of a new Chair, the Committee instigated a review of the Chair fees recognising that in the nine years since Anita's appointment, Croda has grown in size and complexity to become an established FTSE 100 company. This review, which was supported by Deloitte, also included an extensive review of the market to consider what other similar sized organisations paid in order to attract the desired skills and experience to lead an increasingly diverse and international business. It was ultimately determined that the fee for the new Chair would be set at £425,000. The Committee also determined that it would be appropriate for this fee to apply for Anita, as the current Chair, from 1 January 2024 for the remainder of her tenure.

Louisa Burdett, Chief Financial Officer, will leave Croda in June 2024 and the Board has commenced a search for her successor.

Remuneration arrangements for Louisa Burdett have been managed in line with the Remuneration Policy and the proposed approach is in line with the approach that would be taken for other UK employees on giving notice. While Louisa remained eligible for an annual bonus for 2023, as discussed above, no annual bonus will be payable to all executives reflecting Croda's financial out-turn in the year. For 2024, she will receive a 3% salary increase, in line with the normal approach for UK employees that have given notice but will remain employed for part of the year, but will not be eligible for an annual bonus or PSP award. Further, all outstanding PSP awards will lapse.

Consideration of wider workforce and alignment of reward across the organisation

Our approach to workforce reward forms an important part of Croda's philosophy and culture. 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 also apply further in the global organisation. The key difference being that remuneration for Executive Directors is more heavily weighted towards variable pay and share ownership. Highlights of our approach to workforce pay include:

- Our commitment to paying a 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. In 2023, we made progress in receiving certification from the Fair Wage Network (FWN), we expect to be able to confirm this by the end of the first quarter of 2024.
- Sharing of success with employees – achieved through the operation of various all-employee share plans, including our Free Share Plan which was introduced in 2021. We are pleased that workforce participation in these plans remains consistently strong year-on-year and allows our employees to become shareholders in the business.
- Generous and inclusive benefits – our holistic health and wellbeing benefit offering, which was enhanced in response to the cost-of-living crisis, is highly valued across the workforce. In addition, our CARE defined benefit pension, which applies across our entire UK workforce, is a generous and inclusive benefit.

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 550 employees participate in the senior annual Bonus Plan and 65 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.

Workforce engagement

Over the last two years, we have established a regular engagement programme to gain insight from employees across the Group. Through surveys, listening groups, site visits and a dedicated email, all Croda colleagues can give their feedback directly so we can better understand how they are feeling about certain areas of business.

Through the Purpose and Sustainability Commitment (PSC) survey, we have gained valuable feedback on how changes to reward in each location and support offered with cost-of-living have been positively received, a direct impact of last year's Remuneration Committee review.

We were also happy to see that questions related to wellbeing and safety have seen an uplift in the number of positive responses, building on the great work to truly embed safety as a value in the organisation that has taken place in 2023.

We continue to operate a dedicated email address so that employees can send questions or comments direct to the Remuneration Committee Chair.

Looking ahead

We remain confident that the Remuneration Policy that was approved in 2023 will continue to serve us well over the next two years and are not proposing any changes to its operation for 2024.

Going forward, we will continue to seek out opportunities to further enhance the remuneration approach at Croda, considering advice from our investors and other stakeholders such as listening groups with our employees. 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.

Jacqui Ferguson

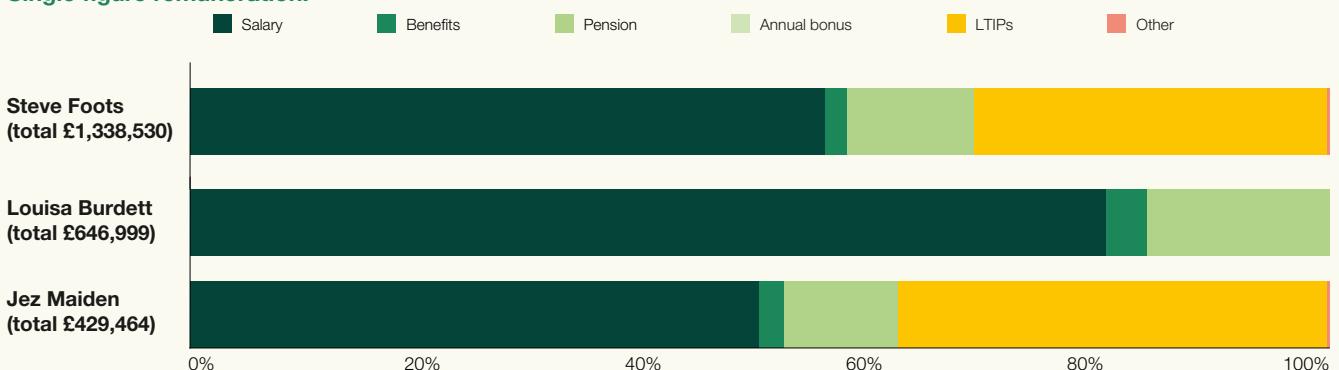
Remuneration Committee Chair

B. 2023 Remuneration at a glance

How we performed in 2023

Adjusted operating profit	Adjusted basic EPS	NPP (constant currency)	Total Shareholder Return
(37.9)% to £320m	(38.4)% to 167.6p	33.5% of Group sales	(23.5)% over the three-year PSP performance period (1 January 2021 to 31 December 2023)

Single figure remuneration:



Operation of our policy in 2023

Key component	Feature	Group Chief Executive (CEO) – Steve Foot	Chief Financial Officer (CFO) – Louisa Burdett	Group Finance Director (GFD) – Jez Maiden
Basic salary	Competitive package to attract and retain high calibre executives.	£745,116	£520,000	£214,114
Annual bonus	Incentivise delivery of strategic plan, targets set in line with Group KPIs.	£0	£0	£0
	Threshold	Maximum	Actual	% payout
	Bonusable Profit (90%) See page 111 for definition of Bonusable Profit.	2022 actual plus 10%	Below 2022 actual	0%
	ESG metric (10%)	Payout determined by the extent to which the eligible population complete three specific safety related tasks.	Safety training completed at 98%, with continued reporting of progress on other safety tasks	
	Notwithstanding the out-turn in relation to the safety measure, considering the overall financial performance in the year, it was recommended by management and supported by the Committee that no annual bonus would be payable for 2023.			
	0% 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.	£0	£0	£0

Remuneration Committee report continued

Key component	Feature		Group Chief Executive (CEO) – Steve Foots	Chief Financial Officer (CFO) – Louisa Burdett	Group Finance Director (GFD) – Jez Maiden
PSP	Incentivise execution of the business strategy over the long term measuring profit, shareholder value, innovation and sustainability.		£415,186	£0	£161,996
	Vesting of the 2021 PSP award				
		Threshold	Maximum	Actual	% payout
	EPS ¹ (35%)	5%	11%	5.6%	32%
	TSR (35%)	Median	Upper Quartile (UQ)	Below Median	0%
	NPP ² (15%)	NPP sales growth to be at least twice non-NPP sales.		3.3x	100%
	Sustainability metric 1 - Climate Positive (7.5%)	A reduction target specifically aimed at Scope 1 emissions and aligned with our external commitment to achieve a Science Based Target (SBT) in line with a 1.5°C pathway. Over the three-year PSP performance period the target is a 12.6% reduction (average of 4.2% per year) compared to verified emissions ³ in 2020 with any award paid in defined ranges between: <ul style="list-style-type: none"> • a reduction of 12.6% and above award of 7.5% (max) • a reduction of 6.2% and below no award (0%). 		15.6% reduction	100%
	Sustainability metric 2 - Land Positive (7.5%)	Our key target for 2030 is that we will save more land than we use. For the three-year PSP performance period we have set annual targets for Land Area saved, with a target in 2023 of 56,750 ha of additional land saved over that in the 2019 baseline year with any award paid in defined ranges between: <ul style="list-style-type: none"> • 56,750 ha or above award of 7.5% (maximum) • below 35,600 ha no award (0%). 		58,815 ha additional land saved	100%
	Overall outcome (before consideration of EVA underpin and Discretion Framework)	41.2%			
	Adjustment - EVA underpin ⁴ and Discretion Framework	(10)%			
	Final vesting outcome	37.1%			
	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.				
	2. Subject to a minimum average of 3% growth per year and overall positive Group profit growth.				
	3. Emissions in 2020 were independently verified by Avieco.				
	4. EVA underpin applied across the whole PSP award, requiring an improvement in EVA over the three-year performance period.				
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 2023, cash allowance of up to 20% of salary, in line with the UK workforce.		£149,023	£104,000	£42,823
Shareholding requirements	Share ownership guideline to ensure material personal stake in business.	CEO – 250% of salary CFO – 200% of salary GFD – 175% of salary	>250% of salary <200% of salary >175% of salary		

The single figure remuneration also includes all benefits. For a full breakdown of the Executive Directors' remuneration for 2023 please see page 120.

C. Report of the Remuneration Committee

Summary of Remuneration Policy and implementation for the year ending 31 December 2024

Key component	Implementation in 2024	Salary at Jan 2024	Salary at Jan 2023	% Increase								
Basic salary	Executive Directors' base salaries were reviewed during the final quarter of the financial year ended 31 December 2023. Salaries for 2024 were increased by 3% in line with the general increase for our UK employees. Salaries for 2024 are as follows:											
	Steve Foots	£767,469	£745,116	3%								
	Louisa Burdett	£535,600	£520,000	3%								
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	<p>Steve Fooths - 175% of salary Louisa Burdett - not eligible for 2024 (normal opportunity maximum for other Executive Directors is 150% of salary)*</p> <p>Underlying profitability for the performance-related Annual Bonus Plan ("Bonusable Profit") is based on Group EBITDA for continuing operations before exceptional items, less a notional interest charge on working capital employed during the year. The targets for the awards are set out below:</p> <table border="1"> <thead> <tr> <th>Performance measure (weighting)</th> <th>Threshold</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Bonusable Profit** (90%)</td> <td>Equivalent to 2023 actual</td> <td>2023 actual plus 10%</td> </tr> <tr> <td>ESG metric (10%)</td> <td> <p>The proposed safety measure for 2024 is in relation to the whole population of eligible employees (c.550 employees), and the extent to which the population:</p> <ol style="list-style-type: none"> Agree a quarterly communication (SAY) and engagement plan (DO) for their team and peers. All leaders to set quarterly targets and capture progress in Croda's global human resources information system (HRIS). Achievement is recorded via the employees end of year appraisal. 90% of the cohort must achieve by year end for this element to be considered complete. Measure workforce engagement through a 'Safety is a Value' survey. Based on Croda's current 'Pulse' Survey which currently has around a 70% response rate globally we will launch a 'Safety is a Value' survey which must receive a 70% response rate across the whole organisation by year end for this element to be considered as complete. Identify measures of success for their team and demonstrate achievement at year end. All leaders must capture their objective in Croda's global HRIS. Achievement is recorded via the employees end of year appraisal. 90% of the cohort must achieve by year end for this element to be considered complete. <p>Two of the elements must be considered complete for a 5% payout. All of the elements must be considered complete for the full 10% to be payable.</p> </td> <td></td> </tr> </tbody> </table>	Performance measure (weighting)	Threshold	Maximum	Bonusable Profit** (90%)	Equivalent to 2023 actual	2023 actual plus 10%	ESG metric (10%)	<p>The proposed safety measure for 2024 is in relation to the whole population of eligible employees (c.550 employees), and the extent to which the population:</p> <ol style="list-style-type: none"> Agree a quarterly communication (SAY) and engagement plan (DO) for their team and peers. All leaders to set quarterly targets and capture progress in Croda's global human resources information system (HRIS). Achievement is recorded via the employees end of year appraisal. 90% of the cohort must achieve by year end for this element to be considered complete. Measure workforce engagement through a 'Safety is a Value' survey. Based on Croda's current 'Pulse' Survey which currently has around a 70% response rate globally we will launch a 'Safety is a Value' survey which must receive a 70% response rate across the whole organisation by year end for this element to be considered as complete. Identify measures of success for their team and demonstrate achievement at year end. All leaders must capture their objective in Croda's global HRIS. Achievement is recorded via the employees end of year appraisal. 90% of the cohort must achieve by year end for this element to be considered complete. <p>Two of the elements must be considered complete for a 5% payout. All of the elements must be considered complete for the full 10% to be payable.</p>			
Performance measure (weighting)	Threshold	Maximum										
Bonusable Profit** (90%)	Equivalent to 2023 actual	2023 actual plus 10%										
ESG metric (10%)	<p>The proposed safety measure for 2024 is in relation to the whole population of eligible employees (c.550 employees), and the extent to which the population:</p> <ol style="list-style-type: none"> Agree a quarterly communication (SAY) and engagement plan (DO) for their team and peers. All leaders to set quarterly targets and capture progress in Croda's global human resources information system (HRIS). Achievement is recorded via the employees end of year appraisal. 90% of the cohort must achieve by year end for this element to be considered complete. Measure workforce engagement through a 'Safety is a Value' survey. Based on Croda's current 'Pulse' Survey which currently has around a 70% response rate globally we will launch a 'Safety is a Value' survey which must receive a 70% response rate across the whole organisation by year end for this element to be considered as complete. Identify measures of success for their team and demonstrate achievement at year end. All leaders must capture their objective in Croda's global HRIS. Achievement is recorded via the employees end of year appraisal. 90% of the cohort must achieve by year end for this element to be considered complete. <p>Two of the elements must be considered complete for a 5% payout. All of the elements must be considered complete for the full 10% to be payable.</p>											

* In line with the bonus plan rules Louisa Burdett will not receive a bonus award due to her planned resignation.

** The Bonusable Profit target is measured on a constant currency basis, excludes any charges or credits under IFRS 2 Share-based Payments, and is after the cost of bonuses. For 2024, and consistent with prior years, the calculation is adjusted for the lipid system sales for the principal Covid-19 vaccine contract.

Commentary

- No change in opportunity levels or the balance of performance measures.
- When determining bonus outcomes, the Committee applies the Discretion Framework which includes a range of factors, see page 114.
- 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 for a three-year period provides clear alignment with shareholders and fosters a longer-term link between annual performance and reward.
- Malus and clawback provisions apply.
- 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 2024 to be at least as demanding as in previous years and were set after taking due account of the Company's commercial circumstances and the current market environment.

Remuneration Committee report continued

Key component	Implementation in 2024
Performance Share Plan	<p>Steve Foots - 250% of salary Louisa Burdett - not eligible for 2024 (normal opportunity maximum for other Executive Directors is 200% of salary)</p> <p>The targets for the awards are set out below:</p>
Performance measure (weighting)	Threshold vesting
EPS¹ (35%)	5% p.a.
TSR² (35%)	Median
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%)	<p>Climate Positive – Two independent targets specifically focused on our upstream Scope 3 emissions:</p> <p>1. Scope 3 emissions (10%) – Delivery of absolute upstream Scope 3 emissions reductions. A reduction in upstream Scope 3 emissions aligned with our Science Based Target (SBT) trajectory from a 831,250 Mt CO₂e adjusted baseline³ by end 2026, equating to an absolute reduction of 52,134Mt.</p> <p>100% payout (10%) would be achieved if upstream Scope 3 emissions were reduced in line with or above target.</p> <p>50% payout (5%) would be achieved if upstream Scope 3 emissions were reduced by 30,000Mt.</p> <p>2. Scope 3 competency build (5%) – Target focused on competence building on Scope 3 to ensure all leaders have knowledge and skills applicable to Croda and to the key frameworks and standards used, and are accountable for ensuring the enablers are in place to support delivery of our Scope 3 reduction target.</p> <p>100% payout (5%) would be achieved if 98% of all relevant⁴ leaders and employees (c.550 individuals in total) complete the pre-set relevant training modules as part of the Sustainability Academy by the end of 2026.</p> <p>50% payout (2.5%) would be achieved if 95% of all relevant leaders and employees complete the pre-set relevant training modules.</p>
<p>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 Croda's long-term ROIC objective. In circumstances where the underpin is not met, the Committee may consider, in its absolute discretion, whether to reduce or cancel the vesting of awards.</p>	
<p>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.</p> <p>2. TSR group: Akzo Nobel, Ashland, Avantor, BASF, Catalent, Chr. Hansen, Clariant, Elementis, Evonik, Givaudan, IFF, Johnson Matthey, Kerry, DSM-Firmenich, Lonza, Merck, Novozymes, Syensqo, Symrise, Synthomer, Tate & Lyle and Victrex</p> <p>3. Adjusted baseline is the three-year average Scope 3 emissions from 2021 to 2023.</p> <p>4. Scope 3 emission reduction affects Croda's entire value chain, from the sourcing of ingredients to the processing and formulation of products, and the delivery and engagement with customers and markets, as well as the management and disclosure of the relevant data. Therefore many different functions need to be involved, at different levels, across both businesses, including senior leadership teams.</p>	
<p>Commentary</p> <ul style="list-style-type: none"> Louisa Burdett will not receive an award in 2024 due to her planned resignation. Performance period 1 January 2024 to 31 December 2026. An additional two-year holding period will apply for any shares vesting. Malus and clawback provisions apply. No change to the balance of NPP and 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. The specific ROIC underpin has been revised for 2024 taking into account the current market environment. Considering the share price performance over the last year, the Committee will review awards on vesting to ensure that participants do not benefit from any windfall gains arising. 	
Shareholding guidelines	<p>Chief Executive Officer – 250% of salary Chief Financial Officer – 200% of salary</p> <p>Post-employment shareholding guidelines also apply for two years after leaving employment. These are set at 100% of the in-employment guideline.</p>

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

Over the last three 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.

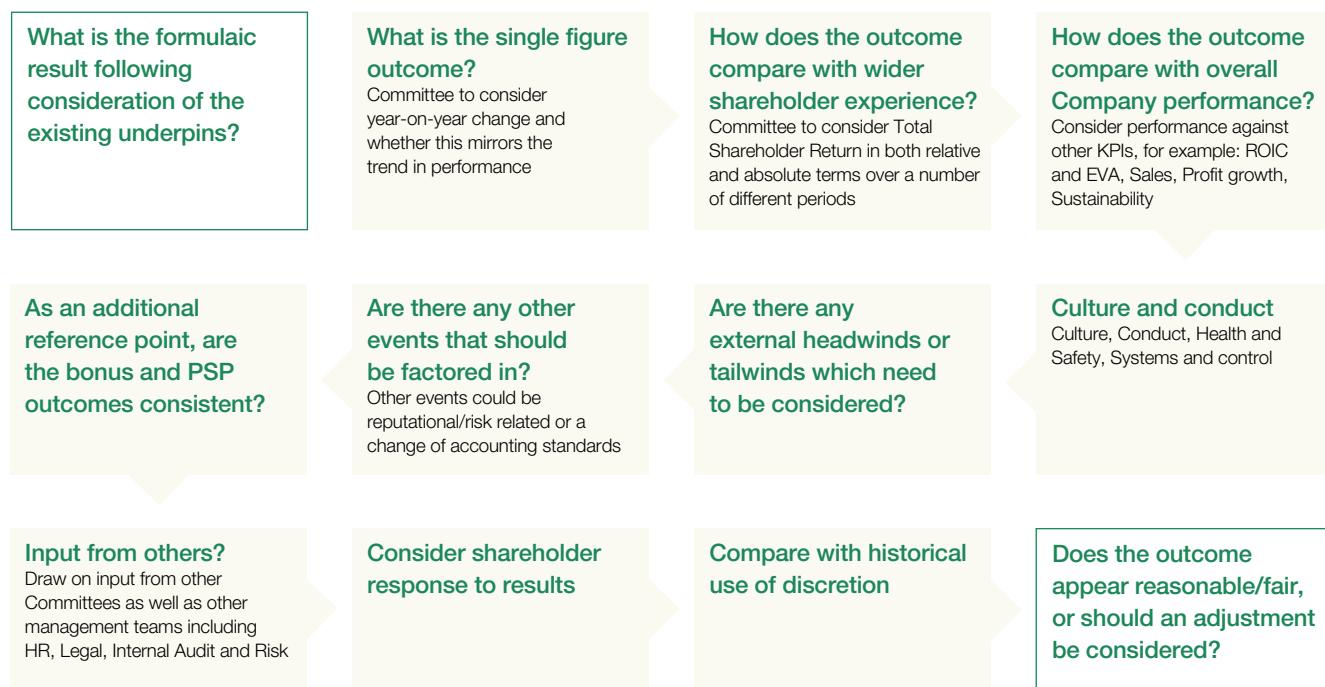
Element of reward	Link to strategy	Sustainability	Innovation	Growth	Long-term shareholder value
Senior annual Bonus Plan					
Profit	Clear and simple measure that supports our strategic objective of consistent bottom-line growth. One third of awards are deferred, further protecting shareholder value.			✓	✓
Sustainability	Sustainability is at the centre of Croda's strategy and our senior annual Bonus Plan includes an ESG metric. 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.	✓			✓
Financial underpins	The financial underpins, including ROIC and our broader 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.			✓	✓

Remuneration Committee 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.

**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	<p>Our commitment to openness and transparency is reflected in our reward principles. The Committee is committed to providing open and transparent disclosure on executive remuneration for our stakeholders.</p> <p>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.</p>
Simplicity	<p>Our executive remuneration arrangements, as well as those throughout the global organisation, are simple in nature and well understood by both participants and shareholders.</p> <p>Our senior annual Bonus Plan, in which around 550 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.</p>
Risk	<p>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.</p> <p>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.</p> <p>Malus and clawback provisions also apply for both the senior annual Bonus Plan and PSP.</p>
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.

Workforce remuneration at Croda

Highlights of our approach

<p>'One Croda' culture Alignment of remuneration structure across our workforce</p>	<p>Sharing of success with employees Under the Free Share Plan, all eligible employees are gifted an award of Croda shares when the senior annual Bonus Plan pays out</p>	<p>Continued high participation in all employee share plans</p>	<p>Living Wage employer Croda pays a 'Living Wage' globally</p>
<p>CARE pension in the UK Applies across our entire UK workforce and is a generous and inclusive benefit</p>	<p>Workforce engagement on executive remuneration</p>	<p>Holistic health and wellbeing benefit offering We recently enhanced health care benefits for UK employees</p>	<p>Fair Wage Network In 2023 we made progress in gaining certification from the Fair Wage Network. We expect to be able to confirm this by the end of the first quarter of 2024.</p>

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. 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 2023 a number of pulse surveys covering a range of topics, including culture and reward, were undertaken and findings were shared with the Board, management and employees to help guide decisions.
Listening groups	During 2023 the Chair of the Board and other Non-Executive Directors attended listening groups to better understand how employees felt 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.

Remuneration Committee report continued

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 below. 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 element	Who participates?	Details
Base salary	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.550 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. 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.5,200 employees globally)	An award of free shares or the cash equivalent if the senior annual Bonus Plan pays out. For 2023 as the senior annual Bonus Plan did not payout there was no Free Share Plan award.
Performance Share Plan	Executive Directors, Executive Committee and senior leaders (c.65 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.
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 plans¹	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	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.

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 our 'Free Share Plan' and a number of all-employee share schemes.

Free Share Plan

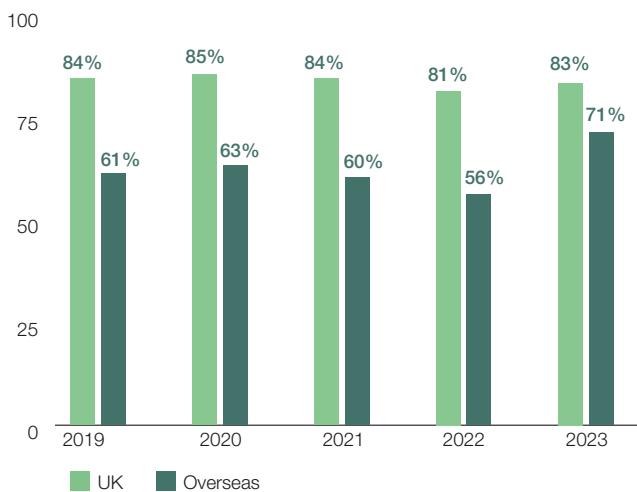
In 2021 we launched the 'Free Share Plan'. Under this new plan, all employees globally who are not eligible for the senior annual Bonus Plan are gifted Croda shares (or the cash equivalent) if the senior annual Bonus Plan pays out. Unlike other elements of remuneration this award is not set as a multiple 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 did not pay out for 2023, no award was made under the Free Share Plan.

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.



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 2024, 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 2023 and made any adjustments necessary in order to continue paying a Living Wage to all employees. Through 2023 we made good progress in gaining accreditation for our work from the Fair Wage Network and expect to be able to confirm this by the end of the first quarter of 2024. 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 2024.

More than just pay

Our employees and our culture remain central to the continued success of Croda. We have continued to enhance our offering of activities available to employees, 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 2023, our employees undertook over 197,000 hours of training with the average number of hours an employee completed being 34 hours.
- In 2021 we relaunched and redesigned our core company development programmes for senior leaders and future leaders with our values at their heart. 2023 was the second year many of these programmes were 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 2023, we invited a third cohort to begin this programme, with participants joining from all over the world, and invited the participants from 2021 and 2022 cohorts to meet at a week-long "Phoenix Rising Unites" learning event. We also ran a series of leadership webinars on diversity & inclusive leadership.
- 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. We also continued with Employee Assistance Programmes in many of our countries.

See pages 16 & 17 for further information on our culture including details on how we approach the recruitment, development and training of our workforce.

Remuneration Committee report continued

Other disclosures**UK gender pay gap**

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

	2019	2020	2021	2022	2023
Mean pay gap	27.1%	18.7%	17.7%	7.2%	7.9%
Median pay gap	23.9%	19.2%	21.1%	15.7%	12.1%
Mean bonus gap	67.1%	64.4%	62.6%	23.3%	3.2%
Median bonus gap*	33.4%	0%	0%	29.9%	17.3%

* 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.

Over 2023 42% of hires and promotions to leadership positions were female, with the number of women in leadership positions now at 39% (2022: 38%).

Other actions taken to address the gender pay gap include:

- Ensuring balanced shortlists for all appointments where possible with a target of having 80% of shortlists gender balanced.
- Further improving our talent and succession planning processes to help identify and nurture talent early in their career.
- Ensuring that our global talent development programmes continue to have a gender-balanced mix of participants.
- Supporting female leaders in their development, offering attendance on programmes such as Solaris, a women's executive leadership development programme for women specifically of Black heritage.
- 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.
- 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 2023 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	25 th percentile	50 th percentile	75 th percentile
FY 2023	A	36:1	27:1	22:1
FY 2022*	A	121:1	90:1	73:1
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 sales bonus for a small number of the workforce reflect an estimate at the time of the calculation of the ratio. The actual amounts paid to these employees will be finalised in March 2024 and the ratio will be updated in next year's report to reflect the actual amounts paid.
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 2022 has been restated. This is to reflect the updated CEO 'single figure' total remuneration for 2022, which was due to the 2022 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 2023.

** 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.

Employee total remuneration

	Actual base salary 2023	Total remuneration 2023
75 th percentile	£54,791	£61,142
50 th percentile	£47,718	£49,357
25 th percentile	£35,714	£37,490

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 2023 figures, as the senior annual Bonus Plan did not pay out and the PSP has paid out at a lower level, from 100% in 2022 to 37.1% in 2023, the ratio has decreased significantly.

Remuneration Committee report continued

D. Directors' remuneration for the year ended 31 December 2023 – Audited information**In this section**

1. Directors' remuneration for the year ended 31 December 2023
2. Pension
3. Payments for cessation of office
4. Payments to past Directors
5. Transition of Chief Financial Officer
6. Share interests
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8. 10-year remuneration figures for Group Chief Executive
9. Board Chair and other Non-Executive Directors' fees 2023 and 2024
10. Non-Executive Directors' remuneration
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13. Other disclosures
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1. Directors' remuneration for the year ended 31 December 2023

	Steve Foots		Louisa Burdett		Jez Maiden ¹	
	2023	2022	2023	2022	2023	2022
Salaries	£745,116	£716,457	£520,000	-	£214,114	£494,108
Benefits ²	£25,969	£22,402	£22,999	-	£9,642	£20,064
Pension supplement ³	£149,023	£143,291	£104,000	-	£42,823	£98,822
Total fixed pay	£920,108	£882,150	£646,999	-	£266,579	£612,994
Annual bonus	-	£1,074,686	-	-	-	£617,635
Long-term incentives ^{4A-B}	£415,186	£2,195,327	-	-	£161,996	£1,177,553
Other ⁵	£3,236	£3,117	-	-	£889	£6,335
Total variable pay	£418,422	£3,273,130	-	-	£162,885	£1,801,523
Single total figure of remuneration	£1,338,530	£4,155,280	£646,999	-	£429,464	£2,414,517

1. Jez Maiden retired from the Company on 31 May 2023. His salary, benefits and pension supplement were paid up until the date of his departure and these values have been included in the table above. His PSP award granted in March 2021 which reached the end of its performance period on 31 December 2023, was pro-rated to reflect the period during which he was employed. This pro-rated amount is included in the table above.

2. Benefits include company car or cash allowance, private medical insurance and private fuel and travel allowances.

3. This represents the 20% of salary supplement.

4. A. The PSP awards granted in March 2021 reached the end of their performance period on 31 December 2023. The awards will vest at 37.1% of maximum (see page 122). The values included in the table above are based on the three-month average price to 31 December 2023 of 4582.6p. This is 27.1% lower than the share price at grant, and therefore no value is attributable to share price growth. These values will be updated in next year's Annual Report based on the share price at vesting which will take place on 24 March 2024.

B. The PSP award included in the 2022 single figure (the 2020-22 PSP award) has been updated to reflect the actual share price at vesting of 6962p. Of these values, £675,279 and £362,216 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 33 and 14 matching shares respectively as part of the Share Incentive Plan (SIP) with a transaction value of £1,855 and £889. Steve Foots also participated in the 2023 Sharesave Scheme and was granted 139 shares at a discounted rate of 3977p. The share price on the date of grant was 4970.5p representing a 20% discount.

Annual bonus

The annual bonus for Executive Directors in 2023 was calculated by reference to profit and safety performance. In line with our well established practice, profit targets were set based on the amount by which the profit for the year exceeded the profit for 2022 (the ‘Bonusable Profit’). Bonusable Profit is focused on operational profitability based on Group EBITDA, and, consistent with last year, was adjusted for the divestment of our PTIC business and the lipid system sales for our principal Covid-19 vaccine contract.

		Threshold target	Maximum target	Actual	Bonus outcome (% of maximum)
Bonusable Profit (90% weighting)		£444.3m	£488.8m	£341.1m	0%
ESG metric (10% weighting)	<p>Safety measure in relation to the whole population of eligible employees, and the extent to which the population:</p> <ol style="list-style-type: none"> 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. <p>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.</p>			<p>Safety training completed by 98% of eligible employees.</p> <p>Continued reporting of progress against the other safety tasks.</p>	
	Notwithstanding the out-turn in relation to the safety measure, considering the overall financial performance in the year, it was recommended by management and supported by the Committee that no annual bonus would be payable for 2023.			Final outcome for 2023	0%

While not applicable for 2023, 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 114).

Remuneration Committee report continued

PSP**PSP awards vesting in March 2024**

The PSP awards granted in March 2021 reached the end of their three-year performance period on 31 December 2023.

Measure	Weighting	Threshold	Maximum	Actual performance	Out-turn (% of max element)
Relative TSR versus bespoke peer group ¹	35%	Median (50 th percentile)	Upper quartile (75 th percentile)	Below Median	0%
Adjusted annual average EPS growth over three years ²	35%	5% p.a.	11% p.a.	5.6% p.a.	32%
NPP	15%	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 3.3x non-NPP sales and overall NPP growth of 53%	NPP sales 3.3x non-NPP sales and overall NPP growth of 53%	100%
Sustainability Climate Positive metric	7.5%	Reduction target specifically aimed at scope 1 emissions and aligned with our external commitment to achieve a Science Based Target (SBT) in line with a 1.5°C pathway. Over the three-year PSP performance period the target was a 12.6% reduction (average of 4.2% per year) compared to verified emissions ³ in 2020 with any award paid in defined ranges between: <ul style="list-style-type: none"> • a reduction of 12.6% and above award of 7.5% (maximum) • a reduction of 6.2% and below no award (0%). 	15.6% reduction	100%	
Sustainability Land Positive metric	7.5%	Key target for 2030 is that we will save more land than we use. For the three-year PSP performance period we set annual targets for land area saved, with a target in 2023 of 56,750 ha of additional land saved over that in the 2019 baseline year with any award paid in defined ranges between: <ul style="list-style-type: none"> • 56,750 ha or above award of 7.5% (maximum) • below 35,600 ha no award (0%). 	58,815 ha additional land saved	100%	
Overall outturn before consideration of EVA underpin and Discretion Framework					41.2%
Adjustment – EVA underpin and Discretion Framework – see commentary below					(10)%
Final out-turn					37.1%

1. TSR peer group constituents: Azkobel, Albermarle, Ashland, BASF, Clariant, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex. Koninklijke DSM has been excluded following delisting in May 2023.

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.

3. Emissions in 2020 were independently verified by Avieco.

The PSP awards granted in March 2021 were subject to an EVA underpin such that an improvement in EVA over the three-year PSP performance period was required. In circumstances where the underpin is not achieved, the underpin operates such that the Committee considers an appropriate reduction (including to nil) to the vesting of awards. In certain circumstances, the Committee retains the right not to apply discretion.

The EVA in respect of 2023 did not exceed EVA in 2020 (the year prior to the start of the performance period). The Committee therefore considered the level of reduction to apply to the PSP vesting outcome.

In relation to the EVA underpin, the Committee took into account the following:

- Consideration of the various factors which had impacted EVA performance over the period, which included both business performance as well as external factors such as market challenges, interest rate increases and their impact on the notional cost of capital in the EVA calculation.
- The degree to which the overall PSP vesting outcome had already been impacted, in particular through the TSR and EPS metrics which align to shareholder value and profitability. The TSR outcome was zero, and the Adjusted EPS outcome was at threshold. These measures together comprised 70% of the award, and therefore overall vesting had already been significantly impacted by the downturn in performance in the final year of the performance period.

- That on an aggregate basis, EVA over the performance period was significantly positive.

As part of its deliberations the Committee also took into account the Discretion Framework where a range of factors are considered to ensure payout is consistent with and reflective of overall performance over the period. Our PSP performance framework includes consideration of both financial performance, as well as innovation and sustainability, which are key drivers to Croda's long term strategic success. The Committee noted the strong performance in innovation via NPP performance, and in relation to sustainability, the land savings, and the specific actions that have contributed to a reduction in our Scope 1 emissions. However the Committee also recognised that the outturn against the emissions targets had benefitted from the lower volumes in the year.

Taking into account both the EVA underpin and the Discretion Framework, it was considered that a downwards adjustment of 10% was appropriate, reducing the overall PSP vesting outcome from 41.2% to 37.1%.

Overall, considering the adjustments to both the annual bonus and PSP out-turns, the Committee is satisfied that incentive outcomes are reflective of overall performance.

The forecast vesting value of the awards made in March 2021 is included in the 2023 single figure table on page 120. 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	02 May-23	31,533	PSP	0p	6962p	£2,195,327
	14 Mar-22	26,779	PSP	0p	6904p	£1,848,822
	14 Mar-22	2,526	DBSP	0p	6904p	£174,395
	06 Dec-22	138	Sharesave	3898p	6968p	£4,237
Jez Maiden	02 May-23	16,914	PSP	0p	6962p	£1,177,553
	13 Jun-23	72	Sharesave	5509p	5510p	£1
	14 Mar-22	13,851	PSP	0p	6904p	£956,273
	14 Mar-22	1,449	DBSP	0p	6904p	£100,039
	01 Nov-22	230	Sharesave	3898p	6758.2p	£6,579

PSP awards granted in 2023

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	26,674	225%	1,676,461	27% (100%)	01.01.23 – 31.12.25
	2,691	25%	186,271	27% (100%)	01.01.23 – 31.12.25
Louisa Burdett	14,478	175%	909,942	27% (100%)	01.01.23 – 31.12.25
	1,878	25%	129,995	27% (100%)	01.01.23 – 31.12.25

1. Face value/maximum value is calculated based on a share price of £62.85 and £69.22, being the average mid-market share price of the three dealing days prior to the date of the grants.

The 2023 PSP awards were granted in two installments. The first grant of 225% and 175% of salary for Steve Fooths and Louisa Burdett, respectively, was made on 17 March 2023 at the same time as awards for other employees. Following the approval of the Directors' Remuneration Policy at the 2023 AGM, which included an increase to the maximum PSP of 25% of base salary for both Steve Fooths and Louisa Burdett a further grant of 25% of salary was made on 2 May 2023.

The 2023 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 112 of our Annual Report and Accounts 2022. Vesting will take place on a sliding scale. A ROIC underpin applies across the entire award, also detailed on page 112 of our Annual Report and Accounts 2022.

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

Jez Maiden retired in 2023 and as such was not granted a PSP award for 2023. Louisa Burdett will forfeit this award considering her resignation.

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 193.

Executive Director	SIP shares held 01.01.23	Partnership shares acquired in year	Matching shares awarded in year	Total shares 31.12.23*	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.23
Steve Fooths	5,892	33	33	5,958	52	5,662
Jez Maiden*	541	14	14	0	576	0

There have been no changes in the interests of any Director between 31 December 2023 and the date of this report, except for the purchase of five SIP shares and the award of five matching shares by Steve Fooths during January and February 2024. Jez Maiden was not eligible to remain in the SIP after his retirement and therefore holding at the end of 2023 was nil. As Louisa Burdett had under one year of service through 2023 she was not eligible to participate in the SIP.

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

Remuneration Committee report continued

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 01.01.23	Granted in year	Exercised in year	Cancelled in year	Number at 31.12.23
Steve Foots									
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
14 September 2023	01 November 2026	30 April 2027	£6,909	3977p	–	139	–	–	139
					308	139	–	–	447
Jez Maiden									
15 September 2022	01 November 2025	30 April 2026	£22,448	5509p	326	–	72	254	–
					326	–	72	254	–

During 2023, the highest mid-market price of the Company's shares was 7200.58p and the lowest was 4072p. The year-end closing price was 5050p. The year-end mid-market price was 5073p.

* 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 31.12.23 (p.a.)	Single remuneration pension figure 2023	Single remuneration pension figure 2022	Single remuneration pension figure 2023 excluding supplement
Steve Fooths	14 September 2033	£143,041	£149,023	£143,291	–
Louisa Burdett	N/A	–	£104,000	–	–
Jez Maiden	N/A	–	£42,823	£98,822	–

* Neither Steve Fooths, Jez Maiden or Louisa Burdett were active members of the Croda Pension Scheme in 2023 or 2022.

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 2024 will be £80,445. 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 Fooths' historic pension provision

Steve Fooths was a member of the Croda Pension Scheme up to 31 January 2021. Steve Fooths 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 Fooths 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 Fooths' 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 Fooths is entitled to death-in-service benefits from an Excepted Life Policy. Steve Fooths 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.

Louisa Burdett's pension provision

Louisa Burdett elected not to join the Croda Pension Scheme and was therefore paid a pension supplement of 20% of salary in 2023. She is entitled to death-in-service benefits from an Excepted Life Policy.

Jez Maiden's pension provision

Jez Maiden elected not to join the Croda Pension Scheme and was therefore paid a pension supplement of 20% of salary in 2023. He was 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

Jez Maiden retired as Group Finance Director of Croda in 2023. Remuneration arrangements in relation to his leaving were disclosed in full last year, see page 134 of our Annual Report and Accounts 2022. Payments made in respect of 2023 are included in the single figure table on page 120.

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

5. Transition of Chief Financial Officer

Louisa Burdett will leave the Company in June 2024 by way of resignation. As such she will not be entitled to a senior annual Bonus Plan award or PSP award for 2024. Any existing PSP awards will also lapse.

6. Share interests

The interests of the Directors who held office at 31 December 2023 are set out in the table below:

	Legally owned ¹				SIP			Total 31.12.23*	% of salary held under shareholding guideline
	31.12.22	31.12.23	PSP (unvested)	DBSP (unvested)	Sharesave (unvested)	Restricted	Unrestricted		
Executive Director									
Steve Foots	188,756	205,438	75,436	10,552	335	296	5,662	297,719	>250% target
Louisa Burdett ²	–	–	16,356	–	–	–	–	16,356	<200% target
Jez Maiden ³	23,296	24,744	24,712	–	–	–	576	50,032	>175% target
Non-Executive Director									
Roberto Cirillo	–	–	–	–	–	–	–	–	–
Jacqui Ferguson	76	76	–	–	–	–	–	76	–
Anita Frew	9,425	9,425	–	–	–	–	–	9,425	–
Helena Ganczakowski ⁴	361	361	–	–	–	–	–	361	–
Chris Good ⁵	–	–	–	–	–	–	–	–	–
Julie Kim	60	60	–	–	–	–	–	60	–
Keith Layden	60,339	60,339	–	–	–	–	–	60,339	–
Nawal Ouzren	–	–	–	–	–	–	–	–	–
John Ramsay	2,836	2,836	–	–	–	–	–	2,836	–

1. Including connected persons.

2. Louisa Burdett appointed 1 January 2023, holding on appointment Nil.

3. Jez Maiden retired on 31 May 2023 and his holding is shown as of his date of departure.

4. Helena Ganczakowski retired on 26 April 2023.

5. Chris Good appointed 27 April 2023, holding on appointment Nil.

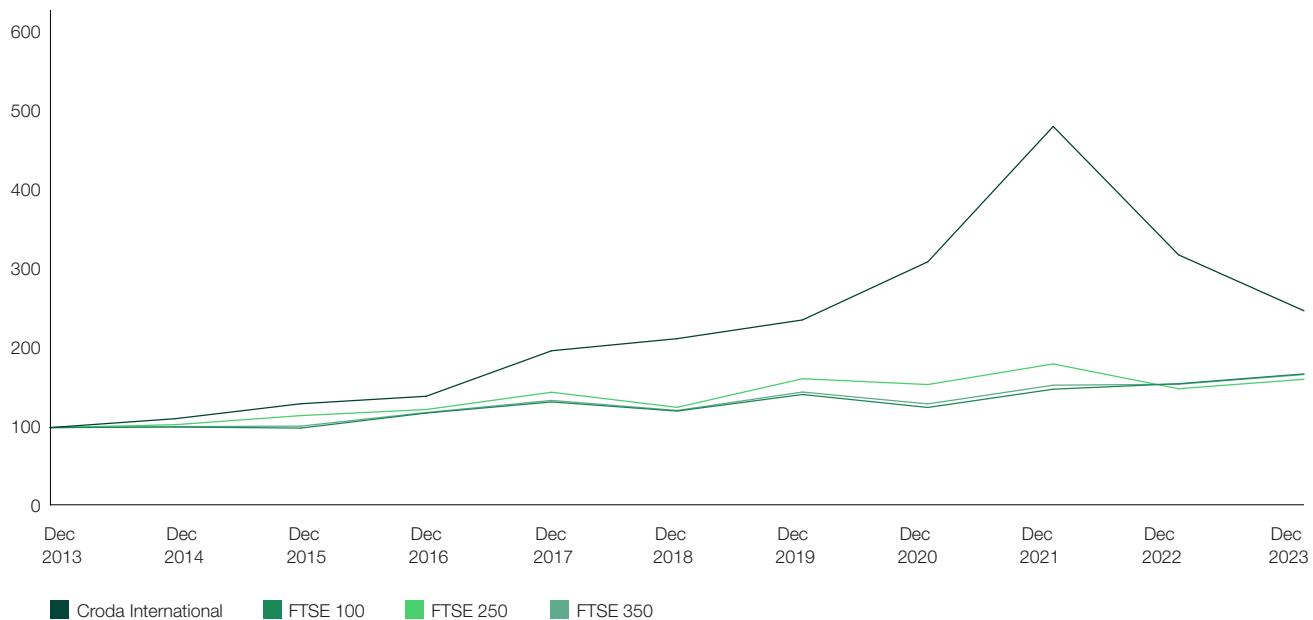
* Danuta Gray was appointed to the Board on 1 February 2024 and held 900 shares at 31 December 2023.

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 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. The Committee is implementing structures to ensure that post-employment shareholding requirements are adhered to, via a restricted share dealing third party nominee account.

Remuneration Committee report continued

7. Performance graph (unaudited information)

10-year Total Shareholder Return chart



Source: Refinitiv Datastream

8. 10-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.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total remuneration (£)	769,414	1,374,046	2,404,441	3,570,251	3,311,700	1,693,242	1,543,377	3,719,864	£4,155,280	£1,338,530
Annual bonus (%)	0%	76.4%	100%	78.4%	36.2%	0%	0%	100%	100%	0%
Long-term incentives vesting (%)	0%	0%	43%	100%	100%	56.2%	40%	97.4%	100%	37.1%

The 2022 total remuneration figure has been updated to reflect the value of the 2022 PSP award at vesting.

9. Board Chair and other Non-Executive Directors' fees 2023 and 2024 (unaudited information)

The fees paid to the Non-Executive Directors (including chairing of Committees) and to the Senior Independent Director were reviewed in January 2024 and increased by 3%, in line with the Executive Directors and the general increase for our UK employees. These changes took effect from 1 January 2024. The revised fee structure for the Board Chair and other Non-Executive Directors for 2024 is detailed below.

Position	2023 fee £	2024 fee £
Board Chair (all-inclusive fee) – Anita Frew ¹	331,868	425,000
Board Chair (all-inclusive fee) – Danuta Gray ²	-	425,000
Non-Executive Director base fee	69,749	71,841
Additional fees		
Senior Independent Director	11,588	11,936
Committee Chairs (Audit, Remuneration and Sustainability Oversight ³)	16,875	17,381

1. Anita Frew will step down from the Board following the 2024 AGM, to be held on 24 April 2024.

2. Danuta Gray will receive a fee of £71,841 for her services as a non-executive director and Chair designate from 1 February 2024. Following her appointment as Chair on 24 April 2024, her fee will increase to a total of £425,000 per annum.

3. Sustainability Oversight Committee formed 1 January 2024.

10. Non-Executive Directors' remuneration

The remuneration of Non-Executive Directors for the year ended 31 December 2023 payable by Group companies is detailed below; this table reflects actual payments in 2023.

		Non-Executive Director fees £	Benefits ¹ £	Total £
Anita Frew	2023	331,868	2,069	333,937
	2022	319,104	4,030	323,134
Helena Ganczakowski²	2023	26,278	998	27,276
	2022	89,025	1,537	90,562
Jacqui Ferguson²	2023	94,483	2,574	97,057
	2022	72,475	3,090	75,565
Roberto Cirillo	2023	69,749	2,162	71,911
	2022	67,066	5,157	72,223
Keith Layden	2023	69,749	331	70,080
	2022	67,066	4,311	71,377
John Ramsay	2023	86,624	542	87,166
	2022	83,291	6,569	89,860
Julie Kim³	2023	69,749	763	70,512
	2022	61,477	3,055	64,532
Nawal Ouzren⁴	2023	69,749	514	70,263
	2022	61,477	2,121	63,598
Chris Good⁵	2023	47,036	1,323	48,359
	2022	—	—	—

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. Helena Ganczakowski stepped down from the Board on 26 April 2023.

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. Nawal Ouzren was appointed to the Board on 1 February 2022.

5. Chris Good was appointed to the Board on 27 April 2023.

Non-Executive Directors' appointment

The effective dates of the letters of appointment for the Board Chair and each Non-Executive Director who served during 2023 are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Anita Frew ¹	05 March 2015	24 April 2024
Roberto Cirillo	26 April 2018	26 April 2024
Jacqui Ferguson	01 September 2018	01 September 2024
Helena Ganczakowski ²	01 February 2014	26 April 2023
Julie Kim	01 September 2021	01 September 2024
Keith Layden	01 May 2017	01 May 2024
Nawal Ouzren	01 February 2022	01 February 2025
John Ramsay	01 January 2020	01 January 2026
Chris Good	27 April 2023	27 April 2026

1. Anita Frew will step down from the Board following the 2024 AGM, to be held on 24 April 2024.

2. Helena Ganczakowski stepped down from the Board on 26 April 2023.

Remuneration Committee report continued

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

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. Louisa Burdett is a Non-Executive Director of RS Group. 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 2023:

- Jacqui Ferguson (Chair)
- Helena Ganczakowski (until she stepped down from the Board)
- Roberto Cirillo
- John Ramsay
- Julie Kim
- Nawal Ouzren
- Chris Good (from appointment)

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 2023, invitees included other Directors and employees of the Group and the Committee's advisers, including Anita Frew (Chair), Steve Foots (Group Chief Executive), Louisa Burdett (Chief Financial Officer), Jez Maiden (former Group Finance Director), Keith Layden (Non-Executive Director), Michelle Lydon (President – Human Resources), Tracy Sheedy (former Group HR Director), Tom Brophy (Group General Counsel, Company Secretary and President Sustainability) and Laura Dobson (Deputy Company Secretary).

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

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

Remuneration Committee advisers (unaudited information)

Deloitte LLP were retained as the appointed adviser to the Committee for the whole of 2023 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 £88,480 (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	2023	1.55%	-3.56%	-100.00%
	2022	6.46%	27.95%	5.46%
	2021	-5.12%	-25.04%	–
	2020	3.66%	-0.06%	0.00%
Average UK employee ⁴	2023	8.34%	29.32%	-99.78%
	2022	5.54%	46.21%	17.32%
	2021	0.68%	-8.63%	–
	2020	3.43%	-3.27%	27.96%
Executive Directors				
Steve Foots	2023	4.00%	15.92%	-100.00%
	2022	5.00%	-10.17%	5.00%
	2021	1.00%	-25.87%	–
	2020	2.00%	0.50%	0.00%
Louisa Burdett ⁵	2023	–	–	–
	2022	–	–	–
	2021	–	–	–
	2020	–	–	–

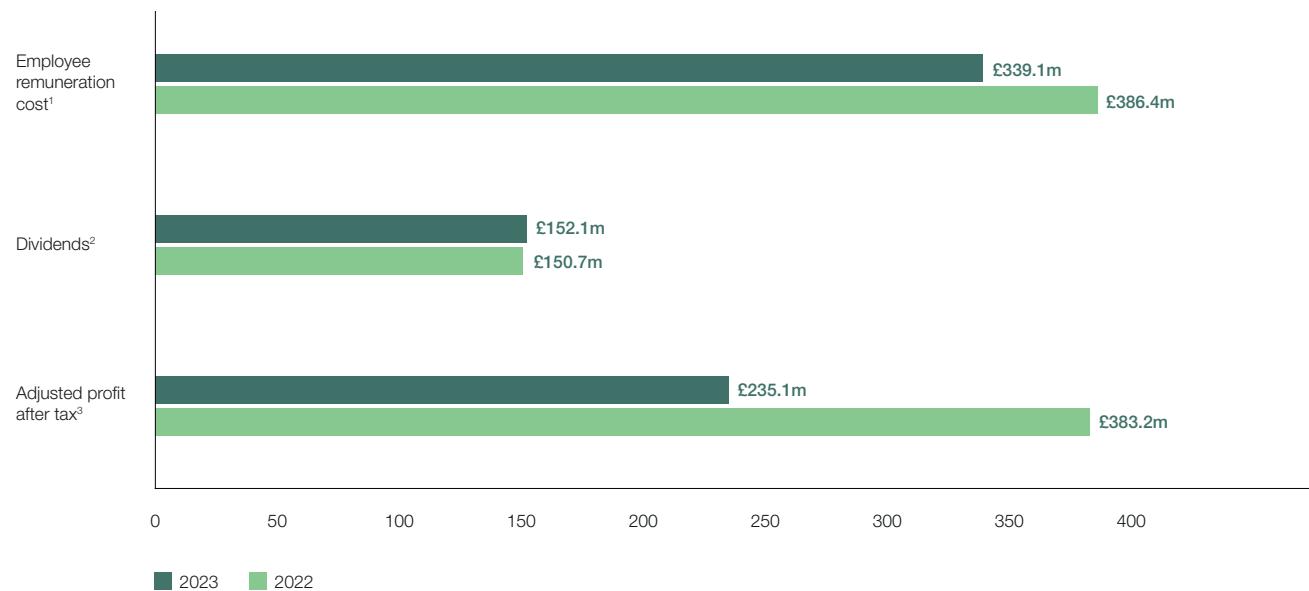
Jez Maiden ⁶	2023	-56.67%	-51.94%	-100.00%
	2022	5.00%	-0.31%	5.00%
	2021	1.00%	0.04%	—
	2020	2.00%	2.29%	0.00%
Non-Executive Directors				
Dame Anita Frew DBE	2023	4.00%	-48.65%	—
	2022	5.00%	—	—
	2021	1.00%	—	—
	2020	2.00%	-100.00%	—
Helena Ganczakowski ^{7,8,9}	2023	-70.48%	-35.08%	—
	2022	-1.01%	—	—
	2021	4.84%	—	—
	2020	11.41%	-100.00%	—
Keith Layden	2023	4.00%	-92.32%	—
	2022	5.00%	—	—
	2021	1.00%	—	—
	2020	2.00%	-100.00%	—
Roberto Cirillo	2023	4.00%	-58.08%	—
	2022	5.00%	—	—
	2021	1.00%	—	—
	2020	2.00%	-100.00%	—
Jacqui Ferguson ⁸	2023	30.37%	-16.69%	—
	2022	13.47%	—	—
	2021	1.00%	—	—
	2020	2.00%	-100.00%	—
John Ramsay ^{7,10}	2023	4.00%	-91.74%	—
	2022	5.00%	—	—
	2021	7.50%	—	—
	2020	—	—	—
Julie Kim ¹¹	2023	13.45%	-75.03%	—
	2022	—	—	—
	2021	—	—	—
	2020	—	—	—
Nawal Ouzren ¹²	2022	13.45%	-75.78%	—
	2022	—	—	—
	2021	—	—	—
	2020	—	—	—
Chris Good ¹³	2023	—	—	—
	2022	—	—	—
	2021	—	—	—
	2020	—	—	—

- 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 Ramsay and -73% for Julie Kim. For a full breakdown of the benefits for non-Executive Directors see page 127.
- Bonus including annual bonus, DBSP and sales bonus.
- 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.
- Excluding Executive Directors and Non-Executive Directors.
- Louisa Burdett appointed 1 January 2023.
- Jez Maiden retired from the Company on 31 May 2023. His salary and benefits were paid up until the date of his departure.
- 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.
- 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.
- Helena Ganczakowski stepped down from the Board on 26 April 2023.
- John Ramsay was appointed to the Board on 1 January 2020 and therefore has no comparable remuneration figures for 2019.
- 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.
- Nawal Ouzren was appointed to the Board 1 February 2022 and therefore has no comparable remuneration figures for 2021.
- Chris Good was appointed to the Board 27 April 2023 and therefore has no comparable remuneration figures for 2022.

Remuneration Committee report continued

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 170. 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 2023 AGM		Annual Report on Remuneration 2023 AGM	
	number of votes	% of votes	number of votes	% of votes
Number of votes				
Votes cast in favour	108,740,593	94.16%	111,790,609	96.80%
Votes cast against	6,741,782	5.84%	3,691,283	3.20%
Total votes cast	115,482,375	100%	115,481,892	100%
Withheld	42,225		42,708	

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

Jacqui Ferguson

Chair of the Remuneration Committee

E. Summary of the Remuneration Policy

An updated Remuneration Policy was presented and approved by shareholders at the 2023 AGM. It is intended that this will operate until the AGM in 2026. The full Remuneration Policy can be found on pages 113 to 121 of our Annual Report & Accounts 2022.

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:	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • The Committee considers individual salaries taking due account of the relevant factors set out in this Policy, which includes individual performance.
Benefits – to provide competitive benefits to act as a retention mechanism and reward service		
The Group typically provides the following benefits:	<ul style="list-style-type: none"> • The cost of benefits is not pre-determined and may vary from year to year based on the cost to the Group. 	None.
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.		

Remuneration Committee report continued

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		
<p>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.</p> <p>Shares are subject to a two-year post-vesting holding period.</p> <p>The Committee has the discretion to permit awards to benefit from the dividends paid on shares that vest.</p>	<p>Normal maximum opportunity of:</p> <ul style="list-style-type: none"> • Group Chief Executive: 250% of salary. • Other Executive Director: 200% of salary. <p>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).</p>	<ul style="list-style-type: none"> • 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.

Remuneration Committee report continued

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.	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> There are no post-grant targets currently applicable to the Group's Sharesave 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.		
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.	<ul style="list-style-type: none"> 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.
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.		
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.		

Directors' report

Other disclosures

Pages 70 to 138 inclusive, together with the sections of the Annual Report and Accounts incorporated by reference, constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law; the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

Research and development

Research and development activities are undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Dividends

The Directors are recommending a final dividend of 62.0p per share (2022: 61.0p). If approved by shareholders, total dividends for the year will amount to 109.0p per share (2022: 108.0p). Details of dividends are shown in note 8 on page 169; details of the Company's Dividend Reinvestment Plan can be found on page 204. The Company has established various Employee Benefit Trusts (EBTs) in connection with the obligation to satisfy future share awards under employee share incentive schemes. The trustees of the EBTs have waived their rights to receive dividends on certain Ordinary Shares of the Company held in the EBTs. Such waivers represent less than 1% of the total dividend payable on the Company's Ordinary Shares. Further details of the EBTs can be found in note 24 on page 193.

Directors

The Company's Articles of Association (Articles) give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The present Directors of the Company are shown on pages 72 to 73.

In line with the 2018 UK Corporate Governance Code, each Director will be standing for election or re-election at the AGM, with the exception of Anita Frew who will retire at the AGM. Details of the Directors' service contracts are given in the Directors' Remuneration Report on pages 127 to 128.

Apart from the share option schemes, long-term incentive schemes and service contracts, no Director had any beneficial interest in any contract to which the Company or a subsidiary was a party during the year. A statement indicating the beneficial and non-beneficial interests of the Directors in the share capital of the Company, including share options, is shown in the Directors' Remuneration Report on page 125.

The Directors are responsible for managing the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes, the Company's Articles and any directions given by special resolution.

Directors' indemnities

The Company maintains Directors' and Officers' liability insurance that gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors, members of the Executive Committee and the Company Secretary, which represent 'qualifying third party indemnity provisions' (as defined by Section 234 of the Companies Act 2006), in relation to certain losses and liabilities that the Directors, Executive Committee members or Company Secretary may incur to third parties in the course of acting as Directors or the Company Secretary or as employees of the Company or of any associated company. In addition, such indemnities have been granted to other officers of the Company who are Directors of subsidiary companies within the Group. Such indemnities were in place during 2023 and at the date of approval of the Group financial statements.

Share capital

At the date of this report, 142,536,884 Ordinary Shares of 10.609756p each have been issued and are fully paid up and quoted on the London Stock Exchange. At the date of this Report, the Company has issued and fully paid up 21,900 7.5% Cumulative Preference Shares, 498,434 6.6% Cumulative Preference Shares and 615,562 5.9% Cumulative Preference Shares, all of £1 each (the Preference Shares). The rights and obligations attached to the Company's Ordinary Shares and Preference Shares are set out in the Articles. The Articles are available on the Company's website www.croda.com or copies can be obtained from Companies House in the UK or by writing to the Company Secretary. There are no restrictions on the voting rights attached to the Company's Ordinary Shares or on the transfer of securities in the Company. The 7.5% Cumulative Preference Shares do not confer on the holders any right to receive notice of or to be present or to vote at any general meeting of the Company unless the cumulative preferential dividend on such shares is more than 12 calendar months in arrears. The 6.6% and 5.9% Cumulative Preference Shares do not confer on the holders any right to receive notice of or to be present or to vote at any general meeting of the Company, unless the cumulative preferential dividend on such shares is more than six calendar months in arrears or the business of the general meeting includes the consideration of a resolution for reducing the share capital of the Company, to sell the undertaking of the Company or to alter the Articles. No person holds securities in the Company that carry special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Power to issue or buy back shares

At the 2023 AGM, authority was given to the Directors to allot unissued shares in the Company up to a maximum amount equivalent to approximately one third of the issued share capital, excluding shares held in treasury, for general purposes, plus up to a further one third of the Company's issued share capital, excluding shares held in treasury, but only in the case of a rights issue.

A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. Both of these authorities expire on the date of the 2024 AGM, that is 24 April 2024, and so the Directors propose to renew them for a further year.

Substantial shareholdings

As at 31 December 2023 in accordance with DTR 5 the holders of notifiable interests in the Company's share capital are shown in the table below.

	Number of shares	% of issued capital
BlackRock, Inc.	8,534,795	6.62%
Norges Bank	8,858,665	6.34%
Massachusetts Financial Services Company	7,012,533	5.02%
Royal Bank of Canada	5,093,443	3.65%

Employees

Diversity: We are committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of any protected characteristic or is disadvantaged by conditions or requirements that cannot be shown to be justified. Group human resources policies are clearly communicated to all of our employees and are available through the Company intranet.

Recruitment and progression: It is established policy throughout the business that decisions on recruitment, career development, promotion and other employment related issues are made solely on the grounds of individual ability, achievement, expertise and conduct.

We give full and fair consideration to applications for employment from people with disabilities, having regard to their particular aptitudes and abilities. Should an employee become disabled during their employment with the Company, they are fully supported by our Occupational Health provision. Efforts are made to continue their employment with reasonable adjustments being made to the workplace and role where feasible. Retraining is provided if necessary.

Development and learning: The Company recognises that the key to future success lies in the skills and abilities of its dedicated global workforce. The continuous development of all of our employees is key to meeting the future demands of our customers, especially in relation to enhanced creativity, innovation and customer service.

Involvement: We are committed to ensuring that employees share in the success of the Group. Owning shares in the Company is an important way of strengthening involvement in the development of the business and bringing together employees' and shareholders' interests. In 2023, 83% of our UK employees and 71% of our non-UK employees participated in one of our all-employee share plans, indicating employees' continued desire to be involved in the Company.

Employees are kept informed of matters of interest to them in a variety of ways, including the Company magazine, Croda Way; quarterly updates; the Company intranet, SharePoint; team briefings; podcasts; webinars; Yammer, and Croda Now email messages. These communications help achieve a common awareness of the financial and economic factors affecting the performance of Croda and of changes within the business. We are committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. The Directors maintain oversight of employee matters through the Board and Committee meeting processes and information flows, including regular updates on employee matters and employee feedback received through employee engagement surveys. How the Directors engaged with employees and considered their interests when taking key decisions is further detailed on pages 78 to 81.

Non-financial reporting directive

The Companies, (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (the Regulations) require companies to disclose non-financial information necessary to provide investors and other stakeholders with a better understanding of a company's development, performance, position and impact of its activity.

Throughout this Annual Report the Directors have disclosed a mix of financial and non-financial KPIs which they believe best reflect the Group's strategic priorities, and which will help to convey an understanding of the culture of the business and the drivers which contribute to the ongoing success of the Company. Please see the non-financial and sustainability information statement on pages 68 to 69 which sets out where stakeholders can find information relating to non-financial matters.

Mandatory XBRL tagging

The Board reviewed the process that had been developed to ensure that the primary financial statements and the notes to the financial statements had been tagged in line with required taxonomy.

Other disclosures

Certain information that is required to be included in the Directors' Report can be found elsewhere in this document as referred to below, each of which is incorporated by reference into the Directors' Report:

- Information on greenhouse gas emissions can be found on page 34.
- Information on energy consumption can be found on page 34.
- Information on energy efficiency can be found on page 34.
- Information on gas emissions, energy consumption and energy efficiency – other disclosures can be found on page 34.
- For the purposes of Listing Rule (LR) 9.8.6R(8) the information on climate-related financial disclosures consistent with the TCFD recommendation and the TCFD recommended disclosure can be found on pages 59 to 67.
- Further details of the actions which the Group is taking to reduce emissions can also be found in the Sustainability Impact Report and at www.croda.com.
- An indication of likely future developments in the Group's business can be found throughout the Strategic Report, starting on page 1.
- The long-term viability statement can be found on page 58.
- Information on the appropriateness of adopting the going concern basis of the accounts can be found on page 157.
- Our approach to risk management can be found on pages 51 to 53.
- Details of the services provided to shareholders can be found on pages 204 to 205 and on the Company's website.
- An indication of the Company's overseas branches are on pages 201 to 203.

There have been no events affecting the Company since the financial year end to report to shareholders in accordance with the Accounts Regulations and Disclosure Guidance and Transparency Rules.

For the purposes of Listing Rule (LR) 9.8.4R, the information required to be disclosed by LR 9.8.4R can be found on page 137.

All the information cross referenced above is incorporated by reference into the Directors' Report.

References in this document to other documents on the Company's website, such as the Sustainability Impact Report, are included as an aid to their location and are not incorporated by reference into any section of the Annual Report and Accounts.

Independent auditor

Our auditor, KPMG, have indicated their willingness to continue in office and, on the recommendation of the Audit Committee, a resolution regarding their re-appointment and remuneration will be submitted to the AGM on 24 April 2024.

Audit information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and that they have each taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Articles of Association

Unless expressly specified to the contrary in the Articles, the Company's Articles may be amended by a special resolution of the Company's shareholders.

A copy of the Articles is available at www.croda.com

Significant contracts and change of control

The Group has borrowing facilities which may require the immediate repayment of all outstanding loans together with accrued interest in the event of a change of control. The rules of the Company's employee share plans set out the consequences of a change in control of the Company on participants' rights under the plans. Generally, such rights will vest and become exercisable on a change of control subject to the satisfaction of performance conditions. None of the Executive Directors' service contracts contain provisions that are affected by a change of control and there are no other agreements that the Company is party to that take effect, alter or terminate in the event of a change of control of the Company, which are considered to be significant in terms of their potential impact on the Group. The Company does not have any contractual or other arrangements that are essential to the business of the Group.

Political donations

No donations were made for political purposes during the year (2022: £nil).

Financial risk management

The Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risks are contained in note 20 on pages 186 to 187.

Listing Rule (LR) 9.8.4R information

Section	Topic	Page reference
(1)	Capitalised interest	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(3)	Smaller related party transactions	Not applicable
(4)	Details of long term incentive schemes established specifically to recruit or retain a Director	Not applicable
(5) (6)	Waiver of emoluments by a Director	Page 126
(7) (8)	Allotments of equity securities for cash	Not applicable
(9)	Participation in a placing of equity securities	Not applicable
(10)	Contracts of significance	Page 137
(11) (14)	Controlling shareholder disclosures	Not applicable
(12) (13)	Dividend waiver	Page 135

Directors' report continued

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy

at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 4.1.16R, the financial statements will form part of the annual financial report prepared under Disclosure Guidance and Transparency Rule ("DTR") 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.



Tom Brophy,
Group General Counsel and Company Secretary

26 February 2024

The Directors' Report and the Strategic Report, including the sections of the Annual Report and Accounts incorporated by reference, is the 'management report' for the purposes of the Financial Conduct Authority Disclosure Guidance and Transparency Rules (DTR 4.1.8R). It was approved by the Board on 26 February 2024 and is signed on its behalf by

KPMG LLP's Independent Auditor's Report

To the members of Croda International Plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of Croda International Plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of Croda International Plc ("the Company") for the year ended 31 December 2023 (FY23) included in the Annual Report and Accounts, which comprise:

Group (Croda International Plc and its subsidiaries)	Parent Company (Croda International Plc)
Group Income Statement; Group Statement of Comprehensive Income; Group Balance Sheet; Group Statement of Cash Flows; Group Statement of Changes in Equity; and Notes 1 to 28 to the Group financial statements, including the accounting policies on pages 157 to 163.	Company Balance Sheet; Company Statement of Changes in Equity; and Notes A to O to the Parent Company financial statements, including the accounting policies on page 197.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

KPMG LLP's Independent Auditor's Report continued

2. Overview of our audit

Factors driving our view of risks

Our risk assessment considers the Group's operations, the macro-economic environment and other relevant external factors which impact the results of the Group. Having considered these external factors, we have identified the below key audit matters.

The estimated recoverable amount of the Flavours goodwill is sensitive to changes in key assumptions. There is limited headroom in the model and therefore the recoverable amount of goodwill in the Flavours CGU continues to be a key audit matter, however the level of risk has reduced compared to FY22 as a result of the impairment recognised the prior year. We have identified the valuation of the Flavours Cash Generating Unit (CGU) to be a significant risk of error.

We have identified the valuation of the UK defined benefit pension scheme liabilities as a key audit matter given the scheme remains open to future accrual and new members, and due to the significant estimation uncertainty with regards to key assumptions used for determining the valuation of gross defined benefit liabilities. The sensitivity of the estimation is heightened when there is volatility in the macro-economic conditions, as currently experienced in the UK in FY22 and FY23.

Following the divestment of the PTIC ("Performance Technologies and Industrial Chemicals") businesses in FY22, the key focus for the Parent Company audit is the recoverability of the shares in Group undertakings and amounts owed by Group undertakings given they represent a significant portion of the Company's assets; accordingly this has been reinstated as a key audit matter.

Key Audit Matters ("KAM")	Vs FY22	Item
Flavours goodwill impairment	▼	4.1
Valuation of UK defined benefit pension scheme liabilities	◀ ▶	4.2
Recoverability of Parent Company's shares in Group undertakings and amounts owed by Group	◀ ▶	4.3
Key		
Decrease in level of risk	▼	
No change in level of risk	◀ ▶	

Audit Committee interaction

During the year, the Audit Committee ("AC") met five times. KPMG are invited to attend all AC meetings and are provided with an opportunity to meet with the AC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the AC in section 4, including matters that required particular judgement for each. The matters included in the Audit Committee Chair's report on pages 100 to 105 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY23 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 December 2018. The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2023.

The Group engagement partner is required to rotate every five years. As these are the third set of the Group's financial statements signed by Ian Griffiths, he will be required to rotate off after the FY25 audit.

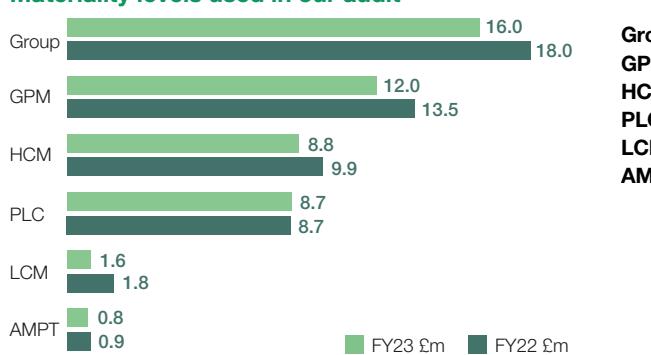
The average tenure of partners responsible for component audits as set out in section 7 below is 2.7 years, with the shortest being 1 and the longest being 6.

Total audit fee	£2.5m
Audit related fees (including interim review)	£0.3m
Other services	£0.001m
Non-audit fee as a % of total audit and audit related fee %	12%
Date first appointed	25 April 2018
Uninterrupted audit tenure	6 years
Next financial period which requires a tender	2028
Tenure of Group engagement partner	3 years
Average tenure of component signing partners	2.7 years

Materiality (item 6 below)

The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement. We have determined overall materiality for the Group financial statements as a whole at £16m (FY22: £18m) and for the Parent Company financial statements as a whole at £8.7m (FY22: £8.7m). Consistent with FY22, we determined that Group profit before tax from continuing operations ("PBT") normalised for goodwill impairment, and restructuring costs, remains the benchmark for the Group as the Group is a profit-making trading business. As such, we based our Group materiality on normalised PBT, of which it represents 4.7% (FY22: 4.7%). Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 0.3% (FY22: 0.3%).

Materiality levels used in our audit



- Group** Group Materiality
- GPM** Group Performance Materiality
- HCM** Highest Component Materiality
- PLC** Parent Company Materiality
- LCM** Lowest Component Materiality
- AMPT** Audit Misstatement Posting Threshold

Group scope (item 7 below)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

Of the Group's 86 reporting components, we subjected 8 (FY22: 11) to full scope audits for Group purposes and 6 (FY22: 4) to specified risk-focused audit procedures as these are not individually significant but were included in the scope of our Group reporting work in order to provide further coverage over the Group's results.

The components within the scope of our work accounted for the percentages illustrated below.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.



The impact of climate change on our audit

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. The Group is monitoring Climate Positive targets and Science Based Targets in line with limiting global warming to 1.5°C by 2030, and to be climate net zero by 2050. Climate change initiatives impact the Group in a variety of ways including opportunities and risks relating to bio-based raw material supply, operational and supply chain decarbonisation and emerging regulatory requirements such as carbon taxes. Further information is provided on pages 59 to 67.

The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, including an evaluation of critical accounting estimates and judgements. The Group concluded that this did not have a material effect on the consolidated financial statements, as described on pages 157 and 158.

We performed a risk assessment, taking into account climate change risks and commitments made by the Group, considering how climate change may impact the financial statements and our audit. This included enquiries of management, consideration of the Group's processes for assessing the potential impact of climate change risk on the consolidated financial statements and assessing the TCFD scenario analysis performed by the Group, including their assessment of critical accounting estimates and judgements, and the effect on our audit. Our risk assessment considered in particular the potential impact on the recoverable amount of goodwill and intangible assets, the estimates made regarding useful economic lives of property, plant and equipment, going concern and the valuation of certain unquoted pension assets.

We held discussions with our own climate change professionals to challenge our risk assessment.

Based on our risk assessment we determined that the climate related risks to the Group's business, strategy and financial planning do not have a significant impact on balances in the consolidated financial statements or on our key audit matters.

We have read the Group's disclosure of climate related information in the front half of the Annual Report as set out on pages 98 and 99, and considered consistency with the financial statements and our audit knowledge.

KPMG LLP's Independent Auditor's Report continued

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period (going concern is considered 12 months from approval of the financial statements). The Group issued two profit warnings in 2023 to announce the reduction in its expected profit before tax at year end. The reduced profits were driven by customer destocking activities which were unprecedented as set out in the Strategic Report on page 19. The risk that we considered most likely to adversely affect the Group's and Parent Company's available financial resources and metrics relevant to debt covenants over this period was:

- Further customer destocking and weaker demand could have an adverse impact on the Group's future cashflows, forecasts and overall profitability, as seen through 2023

We also considered less predictable but realistic second order impacts, such as regulatory incidents, site incidents and impact of product quality issues leading to a product recall or loss of revenue which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure on page 157.

Accordingly, based on those procedures, we found the Directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement on page 157 of the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure on page 157 to be acceptable; and
- The related statement under the Listing Rules set out on page 138 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability**Our responsibility**

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the long-term viability statement on page 58 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the Directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the long-term viability statement set out on page 58 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Flavours goodwill impairment

Financial Statement Elements	FY23	FY22	Our assessment of risk vs FY22	Our results
Flavours goodwill	£92.8m	£94.4m	▼ Our assessment is that the risk has decreased since FY22	FY23 Acceptable
Impairment charge	£Nil	£34.6m		FY22: Acceptable

Description of the Key Audit Matter

- The estimated recoverable amount of the Flavours goodwill (acquired through the Iberchem acquisition in FY20) is subjective due to the inherent uncertainty involved in forecasting and discounting estimated future cash flows (specifically the key assumptions such as revenue and cost of sales).
- There is limited headroom in the model and therefore the risk of estimation uncertainty remains, however the level of risk has reduced compared to FY22 as a result of the impairment recognised in the prior year.
- The effect of this matter is that, as part of our risk assessment, we determined that the impairment assessment in respect of the recoverable amount of the Flavours goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 12) disclose the sensitivities estimated by the Group.

Our response to the risk

Our procedures to address the risk included:

- **Assessing methodology:** we obtained the discounted value in use cash flow model and assessed the methodology, principles and integrity of the model.
- **Our valuation expertise:** we involved our own valuation specialists to assist us in challenging the appropriateness of the discount rate assumption.
- **Benchmarking assumptions:** we challenged the Group's forecast assumptions for cash flow projections, including the rate of sales growth and gross profit growth in the short to medium term, with reference to internally and externally derived sources.
- **Historical comparisons:** we assessed the Group's historical forecasting accuracy by comparing forecasts from prior years with actual results in those years.
- **Sensitivity analysis:** we performed breakeven analysis on the key assumptions including revenue and gross margin. We also performed breakeven analysis on other assumptions such as discount rate and long-term growth rates.
- **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflect the risks inherent in the valuations of goodwill.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the Croda International Plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverable amount of the Flavours goodwill, including our planned substantive procedures, the involvement of our valuation specialists and the extent of our control reliance.
- Our conclusions on the appropriateness of the methodology, key assumptions used and conclusion of no impairment to be recorded.
- The adequacy of the disclosures, particularly as they relate to the sensitivity of the key assumptions.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the model, and in particular key assumptions used in the model including revenue and cost of sales growth rates and other assumptions such as discount rates and terminal growth rates.

Our results

Based on the risk identified and our procedures performed, we found the Group's conclusion that there is no impairment of goodwill to be acceptable (FY22: We found the goodwill balance, and the related impairment charge, to be acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 105 for details on how the Audit Committee considered this Key Audit Matter as an area of significant attention, page 159 for the accounting policy, and note 12 for the financial disclosures.

KPMG LLP's Independent Auditor's Report continued

4.2 Valuation of UK defined benefit pension scheme liabilities (Group)

Financial Statement Elements	FY23	FY22	Our assessment of risk vs FY22	Our results
Gross defined benefit liabilities £867.3m (FY22: £858.4m); although this specific risk is only associated with the UK scheme liabilities £735.5m (FY22: £726.2m)	£735.5m	£726.2m	◀ ▶ Our assessment is that the risk is similar to FY22	FY23 Acceptable FY22: Acceptable

Description of the Key Audit Matter**Subjective valuation**

- The Group has defined benefit pension scheme liabilities in the UK that are material in the context of the overall balance sheet and the results of the Group.
- Significant estimates, including the discount rate, the inflation rate and the mortality assumptions, are made in valuing the Group's defined benefit pension liabilities (before deducting the scheme assets). The UK scheme is also open to future accrual and new members, and small changes in the assumptions and estimates with respect to the liabilities may have a significant effect on the financial position of the Group. The Group engages external actuarial specialists to assist them in selecting appropriate assumptions and in calculating the liabilities.
- The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the defined benefit liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

The financial statements (note 11) disclose the sensitivity of the liabilities to key assumptions estimated by the Group.

Our response to the risk

Our procedures to address the risk included:

- Benchmarking assumptions:** we challenged the key assumptions applied in the calculation of the liabilities including the discount rate, inflation rate, and mortality with the support of our own actuarial specialists to compare the key assumptions against market data.
- Actuary's credentials:** we assessed the competence, capabilities and objectivity of the Group's actuarial expert.
- Sensitivity analysis:** we assessed the sensitivity of the defined benefit liabilities to changes in key assumptions.
- Assessing transparency:** we considered adequacy of the Group's disclosures in respect of the sensitivity of the gross liabilities to changes in key assumptions.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the Croda International Plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of UK defined benefit pension scheme liabilities, including the use of our actuarial specialists.
- Our conclusions on testing the valuation of the defined benefit liabilities and the adequacy of the disclosures.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- The appropriateness of the valuation of UK defined benefit pension scheme liabilities and in particular, the selection of key assumptions used in the valuation (the discount rate, the inflation rate and the mortality).

Our results

We found the valuation of the pension liabilities to be acceptable (FY22 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 105 for details on how the Audit Committee considered this Key Audit Matter as an area of significant attention, page 160 for the accounting policy, and note 11 for the financial disclosures.

4.3 Recoverability of Parent Company's shares in Group undertakings and amounts owed by Group undertakings

Financial Statement Elements	FY23	FY22	Our assessment of risk vs FY22	Our results
Shares in Group undertakings	£1,567.0m	£1,411.1m	◀ ► This area has been reinstated as the key audit matter for the Parent Company for FY23 as post the divestment of the majority of the Performance Technologies and Industrial Chemicals businesses the main area of audit effort has switched from the divestment accounting to the recoverability assessment.	FY23: Acceptable FY22: Acceptable
Amounts owed by Group undertakings	£1,293.0m	£1,287.1m		

Description of the Key Audit Matter	Our response to the risk
Low risk, high value <ul style="list-style-type: none"> The carrying amount of the Parent Company's amounts owed by Group undertakings, held at cost less impairment, represents 45% and the carrying value of the Parent Company's shares in Group undertakings represents 54% of the Parent Company's total assets. We do not consider the recoverable amount of these amounts to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in the context of the Parent Company financial statements as a whole, these are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our Company audit. 	<p>Our procedures to address the risk included:</p> <ul style="list-style-type: none"> Test of detail: we compared the carrying amount of 100% of the Parent Company's shares in Group undertakings with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of the carrying amount of those shares and assessed whether those subsidiaries have historically been profit-making. Assessing subsidiary audits: we assessed the work performed by the subsidiary audit team on all of those subsidiaries, and considered the results of that work, on those subsidiaries' profits and net assets, and the likely risk of default on the intra-group balance. Test of detail: For each intra-group debtor counterparty, we evaluated the likely risk of default with reference to the Company's definition of default and those subsidiaries' performance against budgets and forecasts of future profitability. <p>We performed the tests above rather than seeking to rely on any of the Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p>

Communications with the Croda International Plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverability of the Parent Company's shares in Group undertakings and amounts owed by Group undertakings including details of our planned substantive procedures.
- Our conclusions on the appropriateness of the carrying value of the Parent Company's shares in Group undertakings and amounts owed by Group undertakings.

Areas of particular auditor judgement

We do not consider this KAM to have any significant judgement or estimation involved.

Our results

We found the Parent Company's conclusion that there is no impairment of its shares in Group undertakings and amounts owed by Group undertakings to be acceptable (FY22 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 105 for details on how the Audit Committee considered the recoverability of Parent Company's shares in Group undertakings and amounts owed by Group undertakings as an area of significant attention, pages 162 and 197 for the accounting policy on the recoverability of the Parent Company's shares in Group undertakings and amounts owed by Group undertakings, and notes F and G for the financial disclosures.

Changes to key audit matters

Divestment of the majority of the Performance Technologies and Industrial Chemicals businesses (Group and Parent Company)

The Group disposed of the majority of the Performance Technologies and Industrial Chemicals businesses ("PTIC") in FY22 and this was identified as a key audit matter for FY22. However, there are no such events taking place in current year and therefore this is no longer identified as a key audit matter. We have instead reinstated the key audit matter over the recoverability of the Parent Company's shares in Group undertakings and amounts owed by Group undertakings as post the divestment of the majority of the Performance Technologies and Industrial Chemicals businesses, the main area of audit effort has switched from the divestment accounting to the recoverability assessment.

Recoverable amount of the Fragrances goodwill

We continue to perform audit procedures over the recoverable amount of the Fragrances goodwill, however, the risk in this area has reduced such that we no longer consider this to be a key audit matter. This is based on the headroom shown within the model and our risk assessment procedures which have considered how sensitive the model is to assumptions such as short-term revenue and cost of sales growth, long-term growth rate and discount rate.

KPMG LLP's Independent Auditor's Report continued

5. Our ability to detect irregularities, and our response**Fraud – Identifying and responding to risks of material misstatement due to fraud****Fraud risk assessment**

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Nomination Committee, Remuneration Committee and Audit Committee minutes, and whistleblowing logs.
- Considering remuneration incentive schemes (annual Bonus Plan and Performance Share Plan) and performance targets for Executive Directors, Executive Committee, senior leaders and senior managers, including the EPS growth target.
- Using our own forensic specialists to assist us in identifying fraud risks. This included holding a fraud risk assessment discussion with the audit team and assisting us in designing procedures to identify fraud risks.

Risk communications

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope and specified risk-focused component audit teams of relevant fraud risks identified at the Group level and requesting these component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

Fraud risks

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

We do not believe there is a fraud risk related to revenue recognition because revenue transactions have low individual value with high volume, are routine and process driven and do not involve judgement or estimation. This reduces the opportunities for fraudulent activity.

We did not identify any additional fraud risks.

Procedures to address fraud risks

We performed procedures including:

- Identifying journal entries to test for all full scope and specified risk-focused components based on risk criteria by the Group audit team. Component audit teams were instructed to test the identified entries to supporting documentation. These included those posted by senior finance management or other high-risk users and those posted to unusual account combinations.
- Assessing whether the judgements made in making accounting estimates and related accounting treatment are indicative of a potential bias.

Laws and regulations – Identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussions with the Directors and other management of the policies and procedures regarding compliance with laws and regulations.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to all full scope and specified risk-focused component audit teams of relevant laws and regulations identified at the Group level, and a request for these component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, pensions legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/regulation areas	The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety and product liability, competition, anti-bribery and corruption, intellectual property, employment law, tax, trade compliance laws and environmental legislation, Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") and recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Context	
Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

KPMG LLP's Independent Auditor's Report continued

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

**£16m
(FY22: £18m)
Materiality for the
Group financial
statements
as a whole**

What we mean

A quantitative reference for the purpose of planning and performing our audit.

Basis for determining materiality and judgements applied

Materiality for the Group financial statements as a whole was set at £16m (FY22: £18m). This was determined with reference to a benchmark of normalised Group profit before tax from continuing operations ("PBT") of which it represents 4.7% (FY22: 4.7%).

Consistent with FY22, we determined that Group normalised PBT remains the main benchmark for the Group because it is the metric in the primary statements which best reflects the focus of the financial statements' users. Also profit is directly linked to shareholder returns, therefore the users of financial statements are focused on profit based measures as this is the primary measure communicated to investors, in both short-term guidance and in financial reporting. We have normalised by adding back adjustments that did not represent the normal continuing operations of the Group, being goodwill impairment arising on the acquisition of Sipo (£20.8m) discussed in note 12 and restructuring costs (£5.4m) discussed in note 21 (FY22 were exceptional PTIC gain, goodwill impairment and property, plant and equipment impairment), and we have averaged over five years (FY22: three years). We note that there has been a positive impact of Covid on the Group in 2021 and 2022 coupled with more usual levels of profit in 2020 and 2019, we therefore consider five years to be the more appropriate time period to normalise. Our Group materiality of £16m was determined by applying a percentage to the normalised PBT. When using a benchmark of normalised PBT to determine overall materiality, KPMG's approach for listed entities considers a guideline range 3% - 5% of the measure. In setting overall Group materiality, we applied a percentage of 4.7% (FY22: 4.7%) to the benchmark.

Materiality for the Parent Company financial statements as a whole was set at £8.7m (FY22: £8.7m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.3% (FY22: 0.3%).

**£12m
(FY22: £13.5m)
Performance
materiality**

What we mean

Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Basis for determining performance materiality and judgements applied

We have considered performance materiality at a level of 75% (FY22: 75%) of materiality for the Group financial statements as a whole to be appropriate.

The Parent Company performance materiality was set at £6.5m (FY22: £6.5m), which equates to 75% (FY22: 75%) of materiality for the Parent Company financial statements as a whole.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

**£0.8m
(FY22: £0.9m)
Audit misstatement
posting threshold**

What we mean

This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to Croda International Plc's Audit Committee.

Basis for determining the audit misstatement posting threshold and judgements applied

We set our audit misstatement posting threshold at 5% (FY22: 5%) of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £16m (FY22: £18m) compares as follows to the main financial statement caption amounts:

	Total Group revenue		Group profit before tax		Total Group assets	
	FY23	FY22	FY23	FY22	FY23	FY22
Financial statement caption	£1,694.5m	£2,089.3m	£236.3m	£780.0m	£3,579.2m	£3,611.9m
Group materiality as % of caption	0.9%	0.9%	6.8%	2.3%	0.4%	0.5%

7. The scope of our audit

Group scope

What we mean

How the Group audit team determined the procedures to be performed across the Group.

The Group has 86 reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance, those which were significant due to risk and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group financial statements as a whole.

We determined individually financially significant components as those contributing at least 5% (FY22: 5%) of total assets or 10% (FY22: 10%) of total revenue or 10% (FY22: 10%) of Group profit before tax. We selected total assets, total revenue, and profit before tax because these are the most representative of the relative size of the components. We identified 4 (FY22: 5) components as individually financially significant components and performed full scope audits on these components.

In addition, to enable us to obtain sufficient appropriate audit evidence for the Group financial statements as a whole, we selected 10 (FY22: 10) components on which to perform audit procedures. Of these components, we performed full scope audits for 4 components (FY22: 6), performed audits of account balances e.g., revenue and cash, on 5 components (FY22: 4) and only cash on 1 component (FY22: nil) and performed analytical procedures on the remaining 72 components (FY22: 73).

The components within the scope of our work accounted for the percentages illustrated in section 2 – Group Scope.

Scope	Number of components	Range of materiality applied
Full scope audit	8 (11)	£2.7m - £8.8m (£1.8m - £9.9m)
Specified audit procedures	6 (4)	£1.6m - £2.7m (£1.8m - £2.7m)

During FY23, we scoped out Croda Singapore and Croda Italy and reduced the scope for Croda Japan from full scope audit to specified procedures due to the decrease in relative significance of these components to the Group. Further, during FY23, we scoped in Croda Denmark for specified audit procedures to ensure appropriate overall coverage of the Group. The remaining 26% (FY22: 22%) of total Group revenue, 17% (FY22: 13%) of total profits and losses that made up Group profit before tax and 19% (FY22: 17%) of total Group assets is represented by 72 (FY22: 72) reporting components, none of which individually represented more than 3% (FY22: 2%) of any of total Group revenue, total profits and losses that made up Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on 10 of the 14 components (FY22: 11 of the 15 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

The Group team has also performed audit procedures on the following areas on behalf of the components:

- Understanding of IT is gained centrally on behalf of components that are on the centralised ERP system and findings are shared with relevant component teams.
- The Group team adopted a centralised approach to testing completeness and accuracy of the data extracted for revenue, purchases and journal entries. Data and analytics routines were performed for 12 components (FY22: 13), and the Group team assessed the outputs of these routines before sending outputs to component auditors and instructing them to test transactions meeting certain criteria.

These items were audited by the Group team because the Group has a centralised IT system making this an efficient audit approach. The Group team communicated the results of these procedures to the component teams. The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, as detailed in the table above, having regard to the mix of size and risk profile of the Group across the components.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

The Group team performed procedures on the items excluded from normalised Group profit before tax.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Group audit team oversight

What we mean

The extent of the Group audit team's involvement in component audits.

In working with component auditors, we:

- Held planning calls with component audit teams to discuss the significant areas of the audit relevant to the components.
- Issued Group audit instructions to component auditors on the scope of their work, including specifying the minimum procedures to perform in their audit of revenue using data and analytics procedures, cash and journals.
- Visited four (FY22: two) components in-person in France and Spain as the audit progressed to understand and challenge the audit approach. Organised regular video conferences with the partners and Directors of the Group and component audit teams. At these visits and video conferences, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component audit teams.
- Inspection of component audit teams' key work papers (in person and/or using remote technology capabilities) to evaluate the quality of execution of the audits of the components with particular focus on work related to significant risk and assessed the appropriateness of conclusion and consistencies between reported findings and work performed.

KPMG LLP's Independent Auditor's Report continued

8. Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information**Our responsibility**

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Strategic Report and Directors' Report**Our responsibility and reporting**

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report**Our responsibility**

We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures**Our responsibility**

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

Other matters on which we are required to report by exception**Our responsibility**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Our reporting

We have nothing to report in these respects.

Our reporting

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We have nothing to report in this respect.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 138, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

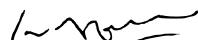
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule ("DTR") 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Griffiths
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
London
E14 5GL

26 February 2024

Group Consolidated Statements

Group Income Statement

for the year ended 31 December 2023

	Note	2023 Adjusted £m	2023 Adjustments £m	2023 Reported Total £m	2022 Adjusted £m	2022 Adjustments £m	2022 Reported Total £m
Revenue	1	1,694.5	–	1,694.5	2,089.3	–	2,089.3
Cost of sales		(964.5)	–	(964.5)	(1,103.7)	–	(1,103.7)
Gross profit		730.0	–	730.0	985.6	–	985.6
Operating costs	2	(410.0)	(72.5)	(482.5)	(470.5)	(70.4)	(540.9)
Operating profit	3	320.0	(72.5)	247.5	515.1	(70.4)	444.7
Gain on business disposal	28	–	–	–	–	356.0	356.0
Financial costs	4	(26.0)	–	(26.0)	(24.1)	(1.7)	(25.8)
Financial income	4	14.8	–	14.8	5.1	–	5.1
Profit before tax		308.8	(72.5)	236.3	496.1	283.9	780.0
Tax	5	(73.7)	9.5	(64.2)	(112.9)	(13.8)	(126.7)
Profit after tax for the year		235.1	(63.0)	172.1	383.2	270.1	653.3
Attributable to:							
Non-controlling interests		1.1	–	1.1	4.0	–	4.0
Owners of the parent		234.0	(63.0)	171.0	379.2	270.1	649.3
		235.1	(63.0)	172.1	383.2	270.1	653.3

Adjustments relate to exceptional items, amortisation of intangible assets arising on acquisition and the tax thereon. Details are disclosed in note 3.

Earnings per 10.61p ordinary share	Pence	Pence	Pence	Pence	
Basic	7	167.6	122.5	272.0	465.8
Diluted	7	167.4	122.3	271.4	464.8

Group Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Profit after tax for the year		172.1	653.3
Other comprehensive (expense)/income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of post-retirement benefit obligations	11	(23.3)	88.9
Tax on items that will not be reclassified	5	5.5	(22.4)
		(17.8)	66.5
<i>Items that have been or may be reclassified subsequently to profit or loss:</i>			
Currency translation		(58.4)	104.2
Reclassification of currency translation		–	(14.8)
Cash flow hedging	20	(19.3)	2.8
Reclassification of cash flow hedging	20	–	(6.5)
Reclassification of cost of hedging reserve	20	–	6.0
Tax on items that may be reclassified	5	–	(0.4)
		(77.7)	91.3
Other comprehensive (expense)/income for the year		(95.5)	157.8
Total comprehensive income for the year		76.6	811.1
Attributable to:			
Non-controlling interests		0.1	4.4
Owners of the parent		76.5	806.7
		76.6	811.1
Arising from:			
Continuing operations		76.6	811.1

Group Balance Sheet

at 31 December 2023

	Note	2023 £m	2022 £m
Assets			
<i>Non-current assets</i>			
Intangible assets	12	1,408.5	1,253.2
Property, plant and equipment	13	1,044.0	964.5
Right of use assets	14	87.5	96.9
Investments	16	1.9	3.4
Deferred tax assets	6	14.4	10.3
Retirement benefit assets	11	113.5	123.2
		2,669.8	2,451.5
<i>Current assets</i>			
Inventories	17	341.2	464.0
Trade and other receivables	18	395.7	375.8
Cash and cash equivalents	20	172.5	320.6
		909.4	1,160.4
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	19	(252.0)	(320.0)
Borrowings and other financial liabilities	20	(36.7)	(121.9)
Lease liabilities	14	(13.7)	(12.9)
Provisions	21	(8.6)	(6.1)
Current tax liabilities		(9.2)	(26.9)
		(320.2)	(487.8)
Net current assets		589.2	672.6
<i>Non-current liabilities</i>			
Borrowings and other financial liabilities	20	(588.4)	(401.8)
Lease liabilities	14	(71.3)	(79.2)
Other payables	19	(1.1)	(4.5)
Retirement benefit liabilities	11	(26.8)	(23.1)
Provisions	21	(10.5)	(11.5)
Deferred tax liabilities	6	(192.8)	(172.9)
		(890.9)	(693.0)
Net assets		2,368.1	2,431.1
Equity			
Ordinary Share capital	22	15.1	15.1
Share premium account		707.7	707.7
Reserves		1,629.7	1,692.8
Equity attributable to owners of the parent		2,352.5	2,415.6
Non-controlling interests in equity	25	15.6	15.5
Total equity		2,368.1	2,431.1

The financial statements on pages 152 to 194 were signed on behalf of the Board who approved the accounts on 26 February 2024.

Dame Anita Frew DBE
Chair

Louisa Burdett
Chief Financial Officer

Group Consolidated Statements continued

Group Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cash generated from operating activities			
Cash generated by operations	ii	431.0	462.2
Interest paid		(24.2)	(23.2)
Tax paid		(69.3)	(130.8)
Net cash generated from operating activities		337.5	308.2
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	27	(204.3)	–
Payment of contingent consideration		(9.6)	(13.7)
Purchase of property, plant and equipment	13	(180.4)	(141.2)
Receipt of government grants		10.9	6.1
Purchase of other intangible assets	12	(8.6)	(11.2)
Proceeds from sale of property, plant and equipment		4.0	1.7
Proceeds from business disposal, net of cash in disposed business		–	583.6
Tax paid on business disposals		(4.6)	(4.6)
Settlement of acquisition-related FX derivatives		(23.9)	–
Cash paid against non-operating provisions	21	(1.6)	(1.2)
Interest received		8.3	5.1
Net cash (used in)/generated from investing activities		(409.8)	424.6
Cash flows from financing activities			
New borrowings		336.0	232.6
Repayment of borrowings		(210.9)	(614.4)
Payment of lease liabilities	14	(17.0)	(17.4)
Acquisition of non-controlling interests		–	(1.4)
Net transactions in own shares		(9.8)	(7.3)
Dividends paid to equity shareholders	8	(150.7)	(144.4)
Net cash used in financing activities		(52.4)	(552.3)
Net movement in cash and cash equivalents	i, iii	(124.7)	180.5
Cash and cash equivalents brought forward		281.6	94.3
Exchange differences	iii	(6.7)	6.8
Cash and cash equivalents carried forward		150.2	281.6
Cash and cash equivalents carried forward comprise:			
Cash at bank and in hand		172.5	320.6
Bank overdrafts		(22.3)	(39.0)
		150.2	281.6

Group Cash Flow Notes

for the year ended 31 December 2023

(i) Reconciliation to net debt

	Note	2023 £m	2022 £m
Net movement in cash and cash equivalents	iii	(124.7)	180.5
Net movement in borrowings and other financial liabilities	iii	(108.1)	399.2
Change in net debt from cash flows		(232.8)	579.7
Loans in acquired businesses		(6.1)	–
Non-cash movement in lease liabilities		(12.9)	(13.4)
Non-cash preference shares reclassification		–	(1.1)
Exchange differences		9.4	(37.2)
		(242.4)	528.0
Net debt brought forward		(295.2)	(823.2)
Net debt carried forward	iii	(537.6)	(295.2)

(ii) Cash generated by operations

	Note	2023 £m	2022 £m
Adjusted operating profit		320.0	515.1
Exceptional items	iv	(35.8)	(36.1)
Amortisation of intangible assets arising on acquisition		(36.7)	(34.3)
Operating profit		247.5	444.7
Adjustments for:			
Depreciation and amortisation		126.2	120.7
Fair value movement on contingent consideration		–	(6.1)
Impairments on intangible assets and property, plant and equipment		22.0	42.2
Impairment of investment		1.5	–
Loss on derivatives		4.6	–
Loss on disposal and write-offs of intangible assets and property, plant and equipment		0.2	0.2
Net provisions charged	21	5.6	1.6
Share-based payments		(4.2)	(11.0)
Non-cash pension expense		(4.4)	4.5
Net-monetary adjustment		6.3	–
Cash paid against operating provisions	21	(3.4)	(0.8)
Movement in inventories		117.8	(98.1)
Movement in receivables		(19.0)	(43.3)
Movement in payables		(69.7)	7.6
Cash generated by operations		431.0	462.2

(iii) Analysis of net debt

	2023 £m	Cash flow £m	Exchange movements £m	Other non-cash £m	2022 £m
Cash and cash equivalents	172.5	(140.3)	(7.8)	–	320.6
Bank overdrafts	(22.3)	15.6	1.1	–	(39.0)
Movement in cash and cash equivalents		(124.7)	(6.7)	–	
Borrowings repayable within one year	(14.4)	72.6	2.0	(6.1)	(82.9)
Borrowings repayable after more than one year	(588.4)	(197.7)	11.1	–	(401.8)
Lease liabilities	(85.0)	17.0	3.0	(12.9)	(92.1)
Movement in borrowings and other financial liabilities		(108.1)	16.1	(19.0)	
Total net debt	(537.6)	(232.8)	9.4	(19.0)	(295.2)

Included within other non-cash movements are £9.9m of lease liabilities recognised in the year.

(iv) Cash flow on exceptional items

The total cash outflow during the year in respect of exceptional items, including those recognised in prior years' income statements but excluding business disposal and contingent consideration, was £7.9m (2022: £1.0m). Details of exceptional items can be found in note 3 on pages 165 and 166.

Group Consolidated Statements continued

Group Statement of Changes in Equity

for the year ended 31 December 2023

	Note	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non- controlling interests £m	Total equity £m
At 1 January 2022		16.2	707.7	(43.8)	1,073.0	12.8	1,765.9
Profit after tax for the year		—	—	—	649.3	4.0	653.3
Other comprehensive income		—	—	90.9	66.5	0.4	157.8
Total comprehensive income for the year		—	—	90.9	715.8	4.4	811.1
Transactions with owners:							
Dividends on equity shares	8	—	—	—	(144.4)	—	(144.4)
Share-based payments		—	—	—	8.3	—	8.3
Transactions in own shares		—	—	—	(7.3)	—	(7.3)
Total transactions with owners		—	—	—	(143.4)	—	(143.4)
Changes in ownership interests:							
Acquisition of a non-controlling interest		—	—	—	0.3	(1.7)	(1.4)
Total changes in ownership interests		—	—	—	0.3	(1.7)	(1.4)
Preference share capital reclassification		(1.1)	—	—	—	—	(1.1)
Total equity at 31 December 2022		15.1	707.7	47.1	1,645.7	15.5	2,431.1
At 1 January 2023		15.1	707.7	47.1	1,645.7	15.5	2,431.1
Profit after tax for the year		—	—	—	171.0	1.1	172.1
Other comprehensive expense		—	—	(76.7)	(17.8)	(1.0)	(95.5)
Total comprehensive (expense)/income for the year		—	—	(76.7)	153.2	0.1	76.6
Hedging losses transferred to cost of goodwill	20	—	—	19.3	—	—	19.3
Transactions with owners:							
Dividends on equity shares	8	—	—	—	(150.7)	—	(150.7)
Share-based payments		—	—	—	1.6	—	1.6
Transactions in own shares		—	—	—	(9.8)	—	(9.8)
Total transactions with owners		—	—	—	(158.9)	—	(158.9)
Total equity at 31 December 2023		15.1	707.7	(10.3)	1,640.0	15.6	2,368.1

Other reserves include the Capital Redemption Reserve of £0.9m (2022: £0.9m) and the Translation Reserve of £(11.2)m (2022: £46.2m).

Group Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, in accordance with applicable law and UK-adopted international accounting standards. A summary of the more important Group accounting policies is set out below.

Going concern

The consolidated financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

At 31 December 2023 the Group had £1,050m of committed debt facilities available from its banking group, USPP bondholders and lease providers, with principal maturities between 2026 and 2030, of which £381.2m (2022: £579.3m) was undrawn, together with cash balances of £172.5m (2022: £320.6m). The Group's debt facilities have funding covenant requirements, principally the leverage covenant with a maximum level of 3.5x net debt to covenant EBITDA, and interest cover.

The Directors have reviewed the liquidity and covenant forecasts for the Group's going concern assessment period covering at least 12 months from the date of approval of the financial statements. Given the time horizon of these forecasts, the risk of climate change is not expected to have a material impact on these forecasts. Based on these forecasts, the Group continues to have significant liquidity headroom and strong financial covenant headroom under its debt facilities.

A reverse stress testing scenario has been performed which assesses that adjusted operating profit would need to fall by over 74% to trigger an event of default as at 30 June 2025. This scenario includes some mitigating actions to conserve cash, including reducing dividends and capital expenditure. Throughout this scenario, the Group continues to have significant liquidity headroom. The Directors do not consider this a plausible scenario. This is consistent with the bottom-up risk scenario modelling for the long-term viability statement which considered severe but plausible, individual, and combined scenarios, none of which trigger an event of default. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Climate change

The Group has long recognised the scale of the climate emergency and considers this to offer both opportunities and risks in the future. The Group's current climate change strategy focuses on reducing its carbon footprint and increasing its use of bio-based raw materials, whilst the benefits in using its ingredients will enable more carbon to be saved than were emitted through operations and supply chain.

The impact of climate change has been considered in the preparation of these financial statements, including the risks identified as part of the Task Force on Climate-related Financial Disclosures (TCFD) on pages 59 to 67. None of these risks had a material effect on the consolidated financial statements of the Group. In particular, the Directors have considered the impact of climate change in respect of the following areas.

- Going concern and viability of the Group over the next three years;
- Post-retirement benefit obligations;
- Carrying value and useful economic lives of property, plant and equipment; and
- The discounted cash flows included in the value in use calculation used in the annual goodwill impairment testing.

Whilst there is currently no material impact expected from climate change, the Group is aware of the ever-changing risks related to climate change and will continue to develop its assessment of the impact on the financial statements.

Significant accounting judgements and estimates

The Group's significant accounting policies under UK-adopted international accounting standards have been set by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Under UK-adopted international accounting standards an estimate or judgement may be considered significant if it has a significant effect on the amounts recognised in the financial statements or if the estimates have a risk of material adjustment to assets and liabilities within the next financial year.

The significant accounting judgement required when preparing the Group's accounts is as follows:

- (i) Hedge accounting – On 6 February 2023 the Group agreed to acquire Solus Biotech Co Ltd ('Solus') for a total consideration of KRW350bn, a highly probable future business combination (hedged item). In line with the Group's currency risk management strategy, the currency exposure for the Group, which has a Sterling functional and presentational currency, was managed through the execution of a deal contingent foreign exchange forward contract (hedging instrument). This instrument was designated as a cash flow hedge and therefore hedge accounting was applied in the Group's consolidated financial statements.

The application of hedge accounting for a deal contingent instrument requires significant judgement to determine whether the underlying transaction was highly probable, which is a requirement for the initial application of hedge accounting. The Group's assessment that the underlying transaction was highly probable, and therefore hedge accounting can be applied, is a key judgement. The primary consideration in forming this conclusion was in relation to the required regulatory approval, which was considered highly probable to be achieved based on an assessment of internal and external evidence. This judgement, and the subsequent application of hedge accounting, resulted in a £19.3m FX loss being deferred in other comprehensive income, and subsequently reclassified to goodwill, rather than being recognised in the income statement. During the year, a hedge ineffectiveness loss of £4.6m was recognised in the income statement within administrative expenses and reported as an exceptional item as part of business acquisition costs. The forward contract was settled during the year resulting in a cash outflow of £23.9m.

The significant accounting estimates required when preparing the Group's accounts are as follows:

- (i) Post-retirement benefits – As disclosed in note 11, the Group's principal retirement benefit schemes are of the defined benefit type. Year end recognition of the liabilities under these schemes and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to key financial market indicators such as inflation and expectations on future salary growth and asset returns. These assumptions are made by the Group in conjunction with the schemes' actuaries and the Directors are of the view that any estimation should be appropriate and in line with consensus opinion.

Group Accounting Policies continued

The critical accounting estimate specifically relates to the Group's UK scheme, given the size of the liabilities and their sensitivity to underlying assumptions, including the impact of climate change on life expectancy. Small changes in these assumptions could result in a material adjustment to carrying values in the next financial year.

- (ii) Goodwill impairment – Management are required to undertake an annual test for impairment of indefinite lived assets such as goodwill. Accordingly, the Group tests annually whether goodwill has suffered any impairment by comparing the carrying value of the underlying Cash Generating Units ('CGUs') to their recoverable amount calculated by detailed value in use calculations. These value in use calculations require the use of estimates to enable the calculation of the net present value of cash flow projections of the relevant CGU.

The critical assumptions are as follows:

- Cash flow projections – based on management's most recent risk-adjusted view of future trading specific to the individual CGU, with assumptions on term and EBITDA growth (calculated as operating profit before depreciation and amortisation) as a result of fluctuating revenue and operating margins through the ability to pass on future raw material price increases.
- Terminal value growth in EBITDA – set for each CGU with reference to the long-term growth rate for the market and territory in which the CGU operates but not exceeding the Group's long-term average growth rate, estimated at 3%.
- Discount rate – set using a weighted average cost of capital adjusted for the specific risk profile of each CGU.

The significant accounting estimate relates to the goodwill impairment review of the Flavours and Croda Korea CGUs. Given the impairment charge reported in the prior year the Flavours CGU has low headroom. The recoverable amount, and therefore level of headroom, is predominantly dependent upon judgements used in arriving at these key assumptions. The assumptions selected and associated sensitivity analysis are disclosed in note 12. Although it is not management's current expectation, these sensitivities provide the impact on the recoverable amount when applying a reasonably possible change in the assumptions. The goodwill impairment review of Croda Korea CGU represents a further source of significant estimation uncertainty due to the proximity of acquisition and resultant low level of headroom. Post-acquisition trading is in line with expectations. Given the size of the goodwill balances and the carrying values' sensitivity to the underlying assumptions, small changes could result in a material adjustment to the carrying values in the next financial year.

The impact of climate change risks, with a particular focus on the impact of carbon pricing, has been considered as part of the impairment testing. The discounted cash flows included in the value in use calculations reflect the carbon costs of the CGU based on the latest scope 1 and 2 emissions data and applying a shadow carbon price of £124/tonne in line with the UK Government Green Guide. The cost of carbon has an immaterial effect on the recoverable amount of each standalone CGU and as such carbon costs are not deemed to be a key assumption. The Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in future impairment testing.

The Group's accounts include other areas of estimation. While these areas do not meet the definition of significant accounting estimates, the recognition and measurement of certain material assets and liabilities are based on assumptions. The other areas of accounting estimates are:

- (i) Valuation of acquired intangible assets (note 28) – On acquisition, intangible assets other than goodwill are recognised if they can be identified through being separable from the acquired entity or arising from specific contractual or legal rights. Once recognised, such intangible assets will be initially valued using an appropriate methodology. The acquisition date fair value of intangible assets acquired are based on a number of assumptions including discount rate, royalty rates, growth rates and customer attrition.
- (ii) Goodwill impairment review of the Avanti and Fragrances CGUs (note 12) – the recoverable amount, and therefore level of headroom, is predominantly dependent upon judgements used in arriving at the cash flow projections, terminal value growth rate, and the discount rate.

Changes in accounting policy

- (i) The Group adopted the following new accounting policies on 1 January 2023 to comply with amendments to IFRS. The accounting pronouncements, none of which had a material impact on the Group's financial reporting on adoption, are:

- IFRS 17 'Insurance Contracts' and Amendments to IFRS 17 'Insurance Contracts';
- Amendments to IAS 1 'Disclosure of Accounting Policies';
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current';
- Amendment to IAS 8 'Definition of Accounting Estimates'; and
- Amendment to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' and 'International Tax Reform—Pillar Two Model Rules'.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' became effective on 1 January 2023 and establishes requirements for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the Standard and is applied retrospectively. An impact assessment has been performed and has not resulted in a material impact to the Group financial reporting.

As part of this review it was identified that the Group issues product warranties as part of the normal course of business which would meet the definition of an insurance contract. As the warranties are issued in connection to the sale of goods, the Group is exempt from applying the requirements of IFRS 17 and instead applies IFRS 15 'Revenue' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

The Group operates a captive insurance company to self-insure certain risks either in full or in part. As this self-insurance operates within the Group, IFRS 17 has no impact on the consolidated financial statements.

The Group has also issued Parent Company guarantee arrangements. The Group has not previously asserted that these arrangements are considered insurance contracts and has therefore taken advantage of the accounting policy choice to apply IAS 32 'Financial Instruments: Presentation', IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' rather than apply IFRS 17.

- (ii) The IASB has issued the following pronouncements for annual periods beginning on or after 1 January 2024 or 1 January 2025:
- Amendments to IAS 21 'Lack of exchangeability';
 - Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements';
 - Amendments to IAS 1 'Non-current Liabilities with Covenants';
 - Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'; and
 - Amendments to SASB standards.

The Group is assessing the impact of these new standards and the Group's financial reporting will be presented in accordance with these standards from 1 January 2024 or 1 January 2025 as applicable.

Group accounts

General information

Croda International Plc is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. It is registered in England and Wales and the address of its registered office can be found on page 205.

Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Intangible assets

Goodwill

On acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalised and carried at cost less accumulated impairment losses. Goodwill is subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as CGUs.

Goodwill is allocated to the CGU that is expected to benefit from the synergies of the acquisition. For goodwill balances where the relevant group of CGUs exceeds the size of the Group's operating segments, impairment testing is performed at the operating segment level.

If the recoverable amount of the CGU is less than the carrying value of the goodwill, an impairment loss is recognised immediately against the goodwill value. The recoverable amount of the CGU is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is measured on a market-based approach using prices and other relevant information generated by market transactions. Value in use is estimated with reference to estimated risk adjusted future post-tax cash flows in real terms discounted to net present value using a market participant real post-tax discount rate that reflects the time value of money and size risk premium specific to the CGU. Post-tax calculations, rather than pre-tax, are used as they are considered more accurate. For disclosure purposes, pre-tax discount rates are then back-solved using the equivalent pre-tax cash flows, and therefore there is no material difference between the calculations on a pre-tax or post-tax basis. Where required, specific risks associated with the CGU are adjusted through changes to the future cash flow projections. The Group uses growth estimates that track below the Group's historical growth rates unless the profile of a particular CGU warrants a different treatment.

Other intangible assets arising on acquisition

On acquisition, intangible assets other than goodwill are recognised if they can be identified through being separable from the acquired entity or arising from specific contractual or legal rights.

Once recognised, such intangible assets will be initially valued using an appropriate methodology. For the acquisition in the year the following intangible asset types recognised and valuation methodologies applied were:

- Technology processes (relief-from-royalty)
- Customer relationships (income approach)

Following initial recognition, the assets will be written down on a straight-line basis over their useful lives, which range from 7 to 20 years for technology processes and from 3 to 20 years for trade names, brands and customer relationships. Useful lives are regularly reviewed to ensure their continuing relevance.

Research and development

Research expenditure, undertaken with the prospect of gaining new scientific, technical or commercial knowledge and understanding, is charged to the income statement in the year in which it is incurred. Internal development expenditure, whereby research findings are applied to a plan for the production of new or substantially improved products or processes, is charged to the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Development uncertainties typically mean that such criteria are not met, most commonly because the Group can only demonstrate the existence of a market at a late stage in the product development cycle, at which point the material element of project spend has already been incurred and charged to the income statement. This includes, for example, substantiating potential product claims for use by our customers. Until the desired outcome of such work can be proven, at an economic production cost, the market for a product cannot be said to exist. Furthermore, the Group does not have the ability to reliably measure the development expenditure attributable to all projects during development.

Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch.

Group Accounting Policies continued

Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off to the income statement.

Computer software

Cloud computing arrangements are assessed and classified as either service contracts or intangible assets. Computer software licences that meet the definition of an intangible asset, covering a period of greater than a year, are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which range from 3 to 7 years.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes intra-Group sales. The Group recognises revenue on completion of contractual performance obligations, generally when it transfers control over a product or service to a customer.

Sale of goods

The principal activity from which the Group generates revenue is the supply of products to customers from its various manufacturing sites and warehouses, and in some limited instances from consignment inventory held on customer sites. Products are supplied under a variety of standard terms and conditions, and in each case, revenue is recognised when contractual performance obligations between the Group and the customer are satisfied. This will typically be on dispatch or delivery. When sales discount and rebate arrangements result in net variable consideration, appropriate adjustments are recognised as a deduction from revenue at the point of sale. The Group typically uses the expected value method for estimating rebates, reflecting that such contracts have similar characteristics and a range of possible outcomes. The Group recognises revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not be required.

Interest and dividend income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Government grants

The Group recognises government grant income related to assets when the grant becomes receivable and deducts the income from the cost of the associated asset. Government grant income is recognised separately in the Group statement of cash flows.

Segmental reporting

The Group's sales, marketing and research activities are organised into three global market sectors, being Consumer Care, Life Sciences and Industrial Specialties. These are the segments for which summary management information is presented to the Group's Executive Committee, which is deemed to be the Group's Chief Operating Decision Maker.

Employee benefits**Pension obligations**

The Group accounts for pensions and similar benefits under IAS 19 'Employee Benefits' (revised). In respect of defined benefit plans (pension plans that define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation), obligations are measured at discounted present value whilst plan assets are recorded at fair value. The assets and liabilities recognised in the balance sheet in respect of defined benefit pension plans are the net of plan obligations and assets. A scheme surplus is only recognised as an asset in the balance sheet when the Group has the unconditional right to future economic benefits in the form of a refund or a reduction in future contributions. For those schemes where an accounting surplus is currently recognised, the Group expects to recover the value through reduced future contributions. No allowance is made in the past service liability in respect of either the future expenses of running the schemes or for non-service-related death in service benefits which may arise in the future. The operating costs of such plans are charged to operating profit and the finance costs are recognised as financial income or an expense as appropriate.

Service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Remeasurements are recognised in the statement of comprehensive income. Payments to defined contribution schemes (pension plans under which the Group pays fixed contributions into a separate entity) are charged as an expense as they fall due.

Other post-retirement benefits

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Remeasurements are recognised in the statement of comprehensive income. These obligations are valued annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Share-based payments

The Group operates a number of cash and equity settled, share-based incentive schemes. These are accounted for in accordance with IFRS 2 'Share-based Payments', which requires an expense to be recognised in the income statement over the vesting period of the options. The expense is based on the fair value of each instrument which is calculated using the Black Scholes or binomial model as appropriate. Any expense is adjusted to reflect expected and actual levels of options vesting for non-market-based performance criteria.

Currency translations and hyperinflation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Certain subsidiaries of the Group operate in hyperinflationary economies. Where considered significant, the results of those subsidiaries are adjusted to reflect the current purchasing power of that currency at the year end, as if that rate had applied to the results of the entity for the whole period. Any gain or loss on monetary assets and liabilities is recognised within operating costs in the Group income statement as a net monetary gain or loss.

Transactions and balances

Monetary assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency and are not considered to be hyperinflationary are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

For subsidiaries operating in hyperinflationary economies, the results and financial position are translated into the Group's presentation currency using the closing rate for all transactions, rather than at an average rate for income and expense items.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise on differences between the carrying value of assets and liabilities in the financial statements and their tax base. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings.

Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised, using the balance sheet liability method, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group has determined that the global minimum top-up tax, which is a liability under Pillar Two legislation, is an income tax in the scope of IAS12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Following adoption of amendments to IAS12 the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right of use assets.

All taxation is calculated on the basis of the tax rates and laws enacted or substantively enacted at the balance sheet date.

Income statement presentation

Adjusted results are stated before exceptional items and amortisation of intangible assets arising on acquisition, and tax thereon. The Board believes that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a basis upon which to analyse business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each half year and full year results.

Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. In the current year exceptional items relate to a goodwill impairment to the carrying value of the Chinese SIPO cash generating unit in Industrial Specialties, acquisition costs and restructuring costs associated with changes to the Group's operating model. Exceptional items in the prior year related to the gain on business disposal, discount unwind and fair value adjustment in respect of contingent consideration, goodwill impairment and property, plant and equipment impairment. Details can be found in note 3 on pages 165 and 166.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation, with the exception of assets acquired as part of a business combination. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The Group's policy is to write off the difference between the cost of all property, plant and equipment, except freehold land, and their residual value on a straight-line basis over their estimated useful lives.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence, the impact of climate change, sites decarbonisation road maps, as well as normal wear and tear, and adjustments are made where appropriate. Under this policy it becomes impractical to calculate average asset lives exactly. However, the total lives range from approximately 15 to 40 years for land and buildings, and 3 to 25 years for plant and equipment. All individual assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. The Group's 'plant and equipment' asset class predominantly relates to the value of plant and equipment at the Group's manufacturing facilities. Consequently, the Group does not seek to analyse out of this class other items such as motor vehicles and office equipment.

Group Accounting Policies continued

The TCFD on pages 59 to 67 highlights the riverine flood risk across specific sites. The sites with significant risk of flood account for 14.9% of Group revenue in 2023 and include 12.2% of the Group's property, plant and equipment net book value. Due to the mitigations detailed in the TCFD, climate change does not have a material impact on the net book value or remaining useful life of property, plant and equipment at the balance sheet date.

Impairment of non-financial assets

The Group assesses at each year end whether an asset may be impaired. If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. In addition to this, goodwill is tested for impairment at least annually. Non-financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Leases

When entering into a new contract, the Group assesses whether it is, or contains, a lease. A lease conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease or, more typically, the Group's incremental borrowing rate (when the implicit rate cannot be readily determined).

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or changes in the Group's assessment of whether a purchase, extension or termination option is reasonably certain to be exercised.

The Group adopts recognition exemptions for short-term (less than 12 months) and low value leases and elects not to separate lease components from any associated fixed non-lease components.

The Group classifies payments of lease liabilities (principal and interest portions) as part of financing activities. Payments of short-term, low value and variable lease components are classified within operating activities.

Derivative financial instruments

The Group uses derivative financial instruments where deemed appropriate to hedge its exposure to interest rates and short-term currency rate fluctuations. The Group's accounting policy is set out below.

Derivative financial instruments are recorded initially at cost. Subsequent measurement depends on the designation of the instrument as either: (i) a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) a hedge of highly probable forecast transactions (cash flow hedge).

(i) Fair value hedge

Changes in the fair value of derivatives, for example interest rate swaps and foreign exchange contracts, that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of the forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the current amount and timing of the respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in the cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness are changes in the time or amount of the hedged transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are recognised initially at fair value. With the exception of contingent consideration and forward foreign exchange contracts, trade and other payables are subsequently measured at amortised cost using the effective interest method. Contingent consideration is measured at fair value based on the present value of the expected future payments, discounted using a risk-adjusted discount rate. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in fair value and associated discount unwind are recognised in the income statement. Forward foreign exchange contracts are initially recognised at cost and subsequently measured at fair value on a mark-to-market basis.

Inventories

Inventories are stated at the lower of cost and net realisable amount on a first in first out basis. Cost comprises all expenditure, including related production overheads, incurred in the normal course of business in bringing the inventory to its location and condition at the balance sheet date. Net realisable amount is the estimated selling price in the ordinary course of business less any applicable variable selling costs. Provision is made for obsolete, slow moving and defective inventory where appropriate. Profits arising on intra-group sales are eliminated in so far as the product remains in Group inventory at the year end.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprises balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and bank overdrafts are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, there is an intention to settle on a net basis and interest is charged on a net basis.

Environmental, restructuring, site restoration and other provisions

The Group is exposed to certain liabilities relating to its operations. Provisions are made immediately where a legal or constructive obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation. The Group does consider the impact of discounting when establishing provisions and provisions are discounted when the impact is material and the timing of cash flows can be estimated with reasonable certainty.

Share capital

Investment in own shares

- (i) Employee share ownership trusts – shares acquired by the trustees of the employee share ownership trust (the Trustees), funded by the Company and held for the continuing benefit of the Company are shown as a reduction in equity attributable to owners of the parent. Movements in the year arising from additional purchases by the Trustees of shares or the receipt of funds due to the exercise of options by employees are accounted for within reserves and shown as a movement in equity attributable to owners of the parent in the year. Administration expenses of the trusts are charged to the Company's income statement as incurred.
- (ii) Treasury shares – where any Group company purchases the Company's equity share capital as treasury shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividends

Dividends on ordinary share capital are recognised as a liability when the liability is irrevocable. Accordingly, final dividends are recognised when approved by shareholders and interim dividends are recognised when paid.

Investments

Investments in equity securities are measured at fair value, with movements in the fair value being recognised in the income statement or equity on an instrument-by-instrument basis. Investments in associates are initially recorded at cost and subsequently adjusted for the Group's share of results. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.

Notes to the Group Accounts

1. Segmental analysis

The Group's sales, marketing and research activities are organised into three global market sectors, being Consumer Care, Life Sciences and Industrial Specialties. These are the segments for which summary management information is presented to the Group's Executive Committee, which is deemed to be the Group's Chief Operating Decision Maker. A review of each sector can be found within the Strategic Report on pages 38 to 46.

There is no material trade between segments. Segmental results include items directly attributable to a specific segment as well as those that can be allocated on a reasonable basis.

	2023 £m	2022 £m
Income statement		
Revenue		
Consumer Care	886.1	897.8
Life Sciences	602.3	682.3
Industrial Specialties	206.1	509.2
Total Group revenue	1,694.5	2,089.3
Adjusted operating profit		
Consumer Care	160.3	204.7
Life Sciences	150.3	229.4
Industrial Specialties	9.4	81.0
Total Group operating profit (before exceptional items and amortisation of intangible assets arising on acquisition)	320.0	515.1
Exceptional items and amortisation of intangible assets arising on acquisition ¹	(72.5)	(70.4)
Total Group operating profit	247.5	444.7

1. Relates to Consumer Care £32.5m (2022: £60.2m), Life Sciences £18.6m (2022: £9.1m) and Industrial Specialties £21.4m (2022: £1.1m).

In the following table, revenue has been disaggregated by sector and destination. This is the primary management information that is presented to the Group's Executive Committee.

	Europe, Middle East & Africa £m	North America £m	Latin America £m	Asia £m	Total £m
Revenue 2023					
Consumer Care	375.1	189.7	89.4	231.9	886.1
Life Sciences	245.9	167.6	87.7	101.1	602.3
Industrial Specialties	69.2	39.3	8.3	89.3	206.1
Total Group revenue	690.2	396.6	185.4	422.3	1,694.5
Revenue 2022					
Consumer Care	353.2	232.5	91.2	220.9	897.8
Life Sciences	297.5	186.1	89.8	108.9	682.3
Industrial Specialties	220.0	111.3	23.1	154.8	509.2
Total Group revenue	870.7	529.9	204.1	484.6	2,089.3

	2023 £m	2022 £m
Depreciation and amortisation (before amortisation of intangible assets arising on acquisition)		
Consumer Care	45.7	40.4
Life Sciences	32.6	26.7
Industrial Specialties	11.2	19.3
Total Group	89.5	86.4

The Group manages its business segments on a global basis. The operations are based in the following geographical areas: Europe, with manufacturing sites in the UK, France, the Netherlands, Italy, Spain and Denmark; North America, with manufacturing sites in the US; Latin America, with manufacturing sites in Brazil, Argentina, Colombia and Mexico; Asia, with manufacturing sites in Singapore, Japan, India, China, Indonesia, Malaysia, Korea and Australia; and South Africa and Tunisia.

The Group's revenue from external customers in the UK is £42.8m (2022: £66.3m), in France is £99.0m (2022: £121.5m), in Germany is £80.4m (2022: £120.9m), in China is £155.9m (2022: £189.3m), in the US is £362.9m (2022: £491.0m) and the total revenue from external customers from other countries is £953.5m (2022: £1,100.2m). No single external customer represents more than 5% of the total revenue of the Group. The total of non-current assets other than financial instruments, retirement benefit assets and deferred tax assets located in the UK is £249.6m (2022: £177.6m), in the US is £607.1m (2022: £618.4m) and in other countries is £747.3m (2022: £677.4m). Goodwill has not been split by geography as this asset is not attributable to a geographical area.

2. Operating costs

	2023 £m	2022 £m
Analysis of net operating expenses by function:		
Distribution costs	77.2	101.8
Administrative expenses	405.3	439.1
	482.5	540.9

Additional information on the nature of operating expenses, including depreciation and employee costs, is provided in note 3.

3. Profit for the year

	2023 £m	2022 £m
The Group profit for the year is stated after charging/(crediting):		
Depreciation and amortisation (notes 12, 13 & 14)	126.2	120.7
Goodwill impairment (exceptional) (note 12)	20.8	34.6
Property, plant and equipment impairment (exceptional) (note 13)	–	7.6
Property, plant and equipment impairment (non-exceptional) (note 13)	1.2	–
Staff costs (note 9)	340.8	389.9
Redundancy costs (non-exceptional)	0.6	1.2
Redundancy costs (exceptional)	5.4	–
Gain on business disposal (exceptional) (note 28)	–	(356.0)
Net-monetary adjustment arising from application of IAS 29 'Hyperinflation'	6.3	–
Impairment of investment (non-exceptional) (note 16)	1.5	–
Inventories – cost recognised as expense in cost of sales	964.5	1,102.9
Inventories – provision movement in the year	11.6	15.0
Research and development	62.3	66.3
Net foreign exchange	7.0	(4.2)
Bad debt charge (note 18)	1.4	2.7
Adjustments:		
Exceptional items – operating profit		
Business acquisition costs (note 27)	(9.6)	–
Restructuring costs (note 21)	(5.4)	–
Goodwill impairment (note 12)	(20.8)	(34.6)
Property, plant and equipment impairment (note 13)	–	(7.6)
Fair value movement on contingent consideration (note 19)	–	6.1
Exceptional items – financial costs		
Unwind of discount on contingent consideration (note 19)	–	(1.7)
Gain on business disposal (note 28)	–	356.0
Exceptional items	(35.8)	318.2
Amortisation of intangible assets arising on acquisition	(36.7)	(34.3)
Total adjustments	(72.5)	283.9

Notes to the Group Accounts continued

3. Profit for the year continued

The exceptional items in the current year relate to a goodwill impairment to the carrying value of the Chinese SIPO Cash Generating Unit (CGU) in Industrial Specialties, acquisition costs and restructuring costs associated with changes to the Group's operating model. The goodwill impairment, acquisition costs and restructuring costs have all been presented as exceptional due to their size and one-off nature. The exceptional items in the prior year related to the gain on business disposal, discount unwind and fair value adjustment both in respect of contingent consideration, the goodwill impairment of the Group's Flavours CGU and an impairment relating to the write-off of unusable manufacturing plant in Japan.

	2023 £m	2022 £m
Services provided by the Group's auditor		
Audit services		
Fees payable to the Group's auditor for the audit of Parent Company and consolidated financial statements	0.6	0.3
Fees payable to the Group's auditor and its associates for the audit of the Company's subsidiaries	1.9	1.9
Other audit services		
Audit-related assurance and other services including fees payable in relation to the Group's interim review	0.3	0.2
	2.8	2.4

4. Net financial costs

	2023 £m	2022 £m
Financial costs		
US\$100m 3.75% fixed rate 10 year note	3.0	3.0
2019 Club facility due 2026	9.9	5.9
US\$200m 3 year term loan due 2023	–	0.6
€30m 1.08% fixed rate 7 year note	0.1	0.3
€70m 1.43% fixed rate 10 year note	0.9	0.9
£30m 2.54% fixed rate 7 year note	0.4	0.8
£70m 2.80% fixed rate 10 year note	2.0	2.0
€50m 1.18% fixed rate 8 year note	0.5	0.5
£65m 2.46% fixed rate 8 year note	1.6	1.6
US\$60m 3.70% fixed rate 10 year note	1.8	1.8
Interest on lease liabilities	2.6	2.5
Other bank loans and overdrafts	3.1	2.9
Other interest costs	–	1.2
Unwind of discount on contingent consideration (exceptional)	–	1.7
Preference share dividend	0.1	0.1
	26.0	25.8
Financial income		
Bank interest receivable and similar income	(9.4)	(2.7)
Net interest on post-retirement benefits	(5.4)	(2.4)
	(14.8)	(5.1)
Net financial costs	11.2	20.7

5. Tax

	2023 £m	2022 £m
(a) Analysis of tax charge for the year		
UK current corporate tax ¹	(1.5)	28.1
Overseas current corporate taxes	62.1	100.0
Current tax	60.6	128.1
Deferred tax (note 6)	3.6	(1.4)
	64.2	126.7
1. The UK has a current year tax credit, which is offset against a higher deferred tax charge, due to the impact of capital allowance claims		
(b) Tax on items (credited)/charged to other comprehensive income or equity		
Deferred tax on remeasurement of post-retirement benefits (OCI)	(5.5)	22.4
Deferred tax on share-based payments (equity)	0.5	1.1
Deferred tax on provisions (OCI)	(0.2)	0.5
	(5.2)	24.0
(c) Factors affecting the tax charge for the year		
Profit before tax	236.3	780.0
Tax at the standard rate of corporation tax in the UK, 23.5% (2022: 19.0%)	55.5	148.2
Effect of:		
Non-taxable gain on business disposal	–	(46.1)
Tax rate changes	0.5	(0.1)
Prior year over-provisions	(10.9)	(2.9)
Tax cost of remitting overseas income to the UK	3.7	5.5
Expenses and write-offs not deductible for tax purposes	11.3	10.3
Tax incentives	(2.6)	(0.6)
Unutilised tax losses not recognised through deferred tax	1.3	0.9
Effect of higher overseas tax rates	5.4	11.5
	64.2	126.7

The effective adjusted corporate tax rate before exceptional items of 23.9% (2022: 22.8%) is slightly higher than the UK's standard tax rate of 23.5%. The reported corporate tax rate after exceptional items is 27.2% (2022: 16.2%).

Croda operates in many tax jurisdictions other than the UK, both as a manufacturer and distributor, with the majority of those jurisdictions having rates higher than the UK; considerably so in some cases. It is the exposure to these different tax rates that increases the effective tax rate above the UK standard rate and also makes it difficult to forecast the Group's future tax rate with any certainty given the unpredictable nature of exchange rates, individual economies and tax legislators. Croda's effective corporate tax rate has also increased as a result of incurring expenditure which is deemed capital in nature for tax purposes, including the impairment of goodwill, which is not tax deductible. The factors increasing the effective tax rate are largely offset by the prior year release of tax provisions. Otherwise, there are no significant adjustments between the Group's expected and reported tax charge based on its reported accounting profit. Given the global nature of the Group, and the number of associated cross-border transactions between connected parties, we are exposed to potential adjustments to the price charged for those transactions by tax authorities. However, the Group carries appropriate provisions relating to the level of risk.

The prior year reported corporate tax rate after exceptional items includes the tax arising on the gain of the PTIC divestment and associated business disposal costs. Whilst the gain was subject to tax in the jurisdictions in which business units were sold, a number of local exemptions have resulted in the overall gain being taxed at a rate significantly lower than the UK's 2022 standard tax rate of 19%. This has reduced the reported corporate tax rate after exceptional items in the prior year.

Legislation to increase the UK standard rate of corporation tax from 19% to 25% was substantively enacted on 24 May 2021, effective from 1 April 2023, which has resulted in a blended UK rate of corporation tax of 23.5% in 2023. The UK deferred tax is calculated at 25%. The overseas tax is calculated at the rates prevailing in the respective jurisdictions.

The UK, like many other jurisdictions, brought into effect its supporting Pillar 2 tax legislation from 31 December 2023. First applicable to the Group's 31 December 2024 period end, this legislation will effectively mandate the incurrence of a minimum effective tax rate of 15% (in aggregate) across each of its trading jurisdictions. Croda's effective tax rate would not have been materially impacted had Pillar 2 applied in 2023. Initial assessments, supported through an appraisal of those preliminary safe harbours communicated by the OECD, validate the Group's view that no material tax exposures are expected to arise under this legislation in 2024.

Notes to the Group Accounts continued

6. Deferred tax

	2023 £m	2022 £m
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Retirement benefit liabilities	4.5	3.6
Provisions	46.6	45.2
Gross deferred tax asset	51.1	48.8
Offset with deferred tax liabilities	(36.7)	(38.5)
Net deferred tax asset	14.4	10.3
Deferred tax liabilities		
Accelerated capital allowances	110.8	103.9
Revaluation gains	–	1.9
Acquired intangibles	87.9	74.2
Retirement benefit assets	26.3	28.5
Other	4.5	2.9
Gross deferred tax liability	229.5	211.4
Offset with deferred tax assets	(36.7)	(38.5)
Net deferred tax liability	192.8	172.9
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax (charged)/credited through the income statement		
Continuing operations before adjustments	(12.0)	(4.8)
Adjustments and exceptional items	8.4	6.2
Deferred tax charged/(credited) directly to other comprehensive income or equity (note 5(b))	5.2	(24.0)
Disposals	–	8.8
Acquisitions	(21.2)	–
Exchange differences	3.8	(10.9)
Net balance brought forward	(15.8)	(24.7)
Net balance carried forward	(162.6)	(137.9)
Deferred tax (charged)/credited through the income statement relates to the following:		
Retirement benefit obligations	(2.2)	0.3
Accelerated capital allowances	(7.7)	(6.6)
Provisions	0.3	2.1
Other	6.0	5.6
	(3.6)	1.4

Deferred tax is calculated in full on temporary differences under the balance sheet liability method at rates appropriate to each subsidiary. Deferred tax expected to reverse in the year to 31 December 2024 and beyond has been measured using the rate due to prevail in the year of reversal.

Following the amendment to IAS12, requiring the separate recognition of deferred tax in relation to lease liabilities and the corresponding right of use assets, deferred tax balances have been recognised separately on these items.

Deferred tax assets have been recognised in all material cases where such assets arise, as it is probable the assets will be recovered. At 31 December 2023, the unrecognised deferred tax asset was £9.9m in respect of losses of £40.4m (2022: unrecognised deferred tax asset of £9.6m on losses of £39.1m) across the Group, as it is not considered probable that there will be future taxable profits against which these losses can be offset.

Deferred tax is only recognised on the unremitted earnings of overseas subsidiaries to the extent that remittance is expected in the foreseeable future. If all earnings were remitted, an additional £19.1m (2022: £15.8m) of tax would be payable on unremitted earnings of £469m (2022: £462m).

All movements on deferred tax balances have been recognised in the income statement with the exception of the items shown in note 5(b).

Of the gross deferred tax assets, £1.0m are expected to reverse within 12 months of the balance sheet date. No material reversal of any of the deferred tax liability is expected within 12 months of the balance sheet date based on the Group's current capital expenditure programme.

7. Earnings per share

	2023 £m	2022 £m
	Number m	Number m
	Pence	Pence
Adjusted profit after tax for the year attributable to owners of the parent	234.0	379.2
Exceptional items and amortisation of intangible assets	(72.5)	283.9
Tax impact of exceptional items and amortisation of intangible assets	9.5	(13.8)
Profit after tax for the year attributable to owners of the parent	171.0	649.3
Weighted average number of 10.61p (2022: 10.61p) ordinary shares in issue for basic calculation	139.6	139.4
Deemed issue of potentially dilutive shares	0.2	0.3
Average number of 10.61p (2022: 10.61p) ordinary shares for diluted calculation	139.8	139.7
Basic earnings per share	122.5	465.8
Adjusted basic earnings per share	167.6	272.0
Diluted earnings per share	122.3	464.8
Adjusted diluted earnings per share	167.4	271.4

Basic earnings per share is calculated by dividing the profit after tax attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding those shares held in treasury or employee share trusts (note 24). Shares held in employee share trusts are treated as cancelled because, except for a nominal amount, dividends have been waived.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Additional earnings per share calculations are included above to give a better indication of the Group's underlying performance.

8. Dividends

	Pence per share	2023 £m	Pence per share	2022 £m
Ordinary				
Interim				
2022 interim, paid October 2022	-	-	47.0	65.6
2023 interim, paid October 2023	47.0	65.6	-	-
Final				
2021 final, paid June 2022	-	-	56.5	78.8
2022 final, paid May 2023	61.0	85.1	-	-
	108.0	150.7	103.5	144.4

The Directors are recommending a final dividend of 62.0p per share, amounting to a total of £86.5m, in respect of the financial year ended 31 December 2023.

Subject to shareholder approval, the dividend will be paid on 29 May 2024 to shareholders registered on 19 April 2024 and has not been accrued in these financial statements. The total dividend for the year ended 31 December 2023 will be 109.0p per share amounting to a total of £152.1m.

Notes to the Group Accounts continued

9. Employees

	2023 £m	2022 £m
Group employment costs including Directors		
Wages and salaries	269.2	307.3
Share-based payment charges (note 23)	1.7	3.5
Social security costs	51.7	55.5
Post-retirement benefit costs	18.2	23.6
Redundancy costs	6.0	1.2
	346.8	391.1

Included in the above are £5.4m charges (2022: £1.7m credits) related to exceptional items (note 3).

	2023 Number	2022 Number
Average employee numbers by function		
Production	3,650	3,656
Selling and distribution	1,307	1,311
Administration	898	939
	5,855	5,906

As required by the Companies Act 2006, the figures disclosed above are the weighted averages based on the number of employees including Executive Directors. At 31 December 2023, the Group had 5,852 (2022: 5,825) employees in total.

10. Directors' and key management compensation

Detailed information concerning Directors' remuneration, interests and options is shown in section D of the Directors' Remuneration Report, which is subject to audit, on pages 120 to 130 forming part of the Annual Report and Accounts.

Aggregate compensation for key management, being the Directors and members of the Group Executive Committee, was as follows:

	2023 £m	2022 £m
Key management compensation including Directors		
Short-term employee benefits	6.9	10.5
Post-retirement benefit costs	0.1	0.1
Share-based payment charge	1.0	5.9
	8.0	16.5

11. Post-retirement benefits

The table below summarises the Group's net year end post-retirement benefits balance sheet positions and activity for the year.

	2023 £m	2022 £m
Balance sheet:		
Retirement benefit assets	113.5	123.2
Retirement benefit liabilities	(26.8)	(23.1)
Net asset in Group balance sheet	86.7	100.1
Net balance sheet assets/(liabilities) for:		
Defined pension benefits	99.8	110.9
Post-employment medical benefits	(13.1)	(10.8)
	86.7	100.1
Income statement charge included in profit before tax for:		
Defined pension benefits	3.9	9.3
Post-employment medical benefits	0.7	0.6
	4.6	9.9
Remeasurements included in other comprehensive income for:		
Defined pension benefits	20.9	(84.2)
Post-employment medical benefits	2.4	(4.7)
	23.3	(88.9)

Defined benefit pension schemes

The Group operates defined benefit pension schemes in the UK, US and several other territories under broadly similar regulatory frameworks.

The UK scheme, which remains open to new members and future service accrual, is a Career Average Revalued Earnings (CARE) defined benefit scheme, with annual pensionable earnings capped and pensions in payment indexed based on CPI. The US Retirement Plan, which is closed to new members, operates a cash balance pension scheme that provides a guaranteed rate of return on pension contributions until retirement (other than for a small number of 'grandfathered' employees). The US plans also do not generally receive inflationary increases once in payment. With the exception of this difference in inflationary risk, the Group's main defined benefit pension schemes continue to face materially similar risks, as described on pages 174 and 175.

All of the Group's final salary type pension schemes (which provide benefits to members in the form of a guaranteed level of pension payable for life based on salary in the final years leading up to retirement) are closed to future service accrual with the exception of a small number of 'grandfathered' employees in the US scheme.

The majority of the Group's retirement benefit asset relates to the Group's UK pension scheme. The UK pension scheme is open to future service accrual and therefore the surplus is recognised on the basis that this could be recovered through a reduction in future service contributions.

The majority of benefit payments are from trustee administered funds; however, there are also a number of unfunded plans where the relevant Group company meets the benefit payment obligation as it falls due.

Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition. Responsibility for governance of the schemes, including investment decisions and contribution schedules, predominantly lies with the particular scheme's board of trustees with appropriate input from the relevant Group company. The board of trustees must be composed of representatives in accordance with each scheme's regulations and any relevant legislation.

During 2022 the business divestment resulted in a curtailment gain of £3.9m on cessation of defined benefit accrual, primarily within the Group's UK pension scheme, which was recognised in the Group income statement as part of the gain on business disposal.

Notes to the Group Accounts continued

11. Post-retirement benefits continued

The amounts recognised in the balance sheet in respect of these schemes are as follows:

	2023 £m	2022 £m
Present value of funded obligations		
UK pension scheme	(735.5)	(726.2)
US pension scheme	(105.3)	(108.3)
Rest of world	(18.4)	(15.6)
	(859.2)	(850.1)
Fair value of schemes' assets		
UK pension scheme	840.8	840.1
US pension scheme	111.9	116.6
Rest of world	14.4	12.6
	967.1	969.3
Net asset in respect of funded schemes	107.9	119.2
Present value of unfunded obligations	(8.1)	(8.3)
Net asset in Group balance sheet (excluding post-employment medical benefits)	99.8	110.9
	2023 £m	2022 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	858.4	1,318.7
Current service cost	9.8	15.9
Past service cost – curtailments	–	(3.9)
Acquisitions	2.9	–
Business disposal	–	(1.8)
Interest cost	39.5	30.7
Remeasurements		
Change in demographic assumptions	(11.7)	(1.6)
Change in financial assumptions	18.4	(481.9)
Experience (losses)/gains	(1.3)	16.8
Contributions paid in		
Employee	2.8	2.7
Benefits paid	(45.0)	(51.3)
Exchange differences on overseas schemes	(6.5)	14.1
	867.3	858.4
Movement in fair value of schemes' assets in the year:		
Opening balance	969.3	1,340.1
Interest income	45.4	33.4
Remeasurements		
Return on scheme assets, excluding amounts included in financial expenses	(15.5)	(382.5)
Contributions paid in		
Employee	2.8	2.7
Employer	14.2	11.5
Acquisitions	2.5	–
Business disposal	–	(0.3)
Benefits paid out	(45.0)	(51.3)
Exchange differences on overseas schemes	(6.6)	15.7
	967.1	969.3

As at the balance sheet date, the present value of funded and unfunded retirement benefit obligations comprised approximately £147m in respect of active employees, £221m in respect of deferred members and £499m in relation to members in retirement.

Total employer contributions to the schemes in 2024 are expected to be £12.3m.

The actuarial assumptions used to determine the present value of the defined benefit obligations were as follows:

	2023 UK	2023 US	2022 UK	2022 US
Discount rate	4.5%	5.0%	4.8%	5.3%
Inflation rate – RPI	3.0%	3.0%	3.2%	3.0%
Inflation rate – CPI	2.5%	n/a	2.6%	n/a
Rate of increase in salaries	4.5%	4.0%	4.6%	4.0%
Rate of increase for pensions in payment	2.9%	n/a	3.0%	n/a
Duration of liabilities (i.e. life expectancy) (years)	14.3	9.6	15.0	9.6
Remaining working life	9.3	10.2	9.5	9.9

Mortality assumptions are based on country-specific mortality tables and where appropriate allow for future improvements in life expectancy. Where credible data exists, actual plan experience is taken into account. The UK mortality improvement scale has been updated to CMI 2022, in order to reflect the most recent CMI model with default weight parameters for 2020 (0%), 2021 (0%) and 2022 (25%) to provide for uncertainty around the long-term impact of Covid-19 on life expectancy. Applying the mortality tables adopted, the expected future average lifetime of members currently at age 65 and members at age 65 in 20 years' time is as follows:

	Current age 65 UK	US	UK	Age 65 in 20 years US
Male	19.6	21.0	20.9	22.2
Female	22.9	22.9	24.3	24.0

The sensitivity of the defined benefit obligation to changes in the significant assumptions is as follows:

	Impact on retirement benefit obligation		
	Sensitivity	Of increase	Of decrease
Discount rate	0.5%	-6.3%	7.1%
Inflation rate	0.5%	4.4%	-4.5%
Mortality (assumes a one-year change in life expectancy)	1 year	4.0%	-4.1%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the retirement benefit obligation recognised in the Group balance sheet. The weighted average duration of the defined benefit obligation is 13.7 years (2022: 14.3 years).

The assets in the schemes comprised:

	2023 £m	2023 %	Restated 2022 £m	Restated 2022 %
Quoted				
Equities	74.4	8%	70.1	7%
Government bonds	394.5	40%	336.9	36%
Corporate bonds	57.5	6%	56.3	6%
Other quoted securities	22.8	2%	24.2	2%
Unquoted				
Cash and cash equivalents	61.0	6%	98.1	10%
Real estate (pooled investment vehicles)	40.1	4%	60.3	6%
Derivatives	5.7	1%	(46.1)	-5%
Hedge funds	–	0%	205.3	21%
Infrastructure funds	159.6	17%	164.2	17%
Other	151.5	16%	–	0%
	967.1	100%	969.3	100%

Derivatives presented above represent the scheme's net position on Government bond repurchase agreements and other swap contracts (valued on a mark-to-market basis) which form part of the scheme's Liability Driven Investment (LDI) portfolio. The non-derivative assets in the LDI portfolio have been presented in the relevant asset category. Hedge funds consists of a fund of multiple investment managers across both traditional markets such as equities and credit and also more specialist diversified strategies. Infrastructure funds consists of infrastructure type investments that hold assets linked to the value and income from UK and overseas infrastructure. In the prior year, these were disclosed as other unquoted assets totalling £369.5m, the presentation has been disaggregated to provide more information on the nature of the scheme's assets. At the year end, the hedge fund asset had been redeemed but the cash had not yet been received and reinvested and therefore this has been classified as an other asset.

Notes to the Group Accounts continued

11. Post-retirement benefits continued**Post-employment medical benefits**

The Group operates an unfunded post-employment medical benefit scheme in the US. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 5.0% a year (2022: 5.0%).

The amounts recognised in the balance sheet in respect of this scheme are as follows:

	2023 £m	2022 £m
Present value of unfunded obligations		
US scheme	13.1	10.8
	2023 £m	2022 £m
Movement in present value of retirement benefit obligations in the year:		
Opening balance	10.8	13.5
Current service cost	0.2	0.3
Interest cost	0.5	0.3
Remeasurements – change in financial assumptions	3.3	(4.4)
Remeasurements – experience gains	(0.9)	(0.3)
Benefits paid	(0.2)	(0.2)
Exchange differences on overseas schemes	(0.6)	1.6
	13.1	10.8

Pension and medical benefits – risks and volatility

Through its defined benefit pension schemes and post-employment medical schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The schemes' liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, a deficit will be created. The schemes hold a proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the schemes mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. However, the Group and the pension trustees (Trustees) believe that due to the long-term nature of the scheme liabilities and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the schemes efficiently. See below for more details on the Group's asset-liability matching strategy.

Changes in bond yields

A decrease in bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk

Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the level of inflationary increases is usually capped to protect the scheme against extreme inflation. The majority of the schemes' assets are either unaffected by inflation in the case of fixed interest bonds or loosely correlated in the case of equities, meaning that an increase in inflation will thus increase the deficit. In the US schemes, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant in the UK scheme, where inflationary increases result in higher sensitivity to changes in life expectancy. In the case of the funded schemes, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are cognisant of the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match a portion of assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group and Trustees actively monitor how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous years.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A significant portion of assets in 2023 consists of equities and bonds, although the schemes also invest in property, cash and infrastructure funds. The Group believes that equities offer the best returns over the long-term with an acceptable level of risk. The UK scheme makes use of a portfolio of derivative instruments to mitigate interest rate and inflation risk.

The Trustee and Company are working on the 30 September 2023 triennial valuation, and initial results shared with the Company show that the funding position has improved and that the cost of providing benefits has fallen. The Trustee and Company are working closely with their advisers to secure the long-term security of members' benefits, with changes such as a further reduction in investment risk completed in 2023. The next triennial valuation of the UK scheme will be at 30 September 2026. The funding review of our US scheme is undertaken annually. As at 1 December 2022 the scheme was 122.4% funded.

The expected distribution of the timing of discounted benefit payments is as follows:

	Less than a year £m	Between 1-2 years £m	Between 2-5 years £m	Beyond 5 years £m	Total £m
Pension benefits	49.3	46.1	142.8	629.1	867.3
Post-employment medical benefits	0.5	0.5	1.7	10.4	13.1
	49.8	46.6	144.5	639.5	880.4

Defined contribution schemes

	2023 £m	2022 £m
Contributions paid charged to operating profit	8.2	11.3

12. Intangible assets

	Goodwill £m	Software £m	Technology processes £m	Customer relationships £m	Trade names and brands £m	Other intangibles £m	Total £m
Cost							
At 1 January 2022	852.0	36.4	152.6	226.4	89.1	4.9	1,361.4
Exchange differences	37.3	1.5	8.4	15.5	5.9	—	68.6
Additions	—	2.9	6.3	—	—	1.8	11.0
Disposals and write-offs	(10.1)	(6.8)	(17.4)	—	—	—	(34.3)
Reclassifications from property, plant and equipment	—	0.4	—	—	—	—	0.4
At 31 December 2022	879.2	34.4	149.9	241.9	95.0	6.7	1,407.1
At 1 January 2023	879.2	34.4	149.9	241.9	95.0	6.7	1,407.1
Exchange differences	(14.5)	(0.6)	(3.0)	(6.1)	(2.3)	(0.2)	(26.7)
Additions	—	3.4	—	—	—	5.4	8.8
Acquisitions	129.5	—	96.2	7.7	—	0.4	233.8
Disposals and write-offs	—	—	—	—	—	(1.0)	(1.0)
Reclassifications from property, plant and equipment	0.4	0.3	—	—	—	(0.5)	0.2
At 31 December 2023	994.6	37.5	243.1	243.5	92.7	10.8	1,622.2
Accumulated amortisation and impairment losses							
At 1 January 2022	—	20.4	36.4	23.1	7.5	2.4	89.8
Exchange differences	—	1.3	2.1	2.0	0.6	—	6.0
Charge for the year (note 3)	—	2.7	15.5	13.7	5.2	0.2	37.3
Disposals and write-offs	—	(6.5)	(7.3)	—	—	—	(13.8)
Impairments	34.6	—	—	—	—	—	34.6
At 31 December 2022	34.6	17.9	46.7	38.8	13.3	2.6	153.9
At 1 January 2023	34.6	17.9	46.7	38.8	13.3	2.6	153.9
Exchange differences	0.9	(0.4)	(1.2)	(0.9)	(0.3)	(0.1)	(2.0)
Charge for the year (note 3)	—	3.6	18.0	13.6	5.3	0.5	41.0
Reclassifications	0.4	0.4	—	—	—	(0.8)	—
Impairments	20.8	—	—	—	—	—	20.8
At 31 December 2023	56.7	21.5	63.5	51.5	18.3	2.2	213.7
Net carrying amount							
At 31 December 2023	937.9	16.0	179.6	192.0	74.4	8.6	1,408.5
At 31 December 2022	844.6	16.5	103.2	203.1	81.7	4.1	1,253.2
At 1 January 2022	852.0	16.0	116.2	203.3	81.6	2.5	1,271.6

Notes to the Group Accounts continued

12. Intangible assets continued

During the year goodwill was impaired by £20.8m. This impairment is recorded in the income statement on page 152 as an exceptional item within operating costs and is within the Industrial Specialties operating business segment. Intangible asset amortisation is also recorded in operating costs. During the prior year, goodwill was impaired by £34.6m. This impairment was recorded in the income statement as an exceptional item within operating costs and was within the Consumer Care operating business segment.

The table below shows the carrying amounts and remaining useful economic life of the Group's material intangible assets:

	2023	2023	2022	2022
	Carrying value £m	Remaining period Years	Carrying value £m	Remaining period Years
Avanti technology	17.3	11	19.9	12
Avanti customer relationships	39.7	16	44.4	17
Avanti brand	14.9	16	16.6	17
Incotec customer relationships	15.1	11	16.7	12
Fragrances technology	25.5	5	31.3	6
Flavours technology	16.1	6	19.1	7
Fragrances customer relationships	78.4	17	84.5	18
Flavours customer relationships	30.1	17	32.4	18
Fragrances trade name & brand	46.1	17	49.7	18
Croda Korea Limited (formerly 'Solus Biotech') technology	82.3	19	—	—

Impairment testing for CGUs containing goodwill

The Group's goodwill balance predominantly relates to the value of commercial and other synergies arising from the combination of acquired businesses with Croda's established global sales, marketing and R&D networks. This goodwill is allocated to the Group's Cash Generating Units (CGUs) expected to benefit from that combination based on the smallest identifiable group of assets that generate independent cash inflows.

As discussed in the accounting policies note on page 159, goodwill is tested annually for impairment with reference to the relevant CGU's recoverable amount compared to the unit's carrying value including goodwill. Assets are grouped at the lowest level for which there are separately identifiable cash flows relevant to the acquisition generating the goodwill. The recoverable amount is based on the higher of fair value less cost to sell and value in use calculations using discounted cash flow projections with the following key assumptions:

- Five year cash flow projections – based on management's most recent risk-adjusted view of future trading specific to the individual CGU, with assumptions on EBITDA growth (calculated as operating profit before depreciation and amortisation) as a result of fluctuating revenue and operating margins through the ability to pass on future raw material price increases.
- Terminal value growth in EBITDA – set for each CGU with reference to the long-term growth rate for the market and territory in which the CGU operates but not exceeding the Group's long-term average growth rate, estimated at 3% given the markets and territories the Group operates in.
- Discount rate – set using a weighted average cost of capital adjusted for the specific risk profile of each CGU.

The carrying amount of goodwill is allocated to operating business segments as follows:

	2023	2022				
	Standalone CGUs £m	Allocated goodwill £m	Total £m	Standalone CGUs £m	Allocated goodwill £m	Total £m
Consumer Care	461.7	215.2	676.9	370.3	219.2	589.5
Life Sciences	190.6	70.4	261.0	163.3	69.2	232.5
Industrial Specialties	—	—	—	22.6	—	22.6
	652.3	285.6	937.9	556.2	288.4	844.6

The allocated goodwill primarily relates to £63m (2022: £63m) associated with the 2020 acquisition of Iberchem as it relates to revenue synergies with Croda's existing Consumer Care business and £192m (2022: £192m) associated with the 2006 acquisition of Uniqema (with all other balances individually less than £10m). Due to the geographical and operational scale of the Uniqema acquisition, this goodwill balance is tested for impairment at an operating business segment level. Standalone CGUs operate independently of the Group's core regional operating assets, are capable of generating largely independent cash inflows and therefore goodwill relating to standalone CGUs is tested separately for impairment annually.

For impairment testing performed at an operating business segment level, cash flow projections are based on the Group's current year results and a growth rate of 3% (an appropriate risk-adjusted view based on past experience reflecting the market and territories in which the Group operates), discounted using a weighted average cost of capital, which for these purposes has been calculated to be approximately 11.4% pre-tax (2022: 9.9%). No reasonably possible changes in key assumptions would cause the recoverable amount of the operating segments to be less than their carrying value. Based on the testing performed, no impairment has been recognised for the year ended 31 December 2023.

Standalone CGUs

The carrying amount of goodwill (post impairment) is allocated to Standalone CGUs as follows:

	2023 £m	2022 £m
Incotec	70.0	71.2
Biosector	25.5	26.0
Sipo	–	22.6
Avanti	62.6	66.1
Fragrances	264.8	269.3
Flavours	92.8	94.4
Alban Muller	6.5	6.6
Croda Korea Limited (formerly 'Solus Biotech')	130.1	–
	652.3	556.2

For all Standalone CGUs the recoverable amount was based on value in use calculations. Cash flow projections have been based on specific risk adjusted estimates taking management's most recent view of medium-term trading prospects. All cashflow projections are over a 5 year period unless the Directors believe that steady state growth will not be achieved over this timeframe. Croda Korea Limited's cash flow projections have been extended to 10 years to better reflect the early growth phase of the acquired business and when it will reach a steady state. Unless otherwise stated, cash flow projections assume an appropriate view of past experience, specifically considering revenue growth in relation to market share, maintaining operating margins, maintenance capital expenditure and working capital days. Discount rates have been calculated for standalone CGUs set using specific weighted average cost of capital adjusted for the specific risk profile of each CGU. The terminal value growth rates and discount rates applied in these CGU level calculations are set out below:

	2023	Terminal value growth rate 2022	2023	Pre-tax discount rate 2022
Incotec	3.0%	3.0%	14.5%	11.0%
Biosector	3.0%	3.0%	13.8%	13.6%
Sipo	3.0%	3.0%	12.8%	12.4%
Avanti	3.0%	3.0%	13.5%	12.8%
Fragrances	3.0%	3.0%	12.3%	10.6%
Flavours	3.0%	3.0%	12.3%	10.5%
Alban Muller	3.0%	3.0%	13.9%	12.8%
Croda Korea Limited (formerly 'Solus Biotech')	3.0%	n/a	13.1%	n/a

An impairment of £20.8m was recorded in relation to goodwill arising on the acquisition of Sipo. This principally reflected the decline in the profitability of the business in the period driven by adverse external market conditions, impacting both demand and pricing, which are expected to continue over the medium term. The assumptions underpinning the cash flow projection used in the value in use calculation reflect management's most recent forecast combined with an appropriate view of past experience, specifically EBITDA compound average growth rates (CAGR) as a result of changing revenue, cost of sales and operating costs over the period.

Excluding SIPO, based on the annual impairment testing performed for all standalone CGUs no impairment has been recognised for the year ended 31 December 2023 and standalone CGUs remain on track to perform to our long-term expectations. In forming this conclusion, the Directors have reviewed sensitivity analysis which considered a range of possibilities on key assumptions, both individually and in combination, and considered whether these would give rise to an impairment. Excluding Flavours & Croda Korea Limited, this analysis concluded that no reasonably possible changes in key assumptions would cause the recoverable amount of the Standalone CGUs to be less than the carrying value.

For Croda Korea Limited, the assumptions underpinning the cash flow projections used in the value in use calculation reflect delivery of the acquisition business plan, which the business remains on track to achieve in the medium to long term. The estimated recoverable amount of the CGU exceeded their carrying value by approximately £19m and therefore the Directors concluded that no impairment was required; however, the calculation is sensitive to achieving the acquisition plan, specifically that operating margins will improve and sales growth targets will be achieved over the 10 year projections.

The estimated recoverable amount of Avanti, Fragrances and Flavours CGUs exceeded their carrying value therefore the Directors concluded that no impairment was required; however, the calculations are sensitive to changes in key assumptions. The range of key assumptions considered by the Directors, where a change could give rise to an impairment, were the EBITDA compound annual growth rates as a result of increasing revenue growth rates and improving operating margins through cost of sales and operating costs, pre-tax discount rate and long-term growth rate. Sensitivity disclosures are set out below.

Notes to the Group Accounts continued

12. Intangible assets continued**Sensitivity to changes in assumptions**

The recoverable amount, and therefore level of headroom or impairment charge, is predominantly dependent upon judgements used in arriving at the cash flow projections, terminal value growth rate, and the discount rate. Although it is not management's current expectation, and not reasonably possible for Avanti and Fragrances, the impact on the recoverable amount when applying a consistent, meaningful change relative to the size and nature of these assumptions would be as follows for the year ended 31 December 2023:

	Assumption %	Sensitivity %	Increase £m	Decrease £m
Avanti				
Headroom/(impairment charge): £52m (2022: £89m)				
Incremental increase/(decrease) in recoverable amount				
Change in EBITDA compound annual growth rate by:	15.8%	5.0%	68.5	(57.9)
Change in terminal value growth rates by:	3.0%	1.0%	30.9	(24.1)
Change in pre-tax discount rate by:	13.5%	1.0%	(26.0)	31.1
Fragrances				
Headroom/(impairment charge): £39m (2022: £111m)				
Incremental increase/(decrease) in recoverable amount				
Change in EBITDA compound annual growth rate by:	16.7%	5.0%	145.5	(123.3)
Change in terminal value growth rates by:	3.0%	1.0%	71.6	(53.7)
Change in pre-tax discount rate by:	12.3%	1.0%	(58.7)	73.0
Flavours				
Headroom/(impairment charge): £4m (2022: £(35)m)				
Incremental increase/(decrease) in recoverable amount				
Change in EBITDA compound annual growth rate by:	18.5%	5.0%	44.6	(39.7)
Change in terminal value growth rates by:	3.0%	1.0%	21.7	(16.3)
Change in pre-tax discount rate by:	12.3%	1.0%	(17.7)	22.1

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, some of the assumptions may be correlated.

Climate risk and impairment testing

The impact of climate change risks including the risks identified as part of the TCFD disclosures on page 59 to 67, with a particular focus on the impact of carbon pricing, has been considered as part of the impairment testing. The discounted cash flows included in the value in use calculations reflect the carbon costs of the CGU based on the latest scope 1 and 2 emissions data and applying a shadow carbon price of £124/tonne in line with the UK Government Green Guide.

The cost of carbon has an immaterial effect on the recoverable amount of each of the standalone CGUs and as such carbon costs are not deemed to be a key assumption. The Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in future impairment testing.

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2022	296.9	1,284.3	1,581.2
Exchange differences	24.1	94.5	118.6
Additions	16.1	119.8	135.9
Other disposals and write-offs	(39.1)	(373.6)	(412.7)
Reclassifications to intangible assets	7.2	(7.6)	(0.4)
At 31 December 2022	305.2	1,117.4	1,422.6
At 1 January 2023	305.2	1,117.4	1,422.6
Exchange differences	(12.9)	(49.6)	(62.5)
Additions	25.6	155.5	181.1
Acquisitions	2.3	6.9	9.2
Other disposals and write-offs	(1.8)	(11.5)	(13.3)
Reclassifications to intangible assets	2.0	(2.2)	(0.2)
At 31 December 2023	320.4	1,216.5	1,536.9
Accumulated depreciation and impairment losses			
At 1 January 2022	87.8	505.3	593.1
Exchange differences	7.5	38.8	46.3
Charge for the year (note 3)	10.6	58.0	68.6
Other disposals and write-offs	(27.4)	(230.1)	(257.5)
Impairments	–	7.6	7.6
At 31 December 2022	78.5	379.6	458.1
At 1 January 2023	78.5	379.6	458.1
Exchange differences	(3.9)	(21.2)	(25.1)
Charge for the year (note 3)	11.9	57.8	69.7
Other disposals and write-offs	(0.5)	(10.5)	(11.0)
Reclassifications	0.1	(0.1)	–
Impairments	–	1.2	1.2
At 31 December 2023	86.1	406.8	492.9
Net book amount			
At 31 December 2023	234.3	809.7	1,044.0
At 31 December 2022	226.7	737.8	964.5
At 1 January 2022	209.1	779.0	988.1
During the current year the Group recognised government grant funding of £18.3m (2022: £6.1m) relating to the US cGMP scale up project and the UK Pharma production capacity expansion project.			
During the year plant and equipment was impaired by £1.2m. This impairment is recorded in the income statement within operating costs. During the prior year, plant and equipment was impaired by £7.6m relating to the write-off of unusable manufacturing plant in Japan. This impairment was recorded in the income statement as an exceptional item within operating costs and was within the Consumer Care (£5.0m) and Life Sciences (£2.6m) operating business segments.			
The value of assets under construction not yet subject to depreciation at 31 December was as follows:			
	2023 £m	2022 £m	
Assets under construction			
Land and buildings	21.4	18.8	
Plant and equipment	219.9	134.8	
	241.3	153.6	

Notes to the Group Accounts continued

14. Leases**Right of use assets**

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2022	101.7	17.2	118.9
Exchange differences	6.6	1.1	7.7
Additions	5.1	3.8	8.9
Remeasurements	10.4	0.4	10.8
Other disposals and write-offs	(5.1)	(2.2)	(7.3)
At 31 December 2022	118.7	20.3	139.0
At 1 January 2023	118.7	20.3	139.0
Exchange differences	(4.4)	(0.6)	(5.0)
Additions	7.1	1.8	8.9
Remeasurements	0.5	0.8	1.3
Acquisitions	0.8	0.1	0.9
Other disposals and write-offs	(5.6)	(1.3)	(6.9)
At 31 December 2023	117.1	21.1	138.2
Accumulated depreciation and impairment losses			
At 1 January 2022	25.9	5.1	31.0
Exchange differences	1.4	0.4	1.8
Charge for the year (note 3)	11.7	3.1	14.8
Other disposals and write-offs	(3.7)	(1.8)	(5.5)
At 31 December 2022	35.3	6.8	42.1
At 1 January 2023	35.3	6.8	42.1
Exchange differences	(1.5)	(0.3)	(1.8)
Charge for the year (note 3)	12.3	3.2	15.5
Other disposals and write-offs	(4.0)	(1.1)	(5.1)
At 31 December 2023	42.1	8.6	50.7
Net book amount			
At 31 December 2023	75.0	12.5	87.5
At 31 December 2022	83.4	13.5	96.9
At 1 January 2022	75.8	12.1	87.9
Lease liabilities			
		2023 £m	2022 £m
Lease liabilities included in the Group balance sheet			
Current		13.7	12.9
Non-current		71.3	79.2
		85.0	92.1

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented within note 20.

Amounts recognised in the Group income statement

	2023 £m	2022 £m
Interest on lease liabilities	2.6	2.5
Expenses relating to short-term leases	0.4	0.3
Expenses relating to low value leases, excluding short-term leases of low value assets	0.2	0.3
Expenses relating to variable lease components	0.6	0.4
Depreciation of right of use assets	15.5	14.8
Profit on disposal of right of use assets	—	(0.2)
	19.3	18.1

Total cash outflow for leases

	2023 £m	2022 £m
Payment of lease liabilities	17.0	17.4
Payment of short-term, low value and variable lease components	1.2	1.0
	18.2	18.4

15. Future commitments

	2023 £m	2022 £m
Group capital projects		
At 31 December the Directors had authorised the following expenditure, excluding grant income, on capital projects:		
Contracted, but not provided for		
Property, plant and equipment	85.1	45.6
Intangible assets	4.7	1.3
Authorised, but not contracted for		
Property, plant and equipment	161.5	165.9
Intangible assets	4.0	3.8
	255.3	216.6

16. Investments

The amounts recognised in the balance sheet are as follows:

	2023 £m	2022 £m
Other investments	1.9	3.4

During the year following a review, the value of the Group's investment in Entekno was reduced to £nil resulting in an impairment charge of £1.5m. The impairment charge has been reported within administrative expenses in the Group income statement. All remaining assets recognised as other investments on the Group balance sheet are non-quoted equity securities measured at fair value.

Notes to the Group Accounts continued

17. Inventories

	2023 £m	2022 £m
Raw materials	98.3	135.9
Work in progress	35.6	45.8
Finished goods	207.3	282.3
	341.2	464.0

The Group consumed £964.5m (2022: £1,102.9m) of inventories during the year.

18. Trade and other receivables

	2023 £m	Restated 2022 £m
Amounts falling due within one year		
Trade receivables	324.8	320.4
Less: provision for impairment of receivables	(6.8)	(5.8)
Trade receivables – net	318.0	314.6
Value added taxes	41.5	28.8
Other receivables	24.3	18.3
Prepayments	11.9	14.1
	395.7	375.8

Prior year other receivables of £47.1m have been disaggregated to £28.8m VAT receivables and £18.3m other receivables to provide more information on the nature of the amounts.

The ageing of the Group's year end overdue receivables against which no material provision has been made is as follows:

	2023 £m	2022 £m
Not impaired		
Less than three months	49.9	60.1
Three to six months	7.1	8.9
Over six months	8.0	6.0
	65.0	75.0

The provision for impairment of receivables principally relates to customers in unexpectedly difficult economic circumstances. The overdue receivables against which no material provision has been made relate to a number of customers for whom there is no recent history of default, nor any other indication that settlement will not be forthcoming. The other classes within trade and other receivables do not contain impaired assets and are considered to be fully recoverable.

The carrying amounts of the Group's receivables are denominated in the following currencies:

	2023 £m	2022 £m
Sterling	18.2	15.9
US Dollar	152.5	130.5
Euro	105.5	108.7
Other	119.5	120.7
	395.7	375.8

Movements on the Group's provision for impairment of trade receivables are as follows:

	2023 £m	2022 £m
At 1 January	5.8	2.9
Exchange differences	0.1	0.4
Charged to the income statement	1.4	2.7
Net write-off of uncollectible receivables	(0.5)	(0.2)
At 31 December	6.8	5.8

Amounts charged to the income statement are included within administrative expenses.

19. Trade and other payables

	2023 £m	2022 £m
Trade payables	125.8	120.9
Taxation and social security	12.2	16.9
Other payables	34.2	45.4
Accruals and deferred income	80.9	131.4
Contingent consideration	—	9.9
	253.1	324.5

All trade payables are payable within one year. Included in the above are balances payable after one year of £nil (2022: £3.5m) accruals and deferred income and £1.0m (2022: £1.0m) other payables. During the period, contingent consideration has decreased £nil (2022: £6.1m) due to fair value movements, £nil (2022: £0.7m) due to business divestment, £9.6m (2022: £13.7m) due to payments and £0.3m decrease (2022: £2.6m increase) due to foreign exchange. There was no impact of discount unwind in the period (2022: £1.7m increase).

20. Borrowings, other financial liabilities and other financial assets

This note should be read in conjunction with the further liquidity disclosures in our accounting policies note and the Finance Review on pages 47 to 50.

	2023 £m	2022 £m
Assets		
Non-current assets – Investments	1.9	3.4
Current assets – Trade and other receivables (excluding prepayments)	383.8	361.7
	385.7	365.1
Current liabilities		
Trade and other payables (excluding taxation, social security, contingent consideration, accruals and deferred income)	158.9	161.8
€30m 1.08% fixed rate 7 year note	—	26.5
£30m 2.54% fixed rate 7 year note	—	30.0
Unsecured bank loans and overdrafts due within one year or on demand	28.4	42.8
Other loans	8.3	22.6
Lease liabilities	13.7	12.9
	209.3	296.6
Non-current liabilities		
2019 Club facility due 2026	216.8	18.0
US\$100m 3.75% fixed rate 10 year note	78.5	83.0
€70m 1.43% fixed rate 10 year note	60.8	61.9
£70m 2.80% fixed rate 10 year note	70.0	70.0
€50m 1.18% fixed rate 8 year note	43.5	44.2
£65m 2.46% fixed rate 8 year note	65.0	65.0
US\$60m 3.70% fixed rate 10 year note	47.1	49.8
Other secured bank loans	5.6	8.6
Other unsecured bank loans	—	0.2
Preference share capital	1.1	1.1
Lease liabilities	71.3	79.2
	659.7	481.0

The Group's 2019 Club facility falls due for repayment upon expiry of the agreement in October 2026. Interest is charged on this agreement at a floating rate based on SONIA, ICE LIBOR (to 30 June 2023), SOFR (from 1 July 2023) or EURIBOR, depending upon the drawdown currency, plus a variable margin. In June 2023, the existing £30m and €30m fixed rate 7 year notes matured and were repaid.

Notes to the Group Accounts continued

20. Borrowings, other financial liabilities and other financial assets continued

	2023 £m	2022 £m
Maturity profile of financial liabilities		
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	28.4	99.3
Other loans	8.3	22.6
	36.7	121.9
Lease liabilities		
	13.7	12.9
	50.4	134.8
After more than one year		
Loans repayable		
Within one to two years	2.7	3.4
Within two to five years	459.0	264.6
Five years and over	125.6	132.7
	587.3	400.7
Preference share capital	1.1	1.1
Lease liabilities	71.3	79.2
	659.7	481.0
The minimum lease payments under lease liabilities fall due as follows:		
Within one year	15.5	14.8
Within one to two years	12.9	12.3
Within two to five years	25.4	27.3
Five years and over	47.6	55.0
	101.4	109.4
Future finance charges on lease liabilities	(16.4)	(17.3)
Present value of lease liabilities	85.0	92.1
	2023 £m	2022 £m
Undiscounted maturity analysis of financial liabilities		
Within one year		
Bank loans and overdrafts	30.1	101.6
Other loans	8.6	23.5
Lease liabilities	15.5	14.8
	54.2	139.9
After more than one year		
Loans repayable		
Within one to two years	25.0	14.3
Within two to five years	502.2	295.8
Five years and over	133.1	143.8
Lease liabilities		
Within one to two years	12.9	12.3
Within two to five years	25.4	27.3
Five years and over	47.6	55.0
	746.2	548.5

The analysis above includes estimated interest payable to maturity on the underlying loans. For the loans due after more than one year £22.3m (2022: £10.9m) of the interest falls due within one year of the balance sheet date, £22.3m (2022: £10.9m) within one to two years, £25.5m (2022: £25.3m) within two to five years and £2.9m (2022: £6.2m) beyond five years.

Interest rate and currency profile of Group financial liabilities

	Total £m	Fixed £m	Floating £m	Interest rate %	Fixed rate weighted average Years
Sterling	345.9	135.0	210.9	2.64	3.0
US Dollar	186.3	125.6	60.7	3.73	5.9
Euro	132.9	104.3	28.6	1.33	2.9
Other	45.0	—	45.0	—	—
At 31 December 2023	710.1	364.9	345.2	2.64	4.0
Sterling	219.9	165.0	54.9	2.62	3.3
US Dollar	180.9	132.8	48.1	3.73	6.9
Euro	141.4	132.6	8.8	1.28	3.2
Other	73.6	—	73.6	—	—
At 31 December 2022	615.8	430.4	185.4	2.55	4.4

Fair values

In January 2020 the existing US\$100m fixed rate 10 year note matured and was repaid, this was replaced with a new US\$100m fixed rate 10 year note (27 January 2020). On 27 June 2016, the Group issued £100m (£70m and £30m) and €100m (€70m and €30m) of fixed rate notes. On 6 June 2019, the Group issued a further £65m, €50m and US\$60m of fixed rate notes. In June 2023, the existing £30m and €30m fixed rate 7 year notes matured and were repaid.

The table below details a comparison of the book and fair values of the Group's financial assets and liabilities. Where there are no readily available market values to determine fair values, cash flows relating to the various instruments have been discounted at prevailing interest and exchange rates to give an estimate of fair value.

	Book value 2023 £m	Fair value 2023 £m	Book value 2022 £m	Fair value 2022 £m
Cash deposits	172.5	172.5	320.6	320.6
Other investments	1.9	1.9	3.4	3.4
2019 Club facility due 2026	(216.8)	(216.8)	(18.0)	(18.0)
US\$100m 3.75% fixed rate 10 year note	(78.5)	(71.5)	(83.0)	(74.4)
€30m 1.08% fixed rate 7 year note	—	—	(26.5)	(26.3)
€70m 1.43% fixed rate 10 year note	(60.8)	(58.2)	(61.9)	(57.8)
£30m 2.54% fixed rate 7 year note	—	—	(30.0)	(29.7)
£70m 2.80% fixed rate 10 year note	(70.0)	(66.1)	(70.0)	(64.8)
€50m 1.18% fixed rate 8 year note	(43.5)	(40.9)	(44.2)	(40.1)
£65m 2.46% fixed rate 8 year note	(65.0)	(59.8)	(65.0)	(58.1)
US\$60m 3.70% fixed rate 10 year note	(47.1)	(43.7)	(49.8)	(45.4)
Other bank borrowings	(34.0)	(34.0)	(51.6)	(51.6)
Other loans	(8.3)	(8.3)	(22.6)	(22.6)
Contingent consideration	—	—	(9.9)	(9.9)
Preference share capital	(1.1)	(1.1)	(1.1)	(1.1)
Forward foreign currency contracts	—	—	(1.3)	(1.3)

For financial instruments with a remaining life of greater than one year, fair values are based on cash flows discounted at prevailing interest rates. Accordingly, the fair value of cash deposits and short-term borrowings approximates to the book value due to the short maturity of these instruments. The same applies to trade and other receivables and payables excluded from the above analysis.

Notes to the Group Accounts continued

20. Borrowings, other financial liabilities and other financial assets continued**Financial instruments**

Financial instruments measured at fair value use the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments are classed as level 2 with the exception of contingent consideration, other investments and lease liabilities, which are classed as level 3.

Preference share capital

	2023 £m	2022 £m
The authorised, issued and fully paid preference share capital comprises:		
615,562 5.9% preference shares of £1 (2022: 615,562)	0.6	0.6
498,434 6.6% preference shares of £1 (2022: 498,434)	0.5	0.5
21,900 7.5% preference shares of £1 (2022: 21,900)	–	–
	1.1	1.1

The preference shares have no redemption rights and carry no voting rights other than in certain circumstances affecting the rights of the preference shareholders, details of which are set out in the Company's Articles of Association. The three classes of preference shares rank *pari passu* with each other but ahead of the ordinary shares on a winding up. Rights on a winding up are limited to repayment of capital and any arrears of dividends.

Borrowing facilities

As at 31 December 2023, the Group had undrawn committed facilities of £381.2m (2022: £579.3m). In addition, the Group had other undrawn facilities of £70.5m (2022: £53.1m) available. All of the Group's total committed facilities of £1,050.0m expire after 2024. New and repaid borrowings disclosed in the Group statement of cash flows reflect routine short-term cash management, comprising regular monthly drawdowns and repayments on the Group's revolving credit facilities. It also reflects the repayments made to the Group's revolving credit facility and the term loan facility following the business disposal in the prior year.

Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, interest rate risk, liquidity risk, and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Risk Management Committee. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy manual that sets out guidelines to manage financial risk. Regular reports are received from all sectors and regional operating units to enable prompt identification of financial risks so that appropriate action may be taken. In the management definition of capital the Group includes ordinary and preference share capital and net debt.

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the Group use foreign currency bank balances to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. The Group's risk management policy is to manage transactional risk up to three months forward. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is not specifically hedged but is reduced primarily through borrowings denominated in the relevant foreign currencies where it is efficient to do so. Currency exposure arising from significant one-off transactions (for example acquisitions or disposals) is reviewed and hedged through forward contracts if required.

For 2023, had the Group's basket of reporting currencies been 10% weaker/stronger than the actual rates experienced, post-tax profit for the year would have been £19.0m (2022: £27.6m) lower/higher than reported, primarily as a result of the translation of the profits of the Group's overseas entities, and equity would have been £204.8m (2022: £162.4m) lower/higher.

Cash flow hedging

During the year, the Group held an instrument to hedge an exposure to changes in foreign currency on a highly probable future business combination (hedged item). At commencement, the nominal value of the contract was £223.6m and the average forward contract rate was 1480 (KRW:GBP). The contract, which was contingent on the successful completion of the business acquisition, was designated as a cash flow hedge and provided certainty over approximately 97% of the estimated FX exposure on the forecast future transaction. The forecast future transaction was completed in the year ended 31 December 2023 and the associated instrument settled. The cumulative cash flow hedging reserve of £19.3m debit was reclassified to goodwill, presented as part of the cash consideration amount in note 27. During the year ended 31 December 2023, the associated hedge ineffectiveness of £4.6m has been recognised in the Group income statement within operating costs (administrative expenses) and reported as an exceptional item (business acquisition costs). The cash flow in relation to both the effective and ineffective portions of the hedge has been recorded as an investing activity in the Group statement of cash flows in accordance with the underlying hedged cash flow. In the prior year, the cumulative cash flow hedging reserve of £6.5m credit and cost of hedging reserves of £6.0m debit were reclassified to the income statement and reported within the gain on business disposal.

Interest rate risk

The Group has both interest bearing assets and liabilities. In 2016, the Group had a policy of maintaining no more than 60% of its gross borrowings at fixed interest rates in normal circumstances. During 2016, the Group increased its amount of fixed rate debt following payment of the £136m special dividend and consequent increase in core debt requirements. Notes were issued in the amounts of £100m and €100m with an average maturity of 2.5 years and interest rate of 2.16%. During 2017, the policy formally increased the upper limit for fixed rate debt to 75% of gross borrowings. During 2019, the Group increased its amount of fixed rate debt following payment of the £151.5m special dividend. Notes were issued in the amounts of £65m, €50m and US\$60m with an average maturity of 4.1 years and interest rate of 2.48%. In January 2020 the Group repaid its US\$100m 10 year loan note carrying a fixed rate of 5.94% and replaced it with a US\$100m 10 year loan note carrying a fixed rate of 3.75%. In June 2023, the existing £30m and €30m fixed rate 7 year notes matured and were repaid. At 31 December 2023, approximately 51% of Group borrowings were at fixed rates.

At 31 December 2023, aside from the loan notes referred to above, all Group debt and cash was exposed to repricing within 12 months of the balance sheet date.

At 31 December 2023, the Group's fixed rate debt was at a weighted average rate of 2.64% (2022: 2.55%). As at 31 December 2023, the Group's floating rate liabilities are based on SONIA, SOFR or EURIBOR, depending upon the drawdown currency.

Based on the above, had interest rates moved by 100 basis points in the territories where the Group has substantial borrowings, post-tax profits would have moved by £2.7m (2022: £3.6m) due to a change in interest expense on the Group's floating rate borrowings.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities designed to ensure that the Group has sufficient funds available for operations and planned investments.

On a regular basis, management monitors forecasts of the Group's cash flows against both internal targets and those targets imposed by external lenders. The Group has substantial committed, unused facilities and the Directors are confident this situation will remain the case for the foreseeable future.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any individual financial institution.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as maintaining an optimal capital structure to reduce overall cost of capital.

In order to maintain this optimal structure, the Group may adjust the amount of dividends paid, issue new shares, return capital to shareholders or dispose of assets to reduce net debt. Given the Group's strong balance sheet and sustained trading growth, the Group announced a dividend policy in 2011 of paying a dividend of between 40% and 50% of sustainable earnings. Further details can be found in the Finance Review on pages 47 to 50.

Underlying growth coupled to Return on Invested Capital (ROIC) is the key perceived driver of shareholder value within the Group. The definition of ROIC has been revised in the year to exclude the Group's net retirement benefit balances from invested capital, given they are not operating in nature. Comparative information presented in the Five year record has been restated to reflect the new definition. The Group's ROIC now stands at 8.3% against a post-tax Weighted Average Cost of Capital (WACC) of 8.1%. The Group's target is to maintain ROIC at two to three times WACC over the long-term. In addition, the Group employs two widely used ratios to measure its ability to service its debt. Both net debt/EBITDA and EBITDA interest cover were well ahead of target in 2023. Further details can be found in the Finance Review on pages 47 to 50. The Group was in compliance with its covenant requirements throughout the year. Additional information on progress against key performance indicators can be found on pages 34 to 37.

Notes to the Group Accounts continued

21. Provisions

	Environmental £m	Restructuring £m	Site restoration £m	Other £m	Total £m
At 1 January 2023	5.6	–	7.9	4.1	17.6
Exchange differences	(0.1)	–	(0.3)	(0.3)	(0.7)
Reclassifications	1.6	–	–	–	1.6
Released to the income statement	(0.5)	–	–	(0.6)	(1.1)
Charged to the income statement	–	5.4	–	1.3	6.7
Cash paid against provisions and utilised	(1.6)	(1.0)	–	(2.4)	(5.0)
At 31 December 2023	5.0	4.4	7.6	2.1	19.1

Analysis of total provisions

	2023 £m	2022 £m
Current	8.6	6.1
Non-current	10.5	11.5
	19.1	17.6

Provisions are made where a constructive or legal obligation has arisen from a past event, can be quantified and where the timing of the transfer of economic benefits relating to the provisions cannot be ascertained with any degree of certainty.

The environmental provision relates to soil, potential groundwater and other contamination on a number of sites, both currently in use and previously occupied, in Europe and the Americas. The provisions are based on most recently available facts and prior experience and are recorded at the estimated amount as at the balance sheet date. The Directors expect that the balance will be utilised within 10 years.

The site restoration provisions relate to certain leased sites with an existing obligation to restore the environment or dismantle assets. The provisions are based on most recently available facts and prior experience and are recorded at the estimated amount as at the balance sheet date. The associated leased sites have remaining terms of between 17 and 43 years.

During the year, a restructuring provision has been created associated with changes to the Group's operating model. This provision is expected to be utilised within one year.

The Group has also considered the impact of discounting on its provisions and has concluded that, as a consequence of the size of the provisions and utilisation timescales, the impact is not material.

22. Ordinary share capital

Ordinary shares of 10.61p (2022: 10.61p)	2023 £m	2022 £m
Allotted, called up and fully paid		
At 1 January and 31 December – 142,536,884 (2022: 142,536,884) ordinary shares	15.1	15.1

During 2023, options were granted to employees under the Croda International Plc Sharesave Scheme to subscribe for 120,998 ordinary shares at an option price of 3977p per share. Conditional awards over 162,761 ordinary shares were granted under the Performance Share Plan during the year. Also granted in the year were 21,951 shares under the Deferred Bonus Share Plan and 8,513 shares under the Restricted Share Plan. There were no shares granted during the year under the Free Share Plan.

During the year consideration of £0.2m was received on the exercise of options over 5,686 shares. The options were satisfied with shares transferred from the Group's employee share trusts. Since the year end a further 2,823 shares have been transferred from the trusts. During the year, the Group purchased 155,413 of its own ordinary shares to satisfy awards under various share-based payment schemes for consideration of £10.8m.

The outstanding options to subscribe for ordinary shares were as follows at the balance sheet date:

	Year option granted	Number of shares	Price	Options exercisable from
Croda International Plc Sharesave Scheme	2019	92	3898p	1 Nov 2022 to 30 Apr 2023
	2020	36,521	4804p	1 Nov 2023 to 30 Apr 2024
	2021	14,996	7327p	1 Nov 2024 to 30 Apr 2025
	2022	50,487	5509p	1 Nov 2025 to 30 Apr 2026
	2023	120,226	3977p	1 Nov 2026 to 30 Apr 2027
Croda International Plc Performance Share Plan (2014)	2021	120,368	Nil	24 Mar 2024
	2022	116,737	Nil	22 Mar 2025
	2023	153,530	Nil	17 Mar 2026
	2023	4,569	Nil	02 May 2026
Croda International Plc Deferred Bonus Share Plan	2022	17,474	Nil	22 Mar 2025
	2023	22,377	Nil	17 Mar 2026
Croda International Plc Restricted Share Plan	2021	6,812	Nil	17 Mar 2024
	2022	6,356	Nil	29 Mar 2025
	2023	8,356	Nil	21 Mar 2026

23. Share-based payments

The impact of share-based payment transactions on the Group's financial position is as follows:

	2023 £m	2022 £m
Analysis of amounts recognised in the income statement:		
Charged in respect of equity settled share-based payment transactions	1.8	8.7
Credited in respect of cash settled share-based payment transactions	(0.1)	(5.2)
	1.7	3.5
Analysis of amounts recognised in the balance sheet:		
Liability in respect of cash settled share-based payment transactions	2.5	8.4

The key elements of each scheme along with the assumptions employed to arrive at the charge in the income statement are set out below. Where appropriate the expected volatility has been based on historical volatility considering daily share price movements over periods equal to the expected future life of the awards and the risk free rate is based on the Bank of England's projected nominal yield curve with appropriate duration.

Notes to the Group Accounts continued

23. Share-based payments continued**Croda International Plc Sharesave Scheme ('Sharesave')**

The Sharesave Scheme, established in 1983 and renewed in 2013, grants options annually in September to employees of the Group at a fixed exercise price, being the market price of the Company's shares at the grant date discounted by up to 20%. Employees then enter into a savings contract over three years and, subject to continued employment, purchase options at the end of the period based on the amount saved. Options are then exercisable for a six month period following completion of the savings contract. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	2023	2022
Grant date	14 Sep 2023	15 Sep 2022
Share price at grant date	5006p	6568p
Exercise price	3977p	5509p
Number of employees	678	646
Shares under option	120,988	69,318
Vesting period	Three years	Three years
Expected volatility	27%	26%
Option life	Six months	Six months
Risk free rate	4.5%	3.1%
Dividend yield	2.2%	1.6%
Possibility of forfeiture	7.5% p.a.	7.5% p.a.
Fair value per option at grant date	1518.8p	1758.1p
Option pricing model	Black Scholes	Black Scholes

A reconciliation of option movements over the year is as follows:

	2023	2022
	Weighted average exercise price	Weighted average exercise price
	Number	Number
Outstanding at 1 January	155,551	212,421
Granted	120,988	69,318
Forfeited	(48,349)	(35,999)
Exercised	(5,868)	(90,189)
Outstanding at 31 December	222,322	155,551
Exercisable at 31 December	36,725	5,561
For options exercised in year, weighted average share price at date of exercise	6555p	6789p
Weighted average remaining life at 31 December (years)	2.3	2.4

Croda International Plc International Sharesave Plan 2009 ('International')

The International scheme, established in 1999 and renewed in 2009, has the same option pricing model, savings contract and vesting period as the Sharesave scheme. At exercise, employees are paid a cash equivalent for each option purchased, being the difference between the exercise price and market price at the exercise date. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	2023	2022
Grant date	14 Sep 2023	15 Sep 2022
Share price at grant date	5006p	6568p
Exercise price	3977p	5509p
Number of employees	2,870	2,660
Shares under option	430,668	243,807
Vesting period	Three years	Three years
Expected volatility	28%	27%
Option life	One month	One month
Risk free rate	3.5%	3.4%
Dividend yield	2.1%	1.6%
Possibility of forfeiture	7.5% p.a.	7.5% p.a.
Fair value per option at 31 December	1480.0p	1814.7p
Option pricing model	Black Scholes	Black Scholes

A reconciliation of option movements over the year is as follows:

		2023	2022
		Weighted average exercise price	Weighted average exercise price
	Number	Number	Number
Outstanding at 1 January	547,706	5778p	653,245
Granted	430,668	3977p	243,807
Forfeited	(274,528)	5225p	(101,670)
Exercised	(2,576)	4881p	(247,676)
Outstanding at 31 December	701,270	4842p	547,706
For options exercised in year, weighted average share price at date of exercise		6099p	6664p
Weighted average remaining life at 31 December (years)	2.3		2.0

Croda International Plc Performance Share Plan 2014 ('PSP')

The PSP scheme was established in 2014 and replaced the Company's previous Executive long-term incentive plans. 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 dependent upon an EPS performance related sliding scale (non-market condition), an NPP growth measure (non-market condition), sustainability conditions in relation to decarbonisation roadmaps and emissions (non-market conditions) and the Group's total shareholder return (market condition). The PSP is discussed in detail in the Directors' Remuneration Report (pages 106 to 134). Shares (on an after-tax basis) are subject to a two-year post vesting holding period. For options granted in the year, the fair value per option granted and the assumptions used in the calculation of the value are as follows:

	Market condition	Non-market condition	Market condition	Non-market condition	Market condition	Non-market condition
Grant date	02 May 2023	02 May 2023	17 Mar 2023	17 Mar 2023	22 Mar 2022	22 Mar 2022
Share price at grant date	6962p	6962p	6401p	6401p	7390p	7390p
Number of employees	2	2	68	68	67	67
Shares under conditional award	1,599	2,970	55,367	102,825	42,676	79,254
Vesting period	Three years	Three years	Three years	Three years	Three years	Three years
Expected volatility	27%	27%	27%	27%	24%	24%
Dividend yield	1.6%	1.6%	1.8%	1.8%	1.4%	1.4%
Possibility of forfeiture	3.45% p.a.	3.45% p.a.	3.45% p.a.	3.45% p.a.	3.45% p.a.	3.45% p.a.
Fair value per option at grant date	3558p	6647p	3119p	5800p	3111p	7098p
Option pricing model	Closed form valuation	Closed form valuation	Closed form valuation	Closed form valuation	Closed form valuation	Closed form valuation

A reconciliation of option movements over the year is as follows:

		2023	2022
		Weighted average exercise price	Weighted average exercise price
	Number	Number	Number
Outstanding at 1 January	399,115	-	426,300
Granted	162,761	-	121,930
Forfeited	(19,961)	-	(14,536)
Exercised	(146,711)	-	(134,579)
Outstanding at 31 December	395,204	-	399,115
For options exercised in year, weighted average share price at date of exercise		6641p	6870p
Weighted average remaining life at 31 December (years)	1.3		1.2

Notes to the Group Accounts continued

23. Share-based payments continued**Croda International Plc Deferred Bonus Share Plan ('DBSP')**

The DBSP scheme was established in 2014. Under the DBSP, one third of any annual bonuses due to certain senior executives are deferred. The size of award is determined by the amount of the total bonus divided by one third and converted into a number of Croda shares using the market value of shares at the time the award is granted. Awards are increased by the number of shares equating to the equivalent value of any dividend paid during the option period. The awards vest on the third anniversary of the date of grant unless the recipient has been dismissed for cause. There are no performance conditions applied to the award. The DBSP is also discussed in the Directors' Remuneration Report (pages 106 to 134).

	2023	2022
Grant date	17 Mar 2023	22 Mar 2022
Share price at grant date	6401p	7390p
Number of employees	10	11
Shares under conditional award	21,951	16,914
Vesting period	Three years	Three years

A reconciliation of option movements over the year is as follows:

	2023	2022
	Weighted average exercise price	Weighted average exercise price
Outstanding at 1 January	17,160	8,913
Granted	21,951	16,914
Dividend enhancement	740	246
Exercised	—	(8,913)
Outstanding at 31 December	39,851	17,160
For options exercised in year, weighted average share price at date of exercise	—	6904p
Weighted average remaining life at 31 December (years)	1.8	2.3

Croda International Plc Restricted Share Plan ('RSP')

The RSP scheme was established in 2018 and provides for awards of free shares or cash equivalent to a limited number of employees not eligible for the PSP scheme, based on a percentage of salary. The awards vest on the third anniversary of the date of grant, subject to the condition that the employee remains employed by the Group. There are no performance conditions applied to the award. On the vesting date, UK employees will be awarded free shares and non-UK employees will be paid a cash equivalent based on the market price.

	2023	2022
Grant date	21 Mar 2023	24 Oct 2022
Share price at grant date	6412p	6646p
Number of employees	38	1
Shares under conditional award	8,513	337
Vesting period	Three years	Three years
Dividend yield	1.7%	1.5%
Possibility of forfeiture	3.45% p.a.	3.45% p.a.
Fair value per option at grant date	6110p	6349p
Option pricing model	Closed form valuation	Closed form valuation

A reconciliation of option movements over the year is as follows:

	2023	2022
	Weighted average exercise price	Weighted average exercise price
Outstanding at 1 January	19,894	20,958
Granted	8,513	6,693
Forfeited	(825)	(1,226)
Exercised	(6,058)	(6,531)
Outstanding at 31 December	21,524	19,894
For options exercised in year, weighted average share price at date of exercise	6482p	7260p
Weighted average remaining life at 31 December (years)	1.3	1.3

Croda International Plc Free Share Plan ('FSP')

The FSP scheme was established in 2021 and provides for awards of free shares or cash equivalent to eligible employees. The Company has discretion to set the number of shares awarded. The awards will vest provided that the employee remains employed by the Group and that a bonus payment is paid under the terms of the Company's Group Profit Incentive Bonus Scheme in respect of the financial year concerned. Subject to the two conditions being met, on the vesting date, UK employees (and certain other identified jurisdictions) will be awarded free shares and non-UK employees will be paid a cash equivalent based on the market price. No options were granted under this plan in 2023.

	2022
Grant date	6 Sep 2022
Share price at grant date	6648p
Number of employees	5,038
Shares under conditional award	50,440
Vesting period	One year
Dividend yield	1.6%
Possibility of forfeiture	7.5% p.a.
Fair value per option at grant date	6497p
Option pricing model	Closed form valuation

A reconciliation of option movements over the year is as follows:

	2023	2022
	Weighted average exercise price	Weighted average exercise price
	Number	Number
Outstanding at 1 January	49,390	51,580
Granted	–	50,440
Forfeited	(2,280)	(2,470)
Exercised	(47,110)	(50,160)
Outstanding at 31 December	–	49,390
For options exercised in year, weighted average share price at date of exercise	6962p	7605p
Weighted average remaining life at 31 December (years)	–	0.3

Croda International Plc Share Incentive Plan ('SIP')

The SIP scheme has similar objectives to the Sharesave Scheme in terms of increasing employee retention and share ownership. Under the scheme, employees enter into an agreement to purchase shares in the Company each month. For each share purchased by an employee, the Company awards a matching share which passes to the employee after three years' service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

24. Shareholders' equity

Croda International Plc Qualifying Share Ownership Trust (QUEST), Croda International Plc Employee Benefit Trust (CIPEBT) and Croda International Plc AESOP Trust (AESOP) each hold shares purchased on the open market or transferred from treasury shares to satisfy the future issue of shares under the Group's share option schemes. As at 31 December 2023 the QUEST had a net amount due from the Company of £20.0m (2022: £19.8m) and held 51,348 (2022: 57,216) shares transferred at a nil cost (2022: nil cost) with a market value of £2.6m (2022: £3.8m). As at 31 December 2023 there was no loan between the CIPEBT and the Company (2022: £37.8m) following the loan being forgiven in 2023. The CIPEBT held 791 (2022: 688) shares transferred at a nil cost (2022: nil cost) with a market value of £0.1m (2022: £0.1m).

As at 31 December 2023 the AESOP had issued all its previously held shares, as financed by the Company, and thus had no residual loan balance with the Company. All of the shares held by the QUEST and CIPEBT were under option at 31 December 2023 and, except for a nominal amount, the right to receive dividends has been waived.

As at 31 December 2023 the total number of treasury shares held was 2,901,442 (2022: 2,901,442) with a market value of £146.5m (2022: £199.3m).

25. Non-controlling interests in equity

	2023 £m	2022 £m
At 1 January	15.5	12.8
Exchange differences	(1.0)	0.4
Profit for the year	1.1	4.0
Acquisition of a non-controlling interest in an existing subsidiary	–	(1.4)
Adjustment to retained earnings	–	(0.3)
At 31 December	15.6	15.5

Notes to the Group Accounts continued

26. Related party transactions

The Group has no related party transactions, with the exception of remuneration paid to key management and Directors (note 10).

27. Business combinations**2023 Acquisition**

On 4 July 2023 the Group successfully completed the acquisition of 100% share capital of Solus Biotech Co Ltd 'Solus', a global leader in premium, biotechnology-derived active ingredients for beauty care (Consumer Care sector) and pharmaceuticals (Life Sciences sector) employing 95 people in South Korea. The business was acquired for a total cash consideration of £227.4m. The acquisition provides access to Solus' existing biotech-derived ceramide and phospholipid technologies, and its emerging capabilities in natural retinol. This acquisition will significantly strengthen Croda's Beauty Actives portfolio and increases its exposure to targeted prestige segments. Located in South Korea, Solus expands Croda's Asian manufacturing capability and will create a new biotechnology R&D hub in the region. Post-acquisition the entity has changed its name to Croda Korea Ltd.

Acquisition-related costs of £9.6m have been charged to administrative expenses in the income statement for the year ended 31 December 2023 (2022: £nil). Post-acquisition, Solus contributed revenue of £13.3m and adjusted operating profit of £0.4m. Had the acquisition been made on 1 January 2023, the Group's revenue would have been £1,707.9m with adjusted operating profit of £320.9m.

The following table summarises the Directors' assessment of the consideration paid in respect of the acquisition, and the fair value of assets acquired and liabilities assumed.

	£m
Cash consideration	227.4
Fair value of assets and liabilities acquired	
Intangible assets	104.3
Property, plant and equipment	9.2
Right of use assets	0.9
Lease liabilities	(1.0)
Cash	3.8
Borrowings	(6.1)
Working capital	8.4
Retirement benefit liabilities	(0.4)
Deferred tax	(21.2)
Total identifiable net assets	97.9
 Goodwill	 129.5

28. Business disposal

On 30 June 2022, the Group completed the disposal of the majority of its Performance Technologies and Industrial Chemicals business for cash consideration of £651.0m. The divested business comprised four manufacturing facilities, together with associated laboratory facilities and sales operations, and formed part of Croda's integrated operating model prior to disposal. The following table summarises the effect of the disposal on the Group's consolidated financial statements.

	£m
Cash consideration received	651.0
Intercompany settlement	(24.1)
 Net assets of the divested business	 626.9
Associated transactions and costs	(262.6)
Pension curtailment gain	3.9
Disposal and separation costs	(33.9)
Foreign exchange gains	6.9
Reclassification of currency translation	14.8
Gain on business disposal before tax	356.0
Income tax on business disposal	(21.5)
Gain on business disposal after tax	334.5

Company Financial Statements

Company Balance Sheet

at 31 December 2023

	Note	2023 £m	2022 £m
Fixed assets			
Intangible assets	D	0.4	0.6
Tangible assets	E	1.0	1.2
Investments			
Shares in Group undertakings	F	1,567.0	1,411.1
Retirement benefit assets	K	5.1	5.6
		1,573.5	1,418.5
Current assets			
Debtors	G	1,296.8	1,318.9
Deferred tax asset	H	0.3	0.1
Cash and cash equivalents		27.6	176.1
		1,324.7	1,495.1
Creditors: Amounts falling due within one year			
Creditors	I	(73.9)	(74.0)
Borrowings	J	(4.5)	(56.5)
		(78.4)	(130.5)
Net current assets		1,246.3	1,364.6
Total assets less current liabilities		2,819.8	2,783.1
Creditors: Amounts falling due after more than one year			
Deferred tax liability	H	(1.3)	(1.2)
Borrowings	J	(403.5)	(242.2)
		(404.8)	(243.4)
Net assets		2,415.0	2,539.7
Capital and reserves			
Ordinary share capital		15.1	15.1
Share premium account		707.7	707.7
Reserves ¹		1,692.2	1,816.9
Total shareholders' funds		2,415.0	2,539.7

1. Included within Reserves is profit after tax of £35.9m (2022: £505.9m).

The financial statements on pages 195 to 200 were approved by the Board on 26 February 2024 and signed on its behalf by

Dame Anita Frew DBE
Chair

Louisa Burdett
Chief Financial Officer

Registered in England number 206132

Company Financial Statements continued

Company Statement of Changes in Equity

for the year ended 31 December 2023

	Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2022		16.2	707.7	0.9	2.1	(0.2)	1,449.8	2,176.5
(Loss)/profit for the year attributable to equity shareholders		–	–	–	(0.9)	–	505.9	505.0
Other comprehensive income		–	–	–	–	0.2	1.8	2.0
Transactions with owners:								
Dividends on equity shares	8	–	–	–	–	–	(144.4)	(144.4)
Share-based payments		–	–	–	–	–	9.0	9.0
Transactions in own shares		–	–	–	–	–	(7.3)	(7.3)
Total transactions with owners		–	–	–	–	–	(142.7)	(142.7)
Preference share capital reclassification		(1.1)	–	–	–	–	–	(1.1)
Total equity at 31 December 2022		15.1	707.7	0.9	1.2	–	1,814.8	2,539.7
At 1 January 2023		15.1	707.7	0.9	1.2	–	1,814.8	2,539.7
Profit for the year attributable to equity shareholders		–	–	–	–	–	35.9	35.9
Other comprehensive expense		–	–	–	–	–	(2.0)	(2.0)
Transactions with owners:								
Dividends on equity shares	8	–	–	–	–	–	(150.7)	(150.7)
Share-based payments		–	–	–	–	–	1.9	1.9
Transactions in own shares		–	–	–	–	–	(9.8)	(9.8)
Total transactions with owners		–	–	–	–	–	(158.6)	(158.6)
Total equity at 31 December 2023		15.1	707.7	0.9	1.2	–	1,690.1	2,415.0

Of the retained earnings, £939.5m (2022: £1,226.4m) are realised and £750.6m (2022: £588.4m) are unrealised. Details of investments in own shares are disclosed in note 24 of the Group financial statements.

Notes to the Company Financial Statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

A. Accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ('FRS 100') issued by the Financial Reporting Council. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements have been prepared under the historical cost convention, in compliance with the provisions of the Act and the requirements of the Listing Rules of the Financial Conduct Authority.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are provided in the Group financial statements of Croda International Plc.

Going concern

The financial statements which appear on pages 195 to 200 have been prepared on a going concern basis as, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence.

Principal accounting policies

The accounting policies which have been applied by the Company when preparing the financial statements are in accordance with FRS 101. FRS 101 is based on the recognition and measurement requirements of Adopted IFRSs, under which the Group financial statements have been prepared. As a result, the accounting policies of the Company are consistent with those used by the Group as presented on pages 157 to 163, except for those relating to the recognition and measurement of goodwill and the recognition of revenue, which are not directly relevant to the Company financial statements. Other Company specific policies include;

- Investments are held at cost less accumulated impairment. Investments are subject to impairment testing upon indication of impairment, at which point the carrying value is reviewed against the underlying net assets or forecast cash generation of the entity.
- Provisions against amounts owed by Group undertakings, based on lifetime expected losses, are not material.
- The Company operates employee share trusts for the purpose of setting share-based payment arrangements. The Croda International Plc Employee Benefit Trust is treated as a branch of the Company with assets and liabilities accounted for as assets and liabilities of the Company.

The Group accounting policy for financial risk factors is also relevant to the preparation of the Company financial statements and is disclosed on pages 186 and 187.

B. Profit and loss account

Of the Group's profit for the year, £35.9m (2022: £505.9m) is included in the profit and loss account of the Company which was approved by the Board on 26 February 2024 but which is not presented as permitted by Section 408 of the Companies Act 2006.

C. Employees

	2023 £m	2022 £m
Company employment costs including Directors		
Wages and salaries	11.3	15.8
Share-based payment charges (note L)	1.2	5.4
Social security costs	1.5	2.4
Post-retirement benefit costs	0.3	1.6
	14.3	25.2

	2023 Number	2022 Number
Average employee numbers by function		
Production	31	28
Administration	49	45
	80	73

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees including Executive Directors. At 31 December 2023, the Company had 80 (2022: 77) employees in total.

Detailed information concerning Directors' remuneration, interests and options is shown in section D of the Directors' Remuneration Report, which is subject to audit, on pages 120 to 130 which forms part of the Annual Report and Accounts.

Notes to the Company Financial Statements continued

D. Intangible assets

	Computer software £m
Cost	
At 1 January 2023	1.8
At 31 December 2023	1.8
Accumulated amortisation	
At 1 January 2023	1.2
Charge for the year	0.2
At 31 December 2023	1.4
Net carrying amount	
At 31 December 2023	0.4
At 31 December 2022	0.6

E. Tangible assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2023	2.2	1.5	3.7
Disposals	–	(0.1)	(0.1)
Reclassifications	0.1	(0.1)	–
At 31 December 2023	2.3	1.3	3.6
Accumulated depreciation			
At 1 January 2023	1.5	1.0	2.5
Charge for the year	0.1	0.1	0.2
Disposals	–	(0.1)	(0.1)
Reclassifications	0.1	(0.1)	–
At 31 December 2023	1.7	0.9	2.6
Net book amount			
At 31 December 2023	0.6	0.4	1.0
At 31 December 2022	0.7	0.5	1.2

F. Shares in Group undertakings

	Shares £m	Loans £m	Total £m
Cost			
At 1 January 2023	1,119.7	320.7	1,440.4
Exchange differences	–	(2.7)	(2.7)
Additions	428.5	90.8	519.3
Disposals	(0.7)	–	(0.7)
Amounts repaid or capitalised	–	(360.0)	(360.0)
At 31 December 2023	1,547.5	48.8	1,596.3
Impairment			
At 1 January 2023	27.8	1.5	29.3
At 31 December 2023	27.8	1.5	29.3
Net book value			
At 31 December 2023	1,519.7	47.3	1,567.0
At 31 December 2022	1,091.9	319.2	1,411.1

The undertakings which affect the financial statements are listed on pages 201 to 203.

Additions to shares in the year of £428.5m related to the continued investment in Croda Investments No 3 Limited including £206.0m in relation to the acquisition of Solus Biotech Co Ltd and £222.5m of intercompany loans which have been capitalised. The Directors believe that the carrying value of the investments is supported by their underlying net assets or forecast cash generation.

G. Debtors

	2023 £m	2022 £m
Amounts owed by Group undertakings	1,293.0	1,287.1
Trade and other receivables	2.2	5.0
Corporation tax	–	25.0
Prepayments	1.6	1.8
	1,296.8	1,318.9

Although the amounts owed by Group undertakings have no fixed date of repayment, £1,281.8m (2022: £1,279.6m) is expected to be collected after one year. Of the amount at 31 December 2023, £1,281.2m will continue to attract interest from 1 January 2024 at a floating rate based on the main facility agreement. The remainder will continue to be interest free.

H. Deferred tax

The deferred tax (liabilities)/assets included in the balance sheet are attributable to the following:

	2023 £m	2022 £m
Retirement benefit obligations	(1.3)	(1.2)
Provisions	0.3	0.1
	(1.0)	(1.1)

The movement on deferred tax balances during the year is summarised as follows:

At 1 January	(1.1)	0.2
Deferred tax (charged)/credited through the profit and loss account	(0.3)	0.1
Deferred tax credited/(charged) to other comprehensive income	0.4	(1.4)
At 31 December	(1.0)	(1.1)

Deferred tax assets were recognised in all cases where such assets arose, as it was probable that the assets would be recovered.

I. Creditors

	2023 £m	2022 £m
Amounts falling due within one year		
Trade payables	0.5	0.4
Taxation and social security	1.6	1.6
Amounts owed to Group undertakings	66.5	56.0
Other payables	1.3	3.8
Accruals and deferred income	4.0	12.2
	73.9	74.0

The amounts owed to Group undertakings are interest free, unsecured and have no fixed date of repayment.

J. Borrowings

The Company's objectives, policies and strategies in respect of financial instruments are outlined in the accounting policies note on page 162 which forms part of the Annual Report and Accounts. Short-term receivables and payables have been excluded from all of the following disclosures.

Notes to the Company Financial Statements continued

J. Borrowings continued

	2023 £m	2022 £m
Maturity profile of financial liabilities		
2019 Club facility due 2026	163.1	–
€30m 1.08% fixed rate 7 year note	–	26.5
€70m 1.43% fixed rate 10 year note	60.8	61.9
£30m 2.54% fixed rate 7 year note	–	30.0
£70m 2.80% fixed rate 10 year note	70.0	70.0
€50m 1.18% fixed rate 8 year note	43.5	44.2
£65m 2.46% fixed rate 8 year note	65.0	65.0
Bank loans and overdrafts payable on demand	4.5	–
Preference share capital	1.1	1.1
	408.0	298.7
Repayments fall due as follows:		
Within one year		
Bank loans and overdrafts	4.5	56.5
	4.5	56.5
After more than one year		
Loans repayable		
Within one to five years	402.4	241.1
Preference share capital	1.1	1.1
	403.5	242.2

K. Post-retirement benefits

In line with the requirements of FRS 101, the Company recognises its share of the UK pension scheme assets, liabilities, income statement (charges)/credits and OCI movements based on the number of scheme members. A full reconciliation of the Group retirement benefit obligation can be found in note 11 of the Group financial statements on pages 171 to 175. The table below shows the movement in the obligation during the year.

	2023 £m	2022 £m
Opening balance:		
Assets	41.2	56.5
Liabilities	(35.6)	(55.7)
Net opening retirement benefit asset	5.6	0.8
Movements in the year:		
Service cost – current	(0.4)	(0.6)
Interest income	0.3	0.1
Contributions	1.4	1.5
Remeasurements	(1.8)	3.8
Closing balance	5.1	5.6

L. Share-based payments

The total charge for the year in respect of share-based remuneration schemes was £1.2m (2022: £5.4m). The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The key elements of each scheme along with the assumptions employed to arrive at the charge in the profit and loss account are set out in note 23 to the Group financial statements.

M. Contingent liabilities

The Company has guaranteed loan capital and bank overdrafts of subsidiary undertakings amounting to £179.4m as at 31 December 2023 (2022: £153.5m).

N. Dividends

Details of dividends are disclosed in note 8 of the Group financial statements.

O. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from disclosing transactions with other Group undertakings. There were no other related party transactions during the year. Information on the Group can be found in note 26 on page 194 of the Group financial statements.

Related undertakings

Related undertakings of Croda International Plc

All companies listed below are owned by the Group and all interests are in ordinary share capital, except where otherwise indicated. All subsidiaries have been consolidated. All companies operate principally in their country of incorporation. Unless otherwise indicated, all shareholdings represent 100% of the issued share capital of the subsidiary.

Wholly owned subsidiaries:

Incorporated in the UK

Cowick Hall, Snaith, Goole, East Yorkshire, DN14 9AA

Bio Futures Limited (vii)
 Brookstone Chemicals Limited (viii)
 Cowick Hall Trustees Limited (x)
 Croda (Goole) Limited (vii)
 Croda Application Chemicals Limited (viii)
 Croda Bakery Services Limited (viii)
 Croda Bowmans Chemicals Limited (v) (vii)
 Croda CE Limited (viii)
 Croda Chemicals Limited (viii)
 Croda Colloids Limited (viii)
 Croda Cosmetics & Toiletries Limited (i) (v) (viii)
 Croda Cosmetics (Europe) Limited (ii) (vii)
 Croda Distillates Limited (i) (x)
 Croda Enterprises Limited (viii)
 Croda Europe Limited (i) (vii)
 Croda Fire Fighting Chemicals Limited (viii)
 Croda Food Services Limited (viii)
 Croda Foundation (xiv)
 Croda Hydrocarbons Limited (viii)
 Croda Investments Limited (ix)
 Croda Investments No 2 Limited (ix)
 Croda Investments No 3 Limited (ix)
 Croda JDH Limited (vii)
 Croda Leek Limited (vii)
 Croda Limited (vii)
 Croda Overseas Holdings Limited (i) (ix)
 Croda Pension Trustees Limited (viii)
 Croda Polymers International Limited (i) (ix)
 Croda Resins Limited (viii)
 Croda Solvents Limited (iii) (iv) (viii)
 Croda Trustees Limited (viii)
 Croda Universal Limited (viii)
 Croda World Traders Limited (i) (v) (viii)
 P.I. Bioscience Limited (vi)
 Plant Impact Limited (x)
 John L Seaton & Co Limited (viii)
 Southerton Investments Limited (i) (viii)
 Sowerby & Co Limited (vii)
 Technical and Analytical Services Limited (i) (viii)
 Uniqema Limited (i) (viii)
 Uniqema UK Limited (i) (viii)

Citypoint, 3rd Floor, 65 Haymarket Terrace, Edinburgh, EH12 5HD

Croda (CPI) Limited (x)

Incorporated in China

Unit 701-703, 7th Floor, Building C, No.3 Linhong Road, Changning District, Shanghai

Croda China Trading Company Ltd (vii)

No. 2 Xiang Shan Avenue, Ning Xi Street, Zeng Cheng District, Guangzhou

Croda Iberchem (Guangzhou) Co., Ltd (v) (viii)

191 Dong Jiang Street, GET Development Zone, 510730 Guangzhou

Guangzhou Iberchem, Co. Ltd (vi)

2nd Floor, No. 21, Eastern of Yonyou Industrial Park, No. 9 Yongfeng Road, Haidian District, Beijing

Incotec (Beijing) Agricultural Technology Co. Ltd (vii)

No.3 Plant, No.202, Huashan Road, Modern Industrial Zone, Tianjin Development Zone, Tianjin

Incotec (Tianjin) Agricultural Science & Technology Co. Ltd (vi)

No.656 East Tangxun Road, Economic-Technological Development Zone, Mianyang, Sichuan 621000

Sichuan Xihe Rape Seed Industry Co., Ltd (vii)

No.139, Jianqing Road, Pu'an Town, Jiange County Guangyuan, Sichuan, 628300

Sichuan Xiyuan Grease Chemical Co., Ltd (vii)

Incorporated in France

9, rue Jean Monnet, 28630 Fontenay Sur Eure

Alban Muller International (vii)

1, rue de Lapugnoy, 62920 Chocques

Croda Chocques SAS (vii)

Futura III, 1, avenue de Westphalie, 78180 Montigny-le-Bretonneux

Croda France SAS (vii)

Croda Holdings France SAS (x)

Zone artisanale, 48230 Chanac

Crodarom SAS (vii)

29 rue du Chemin Vert, 78610, Le Perray en Yvelines

Sederma SAS (vi)

Incorporated in the Netherlands

Westeinde 107, 1601 BL Enkhuizen

AM Coatings BV (i) (viii)

Croda EU BV (x)

Incotec Europe B.V. (vii)

Incotec Group B.V. (i) (ix)

Incotec Holding B.V. (x)

Related undertakings continued

Incorporated in the USA

700 Industrial Park Drive, Alabaster, AL 35007Avanti Polar Lipids, LLC^(vi)**777 Scudders Mill Road, Building 2, Suite 200, Plainsboro, NJ 08536**Croda Americas LLC^(vii)Croda Finance Inc^(viii)Croda Inc.^(vii)Croda Inks Corp^(vii)Croda Investments Inc^(ix)Croda Storage Inc^(vii)Croda Synthetic Chemicals Inc^(x)Mona Industries Inc^(vii)Sederma Inc^(vi)**1293 Harkins Road, Salinas, CA 93901**Incotec Integrated Coating and Seed Technology, Inc^(vii)

Incorporated in other overseas countries

Argentina - Av. De Lagos 205, Piso 2, Sector Este Oficia Nordelta - 1670 (Tigre), Buenos AiresCroda Argentina SA^(vi)**Australia - Suite 2, Level 6, 111 Phillip Street, Parramatta, NSW 2150**Croda Australia Pty Ltd^(vi)**Brazil - Rua Croda, 580, Distrito Industrial, Campinas, São Paulo, CEP 13.074-710**Croda do Brasil Ltda^(vi)**Brazil - Avenida Mercedes Benz, 679, Distrito Industrial, Campinas, São Paulo, CEP 13.054-750**Iberchem Brazil Industria Ltda^(viii)**Canada - 1700 Langstaff Road, Suite 1000, Vaughan, Ontario, L4K 3S3**Croda Canada Ltd^(vi)**Chile - Los Militares 4611, 17th Floor - 7560968, Las Condes, Santiago**Croda Chile Ltda^{(vi) (vii)}**Colombia - Calle 90 # 19-41 Office 601, Bogotá**Croda Colombia^{(i) (vi)}**Colombia - Aut. Medellín km. 7, Bodega 88-02, Celta Trade Park, Funza, Cundinamarca**Iberchem Colombia SAS^(viii)**Czech Republic - Praha 5, Pekárská 603/12, 150 00**Croda Spol. s.r.o^(vii)**Denmark - Elsenbakken 23, 3600 Frederikssund**Croda Denmark A/S^(vii)**Germany - Herrenpfad Süd 33, 41334 Nettetal**Croda GmbH^(vii)Sederma GmbH^(vii)**Guernsey - PO Box 33, Dorey Court, Admiral Park, St Peter Port, GY1 4AT**Cowick Insurance Services Ltd^{(i) (xi)}**Hong Kong - Room 908, East Ocean Centre, No.9 Science Museum Road, Tsim Sha Tsui, East Kowloon**Croda Hong Kong Company Ltd^(vii)**Hungary - 1117 Budapest XI, Bölcso utca 6. 1. emelet 4.**Croda Magyarorszag Kft^{(i) (vii)}**India - Plot No. 1/1, Part TTC Industrial Area, Thane Belapur Road, Koparkhairne, Navi Mumbai 400710, Maharashtra**Croda India Company Private Ltd^{(i) (vii)}**India - 38/A, Radhe Industrial Estate, Tajpur Road, Changodar 382213, Ahmedabad**Iberchem India Private Limited^(vii)**India - 47, Mahagujarat Industrial Estate, Opp. Pharma Lab, Sarkhej-Bavla Highway, At. Moraiya, Ta. Sanand, Ahmedabad-382213, Gujarat**Integrated Coating and Seed Technology India Pvt. Ltd^(vii)**Indonesia - Kawasan Industri Jababeka, Jl. Jababeka IV Blok V Kav 74-75, Cikarang Bekasi 17530**PT Croda Indonesia^{(ii) (iv) (vii)}**Indonesia - Palma Tower , 17th Floor, Jl. RA Kartini II-S Kav.6 , Jakarta 12310**PT Croda Trading Indonesia^(vii)**Indonesia - Pusat Niaga Terpadu, Jl. Daan Mogot Raya Km 19, 6 Blok GG8N, 15122 Tangerang**PT Scentium Flavours^(vi)**Iran - Apt. 305, 3rd Floor, No 14 Golestan Avenue, Alikhani Avenue, Southern Shiraz Street, Tehran**Croda Pars Trading Co^(vi)**Italy - Via P. Grocco 915, 27036 Mortara**Croda Italiana S.p.A.^(vi)**Italy - Calle del Commercio, 2 Desio (MB)**Iberchem Italia SRL^(vii)**Japan - 7-1 Nishi-shinjuku 3-chome, Shinjuku-ku, Tokyo 163-1001**Croda Japan KK^{(i) (vii)}**Malaysia - 305 (Suite1) Block E, Phileo Damansara 1, 9, Jalan 16/11, Off Jin Damansara, 46350 PJ, Selangor**Scentium Malaysia Sdn Bhd^(vi)**Mexico - Hamburgo 213, Piso 10, Colonia Juárez, Delegacion Cuauhtémoc, D.F., C.P. 06600**Croda México SA de CV^(vi)**Mexico - Alfredo Nobel No. 3, 3 y 4, Col. Fraccionamiento Industrial Los Reyes, Estado de México, 54073 Tlalnepantla**Iberchem Mexico SA de CV^(vii)**Nigeria - Landmark Towers, 5B, Water Corporation Road, Victoria Island, Lagos**Croda SI&T Nigeria Limited^(vi)**Peru - Av. Juan de Aliaga 425 Of. 401, Magdalena del Mar**Croda Peruana S.A.C^(vii)**Poland - ul. Wadowicka 6, 30-415 Kraków**Croda Poland Sp. z o.o.^{(i) (vii)}**Republic of Korea - (Yongje-dong) 11, Seogam-ro 11-gil, Iksan-si, Jeollabuk-do**Croda Korea Ltd^(vii)**Republic of Korea - Rm. 1201, 12th Floor, 42, Hwang Sae UI-Ro 360 Beon-Gil, Bun Dang-Gu, Seong Nam-Si, Gyeong Gi-Do, 13591**Croda Korea^{(i) (vi)}

Incorporated in other overseas countries continued

Russian Federation - Office 1333, 16 Raketnyi bulvar, Moscow, 129164

Croda RUS LLC^(xvi)

Singapore - 30 Seraya Avenue, Singapore 627884

Croda Singapore Pte Ltd^{(i) (v) (vi)}

Singapore - 2 International Business Park, #04-06 The Strategy (Tower 1)

Iberchem Far East Pte Ltd^(vii)

South Africa - Clearwater Estate Office Park, Block G, Corner of Atlas & Park Road, Parkhaven Ext 8, Boksburg 1459

Croda (SA) (Pty) Ltd^(viii)

Incotec South Africa (Pty) Ltd^(viii)

South Africa - 5 Marconi Nook, Hennopspark, Centurion, 0157

Iberchem South Africa (Pty) Ltd^(viii)

Spain - Carrer Pujades, 350 planta 10, 08019 Barcelona

Croda Ibérica SA^(vii)

Spain - Avenida del Descubrimiento, Parcela 9/9, Polígono I, 30820 Alcantarilla, Murcia

Iberchem SAU^(vii)

Spain - Avenida de Holanda, Parcela 12/14, Polígono Industrial Las Salinas, 30840 Alhama de Murcia, Murcia

Scentium Flavours, S.L.^(vii)

Sweden - Geijersgatan 2B, 216 18 Limhamn

Croda Nordica AB^(vii)

MX Adjuvac AB^(xii)

Thailand - 319 Chamchuri Square Building, 16th Floor, Unit 13-14, Payathai Road, Patumwan, Bangkok 10330

Croda (Thailand) Co., Ltd^{(i) (vii)}

Thailand - No. 41/87 Moo 6 Bangna Trad Road Km. 16.5, Bangcha Long-Sub District, Bangplee District, 10540 Bangkok, Samutprakarn Province

Iberchem Thailand Ltd^(vii)

Turkey - Barbaros Mahallesi, Mor Sumbul Sokak,Nidakule Atasehir Guney, No: 7/3, Kat: 5 Atasehir, Istanbul 34746

Croda Kimya Ticaret Limited Şirketi^(vii)

United Arab Emirates - Units 2601 & 2602, Al Manara Tower, Al Abraj St., Business Bay, P.O. Box 191160, Dubai

The Essence of Nature F&F Trading LLC^(vii)

United Arab Emirates - P. O. BOX 17916, Office 1209, 1210 & 1211, 12th Floor, Jafza One, Tower B, Jebel Ali Free Zone, Dubai

Croda Middle East FZE^(vii)

Vietnam - Room # 606A, Floor 6th, Centre Point Building 106 Nguyen Van Troi Street, Ward 8, Phu Nhuan District, Ho Chi Minh City

The Representative Office of Croda Singapore Pte Ltd in Ho Chi Minh City^{(i) (vii)}

Zimbabwe - 4a Knightsbridge Crescent, Highlands, Harare

Croda Chemicals Zimbabwe Pvt Ltd^(viii)

Classifications key

- (i). Companies owned directly by Croda International Plc
- (ii). Branch office
- (iii). A Ordinary
- (iv). B Ordinary
- (v). Preference including cumulative, non-cumulative and redeemable shares
- (vi). No share capital, share of profits
- (vii). Manufacture, sale or distribution of speciality chemicals, or of seed treatment services and products, or fragrances and flavours compositions
- (viii). Dormant

Non-wholly owned subsidiaries, associates and investments:

Incorporated in the UK

3 Huxley Road, Surrey Research Park, Guildford, GU2 7RE
SiSaf Ltd 3.36%

Incorporated in other overseas countries

Brazil - Rua das Sementes nr. 291, Holambra, State of São Paulo
Incotec America do Sul Tecnologia em Sementes Ltda.^(vii) 99.99%

China - No 656 East Tangxun Road Economic and Technological Development Zone Miyangyang Sichuan
Croda Sipo (Sichuan) Co., Ltd^(vii) 65.00%

China - No.56 Xingye 2nd Road, Changleng Industrial Zone 2, Xinjian District, 330100 Nanchang City, Jiangxi Province
Nanchang Xinduomei Bio-Technology Co.,Ltd^(vii) 70.00%

France - 51 avenue Louison Bobet, 06130 Grasse
Parfex^(vi) 99.47%

Indonesia - Pusat Niaga Terpadu, Jl. Daan Mogot Raya Km 19, 6 Blok GG8N, 15122 Tangerang
PT Iberchem Indonesia Fragrances^(vii) 98.00%

Indonesia - Pusat Niaga Terpadu, Blok EE 8A, Jl. Daan Mogot, Raya, Km.19, Tangerang, 15122, Jakarta West Java
PT Inti Berkah Chemindo^(vii) 51.00%

Sweden - Schelevägen 22, 22363 Lund
Enza Biotech AB^(xiii) 88.00%

Tunisia - 39, rue Jameel Abdennaceur, Z.I. Borj Cédria, Bir El Bey, BP 69, 2055 Ben Arous
Iberchem Tunisie S.A.R.L.^(vii) 63.70%

Turkey - Yeşiltepe Mahallesi İsmetinönü-2 Cad. No:2/57 Tepebaşı, Eskişehir
Entekno Industrial, Technological and Nano Materials Corp. 9.00%

- (ix). Holding company
- (x). Property holding company
- (xi). Trustee
- (xii). Captive insurance company
- (xiii). Research enterprise
- (xiv). Not consolidated; Company limited by Guarantee and not having a Share Capital
- (xv). In liquidation process
- (xvi). Non-trading entity

Shareholder information

2024 Annual General Meeting	24 April 2024
2023 Final ordinary dividend payment	29 May 2024
2024 Half year results announcement	30 July 2024
2024 Interim ordinary dividend payment	8 October 2024
2024 Preference dividend payments	30 June 2024
2024 Full year results announcement	31 December 2024
	25 February 2025

Investor relations

Shareholders can now get up to date information on Stock Exchange announcements, key dates in the corporate calendar, the Croda share price and brokers' estimates by visiting our corporate website at www.croda.com and clicking on the section called 'Investors'.

Shareholders can receive shareholder communications electronically by registering on the Registrars' website, www.signalshares.com and following the instructions. To register, shareholders will require their investor code (IVC): this is an 11 digit number starting with five or six zeros and can be found on your dividend tax voucher or your share certificate. Receiving corporate communications by email has a number of benefits including being more environmentally friendly, reducing unnecessary waste, faster notification of information to shareholders and a reduction in company costs.

Shareholders who register on the above website can also check their shareholding, view their dividend history, choose their dividend options, register changes of address and dividend mandate instructions.

Share price information

The latest ordinary share price is available on our website at www.croda.com.

The middle market values of the listed share capital at 31 December 2023, or last date traded*, were as follows:

Ordinary shares	5073p
5.9% preference shares	81p*
6.6% preference shares	94p*

Dividend reinvestment plan (DRIP)

Ordinary shareholders may wish to know about this plan, which allows you to use your dividends to buy further shares in Croda. The DRIP is offered to **UK shareholders only** by Link Group which is authorised and regulated by the Financial Conduct Authority.

For information and an application pack please call 0371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. From outside the UK dial +44 (0)371 664 0381. Alternatively you can email shares@linkgroup.co.uk or log on to www.signalshares.com.

Payment of dividends

You can arrange to have your dividends paid direct to your bank account. This means that:

- your dividend reaches your bank account on the payment date;
- it is more secure - cheques can sometimes get lost in the post;
- you don't have the inconvenience of depositing a cheque; and
- it helps reduce cheque fraud.

If you have a UK bank account you can sign up to this service on Signal Shares (www.signalshares.com) by clicking on 'your dividend options' and following the on-screen instructions or by contacting the Customer Support Centre.

Overseas shareholders - choose to receive your next dividend in your local currency

If you live outside the UK, Link has partnered with Deutsche Bank to provide you with a service that will convert Sterling dividends into your local currency at a competitive rate.

You can choose to receive payment directly to your local bank account or alternatively you can be sent a currency draft. You can sign up to this service on Signal Shares (www.signalshares.com) by clicking on 'your dividend options' and following the on-screen instructions or by contacting the Customer Support Centre. For further information contact Link:

By phone - UK 0371 664 0300, from overseas +44 (0)371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

By email - ips@linkgroup.co.uk

Relating to beneficial owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Link Group, or to the Company directly.

Share fraud warning

Scams are increasingly sophisticated. Fraudsters can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. If you have been contacted unexpectedly, or are suspicious about a call or text message, make sure you stop and check the warning signs.

How to avoid scams

- Treat all unexpected calls, emails and text messages, social media messages or even in person visits with caution. Don't assume they're genuine, even if the person seems to know some basic information about you.
- Don't be pressured into acting quickly, hang up on calls and ignore messages if you feel pressured. A genuine bank or financial services firm won't mind waiting if you want time to think.
- Never give out your bank account or credit card details unless you are certain who you are dealing with.
- If you're buying a financial product such as a loan, insurance, investment or pension, only deal with an FCA-authorised firm - check the FS Register to see if the firm is registered. Always access the Register from the FCA website, rather than through links in emails or on a firm's website (it might be part of the scam).
- Double-check the URL and contact details of a firm in case it's a 'clone firm' pretending to be a real firm, such as your bank or a genuine investment firm.
- Check the list of unauthorised firms and individuals the FCA have received complaints about. If the firm isn't on their list, don't assume it's legitimate - it may not have been reported to them yet.
- Check your bank account and credit card statements regularly.
- Don't give access to your device by downloading software or an app from a source you don't trust. Scammers may be able to view, take control of your device and access your bank account.
- **Remember:** if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Secretary and Registered Office

Tom Brophy (Company Secretary) Cowick Hall,
Snaith, Goole, East Yorkshire DN14 9AA
Tel: +44 (0)1405 860551
Fax: +44 (0)1405 861767
Website: www.croda.com
Registered in England number 206132

Registrars

Link Group
Central Square, 29 Wellington Street,
Leeds, LS1 4DL
Tel: 0371 664 0300 (from UK)
+44 (0) 371 664 0300
(from overseas)

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate; lines are open 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Website: www.linkgroup.eu
Email: shareholderenquiries@linkgroup.co.uk

Independent Auditors

KPMG LLP
15 Canada Square, London, E14 5GL

Principal Financial Advisers

Morgan Stanley & Co. International plc

Principal Solicitors

Freshfields Bruckhaus Deringer LLP

Stockbrokers

Morgan Stanley & Co. International plc
HSBC Bank plc

Financial PR Advisers

Teneo

Five year record

Earnings

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Turnover	1,694.5	2,089.3	1,889.6	1,390.3	1,377.7
Covenant EBITDA ⁴	413.1	560.0	591.4	433.4	402.9
Depreciation and amortisation ¹	(89.5)	(86.4)	(79.0)	(68.2)	(57.6)
Share-based payments and loss on associates	(1.7)	(3.5)	(42.0)	(14.7)	(5.9)
Impact of acquisitions or disposals	(1.9)	45.0	(1.8)	(30.8)	0.3
Adjusted operating profit ¹	320.0	515.1	468.6	319.6	339.7
Adjusted profit before tax ¹	308.8	496.1	445.2	300.6	322.1
Profit after tax	172.1	653.3	322.8	201.6	223.8
Profit attributable to owners of the parent	171.0	649.3	320.8	201.6	223.9
Return on sales ¹ (%)	18.9	24.7	24.8	23.0	24.7
Effective tax rate ¹ (%)	23.9	22.8	21.2	24.1	25.6
	Pence	Pence	Pence	Pence	Pence
Adjusted earnings per share ¹	167.6	272.0	250.0	175.5	185.0
Ordinary dividends per share	109.0	108.0	100.0	91.0	90.0
	Times	Times	Times	Times	Times
Net debt/Covenant EBITDA	1.3	0.5	1.4	1.8	1.4
Covenant EBITDA interest cover ²	24.9	24.2	22.4	22.5	23.3

Summarised balance sheet

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Intangible assets, property, plant and equipment and investments	2,541.9	2,318.0	2,350.9	2,297.8	1,301.4
Inventories	341.2	464.0	443.0	302.6	268.9
Trade and other receivables	395.7	375.8	337.9	289.9	216.8
Trade and other payables	(253.1)	(324.5)	(370.3)	(267.6)	(164.7)
Capital employed	3,025.7	2,833.3	2,761.5	2,622.7	1,622.4
Tax, provisions and other	(206.7)	(207.1)	(180.3)	(194.8)	(131.1)
Retirement benefit assets/(liabilities)	86.7	100.1	7.9	(32.3)	(75.0)
	2,905.7	2,726.3	2,589.1	2,395.6	1,416.3
Shareholders' funds	2,352.5	2,415.6	1,753.1	1,585.8	861.6
Non-controlling interests	15.6	15.5	12.8	9.3	7.0
Net assets	2,368.1	2,431.1	1,765.9	1,595.1	868.6
Net debt	537.6	295.2	823.2	800.5	547.7
Invested capital	2,905.7	2,726.3	2,589.1	2,395.6	1,416.3

Return on capital

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Adjusted operating profit net of tax ¹	243.6	397.9	369.2	242.6	252.8
Invested capital	2,905.7	2,726.3	2,589.1	2,395.6	1,416.3
Adjustments for:					
Goodwill previously written off	105.6	84.8	50.2	50.2	50.2
Retirement benefit (assets)/liabilities net of deferred tax	(64.9)	(75.2)	(5.8)	25.3	60.1
Accumulated amortisation of acquired intangible assets net of deferred tax	114.6	85.6	57.9	29.7	18.2
Adjusted invested capital	3,061.0	2,821.5	2,691.4	2,500.8	1,544.8
Average adjusted invested capital ³	2,941.3	2,756.5	2,596.1	1,704.6	1,521.7
Return on invested capital (ROIC) (%) ⁵	8.3	14.4	14.2	14.2	16.6
Post-tax cost of capital (%)	8.1	7.5	6.4	6.2	6.2
Charge for invested capital	(238.2)	(206.7)	(166.2)	(105.7)	(94.3)
Economic value added ^{1, 5}	5.4	191.2	203.0	136.9	158.5

1. Before exceptional items, amortisation of intangible assets arising on acquisition and the tax thereon where applicable.

2. Interest excludes net interest on retirement benefit liabilities.

3. The Group acquired Avanti Polar Lipids, LLC on 12 August 2020 and Fragrance Spanish Topco, S.L. ('Iberchem') on 24 November 2020. Given the value of the acquisitions, the Group's measure of average adjusted invested capital for 2020 has been adjusted for the related weighted average impact.

4. Covenant EBITDA is EBITDA as defined in the Finance Review but before share-based payment charges and the loss on associates. Covenant EBITDA is also adjusted to reflect the annualised impact of acquisitions or disposals in the period.

5. The Group has revised the definition of ROIC in the year as set out in the Finance Review and comparative information has been restated. The calculation of economic value added has also been updated to align with these changes and comparative information restated.

The five year record is presented based on the applicable accounting standards at the relevant reporting date.

Glossary

Adjusted	Before exceptional items, amortisation of intangible assets arising on acquisition and the tax thereon where applicable	IP	Intellectual Property
AGM	Annual General Meeting	IS	Industrial Specialties
ALM	Asset-Liability Matching	ISO	International Organization for Standardization
Bio-based	Carbon containing, from renewable, non-fossil sources	ISSB	International Sustainability Standards Board
CARE	Career Average Revalued Earnings	IT	Information Technology
CEO	Chief Executive Officer	KPI	Key Performance Indicator
CFO	Chief Financial Officer	LDG	Leadership Development Group
CGU	Cash Generating Unit	LDI	Liability driven investment
CIPEBT	Croda International Plc Employee Benefit Trust	M&A	Mergers and acquisitions
Code	Financial Reporting Council's 2018 UK Corporate Governance Code	Market businesses	Consumer Care, Life Sciences, Industrial Specialties
CO₂	Carbon dioxide	mRNA	Messenger ribonucleic acid
CO₂e	Carbon dioxide equivalent	NCI	Non-controlling interest
Constant currency	Current year results for existing business translated at the prior year's average exchange rates and include the impact of acquisitions	Net debt	Borrowings and other financial liabilities less cash and cash equivalents
CPI	Consumer Price Index	NGO	Non-governmental Organisation
CPS	Croda Pension Scheme	NPP	New and protected products
D&I	Diversity & Inclusion	Operating leverage	The degree to which profits are impacted by the level of asset utilisation
DRIP	Dividend Reinvestment Plan	PSP	Performance Share Plan
DBSP	Deferred Bonus Share Plan	PTIC	Performance Technologies & Industrial Chemicals
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation	QUEST	Croda International Plc Qualifying Share Ownership Trust
EBT	Employee Benefit Trust	R&D	Research and Development
EPS	Earnings per share	Return on sales	Adjusted operating profit divided by revenue
ESG	Environmental, Social and Governance	RFT	Right first time
EU	European Union	ROIC	Return on Invested Capital
EVA	Economic Value Added	RPI	Retail Price Index
F&F	Fragrances and Flavours	RSP	Restricted Share Plan
FCA	Financial Conduct Authority	RSPO	Roundtable on Sustainable Palm Oil
FRC	Financial Reporting Council	SASB	Sustainability Accounting Standards Board
FRS	Financial Reporting Standard	SBT	Science Based Targets
FSP	Free Share Plan	SDGs	United Nations Sustainable Development Goals
FTSE	Financial Times Stock Exchange	SHE	Safety, health, environment
GDPR	General Data Protection Regulation	SHEQ	Safety, health, environment, quality
GHG	Greenhouse gas	SIP	Share Incentive Plan
Scope 1 emissions	Direct emissions from our own, or controlled sources	SMEs	Small and Medium Enterprises
Scope 2 emissions	Indirect emissions from the generation of purchased electricity, steam, heating and cooling. Croda reports using the market based method to quantify scope 2 emissions.	SIR	Sustainability Impact Report
Scope 3 emissions	All other indirect emissions that occur in our value chain	STEM	Science, technology, engineering and mathematics
GMP	Good Manufacturing Practice	TCFD	Task Force on Climate-related Financial Disclosures
HMRC	HM Revenue & Customs	T	Tonnes
IFRS	International Financial Reporting Standards	TCO₂e	Tonnes carbon dioxide equivalent
		TRIR	Total Recordable Injury Rate
		TSR	Total shareholder return
		WACC	Weighted Average Cost of Capital
		WHO	World Health Organization