



Board leadership and Company Purpose

Board leadership

At the date of this report, the Board comprises eight Directors: the Chair; the Group Chief Executive; the Group Finance Director; four independent Non-Executive Directors and one non-independent Non-Executive Director, who was the Company's Chief Technology Officer until his retirement in 2017. The size of our Board allows time for full discussion and debate of items and enables all Directors' views to be heard.

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 Non-Executive Directors have a broad range of business, financial and international skills and experience, which provide appropriate balance and diversity.

The composition of the Board is subject to ongoing review and a key consideration for any new Board appointment will be the additional breadth a new Director could bring, including in terms of skills, knowledge, experience, gender and ethnicity.



“Strong transparent governance, delivered to the highest standards, facilitates effective decision making by the Board.”

Anita Frew
Chair

Directors' biographical notes appear on pages 54 and 55 and at www.croda.com.

Role and operation of the Board

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 ensuring the long-term sustainable success of the Company for all stakeholders. It monitors operational and financial performance against agreed goals and objectives and

challenges the Executive team. The Board 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.

Matters reserved for the Board

The matters reserved for the Board fall into four broad areas:

- 1 Matters required by law to be reserved for the Board's decision, such as approving the Annual Report and Accounts, appointing new Directors and declaring dividends.
- 2 The requirements of the UK Listing, Prospectus and Disclosure Guidance and Transparency Rules, such as approving circulars to shareholders and other significant communications.
- 3 UK Corporate Governance Code recommendations, such as ensuring the Group has a sound system of internal control and risk management, and approving the Board and Committees' terms of reference.
- 4 Other matters, such as approval of the Group's strategy and budget, material corporate transactions and capital expenditure.

For the full schedule of matters reserved for the Board visit the governance section at www.croda.com.

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Our Purpose:

Smart science to improve lives™

Company Culture

The Board is responsible for assessing, monitoring and promoting company culture and ensuring it is aligned with strategy, purpose and values.

At Croda, we share a clear sense of Purpose and are motivated by our Commitment to be the most sustainable supplier of innovative ingredients. Our distinctive 'One Croda' culture guides the way we work and helps us to attract and retain the first-class people we need, by enabling collaboration and skills development. To ensure our long-term success, we have defined the values that make us different as a Company, encouraging our people to be 'Responsible', 'Innovative' and to work 'Together.'

may act as an early indication of a drift of culture away from the Group's core values. Safety metrics were regularly reviewed and challenged – both behavioural and process safety – to ensure Croda is living up to its core value that all employees and contractors return home at the end of the day without being harmed in the workplace, whether physically or mentally. Other metrics the Board used to assess culture related to diversity and inclusion, employee training and responsible business. In addition, the Board discussed the feedback from listening group and pulse surveys, which enabled communications and policies to be tailored and adjusted to ensure employees needs were being met.

Our 2030 Commitment:



Croda's positive culture was evident throughout the pandemic through our commitment to supporting employees, suppliers, customers and our local communities (see p16 to p20). During the year the Board focused on defining the values that make Croda different as a company and guide us in everything we do.

During 2020, the Board gained cultural insights from several sources. These included reports on significant instances of inappropriate conduct, whether through the Company's Speak-Up line or other grievance channels. The Board considered reports on any material systems or control failures, which

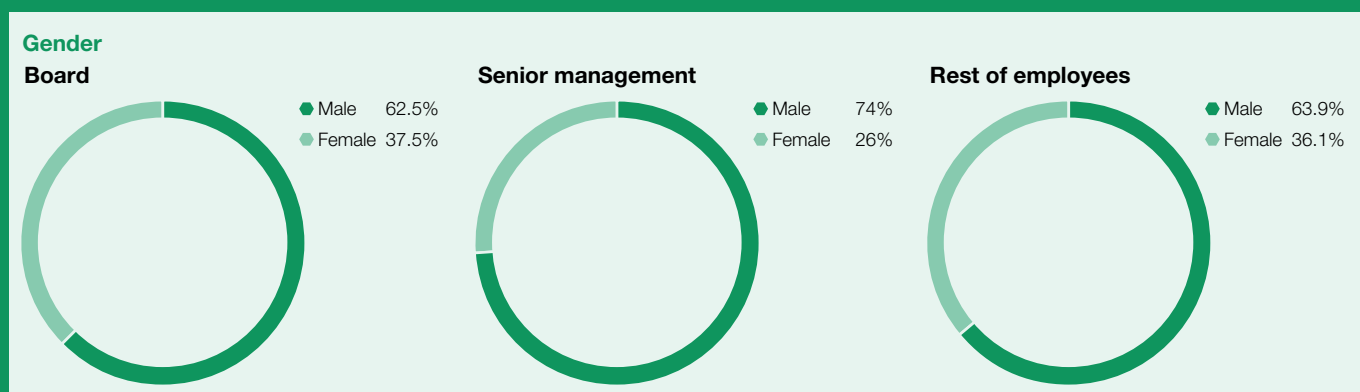
Alignment to culture is clearly established in the Remuneration Policy and embedded in the Remuneration Committee's discretion framework is an assessment of our cultural performance. In addition one of Croda's key sustainability goals is to be People Positive with clear targets to increase our positive impact on society and improve the lives of our employees and people around the world. During the year we established the Croda Foundation that will help improve the lives of local communities supported by our own technologies.

The Board was satisfied that Croda's Purpose, values, strategy and culture are aligned and will act together to preserve long-term value.

Section 172(1) disclosures

S172 Factor	Disclosures		
The long-term consequences	Purpose – p2 Dividend policy – p42	Megatrends – p10	Business model – p12 Strategy – p22
Employees	Diversity and inclusion – p66	Employee engagement – p16 and 84	
Business relationships – suppliers, customers and others	Modern slavery – p37	Anti-bribery – p37	Customers and suppliers p17 and 18
Community and the environment	Community activity – p20	Sustainability Committee – p63	Sustainability Commitment – p30
High standards of business conduct	Corporate Governance Report – p50 Whistleblowing – p72	Internal controls – p68 Ethics Committee – p48 and 63	Culture and values – p51
Shareholders	Shareholder engagement – p60	AGM – p53	

We provide examples of how the Board took account of the interests of our key stakeholders in some significant decisions made during the year on p59.



Chair's statement on corporate governance

At the heart of our decision-making throughout the year has been our duty and desire to balance the interests of our stakeholders.



Anita Frew
Chair

Dear fellow shareholder

We have faced a unique set of circumstances in 2020 and I am proud of the way that all our employees and the Board rose to the challenge of protecting our business whilst living up to our Purpose. A cornerstone to this resilient performance is strong transparent governance, delivered to the highest standards, which facilitates effective decision making by the Board. At the heart of our decision-making throughout the year has been our duty and our desire to balance the interests of all our stakeholders in the decisions and actions we take as a Board, and to promote the long-term interests of the Company for our shareholders to ensure we provide a good return on their investment in Croda.

This report, together with the Directors' Remuneration Report, set out on pages 76 to 101, describe how the 2018 UK Corporate Governance Code (the Code) principles have been applied by the Company. I am pleased to report that 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.

Our stakeholders

As a Board we were deeply involved in assessing the impact of the COVID-19 pandemic on all of our stakeholders. Our priority was to protect the health and safety of all our employees and others impacted by our operations. This has been at the very top of our agenda at every Board meeting.

We took great care to balance the needs of all our stakeholders during the crisis. The response and commitment of all our employees has been exceptional, with almost all able to work effectively, either onsite or from home. We did not furlough employees or reduce pay. All our principal manufacturing sites remained in operation, with only two significantly impacted, and raw material supply chains were secure. We supported our customers and suppliers and gave financial assistance to the communities closest to our sites. We also sustained our track record of paying regular dividends to shareholders and we did not utilise government liquidity facilities. Through our actions, we lived up to our Purpose of using Smart science to improve lives™.



As a Board we were deeply involved in assessing the impact of the COVID-19 pandemic on all of our stakeholders.”

We describe on page 58 how the Board engaged with each of our key stakeholders during 2020 and give some examples of how we have considered them in some of the Board's decisions made during the year.

Strategy

As well as dealing with the immediate crisis phase of the COVID-19 pandemic, the Board worked closely with the Executive management team, with the support of an external consultant, in considering the impact that the pandemic would have in the longer term. From this review the Executive team produced a roadmap to operationalise and deliver our 2030 strategic commitments in line with our Purpose, Smart science to improve lives™. More information about this work can be found in the Strategic report.

In addition to this review, the Board held a virtual strategy session with the Croda teams responsible for delivering our strategic ambition to provide an outstanding customer experience digitally, complementing Croda's successful traditional customer intimacy model.

Leadership

2020 saw a number of leadership changes at Board level. Alan Ferguson retired at the AGM in 2020 having served nine years as a Director. I extend grateful thanks from myself, the rest of the Board, the Executive team and colleagues for the outstanding contribution he made to the Board and as Chair of the Audit Committee over the last nine years. His support, advice and challenge will be missed and we wish him all the best.

We were pleased to welcome John Ramsay to the Board. John joined the Board on 1 January 2020, which allowed him to spend time with Alan before he became Audit Committee Chair on Alan's retirement. John brings with him a wealth of financial, international and sector experience. The recent Board evaluation confirmed that John had transitioned into his role well and as Chair of the Audit Committee provided high-quality and thoughtful contributions.

On the recommendation of the Nomination Committee, the Board agreed to extend Helena Ganczakowski's appointment for a further year. The annual extension is in line with our policy to review appointments annually, once six years' tenure has been

Board meetings in 2020

Throughout the year the Board continued with the regular scheduled meetings and programme of business. These were held face to face when government regulations allowed.

During the first lockdown, the Board demonstrated its agility by moving quickly and effortlessly into video conferencing as the main method of communication. The Board had fortnightly calls to receive updates from across the business. The COVID-19 crisis management team reported directly into these meetings each time. The updates covered safety, management of the crisis, the situation in

the individual countries and workplaces, relationships with customers, operational matters (for example, on matters such as the supply of raw materials or manufacturing constraints on our sites), communications, trading and treasury. Throughout the rest of the year, additional calls were scheduled, as required. On occasion, if all Board members were unable to attend, the Chair and Chief Executive followed up with a briefing call to ensure everyone was receiving the same information on any developing situations.

The move to virtual Board meetings was supported by the use of the existing and well-established electronic Board portal for papers, which included a resource centre to

provide supplemental information and copies of all key policies. To ensure that the meetings remained effective, it was essential that they were well structured and without unnecessary complexity. The ground rules were established early on by simplifying agendas and allowing for sufficient breaks to reduce fatigue. It was important that content was concise and that the meetings allowed for adequate debate and participation by all Board members. The Board evaluation showed that the Board had risen well to the challenge and the Chair had been extremely adept in her leadership of the meetings.

completed. Helena has made a significant contribution to the Board as Remuneration Committee Chair and she also became Senior Independent Director on Alan's retirement. The recent Board evaluation showed that the Remuneration Committee had evolved significantly under her leadership.

The Nomination Committee also extended the appointment of Keith Layden for a further three years. Having worked at Croda for 33 years, Keith's in-depth knowledge of our products and operations adds valuable insights and constructive challenge to the Board discussions.

Some changes were also made to the Executive Committee, with details of these changes set out in the Nomination Committee report on pages 66 and 67.

Board evaluation

The Code requires that an external evaluation of the Board is undertaken every three years, and this was conducted during the second half of 2020. We were assisted by Heidrick & Struggles who were selected after a competitive tender process. Formal external evaluation is a valuable tool for improvement and helps ensure impartiality and independence throughout the process.

I am pleased that the report confirmed that we operate as a very effective Board with a high level of trust in the boardroom, a track record of improved effectiveness, and the ability to adapt and change; strengths that served us well during this challenging year. Full details of the evaluation and the outcomes are included in the report on pages 64 and 65.

Diversity & inclusion

We consider that creating a work environment where everyone feels safe to be themselves is essential to enrich the diversity on the Board and throughout the Company. Research has shown that greater diversity can foster innovative thinking and provide businesses with access to a wider pool of talented people. We have maintained our position of having in excess of 30% of women on the Board, but, as yet, we don't have any ethnic diversity on the Board. This will be a focus for us in the short term.

The Board and the Executive Committee participated in two development sessions on inclusion and diversity led by John Amaechi OBE, an organisational psychologist. The sessions raised the Board's awareness and understanding of inclusion and diversity, leading to some fundamental discussions on

what we need to do as an organisation if we are to achieve our People Positive commitment. It is incumbent on the Board and the Executive team to create a psychologically safe place for our employees, an environment where they feel included. In doing so, we will enable them to perform to their best abilities, bringing rewards for them and for Croda. Our core Value of 'Together' will help guide us on this journey.

Annual general meeting

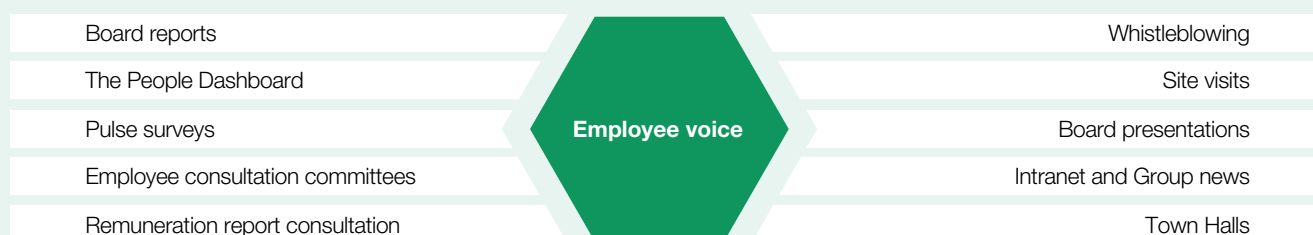
In light of government guidance relating to COVID-19 prohibiting public gatherings and restricting non-essential travel, shareholders are strongly advised not to attend the Annual General Meeting (AGM) on 21 May 2021. Although we do not expect to have the opportunity to meet with shareholders in person at our AGM, we are very keen to engage with all shareholders and will therefore be holding an online shareholder engagement event prior to the AGM. More details of this event are set out in the Notice of Meeting and I would be delighted to answer any questions that shareholders may have.



Anita Frew
Chair

Hearing the employee voice in the boardroom

The Board utilises many ways of ensuring that we understand the interests and views of our employees and take them into account when we make decisions to promote the long term success of Croda.



Our leadership team

We have a Board that is well equipped to provide oversight and challenge to the Executive Team and has the breadth of skills, experience and diversity to lead the business in delivering our ambitious strategic priorities that will deliver long-term growth.



N

Anita Frew, 63
Chair

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 chaired main Boards, Remuneration, Responsible Business and Risk Committees. Currently she is also a Non-Executive Director of BHP Plc and BHP Limited. 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.



E F SHEQ

Steve Foots, 52
Group Chief Executive

Appointment: July 2010 and Group Chief Executive since the beginning of 2012

Nationality: British

Steve joined Croda as a graduate trainee in 1990 and he brings to the Board a business, strategic and operational background gained from a number of senior leadership roles across the Group. Having spent several years leading many different Croda businesses, he has also gathered extensive insight into the markets served, the importance of customer focus and the power of an innovative culture. Outside of Croda, Steve's role as Industry co-Chair of the UK Chemistry Council enables him to work alongside Government ministers and industry peers to bring wider industry knowledge into the Croda business.



R E F

Jez Maiden, 59
Group Finance Director

Appointment: January 2015 as Group Finance Director

Nationality: British

Jez is an experienced Group Finance Director, having served in this role on five UK listed company Boards. As a chartered management accountant, his expertise in all aspects of finance management, gained in speciality chemical, FMCG and other manufacturing environments, allows him to support the Board and Executive of Croda in managing the performance of the business, risk management and control, and in capital allocation and investment evaluation. Jez acts as business partner to the Group Chief Executive and leads the finance, IT and digital teams globally. He has also been a Non-Executive Director and Audit Committee Chair in two other UK Plcs.



RM A N

Helena Ganczakowski, 58
Non-Executive Director (Senior Independent Director)

Appointment: February 2014

Nationality: British

With 23 years of experience in marketing and corporate strategy at Unilever and a further eight as a strategic consultant for other multinational businesses, Helena brings marketing skill and an end-consumer perspective to the Croda boardroom, as well as challenge and support to the CEO in strategy development. Her academic roots in engineering, with a PhD from Cambridge University, drive her passion and curiosity for both product and process innovation. Helena is also a Non-Executive Director and Remuneration Committee Chair of Greggs Plc.



A RM N

John Ramsay, 63
Non-Executive Director

Appointment: January 2020

Nationality: British

John has over 30 years' broad-based international finance background 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. John brings extensive knowledge of business strategy to the Croda Board as well as a keen interest in building on Croda's strong culture to deliver superior business performance. As the new Chair of the Croda Audit Committee he aims to maintain the high standards set by his predecessor. He is also a Director and Audit Committee Chair at Koninklijke DSM NV, RHI Magnesita NV and G4S plc.

Board and Committee changes

Alan Ferguson stood down on 23 April 2020. His biography is set out in the 2019 Annual Report and Accounts. John Ramsay was appointed on 1 January 2020 and became Audit Committee Chair on 23 April 2020. Helena Ganczakowski became Senior Independent Director on 23 April 2020.

Key

Chair of the Committee		Risk Management Committee	R
Member of the Committee		Group Executive Committee	E
Secretary of the Committee		Group Ethics Committee	ET
Nomination Committee	N	Group Finance Committee	F
Remuneration Committee	RM	Group SHEQ Committee	SHEQ
Audit Committee	A		



A RM N

Roberto Cirillo, 49
Non-Executive Director

Appointment:
April 2018

Nationality: Swiss

With ten years' experience as Country and Group CEO in the Service and Health Care industries, and many years spent as a strategy practitioner in Europe and Asia, Roberto brings knowledge of and passion for growth and operations to the Croda boardroom. 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 competences with the evolving demands of its multinational markets. Alongside his role as Non-Executive Director for Croda, he is CEO of Swiss Post and 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.



A RM N

Jacqui Ferguson, 50
Non-Executive Director

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 has first-hand insight of transformational/disruptive digital, cyber security, technology and business process solutions. Jacqui spent three years in Silicon Valley as Chief of Staff at Hewlett Packard, focused on a new company strategy and turnaround and she has chaired the public services strategy board for the CBI. Away from Croda, she is a Non-Executive Director of John Wood Group PLC and Tesco Bank, a fellow of the IET, a Trustee of Engineering UK, a member of the Scottish First Ministers Advisory Board and a member of the Advisory Board of Engie UK.



N

Keith Layden, 61
Non-Executive Director

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

Nationality: British

Keith brings to the Croda Board 33 years' experience of working at Croda in a variety of positions, most recently leading the Global Research, Development and Innovation function and as President of the Global Life Sciences business. He also has an interest and background in organisational culture, which is a key consideration in the decision making of the Board. In his roles of Honorary Professor of Chemistry and Industry at the University of Nottingham, member of Council at the University of Sheffield 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.



ET A RM N R E

Tom Brophy, 47
Group General Counsel and Company Secretary

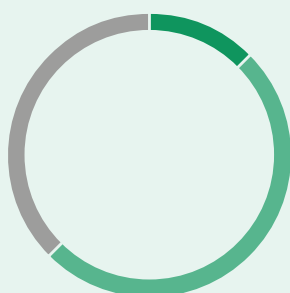
Appointment: December 2012 as Board Secretary

Nationality: British

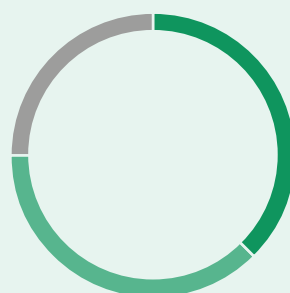
Tom is an experienced corporate lawyer, having worked at City law firm Hogan Lovells and FTSE 100 company Ferguson. His expertise in public and private acquisitions supports Croda's inorganic growth plans and his professional background and breadth of experience in insurance, risk and compliance enable him to Chair the Ethics Committee. Tom provides corporate governance knowhow to the Board and Croda. Having spent many years leading global teams, Tom leads the Legal and Company Secretary team and until recently was Managing Director of the Western European Region.

Board age and tenure

Age



Tenure



Board activity in 2020

There were eight meetings of the Board during the year. The Board agenda programme ensures strategic, operational, financial, human resources and corporate governance items are discussed at the appropriate time with additional deep dives into key strategic areas during the year. The Board agenda has strong links to the strategic objectives for the business and is set via a collaborative process between the Chair, Group Chief Executive and Company Secretary. This ensures adequate time is allocated to allow effective discussion.

An additional strategy day, attended by members of the Executive Committee, is held during the year. The strategy day is held in the first half of the year, followed by the consideration of the three-year plan in the autumn and then the approval of the budget towards the end of the year.

In addition to the formal Board meetings, the Board had 15 additional update calls via video conference, to discuss business performance in the COVID-19 environment and to ensure additional time was allocated to review the impact on stakeholders of any additional strategic opportunities.

Key highlights of the Board's 2020 activities and priorities are set out below, along with an estimate of the proportion of the time that the Board spent discussing each area.

Strategy (50%)

- Group strategic ambition and priorities
- Group strategic projects and targets and regular updates on progress
- Sustainability strategy and targets
- Safety, health, environment and quality – including behavioural safety, safety leadership and process safety
- Growth priorities and future markets
- Presentations on 'fast grow China' by the local management team
- Product innovation programmes and technology platforms
- Consideration of Avanti, Iberchem and other acquisition opportunities
- Digital strategy
- Product manufacturing strategies
- Capital expenditure approvals



- Business presentations from all sector Presidents
- New and Protected Products pipeline
- Review of Sustainability Report
- Responsible business activities

People (15%)

- Croda's Purpose and developing a purpose-led culture
- Succession planning and organisational restructure, including senior management succession
- Female talent review and mentoring scheme
- Leadership training and development
- The Board's engagement with employees and the employee voice
- Extension of the term of office of Helena Ganczakowski and Keith Layden
- Diversity – Board diversity policy, diversity and inclusion of our workforce and the gender pay gap reporting
- Diversity & Inclusion training
- Modern Slavery reporting
- Health and safety of our employees and contractors
- All-employee sharesave grants

Governance and reporting (10%)

- Board and Committee effectiveness evaluation
- Review of Annual Report and Accounts and other financial statements
- Governance compliance review
- Presentation from the Director of Investor Relations and Corporate Affairs
- Investor relations review
- Ethical compliance programme
- Group litigation report
- Group insurance programme

Financial, risk and performance management (25%)

- Trading performance, including COVID-19 response
- Review of key risks, internal and external assurance of each risk
- Review of risk appetite statements
- Preparations for Brexit, including the key risks and mitigating actions
- Dividend policy and dividend approvals
- Long-term viability statement
- The Group's budget, forecasts and key performance targets and indicators
- A review of the Company's tax strategy
- Placing of shares associated with the Iberchem acquisition
- A post-implementation capital expenditure review

Standing agenda Items

- A Health and Safety and environmental update is the first operational matter considered by the Board at each meeting
- The Group Chief Executive and Group Finance Director present reports on trading matters and financial performance
- The Group General Counsel and Company Secretary updates the Board on changes to relevant laws, regulations and governance matters

Outside the boardroom

The Board undertook a number of site visits in 2020 when Government guidelines allowed. Roberto Cirillo toured Chocques in France at the start of the year. He also received a site presentation and had a separate session with a number of employees. In September 2020, three Board members visited the Ditton site and visited the biotechnology plant, the biopolymers plant and the laboratories. They received presentations from local management and met operational employees. Three Board members also visited the Rawcliffe Bridge site and toured the warehouse, the control room and met the quality control team. In all cases they received presentations from local management, met operational employees and received briefings on Health and Safety and key risks at each site. These visits offer an additional opportunity to discuss areas relevant to the Board.

The Directors attended two meetings to review the Group's strategy, one focusing on the long-term strategy and the other the three-year strategic plan.

The Non-Executive Directors have direct access at any time to the Executive Directors, senior management teams and employees across the Group. This provides the opportunity to develop a deeper understanding of the Company's operations or to request information about specific areas. These relationships strengthen the ability of the Non-Executive Directors to constructively challenge at the Board meetings.

The Chair spends time interacting with the Chief Executive, Group Finance Director, Company Secretary and the senior management team between Board meetings. During 2020, the Chair had monthly meetings with the Executive members and the rest of the Executive management team. This ensured that she was kept up to date on significant developments and emerging issues and opportunities.

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.

Progress on focus areas for 2020

<p>Ensure safety leadership continues to be prioritised and performance monitored</p>	<ul style="list-style-type: none"> • The Board held regular calls with the Executive during the COVID-19 pandemic, with safety as the highest priority • Received updates in safety leadership in all business reports and presentations, including a presentation from the Global head of SHE on the implications of the pandemic on safety management across the business and process safety assurance. The Board assessed the risks relating to remote SHE audits • Reviewed and challenged management on the trends in safety performance, including process safety incident rates and recordable injury rates • Approved Croda's SHE behaviour standard, a framework that covers behaviours expected across all levels in the organisation and linked to our values 	<p>Looking Ahead to 2021</p>
<p>Focus on the balance between organic/inorganic growth and the short term/2030 strategic plans</p>	<ul style="list-style-type: none"> • Worked with the Executive team to further define and operationalise the Group's 2030 strategic priorities • Strategically targeted M&A, including Avanti and Iberchem which accelerated our strategic delivery in the Life Sciences and Consumer Care markets • Approved several organic capital expansion projects including investments in the UK and US to deliver drug delivery scale-up requirements • Approved a significant contract with Pfizer in support of our fast growing Health Care business 	<ul style="list-style-type: none"> • Ongoing focus on safety leadership • Continue to oversee delivery of the 2030 strategy, with focus in 2021 on sustainability, innovation and our Consumer Care and Life Sciences market sectors • Consider how to further enhance Board diversity • Bring more external and customer insights into Board meetings to help shape thinking and decisions
<p>Continue to support and challenge management on the delivery of the 2030 strategy, with a focus on organisational structure and capability</p>	<ul style="list-style-type: none"> • Organisation and Executive team reorganisation to refresh talent and create the optimal structure to deliver the 2030 strategy • Received presentations on key strategic enablers, including digital capability and process transformation 	
<p>Oversee the embedding of our sustainability Commitment to be Climate, Land and People Positive by 2030</p>	<ul style="list-style-type: none"> • Sustainability Committee established • Non-financial KPIs developed • Sustainability performance objectives incorporated into Executive remuneration • Investor sustainability day held in October 2020 • Received updates from the Group's sustainability leaders and team 	

Board engagement with stakeholders

The Section 172(1) statement and the key stakeholder groups that form part of our stakeholder ecosystem are on pages 14 to 21 and 58 to 61.

By understanding the interests and needs of our stakeholders, the Board can take these into account in boardroom discussions and 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.

The Chair and Company Secretary provide guidance when required at Board meetings to ensure sufficient consideration is given to the likely consequences of any decisions in the long term and to the interests and impact of such decisions on our stakeholder groups. The relevance of each stakeholder group may change depending on the issue under discussion and the Board always seeks to understand the priorities and interests of each stakeholder group during its deliberations and decision-making process. The Board continued to enhance its methods of

engagement with the workforce during the year. With regard to the 2018 Corporate Governance Code, the Board utilises a variety of different methods to engage with and gather the views of the workforce, ranging from pulse surveys and listening groups to site visits and Board mentoring programmes. Details of these engagement mechanisms can be found throughout this report. These mechanisms provide the Board with meaningful and regular dialogue with employees and are effective in providing the Board with an understanding of the interests and views of the workforce, taking them into account in its decision making. Significant engagement is also carried out through our commercial and functional business teams. The Board engagement table below describes how the Board seeks to understand the interests of our key stakeholders and also shows where further information is available throughout this report.

In addition, the Board receives information through the following methods which assists the Directors in their understanding of stakeholders and to perform their duties:

- An annual strategy review which assesses the success in the delivery of the Group's strategy

- Annual presentations to the Board from all the members of the Executive on the performance across the sectors and regions. A broad spectrum of employees from across the business are invited to present to the Board
- An annual Board presentation on progress with the Group's sustainability agenda from the wider sustainability team
- The CEO regularly updates the Board on interactions with customers and his engagement with policy makers and regulatory bodies
- The Group Finance Director maintains a regular dialogue with shareholders and updates Board members between meetings on any material issues
- Comprehensive reports which cover
 - Risk
 - Global operations including customer service
 - Innovation
 - SHEQ and Sustainability
 - IT and Digital operations
 - Legal and Company Secretarial
 - HR, culture and diversity
- Surveys and reports from brokers and advisers

Board engagement with stakeholders



Our people – Our success depends on our skilled employees. The Board meets regularly with employees, during site visits and Board presentations. Although business travel and face-to-face meetings were restricted during 2020, Board members continued to engage with a wide range of employees through video calls and received and discussed the results of employee pulse surveys and listening groups that took place throughout the year.

→ See page 16



Our shareholders – Board engagement is primarily through the Group Chief Executive, Group Finance Director and the recently appointed Investor Relations and Corporate Affairs Director. The Directors attend the AGM to allow shareholders to ask questions directly, although this was not possible in 2020 due to government restrictions.

→ See page 21



Our customers – Our direct sales model ensures we work closely with customers and allows us to develop a deep understanding of their needs. The Board receives customer insights and information through Board reports from the CEO and sector teams, as well as during strategy and business presentations.

→ See page 17



Local communities – As a responsible business, we believe it is essential that we operate safely and sustainably and that we understand the impact of our operations on local communities and on the environment. Living our Purpose also means we are committed to providing a positive impact to society and we nurture the links we have to our communities through our offices and our sites. Throughout the pandemic our employees have contributed to their local communities through both our long running 1% Club programme and STEM programme, our community consultation committees and through our Acts of Kindness initiative. The Board regularly receives information and feedback on these activities.

→ See page 20



Our suppliers – Supply chain integrity is essential to being a sustainable business and our supplier relationships provide valuable insights to the Board. Site and purchasing teams engage and partner with suppliers on a wide range of matters, from product stewardship and ethical sourcing to regulatory compliance and operational improvements. The Board understands these issues through Board reports and engagement with our operations and functional teams.

→ See page 18

Acquisitions and considering our stakeholders

The Board approved two substantial acquisitions during the year, Avanti and Iberchem. As part of the acquisition processes, the Board was informed of the interests of a wide range of stakeholders through presentations and detailed papers. The Board considered both acquisitions at several Board meetings, allowing time to consider and interrogate the information presented and ask for clarification where necessary.

A separate resource centre was available that contained greater detail of all the due diligence information. The governance around these approval processes enabled the Board to conclude that the acquisitions were likely to promote the success of the Company for the benefit of shareholders in the long term.

The first was the acquisition of Avanti in August 2020.

Shareholders — The Board considered not only the strategic fit but also the alignment of the business with Croda's Purpose of using Smart science to improve lives™. The Board also considered the financial returns of the acquisition and concluded that it was in the best interest of the Company and its shareholders to approve the transaction.

Communities — The Board took account of the impact of the acquisition on the community. Croda's expansion plans for Avanti benefited local communities given the need to create new jobs to deliver the growth plans.



Customers — The Board believed that Avanti's expertise in drug delivery technologies for pharmaceuticals and Croda's access to global markets, manufacturing expertise and ability to scale up Avanti's technology would bring great benefits to our customers.

People — The Board felt that the combined businesses would provide a significant contribution to Croda's ambition to become People Positive. This was later demonstrated when the Board approved a commercial agreement with Pfizer to supply novel excipients used in the manufacture of the critical COVID-19 vaccine candidate.

In November 2020, the Board approved the acquisition of Iberchem, a fragrances and flavours business. The Board concluded that the acquisition would create a compelling platform from which to grow the combined business in the long term and was in the best interest of the Company.

Shareholders — The Board decided that the most appropriate method to finance the acquisition was via a combination of the Group's existing debt facilities and the proceeds of an equity placing. This structure preserved the Group's robust financial flexibility and balance sheet strength. The Board also took account of the projected financial returns.

The Board took account of the need to treat all stakeholders fairly and provided retail investors the opportunity to participate in the equity raise through an offer for shares on the PrimaryBid platform.



Customers — Although an adjacency to Croda's existing businesses, the Board considered that Croda's formulation capability would complement Iberchem's expertise, and that bringing the two businesses together would create a new, full-service offering to meet our customers' needs.

People — The Board considered the interests of our pension trustees in reaching their decision on the financing structure. UK employees were informed of and given guidance on how to participate in the retail offer should they wish to do so.

Payment of dividend

During the year, the Board considered the recommendation of a final dividend and the payment of an interim dividend. This was at a time of great uncertainty about the future because of the global pandemic.

The Board considered that the balance sheet strength of the Company and limited leverage provided reassurance that the Company could continue to pay dividends even at a time of great uncertainty. In reaching this decision the Board carefully considered the interests of all stakeholders.

It had regard to the fact that no employees had been furloughed or made redundant and that the pay and benefits of those self-isolating, unwell or with caring responsibilities had continued. The Board noted that no government liquidity facilities had been utilised, and took account of the fact that Croda had supported suppliers and customers with the offer of flexible payment terms. Finally, the Board considered the interests of our local communities and noted the Acts of Kindness initiatives, which saw a financial

donation by Croda to support local communities in their fight against the pandemic.

Taking all these factors into account, the Board was reassured that there had been fair and consistent treatment of all our key stakeholders during the crisis, and that payment of the dividends were in the best interests of the Company.

Communication with shareholders

The Board maintains open and regular dialogue with shareholders to ensure that they understand our strategy and trading performance, and to listen to their feedback.

Our investor relations activity is led by a recently appointed Investor Relations and Corporate Affairs Director who reports to the Group Finance Director, with other Directors and Executives involved as appropriate. We maintain relationships with existing and potential investors, and 20 analysts in the US, UK and other countries in Europe, who provide an important source of independent analysis on Croda. We continue to increase engagement on ESG topics and prioritised our engagement with ESG rating agencies this year to focus on those most regularly used by our shareholders.

The Board engages with shareholders through the Group Chief Executive, Group Finance Director, the Chair and the Chair of the Remuneration Committee/Senior Independent Director. In 2020 we provided more regular and detailed disclosure during the COVID-19 crisis, publishing trading updates and communicating directly with shareholders by letter. We undertook extensive scenario testing in line with investor focus on business continuity and continued to pay dividends to shareholders in line with the Board's commitment to treat all stakeholders fairly.

In November, we raised gross proceeds of £627m in new equity to part-fund the acquisition of Iberchem, three quarters of which was allocated to existing shareholders. We invited our most significant shareholders to discuss the acquisition in advance and carefully followed the principle of pre-emption to ensure the 100 existing institutional shareholders who supported the placing received at least their pro-rata allocation, where requested. We also allocated the maximum permitted number of shares to smaller shareholders and employees through a separate retail offer.

During the year, we met more than 350 investors including two thirds of institutions on the shareholder register, with over three quarters of meetings taking place in a virtual format. We also held a capital markets seminar to explain our sustainability strategy which was attended



2020 Sustainability investor seminar

In October 2020 we hosted a virtual investor seminar on Sustainability. Croda speakers included Steve Foots, CEO, Stuart Arnott, President of Sustainability and members of his team, and leaders of Croda businesses. External speakers at the event were customers from Bayer and Henkel and a Director of the Cambridge University Institute for Sustainability Leadership. The live event attracted 250 delegates, with a further 150 viewing the content on demand in the weeks after the event. Attendees represented a

cross-section of ESG specialists, generalist investors and specialists in the Chemicals sector.

To support investor engagement on ESG topics, in 2020 we also created a single 'sign-posting' website page and a data pack collating non-financial information. Priorities for 2021 are continued assessment of the carbon benefits of Croda's products in use and the application of the EU taxonomy to Croda.

by almost 250 delegates (see above). These meetings provided an opportunity to capture shareholders' views which are reported regularly to the Board. The Senior Independent Director and all Non-Executive Directors are available to attend meetings if required by shareholders; no such meetings were requested by shareholders during the year.

The Board receives a monthly investor relations report, as well as updates on the trading environment, including retail sales information, and on Croda's performance in relation to peers. The Investor Relations and Corporate Affairs Director presented to the Board in September providing an opportunity for Board members to discuss shareholder feedback.

All Company results presentations and events are webcast and include a live Q&A, so that all shareholders have an opportunity to ask questions. The answers to the most commonly asked shareholder questions and a calendar of 2020 investor events are on the opposite page.

In 2021 we plan to combine our successful digital engagement with the resumption of face-to-face meetings and site visits when safe to do so. We look forward to resuming our governance lunch with shareholders and expect to continue to increase engagement on ESG topics.

Substantial shareholders

As at the date of this Annual Report and Accounts the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority:

	Number of shares	% of issued capital
Massachusetts Financial Services Company	12,551,036	9.73%
BlackRock, Inc.	8,534,795	6.62%
Mawer Investment Management Limited	6,438,386	4.99%
RBC Global Asset Management Inc.	5,212,886	4.04%

Commonly asked shareholder questions

1. How does the Company manage its allocation of capital?

With our strong return on invested capital, we seek opportunities to expand capacity for existing products and create capacity for new innovative products through our organic capital investment programme. This investment is increasingly focused on our sustainability strategy, particularly where it supports innovation for customer benefit. We also prioritise a regular ordinary dividend in line with our dividend policy. Surplus capital is invested in inorganic expansion through acquisitions or returned to shareholders where capital is surplus to our medium-term requirements. Our capital allocation policy is set out in the Finance review on p42.

2. What are Croda's priorities in respect of acquisition activity?

There are a very limited number of large-scale opportunities, so our focus is primarily on technologies and mid-scale acquisitions. By investing in, partnering with or acquiring businesses with nascent technologies, we bring advanced research pipelines into Croda in support of our in-house innovation programme. We also acquire mid-sized, knowledge-based businesses, principally in existing or adjacent consumer care and life science markets.

3. What is the potential of Avanti Polar Lipids acquired in August 2020?

Avanti specialises in the development of high-purity lipids that are increasingly being used in the delivery of next-generation pharmaceuticals including mRNA-based drugs and vaccines. The potential of lipids as the delivery system for mRNA has been demonstrated with the Pfizer-BioNTech vaccine and our contract to supply vaccine components. mRNA is degraded quickly and is not stable, so lipids are used to encapsulate the mRNA and transport it to the immune cells. The technology has potential beyond COVID-19 and vaccines, into the treatment of cancer, infectious diseases and inherited illnesses.

4. You also acquired Iberchem; why did you want to enter the Fragrances and Flavours (F&F) market?

Prior to the acquisition of Iberchem, fragrances were the one value-add ingredient of most personal care and home care formulations that we did not offer. With Iberchem, we can provide a full formulations service that is particularly appealing to regional and independent businesses. Iberchem has a similar customer profile to Croda, but 83% of its sales are to emerging markets so there is an opportunity to leverage respective customer networks. We can also drive a more sustainable approach at Iberchem which is a potential source of competitive advantage in F&F markets.

5. Revenue growth has been disappointing in the last two years. What is your medium-term guidance for the three core Sectors?

We are well aligned to the megatrends that will drive future growth, including sustainability, digital and emerging markets. Our expectations are to organically grow Consumer Care at mid single-digit percentage with continued industry-leading margins. We expect Life Sciences to grow by mid to high single-digit percentage with growing margins. Our priority for Performance Technologies is an improved portfolio driving a greater focus on sustainable technologies and reduced cyclicality. We are targeting sales growth at global GDP and an improved return on sales of 20%.

2020 investor calendar

Over three quarters of our meetings with investors during 2020 were held virtually.

January	Close Period
February	Full year results announcement and roadshows
March	Results roadshows and investor conferences
April	Annual General Meeting. COVID-19 announcement and letter to shareholders
May	Global roadshows and private client fund manager engagement
June	Investor conferences
July	Half year results announcement and roadshows
August	Investor engagement on Avanti acquisition
September	Virtual seminar on Croda's Health Care business
October	Sustainability investor seminar
November	Investor presentation and meetings on Iberchem acquisition
December	Investor conferences



Division of responsibilities

The Board

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.

Independent Non-Executive Directors

The role of independent Non-Executive Director 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 33 years, the latter five of which were as a member of the Board, Keith Layden is not considered independent. However, because of that experience, Keith contributes strongly to the Board's culture and personality, and adds unique and valuable insight and constructive challenge.

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.

Group Finance Director

The role of Group Finance Director is to bring a commercial and financial perspective to the boardroom. Working with the Chief Executive, he is responsible for the leadership and management of the Company according to the strategic direction set by the Board. He 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 ensures that Board procedures are complied with and advises on regulatory compliance and corporate governance. This role is to support the Chair and the Non-Executive Directors.

Principal Board Committees

Nomination Committee
Chaired by Anita Frew

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 66 to 67.

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 70 to 75.

Remuneration Committee
Chaired by Helena Ganczakowski

Recommends the Company's remuneration policy and framework and determines the remuneration packages for members of senior management. For more information see pages 76 to 101.

Governance structure

The Board has three main Committees: the Nomination Committee, the Audit Committee, and the Remuneration Committee. The terms of reference for each Board Committee can be found at www.croda.com.

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 Group Finance Committee; the Risk Management 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 and the membership as at year end is shown on page 63.

Meetings

Membership of the Board and its Committees, and attendance (eligibility) at meetings held during the year ended 31 December 2020.

Chair of the Committee	Board	Nomination Committee	Audit Committee	Remuneration Committee
Anita Frew (Chair)	8 (8)	4 (4)		
Roberto Cirillo	8 (8)	4 (4)	5 (5)	5 (5)
Jacqui Ferguson	8 (8)	4 (4)	5 (5)	5 (5)
Steve Foots	8 (8)			
Helena Ganczakowski	8 (8)	4 (4)	5 (5)	5 (5)
Keith Layden¹	8 (8)	3 (4)		
Jez Maiden	8 (8)			
John Ramsay	8 (8)	4 (4)	5 (5)	5 (5)
Alan Ferguson²	2 (2)	2 (2)	3 (3)	3 (3)

1. Keith Layden did not attend the meeting where his reappointment was discussed.
2. Alan Ferguson retired from the Board on 23 April 2020.

In addition to the meetings scheduled as part of the Board programme, an additional 15 Board calls were held via video conference to discuss the Group's response to the COVID-19 pandemic and additional strategic opportunities.

Group Chief Executive

Group Executive Committee Chaired by Steve Foots	Group Finance Committee Chaired by Steve Foots	Risk Management Committee Chaired by Jez Maiden	Group SHEQ Steering Committee Chaired by Mark Robinson	Group Ethics Committee Chaired by Tom Brophy	Sustainability Committee Chaired by Stuart Arnott
The Committee meets eleven times a year 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.	The Committee meets eleven times a year to review monthly operating results and examine capital expenditure projects. The Finance Director, President of Global Operations and Group Financial Controller also attend.	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 assess emerging risks. Three Executive Committee members attend as well as the Group Financial Controller and VP Risk and Assurance.	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. The Chief Executive and three Executive members attend. The VP Risk and Assurance also attends.	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. It comprises five Executive Committee members. The VP Risk and Assurance also attends.	The Committee meets quarterly to further develop the Group sustainability strategy, to embed sustainability practices throughout the organisation and to monitor progress towards achieving our Commitment. It comprises a diverse group of leaders representing all aspects of our business and each Committee member is the champion for one or more of the KPIs in Our Commitment.



Composition, succession and evaluation

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.

Training and briefings are available to all Directors taking into account their existing experience, qualifications and skills. In order to build and increase the Non-Executive Directors' familiarity with, and understanding of, the Group's people, businesses and markets, senior managers regularly make presentations at Board meetings. As well as planned training on governance, legal and regulatory matters. The programme is sufficiently flexible to capture new and emerging regulation, development stemming from evaluation and specific training requests from Directors. Each Director's training programme includes the same online training on competition law and anti-bribery and corruption as taken by managers and selected employees across the Business.

Before each Board meeting, the Company Secretary makes sure that the meeting papers are made available electronically one week in advance, which ensures that each Director has the time and resources to fulfil their duties. Directors have the opportunity to raise questions stemming from the papers prior to the meeting, should they wish to do so. 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.

Conflicts of interest

The Board has an established process for declaring and monitoring actual and potential conflicts. The Articles of Association of the Company allow the non-conflicted members of the Board to authorise a conflict or potential conflict situation.

Details of the professional commitments of the Chair and the Non-Executive Directors are included in their biographies on pages 54 and 55. The Board is satisfied that these do not interfere or conflict with the performance of their duties for the Company.

Independence of Non-Executive Directors

Croda complies with the Financial Reporting Council's Reporting Code (the 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 six such Directors, including the Chair and the Senior Independent Director, each of whom has significant commercial experience. Their understanding of the Group's operations is enhanced by regular business presentations and site visits.

The independence of the Non-Executive Directors is kept under review. The Chair was independent upon her appointment in 2015 but, as Chair, is not classified as independent. 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.

Board re-election

The Board has a broad range of skills and experience from different industries, advisory roles and from international markets. These skills support the strategic aims of the Company. Following 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. Full biographies for the Directors are on pages 54 and 55.

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.

Board evaluation

Each year, the Board undertakes an evaluation of its own effectiveness and performance and that of its Committees and individual Directors. Every three years, the evaluation is externally facilitated.

In 2020, following a competitive tender process during May and June, Heidrick & Struggles, an independent party and not subject to a conflict of interest, were appointed to undertake an external evaluation. Heidrick & Struggles have a long history of working with boards, using a methodology for evaluation that focuses on four areas: mobilisation (including board dynamics, strategy and diversity); execution (including talent, composition and operating mechanisms); transformation (including purpose, succession and disruption); and agility (including resilience, adaptability and foresight).

The planning of the Board review started in July 2020 to ensure the Board agreed with the proposed approach to be taken and specific areas of focus. Given the restrictions on face-to-face meetings and on travel, careful thought was given as to how to carry out an effective externally facilitated Board review virtually using videoconferencing. The Chair and Company Secretary worked closely with Heidrick & Struggles to agree the sequencing and timetable for the review.

Board Effectiveness Review methodology

Confidential interviews

Structured interviews were undertaken with each Director and the Company Secretary to understand the strengths and development areas for the Board. The discussions were focused on Board dynamics, composition and trust in addition to the role and effectiveness of the three Board Committees; Audit, Remuneration and Nomination. In addition to the Board, views were sought from other invited attendees, for example the Group Financial Controller and the Vice President of Risk and Assurance.

Quantitative survey

An online survey was completed by all participants to surface areas of alignment and misalignment on the Board.

Capability review and benchmarking

A capability review of Croda's Board was created against agreed metrics which included other Boards with a strong sustainability agenda.

Document review and observation

Documentation and information flows between Board members were reviewed to understand what items are being discussed and considered and with what frequency over the course of a year. One Board meeting and the Committee meetings were observed virtually.

Outcomes of the Review

The evaluation concluded that the Board was highly effective with many signature strengths.

Strengths

- Trust in the boardroom –The Board is a transparent, open, inclusive environment. The Board are engaged and support and trust each other. The Chair plays a fundamental role in creating these dynamics.
- A track record of improvement –The Board continues to evolve in composition, gender representation, operating mechanisms and purposeful focus on strategy.
- Adaptability and agility – The Board is particularly good at pivoting and adapting under pressure. The agility and capability to react to a crisis was tested in 2020 and the Board responded robustly.
- Purpose that drives decision-making – The Board has high integrity and confidence in the strategy, purpose and values. Board members spend time getting to know the business, executives and rising talent. This helps to guide and anchor decision-making.
- Committees – All Board Committees were performing well and were effective. They are led by strong, capable and effective Chairs that encouraged a supportive environment and quality conversation. The flow of information was good and members were well prepared.

Development areas

- Increase challenge and debate – There is opportunity to increase the level of challenge at Board meetings, exploring alternative perspectives.
- Invite more outside-in thinking –The Board should consider bringing even more external and customer insights into the conversations to help shape thinking and decisions.
- Accelerate diversity and drive inclusion – Although the Board is a leader in terms of gender diversity, it could also further reflect the markets, customers and segments that the Group serves.
- Learn and make changes – There is room to improve the embedding of 'lessons learned' and to further challenge the Executives to drive necessary change.

Board review Sequencing and timetable



2020 July-August

Socialise plan

- Agree outcomes and timing
- Socialise approach with the Board



Sept-Early Nov

Diagnose

- Analyse key documentation
- Measure Board acceleration potential through the Board Accelerator Questionnaire (BAQ)
- Tailor interview guide; conduct structured interviews
- Observe the Board in action during Board meeting and Committee meetings



Mid-Late Nov

Look in the mirror

- Prepare draft Board report; socialise with key stakeholders
- Facilitate a review of findings and action planning with the Board members
- Refine as required



December

Action plan

- Prepare a Board report with accurate insights and actionable recommendations
- Brief the final Board report to key audiences



2021 Onwards

Create change

- Board to lead the implementation of improvement initiatives

Report of the Nomination Committee
for the year ended 31 December 2020



Anita Frew
Chair

Dear fellow shareholder

I am pleased to present the Nomination Committee report for the year ended December 2020.

Main activities and priorities in 2020

Board changes and succession planning

John Ramsay was appointed to the Board on 1 January 2020 and became Audit Committee Chairman on 23 April 2020 when Alan Ferguson stepped down. At the same time Helena Ganczakowski became Senior Independent Director. Helena's appointment was considered by the Committee and her term was extended by another year in line with the Nomination Committee policy that once a Non-Executive Director has served six years, any extension to their term would be on a year-by-year basis.

Keith Layden's initial three-year term of office as a Non-Executive Director expired on 1 May 2020. The Committee performed a review of his appointment and considered his contribution to boardroom discussions, industry knowledge and time commitment to the appointment.

The Committee endorsed the Chairman's recommendation to extend Keith's term of office which was then extended for a further three years to 1 May 2023.

Early in the year, the Committee had an update on the review of talent and succession planning within the Group. Succession plans for sector, region and function had been updated and the plan to improve female talent in senior succession plans was in place. A diverse group of individuals commenced a programme of mentoring by the Group Board and Executive management team.

In July 2020, the Committee considered the proposals to restructure some areas of the business in line with the 2030 strategy. The restructuring provided opportunities for several individuals identified through the Executive development plans and the review of talent process.

Some changes were made to the Executive Committee. Sandra Breene was appointed to the newly created role of President Regional Delivery, with all the Regional MDs reporting to her. With the integration of the Home Care business into Personal Care to form the new Consumer Care sector, Maarten Heybroek was appointed to the role of President Consumer Care.

Nick Challoner continues in his role as President Life Sciences but in addition has been appointed to a newly created role of Chief Scientific Officer. Anthony Fitzpatrick, President Corporate Development was appointed to the additional role of President Performance Technologies and Industrial Chemicals (PTIC).

Our strategic commitment to sustainability is aligned with delivering superior performance to stakeholders and at the end of 2019 Stuart Arnott was appointed to a newly created role of President of Sustainability. In this role he chairs the Sustainability Committee, which was established during the year. Mark Robinson was appointed President Global Operations, the role formally held by Stuart Arnott, and during 2020 Mark joined the Executive Committee.

Diversity and Inclusion

The Board supports the recommendations of the Hampton-Alexander and Parker Reviews in relation to gender and ethnic diversity. Research has shown that greater diversity can foster innovative thinking and provide businesses with access to a wider pool of talented people. As a Committee we have worked hard over the last few years to ensure we have an inclusive and diverse Board and I am pleased that we have maintained our position of having in excess of 30% of women on the Board (including female Directors as Chair and Senior Independent Director), but as yet we don't have any ethnic diversity on the Board. This will be a focus for the Committee during 2021.

The Committee carried out a review of the size and composition of the Board and the collective skills and experiences of the Directors. Diversity was a key consideration through this process and the discussion. During 2021 the Committee will consider the need to add an additional Director to the Board. When we search for new Directors we ensure that the longlists and shortlists of candidates are gender balanced and candidates are drawn from a wide range of backgrounds, including ethnically diverse candidates. We take care not to create a specification that has the effect of reducing the diversity of the potential pool of candidates.

A copy of our Board Diversity Policy, which is regularly reviewed by the Board, is available in the corporate governance section at www.croda.com. For more information on our Board see the Directors Biographies on pages 54 and 55.

We will be working alongside the Executive Committee in deciding what we need to do as an organisation if we are to achieve our People Positive commitment. It is incumbent upon us to create a psychologically safe place for our employees, an environment where they feel included. In doing so, we will enable them to perform to their best abilities, bringing rewards for them and for Croda. Our core value of 'Togetherness' will help guide us in this journey. This applies equally to the Board and Executive Committee as to the wider organisation.

The gender balance on Executive Committee and senior management teams (direct reports to the Executive Committee) by 31 December 2020 stood at 26% female. We continued to increase the diversity of our leaders below Board and Executive Committee level. 26% of our Top 50 employees are female, with the Top 50 made up of employees across nine nationalities. Of particular note in 2020 was the appointment of female employees to the Regional Managing Director roles in Europe and Latin America. We also appointed a female manufacturing site head and have for the first time employed female operators at many of our sites. We know we still have work to do to create further diversity, but these are highly visible leadership roles and will create role models for other female and ethnically diverse employees to look up to as they consider their career paths in Croda.

There have been initiatives to improve diversity throughout the Group and the Board receives reports from the Group HR Director on these initiatives throughout the year. Members of the senior management team are given the opportunity to present to the Board whenever the opportunity arises.

Diversity training is included in all of our induction and management development programmes. We have a global Diversity and Inclusion Committee to promote and inform improved diversity across our business. The whole organisation was given access to an online course on unconscious bias which has been completed by over 50% of colleagues to date. Six internal podcasts have been published discussing various aspects of inclusion and a website developed with further resources for colleagues to access. Last year we set new targets to double the number of women in leadership positions by 2025 and to achieve gender balanced shortlists for 80% of our roles by 2023. By the end of 2020 we had increased the number of women in leadership positions by 19%.

Other activities of the Committee

During the year the Committee reviewed the development plans for each Executive Committee member, and these were taken in to account as part of the Executive Committee changes that took place in 2020.

The Committee reviewed the time commitment of the Non-Executive Directors. It was satisfied that all the Non-Executive Directors remain able to commit the required time for the proper performance of their duties. They also considered and concluded that, except for Keith Layden, all 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.

The Directors, together with the Executive Committee, continued our participation in a formal mentoring programme, mentoring some of our most talented employees in their careers at Croda. This provides opportunities for the Committee members to get to know our leaders of the future and provides mentees with role models and development opportunities.

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



Anita Frew

Chair of the Nomination Committee

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 the Board
- 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 make recommendations on succession planning for the Board.

Detailed responsibilities are set out in the Committee's terms of reference, which can be found in the governance section at www.croda.com.

Members of the Executive management team attend the meetings on request and details of

attendance at the meetings during the course of the year can be found on page 63.

Induction

The Company provides new Directors with a comprehensive and tailored induction process which includes meeting the members of the Board and Executive Committee, meetings with key senior managers and the Group's audit partner.

Induction programmes are developed by the Group's Company Secretarial department and discussions start well in advance of the appointment date to tailor the experience to the exiting knowledge base of the Director. If considered appropriate, new Directors are provided with external training that addresses their role and duties as a Director of a quoted public company.

John Ramsay's induction began during 2019 in advance of his appointment to the Board from 1 January 2020.

He was given access to our electronic Board paper system and the Group intranet which provided easy and immediate access to key documents including:

- the previous twelve month's 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 broker reports and feedback from our stakeholder engagement programmes
- information on our sustainability initiatives;
- Matters reserved for the Board and the Committee terms of reference and other key policies.

Given the focus on Health and Safety in all the Board meetings, John's first session on commencing his role was with the Group Health and Safety Director. In the first few months John spent significant time with Alan Ferguson, the outgoing Chair of the Audit Committee to ensure the transfer of knowledge and an orderly handover of duties at the AGM on 23 April 2020. John also spent considerable time with KPMG, the Group Auditor and our Vice President Risk and Assurance.

In addition, John had individual meetings with all the Board members, the Executive management team and the IT Director. He also had meetings with all the senior members of the global finance team. As well as a tour of the R&D function at Cowick, John undertook a comprehensive tour of the Rawcliffe Bridge site which included presentations by the site senior management team. A number of other planned visits were curtailed because of the global pandemic and these will be rescheduled as soon as they can go ahead in 2021.



Audit, risk and internal control

The Board has established formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Fair, balanced and understandable

The process of compiling the Annual Report and Accounts starts early enough to give the Board time to assess whether it is fair, balanced and understandable, as required by the Code. 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 key messages in the narrative in the Strategic Report and Governance sections of the Annual Report and Accounts were reviewed to ensure they reflected the financial reporting contained in the financial statements.

The Board considered if the Annual Report and Accounts fully 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.

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.

Following this assessment, the Board was of the opinion that the 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.

A full statement of Directors' responsibilities can be found on p105.

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 (FRC's) Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the Corporate

Governance Code itself, an ongoing process has been established for identifying, evaluating and managing the emerging and principal risks faced by the Group (p44). The Executive management have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority which was reviewed by the Board.

In particular, there are clear procedures and defined authorities for the following:

- Financial reporting, with policies and procedures governing the financial reporting process and preparation of the financial statements.
- Internal Controls, with a documented framework of required internal controls. Each reporting location prepares an annual self assessment of compliance with these controls, which is assured during planned internal audit visits.
- Business risks, with comprehensive monitoring and quantification of business risks, under the direction of the Risk Management Committee. The Group's approach to risk management and the principal and emerging risks facing the Group are discussed in more detail in the Strategic Report on p44 to p48
- Capital investment, through detailed appraisal, risk analysis, authorisation and post-investment review procedures.

This process has been in place for the full financial year and up to the date on which the financial statements were approved by the Board.

The Board discharged its responsibility for monitoring the operational effectiveness of the internal control and risk management systems throughout the financial year and up to the date of approval of the Annual Report and Accounts, using a process which involved:

- Review of the controls self-assessment returns in April to ensure internal audit visits focused on key areas (p73).
- Review of the findings from the internal audit assurance programme which reports

through the Vice President of Risk and Assurance, who attends every Audit Committee meeting alongside the PwC internal audit partner (p73).

- Review of closure of management actions to remedy failings and weaknesses identified through the internal audit programme.
- Receipt of written confirmations from relevant senior executives and divisional directors at the end of the year confirming the continued operation of those control elements for which they are responsible.
- Review of the report on significant control weaknesses from the Vice President Risk and Assurance, including whistle-blowing and fraud incidents.
- Annual presentation and review of risk appetite statements, principal and emerging risks and mitigating controls, supported by a quarterly update from the Risk Management Committee (p56).
- Reports from the external auditors.

This system is designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

In order to assess the financial statements, the Audit Committee (p70 to 75) regularly reviews reports from members of the finance team and external Auditors who are invited to attend the Committee's meetings. When conducting its reviews, the Committee considers:

- The accounting policies and practices applied.
- The effectiveness and application of internal financial controls.
- Material accounting assumptions and estimates made by management.
- Any significant judgements or key audit matters identified by the external Auditor (see p107 to p110).
- Compliance with relevant accounting standards and other regulatory financial reporting requirements, including the UK Corporate Governance Code.

Business resilience

As set out on page 6, Croda's overriding priority throughout the COVID-19 pandemic has been to keep our people safe whilst maintaining supplies for our customers.

Strategic and stakeholder considerations

With advance warning of the impact of COVID-19 from our China offices, in February 2020 the Executive team set up a Group-level crisis team. Given the potential seriousness and impact that the spread of the virus could have on Croda, our CEO declared this as a level 1 crisis (the most severe category) and notified the Board. A cross functional global team was assembled under Executive leadership, to assess and understand how the crisis could compromise strategic delivery, to develop mitigating strategies and controls and to manage communications both internal and external. Critical to this exercise was an underlying understanding of our key risks and the operation of the current control environment, which are identified through our risk management framework (p44), supported by scenario testing. The testing confirmed that Croda had sufficient liquidity to absorb extended uncertainty.

Given the severity of the crisis the Board was regularly apprised at weekly meetings of the Board and the Executive members of the crisis team.

Critical initial risks to address were supply chain (raw material security of delivery), maintaining safe operations and ensuring the safety of our employees and all those affected by our operations. The impact on our employee mental health and wellbeing became a particular area of focus when, in March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic and governments globally introduced lockdowns affecting the way everyone in the countries lived and worked. Our IT function immediately developed and rolled out solutions to all employees who were able to work from home, whilst operating sites and laboratories assessed who could work from home and who could not. Manufacturing site heads worked together to share learning and best practice in making our sites and laboratories COVID-19 secure, including introducing new procedures and rules to keep our teams safe and introducing physical changes to the work environment and

changes to shift patterns. These enabled production to continue globally across all our sites and to date only two of our locations suffered temporary shutdowns because of local government requirements. Regular communication with employees through pulse surveys, videos, Company-wide emails and webinars ensured that the team was aware of employee concerns and could respond quickly to them.

In May the Executive Committee and the Board completed a 'plan ahead' review of strategic objectives to assess their continued resilience in the light of the pandemic, concluding that whilst the underlying strategic direction remains unchanged, the delivery of some strategic priorities should be accelerated.

In July the Board assessed the Group's key principal and emerging risks and concluded that the nature of the risks had not changed as a result of COVID-19, although their relevance had, confirming the resilience of the Company's risk management framework.



Audit Committee

The Audit Committee assists the Board in ensuring that the Group's financial systems provide accurate and up-to-date information on the Group's financial position.



John Ramsay
Chair of the Audit Committee

Report of the Audit Committee for the year ended 31 December 2020

As Chair of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 31 December 2020, which provides detail of the activities carried out by the Committee during the year. This is my first year as Chair, and I would like to thank Alan Ferguson, my predecessor, who retired from the Board at the AGM. The COVID-19 pandemic has created a challenging year for everyone involved in the control and audit functions of Croda, and the Committee thanks the executive management team, the external and internal audit teams and Croda employees across the Company for their dedication in securing the control environment throughout this difficult year.

Committee membership

The Committee consists of four Non-Executive Directors. I joined the Board and became a member of the Audit Committee on the 1 January 2020 and became Chair of the Audit Committee on the retirement of Alan Ferguson on 23 April 2020. Having this time before becoming the Chair of the Committee allowed me not only to focus on my induction to the Board and the Group, it also afforded time for a comprehensive and structured handover of the Audit Committee Chair responsibilities.

The experience of each member of the Committee is summarised on pages 54 and 55. I have over 30 years' experience from an international finance background with the Life Sciences businesses of ICI, AstraZeneca and Syngenta and extensive experience as an Audit Committee Chair. The Board considers each member of the Committee is independent within the definition of the Code, has relevant financial experience, as well as a broad and diverse spread of commercial experience, including competence in operating within the chemical industry.

“

The Committee thanks the executive management team, the external and internal audit teams and Croda employees across the Company for their dedication in securing the control environment throughout this difficult year.”

Such consideration provides 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, and that it meets the Code requirements that at least one member has significant, recent and relevant financial experience and that the Committee as a whole is competent in the sector in which the Company operates.

The Chair of the Board, Keith Layden (a Non-Executive Director), the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Vice President Risk and Assurance, who leads the internal audit function, and representatives from the external and internal auditors attend the meetings by invitation.

Continued controls assurance during the pandemic

When the WHO declared COVID-19 a pandemic in March 2020 it was clear that the delivery of planned internal and external audit work would be impacted as a result of local government restrictions on both travel and safe distancing requirements. The annual business and IT controls self-assessment was run as normal in March 2020, and at the April meeting the Audit Committee reviewed the results of the self-assessment (which indicated minimal degradation in control environment). At that same meeting they agreed a revised approach to internal audit delivery via a hybrid mixture of local onsite PwC resource (where this was allowed) and virtual audits,

all managed by a member of the core PwC internal audit team. The audit programme delivered the majority of the originally planned audits alongside new reviews requested by the Committee. The new reviews related to the COVID-19 impact on cyber security on sites and the maintenance of a control culture during the enforced changed ways of working away from the office environment. Feedback from the sites audited, shared with the Audit Committee in January 2021, was that although face-to-face visits were preferred, sites had still seen the expected benefits from internal audit visits. At its July meeting, the Committee discussed the implications of

COVID-19 on the 2020 external audit. KPMG shared their assessment of the increased risks (going concern, goodwill valuation and debtor recoverability), and of changes to their audit approach due to travel restrictions. The Committee agreed that conducting some remote audits and/or additional procedures at Group level would be necessary. Additional time for this work was factored in to the external audit plan to enable KPMG to obtain sufficient evidence to support their audit opinion. The changes to the audit plan were reviewed again in November, and the Committee continued to monitor delivery of the audit plan and its quality throughout the audit period.

The Committee periodically, and I more regularly, meet or speak separately with the Vice President Risk and Assurance and the internal and external auditors without the Executives being present. I also meet with the external auditors, the Group Finance Director and the Group Financial Controller at least twice each year but typically before each Audit Committee meeting 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 better understand the key issues, technical matters and judgements and to make sure sufficient time is devoted to them at the subsequent meeting.

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.

Its key responsibilities are:

- 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, negotiate 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.
- In addition to its 'business as usual' activities, the Committee selects certain focus areas each year for detailed review.
- Detailed responsibilities are set out in the Committee's terms of reference, which can be found at www.croda.com.

Committee evaluation

An external evaluation of the effectiveness of the Committee was undertaken by Heidrick & Struggles during the course of the year. Further details on the process are included in the Corporate Governance report on pages 64 and 65.

The evaluation concluded that the Committee was operating effectively. Committee members were well prepared for meetings, which were open and inclusive, engendering excellent quality conversations and constructive debate. One area for consideration was to make sure the Board's and Committee's areas of responsibilities in relation to risk are clearly defined to sharpen effectiveness and to limit overlap. The Committee will review this during the course of its oversight of the Company's risk management in 2021.

Main ('business as usual') activities of the Committee since the publication of the 2019 Annual Report and Accounts

The Committee met five times in 2020, of which two were after publication of the 2019 Annual Report and Accounts, and three times between the year end and the publication of this Annual Report. There was full attendance by all Committee members at each meeting. The key issues covered at the Committee meetings were reported at the subsequent Board meeting.

The Committee's main business as usual activities, as well as the focus areas, and an estimate of the proportion of time spent on them, are detailed below.

Committee activity in 2020

Financial reporting (25%)

The Committee:

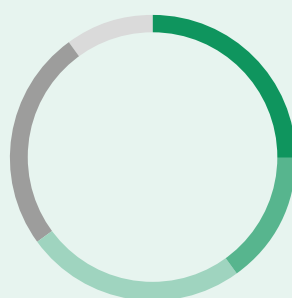
- Monitored the Group's financial statements and results announcements, including the Annual Report and the interim statement.
- With support from the external auditors, reviewed those items in the Group's financial statements that had the potential to significantly impact reporting.
- Reviewed management's accounting judgements and issues, including alternative performance measures, the going concern assessment and exceptional items.
- In conjunction with the Board, reviewed the financial modelling and stress testing conducted for the going concern assessment.
- Reviewed the viability assessment process undertaken in support of the Viability Statement, based on plausible scenarios arising from key risks and their impact on headroom and bank covenants. Challenged the assumptions and scenarios noting the effect they would have during the viability period with particular attention this year being given to the potential impacts on the business from the consequences of the COVID-19 pandemic.
- Undertook regular reviews of the Group's litigation and was satisfied with the approach to provisioning and disclosure.
- Considered the appropriateness of accounting policies, critical accounting judgements and key sources of estimation of uncertainty.
- Received updates on the progress of the Global Finance Standardisation project to improve the quality of product costing analysis and comparison across the Group

Governance (15%)

The Committee:

- Reviewed the input from a compliance review to ensure the Committee met its corporate governance and regulatory requirements.

Audit committee activity breakdown



● Financial reporting	25%
● Governance	15%
● External audit	25%
● Internal audit and risk management	25%
● Specific focus areas for 2020	10%

- 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 policy and were satisfied with the outcome, including follow up actions.
- Received presentations from senior members of the finance team, including the Finance Directors of Western Europe and Latin America.
- Undertook an external evaluation of the Committee's effectiveness. Further details are set out on page 64.
- Reviewed and took account of the annual FRC letter to Audit Committee Chairs.
- Reviewed the Committee's terms of reference and confirmed that the role and responsibilities of the Committee are aligned with the UK Corporate Governance Code. No changes were made.
- Completed its annual review of the Group's tax compliance policy (which can be found on our website) and risks relating thereto.
- Discussed and approved increases to the audit fee to reflect expansion of the Group through acquisition and additional work and use of senior staff arising from recent changes to the auditing regime, particularly in the UK.
- Reviewed the impact of changes to the audit approach resulting from limitations in the reliance placed on IT controls, following a period of change in the systems environment of the Group.
- Discussed the impact of COVID-19 on the delivery of the external audit plan, particularly the impact of remote working on the quality of audit processes
- Met with the external auditors without management present.
- Considered and confirmed the independence of KPMG, as further described on p75.
- Considered the effectiveness of the external audit process and, in light of the findings, recommended the re-appointment of KPMG at the AGM.
- Reviewed candidates for, and agreed to the appointment of, a new audit partner for 2021 onwards, which became necessary following organisational changes within KPMG.

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; the materiality level and the de minimis reporting threshold; the co-ordination of external audits; and the key members of the engagement team.

Internal audit and risk management (25%)

The Committee:

- Received a regular report from the Vice President Risk and Assurance and monitored compliance with the Group risk assurance programme.
- Discussed the impact of COVID-19 on the delivery of the internal audit plan, particularly the impact of remote working on the quality of audit processes. Whilst COVID-19 impacted the starting date of the audit plan, an alternative resourcing model was employed which enabled the majority of the agreed programme to be delivered, alongside continued use of data analytics.
- Considered the themes arising from the controls self-assessment process undertaken in March, discussing themes arising and the plans to address these.
- Discussed the results of the 2020 controls assurance internal audits delivered by PwC, the adequacy of management's response to matters raised and the time taken to resolve such matters.
- Confirmed a reduced scope of Croda 'peer reviews' in the light of COVID-19 restrictions, on the understanding that the programme be reinstated in 2021.
- Considered management action taken with regard to the IT control environment during the year and commissioned further internal audit work to review and recommend improvements for implementation in 2021.
- Considered additional key risks arising from acquisitions during the year.
- Assisted the Board in its assessment of the Group's emerging and principal risks through directing and challenging the results of the 2020 risk assurance activity carried out by internal audit with reference to the Group's principal risks.
- Reviewed and approved the 2021 internal audit plan and supported the review of the digital strategic and global supply chain initiatives.
- Met with the internal auditors without management present.
- Conducted its annual review of the effectiveness of the Group's internal audit function see page 75.

Specific focus areas for 2020 (10%)

As highlighted above, the Audit Committee has delivered on our 'business as usual' work, as set out in our terms of reference. In addition, last year we noted three specific focus areas for 2020, which absorbed the balance of the Committee's time.

Specific focus area	Actions during the year	Progress
Continue to extend cyber security capability	<p>The Committee reviewed and challenged actions taken by management to mitigate the heightened cyber risks resulting from COVID-19, with specific focus on the IT networks, systems and data. A virtual desktop infrastructure was rapidly deployed to enable employees to work remotely, together with regular employee awareness communication of heightened threats. The Committee considered a report from internal audit on this subject summarising further actions to be undertaken and concluded that this was an area for ongoing monitoring and attention.</p> <p>The appointment of a new Information Security manager was welcomed and the Committee agreed a rolling annual programme of risk-based cyber internal audits based on the guidelines identified in the National Institute of Standards and Technology (NIST) framework, covering cyber security focus areas. Cyber security controls over key applications and networks are assessed annually as part of the IT internal audit programme and the results of these assessments were considered by the Committee.</p>	Ongoing
Continue to evaluate the maturity and security of the approach to digital development	The Committee evaluated internal assurance reviews of cloud governance and the SAP/Hana database migration, both of which are foundations of the Group's digital programme. The Committee challenged management around the findings of the reports and encouraged them to focus on completing the actions arising to reduce the risk exposure.	Ongoing
Review in detail the HR system implementation	The new HR system, MyCroda, supports the HR global database, the learning management system and the performance management system. Internal audit review of the implementation had been postponed from 2019 until all modules were implemented and the review took place, virtually, in July 2020. The Committee discussed the wider learnings arising from the audit encouraging management to improve project management disciplines taking account of the recently established Croda Project Management framework.	Completed

Significant financial statement reporting items

The Committee, with support from the external auditors, reviewed those items in the Group's financial statements that have the potential to significantly impact reporting. These are set out below.

Pensions: The Committee monitored the Group's pension arrangements, in particular the funding of the defined benefit plans in the UK, the US and the Netherlands, 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 auditors also challenged the benchmark assumptions applied and conducted sensitivity analysis.

The Committee considered this work and found the assumptions to be reasonable.

Goodwill: The strategy of the Group includes acquiring new technologies and businesses operating in adjacent markets. 2020 saw two important acquisitions for Croda. As a result, goodwill represents a significant asset value on the balance sheet (£866.7m out of total net assets of £1,595.1m at 31 December 2020).

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 potential impact of the COVID-19 pandemic. The Committee assessed the methodologies used and the adequacy of the management disclosures. Particular attention was focused on Biosector and Sipo, which had the smallest headroom between their carrying values and value in use. 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 impairments were necessary; however, enhanced disclosure was agreed to be appropriate, given the sensitivity of the calculations to certain assumptions.

Valuation of acquired intangible assets:

The Group acquired Avanti Polar Lipids LLC (Avanti) on 12 August 2020 and Fragrance Spanish Topco, S.L. (Iberchem) on 24 November 2020. The identification and valuation of goodwill, intangibles and contingent consideration required a significant degree of judgement including estimates. The Committee challenged management in relation to the valuations and calculations recognised on acquisition and were satisfied with the assumptions made.

Recoverability of parent Company's intercompany receivables:

The Committee considered the recoverability of parent Company's intercompany receivables of £1,452.2m (2019: £1,589.6m), which represents 50.9% of the parent Company's total assets (2019: 72.3%).

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 or profitability. After review, the Committee was satisfied that the recoverability of the intercompany receivables was acceptable, and no impairments were necessary.

Provisions: The Committee reviewed the risks around provisioning, which had previously been disclosed as a significant area of judgement, and, in light of progress made on reducing environmental risks, and noting the immaterial nature of new issues arising in the year, concluded that separate consideration was no longer required.

Internal audit and risk management

I met with the Vice President 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 Vice President Risk and Assurance attended each Committee meeting and presented an internal audit report that was fully reviewed and discussed, 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 the chances of divergences arising in the future.

In January, 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 auditors. Senior management feedback from sites included in the 2020 audit programme is gathered by questionnaire to support this process. These did not highlight any significant areas for development. In the light of the changed audit approach in 2020, the Committee was pleased with progress, with notable benefits being seen from virtual audits which will be retained in the future audit programme.

Details on how the Business implements its risk management framework and monitors controls on a Group-wide basis are set out on pages 44 to 48.

External auditors' 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 Group Finance Director 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 also 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 2020 audit.

The questionnaire covered:

- Quality of planning, delivery and execution of the audit.
- Quality and knowledge of the audit team.
- Effectiveness of communications between management and the audit team.
- Robustness of the audit, including the audit team's ability to challenge management as well as demonstrate professional scepticism and independence.

Following the review, the Committee concluded that the audit was effective and overall the Committee was satisfied with the performance of KPMG.

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, with Chris Heard as the Lead Audit Partner. The first year to be audited by KPMG was the year ended 31 December 2018.

Following an organisational change in KPMG, Chris Heard will step down as Lead Audit Partner and will be succeeded by Ian Griffiths. After discussing the handover process in detail with myself and our Group Finance Director, the Committee are confident that the transition and handover period will be efficiently managed.

External auditor's independence

The Committee and the Board place great emphasis on the objectivity of the Group's external auditors 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. During the year, the Committee undertook a detailed review of the provision of non-audit services by KPMG and compliance with the FRC's Revised Ethical Standard for auditors and as a result updated our policy in this regard. KPMG already had a policy which was compliant with the FRC's Revised Ethical Standard for auditors. They have not been required to terminate any services that would not be permissible under the Standard.

In 2020, non-audit fees were £0.1m, significantly less than the total audit fees of £1.5m; the non-audit to audit fees ratio stands at 0.1:1.

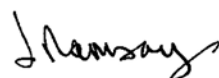
The Committee undertook its annual review of the Group's policies relating to external audit, including the policy that governs how and when employees and former employees of the Group's auditors can be employed by the Company. No changes were made. The Committee also reviewed and accepted KPMG's Independence letter.

In conclusion, the Committee agreed that KPMG were independent.

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

Looking ahead to 2021

In addition to our routine business, the Committee has four focus areas for 2021. We will:

- Maintain our focus on cyber security with a refreshed rolling annual assurance programme based on the NIST security framework.
- Monitor Avanti and Iberchem integration programmes, including controls assessment against Croda risk and control standards.
- Review the major capital projects assurance programme.
- Assess the impact of anticipated regulatory changes on Croda's risk and control framework.



“
We continue to seek out opportunities to further enhance the remuneration approach at Croda, taking on board advice from our investors and other stakeholders.”

Dr Helena Ganczakowski
Chair of the Remuneration Committee

Report of the Remuneration Committee for the year ended 31 December 2020

A. Chair's letter

On behalf of the Board and the Remuneration Committee, I am pleased to present Croda's Directors' Remuneration Report for the year ended 31 December 2020. I would like to thank my colleagues for their engagement throughout the year, and to welcome John Ramsay as a new member of the Committee.

The Committee believes that Croda's remuneration approach plays a key role in the achievement of the Group's strategic objectives and in the delivery of sustainable, profitable growth. Last year we reviewed and updated our policy to ensure ongoing alignment to Croda's evolving ambition and were pleased to receive 97% votes in favour. The Remuneration Committee is not proposing any material changes to the operation of the policy in 2021, being satisfied with both the outcome of the review and the changes made in 2020 and having considered the management of COVID-19 and its impact on the business.

Continued strong progress despite COVID-19

I am pleased to confirm that, despite the challenges presented by the COVID-19 pandemic, Croda continues to progress successfully in line with its strategy, with a strong share price performance. It remains a highly profitable, cash generative business, with ample liquidity in place. Croda's priorities during the pandemic have continued to be to fairly and equally balance the needs of all our stakeholders, including employees, customers, investors, suppliers and local communities, while ensuring the health and safety of our people at all times.

All but two of our 19 principal manufacturing sites globally have operated without interruption. We have maintained high customer service levels and demand has remained resilient. In addition, we have supported our customers and suppliers with flexible payment terms, where necessary. We have not made anyone redundant or furloughed any employees due to COVID-19, and have protected pay and benefits, including for those unable to work normally due to the need to self-isolate, or because of caring responsibilities.

In April we launched our "Acts of Kindness" initiative and made £200,000 available to support communities closest to our largest manufacturing sites globally. In addition, the Croda Foundation, an independent enterprise that will be funded by Croda to provide a framework for charitable giving was legally incorporated.

Our shareholders benefited from full payment of dividends as they were due, and our share price recovered strongly after the initial sharp COVID-19 related market reduction in March 2020. The PSP awards to Executive Directors were made after the AGM in May and at a time when the share price had recovered from this low.

Alignment to strategic objectives

Croda's strategy continues to focus on consistently delivering sustainable, profitable growth by providing innovative, sustainable solutions to our customers consistent with our Purpose: Smart science to improve lives™. This sense of purpose aligns strongly with our business culture and underpins our three business sectors of Consumer Care, Life Sciences and Performance Technologies.

With its robust business model proven through COVID-19, Croda has been able to continue to expand and grow at a time when many companies have been forced to rein in their strategic plans. In August, we completed the acquisition of Avanti Polar Lipids LLC, a leader in drug delivery systems for next-generation pharmaceuticals, and in November we completed the acquisition of Iberchem, a leading global fragrances and flavours company. These acquisitions represent strong

alignment to our strategy and both businesses have an excellent financial record.

Delivering sustainable, profitable growth is directly reflected in our performance measures and stretching targets. The Group Profit Incentive Bonus Scheme (senior annual Bonus Plan) is based on a single operating profit metric with no payout unless the previous year's outcome is exceeded.

For the longer-term Performance Share Plan (PSP), 35% of the award is based on earnings per share (EPS) growth and 35% is based on relative Total Shareholder Return (TSR) performance against a bespoke group of our most relevant competitors. Innovation and sustainability are key to Croda's success and we continue to focus management on the delivery of these. 30% of the 2021 award will continue to be based on Sustainability metrics. 15% will be based on our innovation metric, New and Protected Products (NPP), those products that will drive our future growth. The remaining 15% will be focused on carefully selected KPIs aligned to the delivery of our "Climate Positive" and "Land Positive" sustainability Commitment. We will be continuing with our EVA underpin.

Performance is always considered holistically; each year the Committee applies a Discretion Framework to satisfy itself that the outcome in terms of primary performance metrics has not been to the detriment of other measures of corporate performance. Health and safety remains a key metric of particular focus in this review.

Alignment of executive reward with the wider workforce

Our 'One Croda' culture drives focus on alignment of executive reward with the wider workforce. To better understand how reward is perceived across the workforce, the business ran a Global Reward pulse survey in 2020, covering recognition, pay and wellbeing activities. This survey was completed by over 3,150 employees, 66% of our workforce, and the findings were shared with the Board, as well as management.

In response to these findings, management identified an opportunity to extend a sense of ownership across the whole employee base and are therefore proud to be launching the "Ten Share Plan" in 2021 where all employees globally who are not eligible for the senior annual Bonus Plan will be gifted up to 10 Croda shares (or cash equivalent) if the 2021 senior annual Bonus Plan pays out.

In 2018 we gained accreditation in the UK as a Living Wage Employer from the Living Wage Foundation. The business continues to pursue its Global Living Wage target, one of our sustainability KPIs linked to the UN SDGs, and has forged a partnership with the Fair Wage Network to establish a Living Wage in each of the countries in which we operate.

Workforce reward continues to evolve, and in 2020 we introduced a new UK car scheme, focused on encouraging use of electric vehicles and open to all employees, and launched a pilot online Recognition Programme.

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 450 employees participate in the senior annual Bonus Plan and 70 of these are also in the PSP. We believe that this focuses our leadership on working together globally to deliver the best overall outcome for our customers and, in turn, our shareholders and other stakeholders.

Pay for all employees is set in line with the market and closely monitored, and local bonus schemes are available for those below senior leader level in most regions. Around 85% of our UK workforce and 63% globally participate in share plans and therefore benefit from the rewards enjoyed by all shareholders.

In addition, we are proud to be one of only two FTSE 100 companies with a career average defined benefit pension scheme that is open to all new and existing employees. Our pension scheme is a generous and inclusive benefit for our UK workforce. An important part of the value to employees is that the level of pension is guaranteed, as the Company bears all the investment risk. This security for our workforce is an important part of our 'One Croda' culture. In 2020 we aligned Executive Director pension supplements to the same level as that paid to all employees who are above the defined benefit pension scheme cap.

Remuneration out-turn for 2020

We delivered a resilient performance in 2020 with sales growth driven by a second half recovery and acquisitions, a robust margin and healthy cash generation. This demonstrates the strength of the business model in challenging economic conditions created by the pandemic.

As the bonusable profit did not exceed the outcome for 2019, the threshold for the senior annual Bonus Plan was not reached and no annual bonus is therefore payable.

Our longer-term performance in profitable growth and Total Shareholder Return was more reflective of our long-term growth trajectory. For PSP, 2020 was the year in which grants made in 2018 concluded their three-year period, and the Committee has reviewed performance for the targets that were set at that time. Over the period TSR performance was 58.8%, placing Croda in the top quartile against our bespoke comparator group, resulting in 100% of this part of the award vesting. The subdued market conditions experienced in the last two years has had an adverse impact on EPS growth which, at -2%, fell short of the target required for this element to vest. NPP growth also failed to meet the vesting target, reflecting the ambition of this metric and the slowdown of certain NPP sales.

The PSP award is dependent on satisfactory underlying financial performance of the Group. The Committee considered this, and a range of other broader performance criteria using the Discretion Framework, and concluded that the awards were consistent with, and reflective of overall financial performance over the time period. Therefore, after consideration of all factors, an overall PSP vesting of 40% of the total award was agreed.

Salaries for 2021

For 2021, the general increase set for the UK workforce is 1%. The Committee considered the salaries of the Executive Directors in the context of positioning against market benchmarks, as well as the performance of the Company. The Committee determined that the salary increase for Executive Directors should be in line with that of the UK workforce.

Looking ahead

We are confident that our Remuneration Policy approved in 2020 will continue to serve us well over the next two years. Targets for 2021 have been set in line with the approach for 2020, and new sustainability targets have been set reflecting our ambitious sustainability agenda.

Going forward, we will continue to seek out opportunities to further enhance the remuneration approach at Croda, taking on board advice from our investors and other stakeholders. 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.

Dr Helena Ganczakowski

Chair of the Remuneration Committee



B. Remuneration at a glance

Contents

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- C Report of the Remuneration Committee for the year ended 31 December 2020
 - How our Remuneration Policy links to strategy and to reward across our wider workforce
 - Remuneration Committee year ended 31 December 2020
 - Executive Directors remuneration for the year ending 31 December 2021
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We remain committed to ensuring that our remuneration framework reflects the evolving needs of all of our stakeholders and the societies in which we operate.”

Dr Helena Ganczakowski

Chair of the Remuneration Committee

How we performed in 2020

Adjusted Operating Profit

-5.9% to

£319.6m

Adjusted EPS

-5.1% to

175.5p

NPP

27.4%

of Group sales

Total Shareholder Return

58.8%

over the three-year PSP performance period (1 January 2018 to 31 December 2020)

Croda's resilience to the impact of the COVID-19

- Early in the pandemic, we assured all employees that there were no plans to reduce employee numbers, furlough staff or reduce regular salary and benefits as a result of COVID-19, and we honoured this pledge.
- We paid final and interim dividends to shareholders in full during 2020.
- We have not utilised any government liquidity facilities.
- We protected the pay and benefits of those self-isolating, unwell or with caring responsibilities.
- £200,000 was set aside for our Acts of Kindness initiative, aimed at helping our local communities.
- For employees working onsite, we applied strict safety protocols and focused on making life as easy as possible, with remote handovers, provision of PPE including hand sanitiser, social distancing measures and training in new procedures to keep everyone safe.
- We understood some employees' needs to balance caring responsibilities and work, so encouraged people to work flexibly as needed.
- There was a focus on mental health and in some countries, we increased the provision of Employee Assistance Programmes and provided direct access to doctors and medical teams.
- We issued regular pulse surveys to gauge how employees were feeling and how best to support them.

Linking our reward and business strategy

Our reward policy is designed to link directly to our Group strategic priorities and how we manage and measure our business performance.



Growth



Innovation



Sustainability



Values-led culture



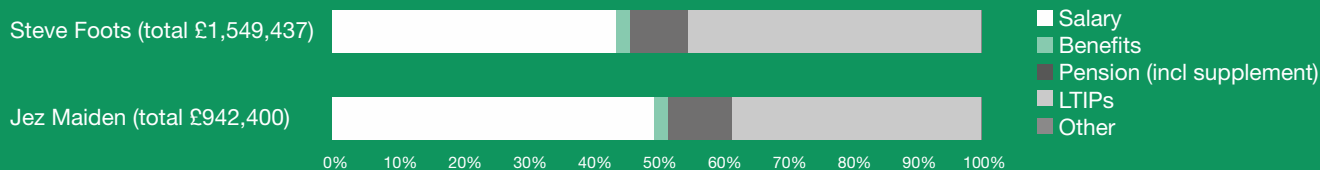
Long-term shareholder value

Engaging with our workforce on remuneration

We are committed to both engaging with, and including, our employees in our remuneration structures. In 2020 we undertook the following key engagement processes:

- **Reward principles:** Our Reward Principles guide the way in which we recognise and remunerate all our global employees.
- **Global Employee Pulse Surveys:** We launched a series of pulse surveys in 2020 with one specifically carried out to better understand how reward is perceived across the workforce.
- **Listening groups:** Virtual listening groups, attended by the Chair of the Remuneration Committee, have been arranged with employees from across our regions.
- **Dedicated email to Chair of Committee:** A dedicated email address 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.
- **Board roadshows:** Our Executive Directors and Board regularly hold roadshows with our global workforce.

Single figure remuneration:



Operation of our policy in 2020

Key component and timeline	Feature	Metrics and results	Group Chief Executive (CEO)	Group Finance Director (GFD)																				
Basic salary	Competitive package to attract and retain high-calibre executives.	<ul style="list-style-type: none"> Pay rise of 2% awarded to Executive Directors. UK workforce was awarded a 2% increase. 	£675,584	£465,920																				
Annual bonus	Incentivise delivery of strategic plan, targets set in line with Group KPIs.	Bonusable Profit (see page 90 for definition of Bonusable Profit) Threshold 2019 actual Maximum 2019 actual plus 10% Actual 2019 actual minus 1.2% 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.	N/A	-	-																				
PSP	Incentivise execution of the business strategy over long term measuring profit, shareholder value and innovation.	Vesting of the 2018 PSP award <table border="1"> <thead> <tr> <th></th> <th>Threshold</th> <th>Maximum</th> <th>Actual</th> <th>% payout</th> </tr> </thead> <tbody> <tr> <td>EPS*</td> <td>5%</td> <td>11%</td> <td>-0.65%</td> <td>0%</td> </tr> <tr> <td>TSR**</td> <td>Median</td> <td>Upper Quartile</td> <td>84.2 percentile Above UQ</td> <td>40.00%</td> </tr> <tr> <td>NPP***</td> <td colspan="2">NPP sales growth to be at least twice non-NPP sales.</td> <td>Not met</td> <td>0%</td> </tr> </tbody> </table> Total payout – 40% * EPS growth p.a. is calculated on a simple average basis over the three-year period. ** Actual TSR performance over the performance period was 58.8%. *** Subject to a minimum average of 5% growth per year and overall positive Group profit growth.		Threshold	Maximum	Actual	% payout	EPS*	5%	11%	-0.65%	0%	TSR**	Median	Upper Quartile	84.2 percentile Above UQ	40.00%	NPP***	NPP sales growth to be at least twice non-NPP sales.		Not met	0%	£698,600	£361,349
	Threshold	Maximum	Actual	% payout																				
EPS*	5%	11%	-0.65%	0%																				
TSR**	Median	Upper Quartile	84.2 percentile Above UQ	40.00%																				
NPP***	NPP sales growth to be at least twice non-NPP sales.		Not met	0%																				
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 2020, cash allowance of up to 20% of salary, in line with the UK workforce.	N/A	£138,492	£93,184																				
Shareholding requirements	Share ownership guideline to ensure material personal stake in business.	CEO 225% of salary GFD 175% of salary	>225% of target	>175% of target																				

C. Report of the Remuneration Committee for the year ended 31 December 2020






How our Remuneration Policy links to strategy and to reward across our wider workforce

This section of our report provides the broader context of how our Remuneration Policy links to strategy and to reward across our wider workforce. We hope that it will provide a useful summary of the context of our Reward Policy and will show how our Reward Policy has and will continue to evolve to meet the needs of the business, our workforce and align with UK corporate governance standards.

How our reward strategy links to our business strategy

	Growth	Consistent top and bottom line growth, with profit growing ahead of sales, ahead of volume. The key metric of our senior annual Bonus Plan is profit increase over prior year. Long-term growth is measured and rewarded through metrics within our long-term incentive, the Performance Share Plan (PSP) which includes a measure of increased EPS over a three-year period. Both the senior annual Bonus Plan and PSP are subject to our Discretion Framework which includes financial underpins such as EVA.
	Innovation	The lifeblood of our business, we seek to increase the proportion of New and Protected Products (NPPs) that we sell. Within our PSP sustainability metrics, is an established NPP metric, measuring growth of NPP products against non-NPP products. Innovation is also rewarded within the EPS metric as sustained EPS growth can only come through relentless innovation and the creation of new ingredients for our customers.
	Sustainability	Aligning our business with our Purpose and accelerating our customers' transition to sustainable ingredients. Our PSP includes metrics related to reductions in emissions and the reduction of land use. These are directly linked to our ambitions to be Climate, Land and People positive by 2030.
	Values-led culture	Our Purpose is enabled by our distinctive values that govern how we work with one another and guides our relationships with all of our partners. Our senior annual Bonus Plan has one common metric for our top 450 employees ensuring fairness and transparency. The introduction of our Ten Share Plan is a way of sharing reward throughout our business benefiting our lowest-paid employees the most. Our PSP and senior annual Bonus Plan underpins include a review of culture measures and ethical compliance.
	Long-term shareholder value	We strongly believe that all the various features and metrics of our Remuneration Policy combine to incentivise long-term shareholder value. Our PSP directly rewards increasing shareholder value through our TSR metric, and our focus on growth, innovation and sustainability supports long-term sustainable shareholder value creation.

How our remuneration practices support our strategy

Element of reward	Metrics					
		Growth	Innovation	Sustainability	Values-led culture	Long-term shareholder value
Bonus	Profit	✓			✓	
LTI (PSP)	EPS	✓	✓			✓
	TSR	✓	✓			✓
	NPP	✓	✓	✓	✓	✓
	Sustainability	✓	✓	✓	✓	✓
Underpins	Safety, health and environment	✓		✓	✓	✓
	EVA	✓				✓
	General financial	✓		✓		✓
	Culture and ethics			✓	✓	✓
Other features	Holding periods				✓	✓
	Shareholding requirements				✓	✓

Summary of Remuneration Policy adopted in 2020

An updated Remuneration Policy was presented and approved by shareholders at the 2020 AGM. This is intended to operate until the AGM in 2023. In reviewing the Policy and its implementation, the Remuneration Committee undertook a thorough review of existing arrangements with a particular focus on alignment to Croda's strategy and ambitions. This review was completed with the following principal objectives in mind:

- achieve the closest possible alignment with the Company's strategy;
- support the Company's ambition to be a purpose-led organisation focused on Smart science to improve lives™;
- ensure that business performance is appropriately measured and rewarded and that the scale of reward is proportionate;
- make certain that the Policy properly reflects the various interests of all our stakeholders in its structure and metrics;
- ensure that the Policy is fair and competitive and that it also considers reward more broadly in the organisation;
- disclose the Policy in an open and transparent way.

The Remuneration Committee is not proposing any substantive changes to the operation of the Policy in 2021, being satisfied with both the outcome of the review and the changes made in 2020. These were:

- Reduction of the pension cash supplement for the CEO and Group Finance Director to align with our UK workforce.
- The introduction of new sustainability metrics, incorporating NPP, into the PSP to align with our strategy to be industry leaders in sustainability.
- The introduction of an EVA underpin to further ensure our long-term incentive awards are aligned with overall business performance.
- An increase in the level of normal PSP awards for Executive Directors from 200%/150% to 225%/175% for the CEO and Group Finance Director respectively reflecting the significant long-term growth of the business.
- An increase in the shareholding guidelines and the introduction of a post-employment shareholding requirement to ensure compliance with the UK Corporate Governance Code and shareholders expectations.

Summary of Policy and its operation

Salary	Set taking into account an individual's responsibilities, performance and experience as well as pay and employment conditions elsewhere in the Group and other external factors.
Annual bonus	<p>Maximum annual bonus opportunities:</p> <ul style="list-style-type: none"> • Group Chief Executive – 150% of salary • Group Finance Director – 125% of salary <p>Bonusable profit growth targets, with no bonus payable until the previous year's profit is exceeded. Discretion Framework applies, which includes health, safety and environmental performance.</p> <p>One third deferred for three years.</p> <p>Malus and clawback provisions apply.</p>
Performance Share Plan	<p>Normal maximum PSP opportunities:</p> <ul style="list-style-type: none"> • Group Chief Executive – 225% of salary • Group Finance Director – 175% of salary <p>Awards based on EPS, Relative TSR and sustainability metrics, including NPP with an EVA underpin applying across the whole of the PSP award. The Discretion Framework also applies, which includes satisfactory underlying financial performance.</p> <p>Three-year performance period with an additional two-year holding period.</p> <p>Malus and clawback provisions apply.</p>
Pension and benefits	<p>Pension benefits are either a capped career average defined benefit pension plan with a cash supplement above the cap, or a cash supplement.</p> <p>Cash allowance for Executive Directors of up to 20% of salary which aligns with our UK workforce.</p> <p>Typical other benefits include Company car, private fuel allowance, private health insurance and other insured benefits.</p>
Shareholding guidelines	<p>Shareholding guidelines of:</p> <ul style="list-style-type: none"> • Group Chief Executive – 225% of salary • Group Finance Director – 175% of salary <p>Post-employment shareholding guidelines also apply for two years after leaving employment. These are set at 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. This policy applies to shares from awards that vest in 2020 and beyond. During 2021 the Committee will be formalising the structures in place to allow it to monitor and enforce the post-employment shareholding requirement.</p>

Further details about the Policy can be found on pages 100 and 101.

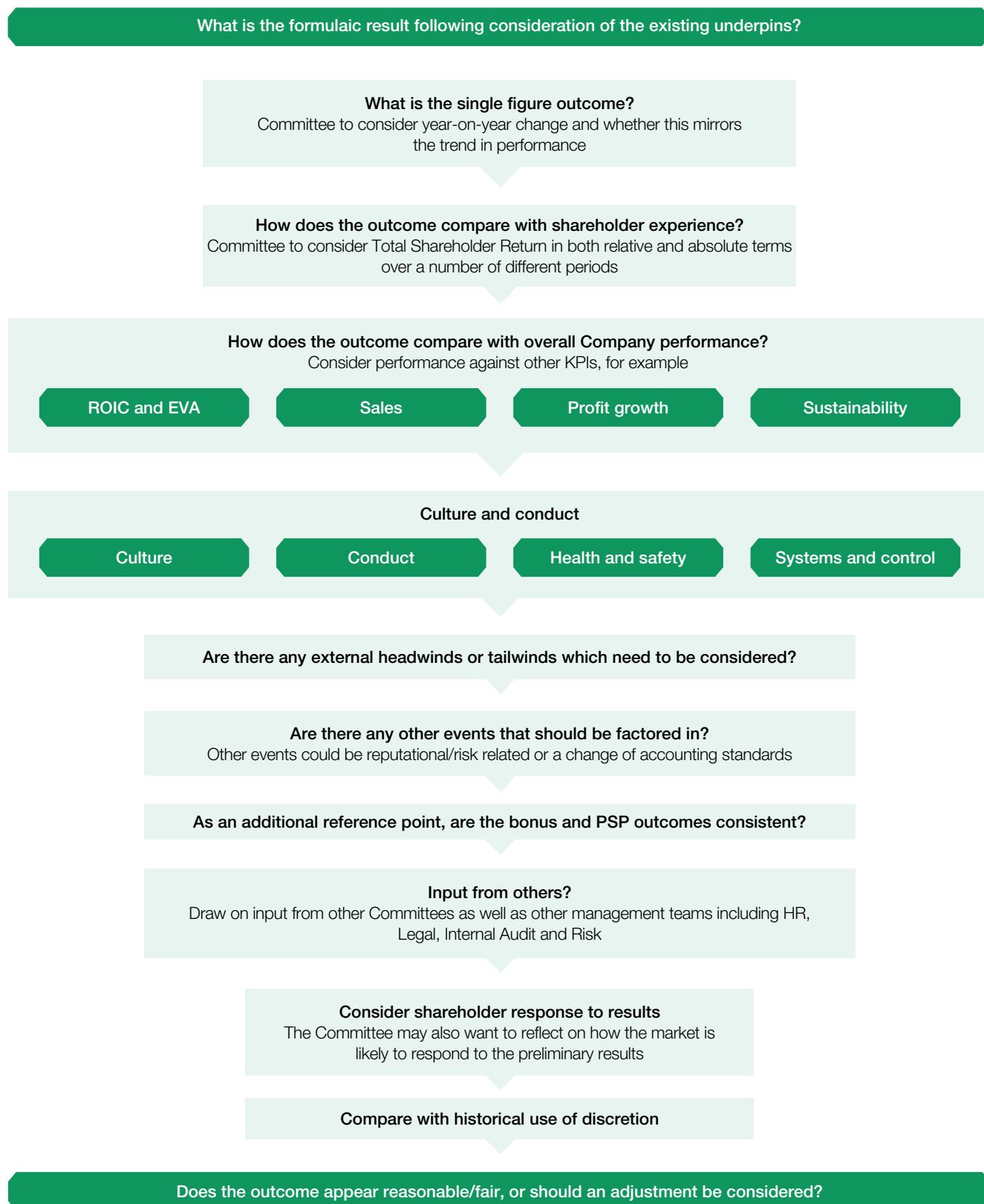
How our Remuneration Policy links to the UK Corporate Governance Code

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	<ul style="list-style-type: none"> • Our values of openness and transparency are reflected in our reward principles. The Committee is committed to providing open and transparent disclosure on executive remuneration for our stakeholders. • Our arrangements are clearly disclosed and any changes to our Remuneration Policy and its operation are highlighted in a way that defines their alignment to both our strategic ambitions as well as the provisions of the UK Corporate Governance Code.
Simplicity	<ul style="list-style-type: none"> • Our executive remuneration arrangements, as well as those throughout the global organisation, are simple in nature and well understood by both participants and shareholders. • Our senior annual Bonus Plan, in which around 450 of our global employees participate, is based on a single profit metric, with a simple key requirement that no bonus can be paid until the previous year's profit is exceeded.
Risk	<ul style="list-style-type: none"> • 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. A copy of the Discretion Framework is provided on the next page. • Annual bonus deferral, the PSP holding period and our shareholding guidelines provide a clear link to the ongoing performance of the business as well as alignment with shareholders. Executives will be rewarded for sustainable long-term shareholder return. • Malus and clawback provisions also apply for both the senior annual Bonus Plan and PSP.
Predictability	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Alignment to our 'One Croda' culture is clearly established in our Remuneration Policy; our senior annual Bonus Plan has the same metric for all participants, our PSP metrics reflect our commitment to sustainability and pensions are aligned across the workforce.

Our Discretion Framework

In order to enhance the rigour and consistency in the way in which performance is reviewed the Remuneration Committee has adopted a Discretion Framework which it applies when assessing bonus and long-term incentive plan outcomes:



Workforce engagement

Engagement with the workforce to explain how executive remuneration aligns to the wider company pay policy is an area where we continue to make progress. The introduction of regular pulse surveys and a dedicated email address for employees to contact the Chair of the Committee in 2020 helped us to understand how best to consult with our geographically dispersed population and provided useful feedback on a range of reward topics. We will continue with both of these engagement channels in 2021 and have also arranged virtual listening groups with the Chair of the Remuneration Committee for employees to discuss and share their thoughts on executive remuneration and reward in the wider business. 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.
Global Employee Pulse Survey	<p>In 2020, we launched a pulse survey, translated into 16 languages, to draw employee's attention to the publication of the Remuneration Report and to help us understand the level of interest in the report. Over 1,000 employees responded to the survey with results showing that 90% of employees had an interest in the Annual Report and the Sustainability Report. We will run this survey again in 2021.</p> <p>Throughout 2020, a series of pulse surveys covering a range of topics including flexible working, stress in the workplace and COVID-19 were also undertaken. Completion of these surveys has been consistently strong with an average of over 60% of employees taking part. Findings were shared with the Board as well as management and have helped to guide decisions throughout the year including the drafting of new Flexible Working guidance.</p> <p>One of these pulse surveys was carried out to better understand how reward is perceived across the workforce. This covered pay and recognition as well as broader topics such as wellbeing activities. This survey was completed by 66% of our global employees and the findings were shared with the Board as well as management.</p>
Listening groups	<p>During January 2021, Helena Ganczakowski, Chair of the Remuneration Committee held listening groups across a cross-section of employees in Asia, the Americas and Western Europe.</p> <p>Throughout the listening groups, Helena presented about the role of the Board and the Remuneration Committee and also shared an overview of the Elements of Reward at Croda and feedback on the Global Reward pulse survey conducted in 2020. The sessions were greatly appreciated by those who attended, with a number of participants noting that they had limited knowledge of the Board and Remuneration Committee before the session.</p> <p>Useful feedback was provided by the participants on a range of areas that they feel are working and areas that could be improved. These areas will be reviewed in 2021.</p>
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.
Board roadshows	Our Executive Directors and Board regularly hold roadshows that allow a cross-section of our global workforce to discuss business issues and provide feedback.

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 Group Human Resources Director 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.

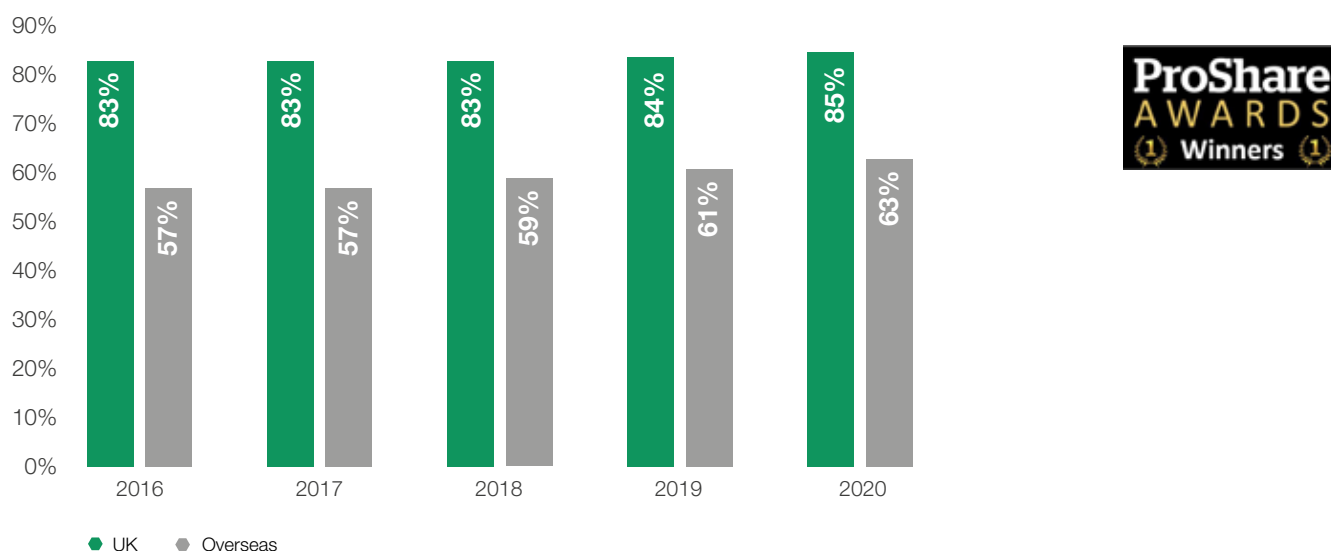
Remuneration element	Who participates?	Details
Base pay	All employees	<p>Pay is set in line with the market and closely monitored. Any comparator group used as a reference point is country and/or industry specific.</p> <p>Our aim is to pay a 'Living Wage' globally. We are already a Living Wage employer in the UK.</p>
Annual bonus	Executive Directors, Executive Committee, Senior leaders and Senior managers	<p>Consistent senior annual Bonus Plan aligned to increase in annual profit.</p> <p>Operates on a tiered basis from 150% of salary to 20% of salary across the most senior global grades. Deferral applies for Executive Directors and members of the Executive Committee.</p>
	All other employees	Local schemes apply in many locations.
Performance Share Plan	Executive Directors, Executive Committee and Senior leaders	Consistent PSP based on EPS, TSR and sustainability metrics, including NPP.
Restricted Share Plan	Selected employees 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.

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.

Employee participation in employee share schemes

The Committee believes in wider employee share ownership and promotes this through the operation of a number of all-employee share schemes. Workforce participation in these plans has remained consistently strong and is driven by our culture of employees feeling a strong loyalty to the business. We were proud that this performance was recognised at the 2020 ProShare Awards, where Croda were joint winners in the Best Overall Performance in Fostering Employee Share Ownership (501 – 5,000 employees) category.



Croda's continued strong share price performance has led to the all-employee share schemes being a strong benefit for employees. The 2017 Sharesave Scheme which was granted in September 2017 at a share price of 3092p could be exercised from November 2020. The price of Croda shares on 2 November 2020 was 6096p, meaning employees could have made a potential return of c.97% on their savings. For example, an employee saving £50 a month would have made a profit in excess of £1,700.

Sharing success across the business

In order to share success more broadly and extend share ownership more widely across our employee base, Croda is proud to be launching the "Ten Share Plan" in 2021. Under this new plan, all employees globally who are not eligible for the senior annual Bonus Plan will be gifted up to 10 Croda shares (or cash equivalent) if the senior annual Bonus Plan pays out.

The "Ten Share Plan" was developed in response to findings from the Global Reward survey undertaken in 2020 and aligns to our 'One Croda' culture.

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 2020 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 25th, 50th and 75th percentile. The pay ratios are then calculated by comparing total remuneration for these three employees against our CEO 'single figure' total remuneration.

	Methodology	25th Percentile	50th Percentile	75th Percentile
FY 2020	A	49:1	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. Excludes Non-Executive Directors, contractors and employees who left during the relevant year.

4. 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 2019 has been restated to reflect the updated CEO 'single figure' total remuneration for 2019. This was due to the 2019 PSP award being updated to reflect the actual share price at vesting.

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

The CEO Pay Ratio is calculated based on the total remuneration payable to the CEO, which could include payments under the senior annual Bonus Plan and PSP. The outcomes of these elements are directly linked to performance, with the value of the PSP also incorporating share price growth. It is therefore expected that the ratios will fluctuate year-on-year to reflect Croda's performance. In respect of the 2020 figures, the ratios represent a reduction in PSP payout in comparison to prior year. In 2019, PSP payout was 56.24% of maximum potential compared to 40% in 2020, which has resulted in an decrease in the pay ratio.

Employee total remuneration

	Actual base salary 2020	Total remuneration 2020
75th percentile	£46,951	£50,125
50th percentile	£39,078	£42,252
25th percentile	£27,317	£31,869

We believe that our CEO pay ratio is consistent with our pay, reward and progression policies.

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 2021, 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, and has forged a partnership with the Fair Wage Network (FWN) to establish, using an independent and economically rigorous methodology, Living Wage levels across the world. We are now in the process of comparing our global wage levels to Living Wage comparators provided by the FWN. Once the assessment is complete, any necessary adjustments will be made to ensure we meet our goal that all our employees will be paid a Living Wage by end of 2022.

More than just pay

Our employees and our culture remain central to the continued success of Croda. As outlined on page 78, Croda has been resilient in its response to COVID-19 and during the pandemic the wellbeing and safety of our employees was a key priority. In response we co-ordinated a number of key initiatives, including:

- We issued regular global and regional announcements and webcasts providing information and reassuring messages.
- We hosted regional and global web-based calls to answer questions and communicate with employees.
- We conducted various pulse surveys globally to test how we were managing the crisis and to gauge employee opinions and morale.
- We ran several online training courses specifically aimed at the management of health and safety, including mental health during the pandemic.
- We sought to support employee's wellbeing through the crisis by setting up mental health and mindfulness programmes.



In addition, we continue to enhance our range of other workforce initiatives, including:

- We further developed our People Dashboard, which provides senior management with data relating to a range of people topics, by introducing wellbeing activity content and additional demographics data such as gender balance by grade and region.
- We published new Flexible Working guidance, which aims to encourage the use of flexible working arrangements where the needs of the business and the servicing of internal and external customer demands can be effectively balanced with employee's wishes. Specifically, this policy covers home working, flexible start and finish times, and implementing a 'dress for your day' policy.
- We introduced a new UK car scheme, focused on encouraging the use of electric vehicles and open to all employees.
- We launched a pilot online Recognition Programme – Croda Stars – which was positively received by employees. Consideration is being given to rolling out more broadly across the organisation.
- We launched an internal Diversity & Inclusion site, to inform all employees at Croda about the Group's commitment to a Diverse and Inclusive business, as well as giving insights and the tools to help drive awareness, understanding and competence. This included the launch of 40 training modules, webinar sessions with key speakers and a series of podcasts featuring a cross-section of Croda's leadership.
- We are proud of the training and development that we provide for employees. In 2020 our employees undertook over 85,000 hours of training.

Gender pay gap

The table below shows a summary of the Gender Pay Gap for UK employees of Croda Europe Ltd:

	2018	2019	2020
Mean pay gap	27.68%	27.06%	18.72%
Median pay gap	23.10%	23.90%	19.22%
Mean bonus gap	63.05%	67.08%	64.36%
Median bonus gap	33.26%	33.36%	0%*

* The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 (payable in 2020). A small number of employees received 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.

In the last two years we have increased the number of women in leadership positions by 19%. In our most senior grade we have increased the number of women by 67%. We are pleased to report that we have 41 women working as process operators across 13 of our global sites.

Actions taken to address the gender pay gap include:

- Ensuring we have a balanced shortlist for all positions that we are recruiting for; we have a target of achieving balanced shortlists for 80% of roles by 2023
- Further improving our talent and succession planning processes to help identify and nurture talent early in their career
- Finding ways to reduce shift work (especially night work) and to examine the feasibility of part-time and job share arrangements in our production facilities
- Changing the way we advertise production roles to ensure we reach a diverse population
- Improving family-friendly policies including flexible working, parental leave and other benefits; in 2019 we introduced a new Global Parental Leave Policy and in 2020 we launched new Flexible Working guidance
- 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.

Diversity & Inclusion

As a business with innovation at its heart, diversity of thought and ideas is critical to our long-term success and we are committed to encouraging and promoting diversity within our organisation. We are progressing towards being able to report on broader pay gaps, including our Ethnicity Pay Gap, and despite the challenges, we will begin to collect this data in 2021.

Remuneration Committee year ended 31 December 2020

Responsibilities

The Committee determines and agrees with the Board the Company’s Remuneration Policy and framework. It determines the remuneration packages for all Executive Directors, members of the Executive Committee, including the Company Secretary, and the Chair of the Board and recommends and monitors the level and structure of remuneration for senior managers.

Key responsibilities of the Committee:

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

A summary is provided below:

- Determine and agree with the Board the framework or broad policy for the remuneration of the Company’s Chair, the Group Chief Executive, the Executive Directors, the Company Secretary and other members of senior management
- In determining such policy, take into account factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance
- Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting 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.

The Company’s remuneration policies and practices should:

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

Summary of key decisions for 2020

- Considering and agreeing the proposed new Remuneration Policy
- Vesting of 2017 PSP awards; the EPS target representing 40% of the award vested at 40.6%, the TSR target representing 40% of the award vested at 100%, the NPP target representing 20% of the award was not met therefore the overall award vesting was at 56.24%
- Granting of the 2020 PSP awards based on 35% EPS, 35% TSR and 30% sustainability metrics, including NPP
- Granting of new Restricted Share Plan awards to a small number of selected employees below the Executive Committee
- Establishing the senior annual Bonus Plan and PSP targets for 2020
- The salary of the CEO and Group Finance Director to be increased by 1% effective 1 January 2021, in line with the UK workforce
- The fee of the Chair to also be increased by 1% effective from 1 January 2021.

Summary of Remuneration Committee meetings

January 2020	<ul style="list-style-type: none"> • Approved Chief Executive and Executive Committee salary increases for 2020 • Approved Chair fee increase for 2020 • Reviewed the draft Directors' Remuneration Report, including new Remuneration Policy
February 2020	<ul style="list-style-type: none"> • Reviewed the draft Directors' Remuneration Report, including new Remuneration Policy • Approved the calculation for 2019 senior annual Bonus Plan award for payment in March 2020 • Approved the vesting outcome for the 2017 PSP awards • Approved the senior annual Bonus Plan targets for 2020 • Approved the granting of the Restricted Share Plan awards • Reviewed the update on ABI headroom limits as they apply to the business • Reviewed share ownership guidelines • Reviewed the Committee's Terms of Reference
April 2020	<ul style="list-style-type: none"> • Reviewed shareholder feedback on Directors' Remuneration Report and Policy • Approved PSP targets for 2020 and the granting of PSP awards to Executive Directors for 2020 • Gave authority for UK employees to join the UK Sharesave scheme and non-UK employees to join the International Sharesave scheme • Agreed dividend enhancement to the Deferred Bonus Share Plan • Approved updated International Sharesave Plan rules
November 2020	<ul style="list-style-type: none"> • Reviewed forecast outcomes for 2020 • Considered and reviewed remuneration trends • Discussed remuneration approach for 2021 • Reviewed workforce remuneration • Agreed dividend enhancement to the Deferred Bonus Share Plan • Gave authority for the execution of actions in relation to the 2017 Sharesave maturity
December 2020	<ul style="list-style-type: none"> • Reviewed initial draft of the Chair's letter for inclusion in the Directors' Remuneration Report • Reviewed proposed targets for the 2021 senior annual Bonus Plan and PSP award • Approved salary increases for Chief Executive and Executive Committee • Considered the Committee's effectiveness review

Executive Directors' remuneration for the year ending 31 December 2021

Key component Implementation in 2021

Basic salary Executive Directors' base salaries were reviewed during the final quarter of the financial year ended 31 December 2020. Salaries for 2021 are as follows:

	Salary at Jan 2021	Salary at Jan 2020	Increase
Steve Foots	£682,340	£675,584	1%
Jez Maiden	£470,579	£465,920	1%

Commentary

- The Committee considered each individual's progression in their role as well as their responsibilities, performance, skills and experience.
- The Committee also considered the wider pay levels and salary increases being proposed across the Group as a whole. UK-based employees will be awarded an increase of 1% in 2021.

Other benefits Other benefits such as company cars or car allowances, fuel allowance and health benefits are made available to Executive Directors.

Performance related senior annual Bonus Plan Steve Foots 150% of salary

Jez Maiden 125% of salary

The targets for the awards are set out below:

Level of award	Bonusable Profit*	% of bonus payable
Threshold	Equivalent to 2020 actual	0%
Maximum	2020 actual plus 10%	100%

* Bonusable Profit is the growth in underlying profitability (defined for bonus purposes as Group EBITDA for continuing operations before exceptional items and any charges or credits under IFRS 2 share-based payments) less a notional interest charge on working capital employed during the year. Target is measured after providing for the cost of bonuses on a constant currency basis.

Commentary

- No change to maximum award levels or performance measures from last year.
- When determining bonus outcomes, the Committee applies the Discretion Framework which includes a range of factors, see page 83.
- One third of any bonus paid will be deferred into shares for a three-year period.
- 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 remains comfortable that the structure of the senior annual Bonus Plan does not encourage inappropriate risk-taking and that the mandatory deferral of one third of bonus into shares provides clear alignment with shareholders and fosters a longer-term link between annual performance and reward.
- The Committee considers the targets set for 2021 to be at least as demanding as in previous years and were set after taking due account of the Company's commercial circumstances and inflationary expectations.

Performance share plan Steve Foots 225% of salary

Jez Maiden 175% of salary

The targets for the awards are set out below:

Performance measure (weighting)	Threshold vesting	Maximum vesting
EPS ¹ (35%)	5% p.a.	11% p.a.
TSR ² (35%)	Median	Upper quartile

- Sustainability metrics (30%)
- 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.**
 - '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 emissions³ in 2020 with any award paid in defined ranges between:
 - a reduction of 12.6% and above award of 7.5% (maximum)
 - a reduction of 6.2% and below no award (0%).
 - '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:
 - 56,750 ha or above award of 7.5% (maximum)
 - below 35,600 ha no award (0%).

An EVA underpin applies across the whole PSP award, requiring an improvement in EVA over the three-year performance period. In circumstances where the underpin is not achieved, the Committee would reduce or cancel any vesting of awards. The Committee retains the right to apply discretion to restrict the impact of the underpin in exceptional circumstances, for example material increases to tax rates or to the cost of capital or a major acquisition which had a significant effect on the Group's EVA.

- 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.
- TSR peer group constituents: AzkoNobel, Albermarle, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.
- Emissions in 2020 have been independently verified by Avieco.

Commentary

- No changes to maximum award levels from last year.
- Re-balancing of sustainability metrics, with NPP and sustainability targets, now equally weighted at 15% of the total PSP.
- Sustainability targets aligned to key 2030 sustainability ambitions.
- Performance period 01 January 2021 to 31 December 2023.
- When assessing outcomes, the Committee applies the Discretion Framework which considers, for example, the management of ROIC, health and safety and sales growth and may adjust awards if it considers appropriate.
- An additional two-year holding period will apply for any shares vesting.
- Malus and clawback provisions apply.

Pension Steve Foots

Jez Maiden

- 20% of salary as pension supplement.

Commentary

- The 20% pension supplement aligns to our UK workforce.

D. Directors' remuneration for the year ended 31 December 2020 (audited information)

In this section

1. Directors' remuneration for the year ended 31 December 2020
2. Pension
3. Payment for cessation of office
4. Payments to past directors
5. Share interests
6. Performance graph
7. Ten-year remuneration figures for Group Chief Executive
8. Board Chair and other Non-Executive Directors' fees 2020 and 2021
9. Non-Executive Directors' remuneration
10. Service contracts and outside interests
11. Remuneration Committee attendance and advisers
12. Other disclosures
13. Statement of voting

1. Directors' remuneration for the year ended 31 December 2020

Elements of remuneration

Executive Directors' remuneration

Executive Director	Steve Foots		Jez Maiden	
	2020	2019	2020	2019
Salaries and fees ¹	£675,584	£662,337	£465,920	£456,784
Benefits ²	£33,642	£33,476	£20,117	£19,667
Pension supplement ³	£130,992	£156,209	£93,184	£114,196
Pension ⁴	£7,500	£2,620	–	–
Total fixed pay	£847,718	£854,642	£579,221	£590,647
Annual bonus	–	–	–	–
Long-term incentives ^{5A-B}	£698,600	£835,445	£361,349	£432,118
Other ⁶	£3,119	£3,155	£1,830	£4,051
Total variable pay	£701,719	£838,600	£363,179	£436,169
Single total figure of remuneration	£1,549,437	£1,693,242	£942,400	£1,026,816

1. Steve Foots' salary before salary sacrifice pension contributions of £1,650.

2. Benefits include benefit-in-kind for company car or cash allowance, benefit-in-kind for private medical insurance and private fuel allowance.

3. This represents the 20% of salary supplement for 2020 and 25% of salary for 2019. For Steve Foots the supplement was only in relation to benefits provided above the salary pension cap.

4. For defined benefit pensions the amount included is the additional value accrued during the year, calculated using HMRC's methodology for the purposes of income tax using a multiplier of 20. This methodology can result in year-on-year fluctuations due to underlying inflation inputs. For 2020, the calculation methodology has been amended to align the revaluation rate that is applied to value Steve Foots' Croda Pension Scheme benefits to the inflation rate that is allowed for within the calculation of the disclosable benefit. This reduces the level of volatility in the calculated figure from year to year.

5. A. The PSP awards granted in March 2018 reached the end of their performance period on 31 December 2020. The awards will vest at 40% (see page 92). The values included in the table above are based on the three-month average price to 31 December 2020 of 6259.3p. Of these values, £184,190 and £95,272 is attributable to share price growth for Steve Foots and Jez Maiden, respectively. These values will be updated in next year's Annual Report based on the share price at vesting which will take place on 15 March 2021.

B. The 2019 PSP award has been updated to reflect the actual share price at vesting of 4259p. Of these values, £133,251 and £68,922 is attributable to share price growth for Steve Foots and Jez Maiden, respectively.

6. Represents the value received in the year from participation in all-employee share schemes. Steve Foots and Jez Maiden received 33 and 34 matching shares respectively as part of the Share Incentive Plan (SIP) with a transaction value of £1,775 and £1,830. Steve Foots also participated in the 2020 Sharesave scheme and was granted 112 shares at a discounted rate of 4804p. The share price on the date of grant was 6004p representing a 20% discount.

Annual bonus

The annual bonus for Executive Directors in 2020 was calculated by reference to the amount by which the profit for the year exceeded the profit for 2019 (the 'Bonusable Profit'). Bonuses for 2020 are payable against a graduated scale once the Bonusable Profit exceeds the base profit with bonus targets set, and performance measured, based on constant currency actual exchange rates.

Executive Director	Threshold target	Maximum target	Actual	Bonus outcome (% of maximum)
Bonusable Profit	£369.3m	£406.2m	£365.0m	0%

While not applicable for 2020, 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 83).

PSP**PSP awards vesting in March 2021**

The PSP awards granted in March 2018 reached the end of their three-year performance period on 31 December 2020.

Measure	Weighting	Threshold	Maximum	Actual performance	Out-turn (% of max element)
Relative TSR versus bespoke peer group ¹	40%	Median (50th percentile)	Upper quartile (75th percentile)	84.2 percentile	100%
Adjusted annual average EPS growth over three years ²	40%	5% p.a.	11% p.a.	-0.65% p.a.	0%
NPP	20%	Target vesting for NPP sales growth to be at least twice non-NPP sales, subject to a minimum average of 5% growth per year and overall positive Group profit growth.		Not met	0%
Total out-turn					40%

1. TSR peer group constituents: AkzoNobel, Albemarle, Arkema, Ashland, BASF, Clariant, Koninklijke DSM, Eastman Chemicals, Elementis, Evonik Industries, Givaudan, Johnson Matthey, Kemira, Lanxess, Novozymes, Solvay, Symrise, Synthomer, Victrex.

2. EPS growth p.a. is calculated on a simple average basis over the three-year period; and therefore growth of 33% or more over three years is required for maximum vesting.

As well as considering the EPS, TSR and NPP targets, under the rules of the PSP, the Remuneration Committee is obliged to consider the underlying performance of the Company over the performance period, which it did using the Discretion Framework on page 83. On review, the Committee considered the outcome of the PSP consistent with overall Company performance over the three-year performance period.

The forecast vesting value of the awards made in March 2018, subject to the above performance targets, is included in the 2020 single figure table on page 91. 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	09-Mar-20	19,616	PSP	0	4259p	£835,445
	09-Mar-20	7,593	DBSP	0	4259p	£323,386
	08 Nov-19	204	Sharesave	2639p	4814p	£4,437
	04 Mar-19	41,284	PSP	0	5055.9p	£2,087,278
	04 Mar-19	6,855	DBSP	0	5055.9p	£346,582
Jez Maiden	09-Mar-20	10,146	PSP	0	4259p	£432,118
	09-Mar-20	4,187	DBSP	0	4259p	£178,324
	08 Nov-19	341	Sharesave	2639p	4814p	£7,417
	04 Mar-19	21,354	PSP	0	5055.9p	£1,079,637
	04 Mar-19	3,799	DBSP	0	5055.9p	£191,062

PSP awards granted in 2020

The PSP awards granted on 29 April 2020 were as follows:

Executive Director	Number of PSP shares awarded	Basis of award granted (% of salary)	Face/maximum value of awards at grant date ¹	% of award vesting at threshold (maximum)	Performance period
Steve Foots	31,533	225%	1,520,048	25% (100%)	01.01.20 – 31.12.22
Jez Maiden	16,914	175%	815,339	25% (100%)	01.01.20 – 31.12.22

1. Face value/maximum value is calculated based on a shares price of 4820.5p, being the average mid-market share price of the three dealing days prior to the date of grant.

The 2020 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 90 of our Annual Report and Accounts 2019. Vesting will take place on a sliding scale. An EVA underpin applies across the entire award, as detailed on page 90.

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

All employee share plans

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

SIP

Details of shares purchased and awarded to Executive Directors under the SIP are shown in the table below. A brief description of the SIP is set out in note 23 on page 152.

Executive Director	SIP shares held 01.01.20	Partnership shares acquired in year	Matching shares awarded in year	Total shares 31.12.20*	SIP shares that became unrestricted in the year	Total unrestricted SIP shares held at 31.12.20
Steve Foots	5,728	33	33	5,794	59	5,462
Jez Maiden	355	34	34	429	3	4

There have been no changes in the interests of any Director between 31 December 2020 and the date of this report, except for the purchase of five SIP shares and five matching shares by Steve Foots and four SIP shares and four matching shares by Jez Maiden during January and February 2021.

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

Sharesave

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

Date of grant	Earliest exercise date	Expiry date	Face value*	Exercise price	Number at 01.01.20 (10.609756p shares)	Granted in year	Exercised in the year	Number at 31.12.20 (10.609756p shares)
Steve Foots								
13 September 2017	01 November 2020	30 April 2021	£6,725	3092p	174	–	–	174
27 September 2018	01 November 2021	30 April 2022	£8,960	4144p	173	–	–	173
12 September 2019	01 November 2022	30 April 2023	£6,723	3898p	138	–	–	138
10 September 2020	01 November 2023	30 April 2024	£6,724	4804p	–	112	–	112
					485	112	–	597
Jez Maiden								
27 September 2018	01 November 2021	30 April 2022	£11,238	4144p	217	–	–	217
12 September 2019	01 November 2022	30 April 2023	£11,206	3898p	230	–	–	230
					447	–	–	447

During 2020, the highest mid-market price of the Company's shares was 6564p and the lowest was 3963p. The year-end closing price was 6596p. The year-end mid-market price was 6505.25p.

* 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	Accrued pension 2020	Single remuneration figure 2020	Single remuneration figure 2019	Single remuneration figures excluding supplement
Steve Foots	14 September 2033	£128,719	£138,492	£158,829	£7,500
Jez Maiden	N/A	–	£93,184	£114,196	–

Note: Members of the CPS have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in this table. During 2020, Steve Foots was paid £130,992 (2019: £156,209) and Jez Maiden was paid £93,184 (2019: £114,196) in addition to their basic salary to enable them to make independent provision for their retirement.

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 2021 will be £70,772. Employees who earn in excess of the pension cap or who cannot be members of the plan due to tax limitations receive a pension supplement. For Executive Directors this supplement is up to 20% of salary in line with the wider UK workforce.

Steve Foots' pension provision

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

Steve Foots is entitled to death-in-service benefits from the CPS. He also received a pension supplement at 20% of salary above his personal pension benefit cap in 2020 in line with the wider UK workforce.

Steve Foots has elected to opt out of CARE from 2021 and will therefore only receive a pension supplement of 20% of salary.

Jez Maiden's pension provision

Jez Maiden has elected not to join CARE and was therefore paid a pension supplement of 20% of salary in 2020. He has an agreement with the Company to provide him with death-in-service benefits outside of the CPS.

3. Payments for cessation of office

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

4. Payments to past directors

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

5. Share interests

The interests of the Directors who held office at 31 December 2020 are set out in the table below:

	Legally owned ¹		PSP (unvested)	DBSP (unvested) ²	Sharesave (unvested)	SIP		Total 31.12.20	% of salary held under shareholding guideline ³
	31.12.19	31.12.20				Restricted	Unrestricted		
Executive Director									
Steve Foots	176,760	163,912	86,930	8,077	423	332	5,432	265,106	>225% target
Jez Maiden	27,167	27,167	45,568	4,639	447	425	4	78,250	>175% target
Non-Executive Director									
Roberto Cirillo	0	0	–	–	–	–	–	0	–
Alan Ferguson*	2,357	0	–	–	–	–	–	0	–
Jacqui Ferguson	76	76	–	–	–	–	–	76	–
Anita Frew	9,425	9,425	–	–	–	–	–	9,425	–
Helena Ganczakowski	361	361	–	–	–	–	–	361	–
Keith Layden	80,400	80,314	–	652	–	–	–	80,966	–
John Ramsay**	0	2,000	–	–	–	–	–	2,000	–

* Alan Ferguson retired 23 April 2020.

** John Ramsay appointed 1 January 2020, holding on appointment Nil.

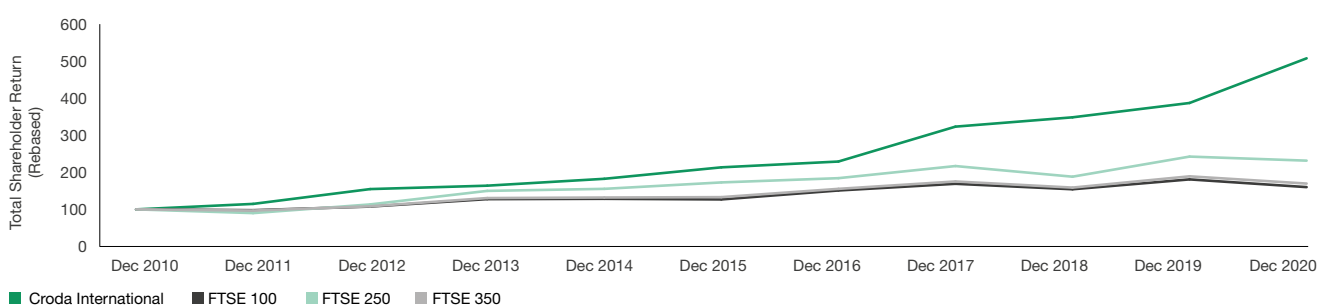
1. Including connected persons.

2. Represents DBSP awards and, for Keith Layden, in respect of his 2017 bonus, a deferred share award equivalent to a DBSP award.

3. For 2020, the shareholding guidelines for the Chief Executive Officer and Group Finance Director increased to 225% and 175% of salary, respectively.

Post-employment shareholding guidelines also apply for two years after leaving employment. These are set at 100% of the in-employment guideline for the first year after leaving employment, tapering to 0% by the end of year two. This policy applies to shares from awards that vest in 2020 and beyond. During 2021 the Committee will be formalising the structures in place to allow it to monitor and enforce the post-employment shareholding requirement.

6. Performance graph (unaudited information)



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

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

	2011*	2012**	2013**	2014**	2015**	2016**	2017**	2018**	2019** ¹	2020**
Total remuneration (£)	4,142,608	1,364,048	1,427,156	769,414	1,374,046	2,404,441	3,570,251	3,311,700	1,693,242	1,549,437
Annual bonus (%)	100%	28%	0%	0%	76.38%	100%	78.36%	36.19%	0%	0%
Long-term incentives vesting (%)	100%	100%	81.8%	0%	0%	43%	100%	100%	56.2%	40%

* Relates to Mike Humphrey.

** Relates to Steve Foots.

1. The 2019 total remuneration figure has been updated to reflect the value of the 2019 PSP award at vesting.

8. Board Chair and other Non-Executive Directors' fees 2020 and 2021 (unaudited information)

The fees paid to the Non-Executive Directors (including chairing of Committees) and to the Senior Independent Director were reviewed in December 2020 and increased by 1%. These changes took effect from 1 January 2021. The revised fee structure for the Board Chair and other Non-Executive Directors for 2021 is detailed below.

Position	2020 fee £	2021 fee £
Board Chair (all inclusive fee)	300,900	303,909
Non-Executive Director base fee	63,240	63,872
Additional fees		
Senior Independent Director	10,506	10,611
Committee Chairs (Audit and Remuneration)	15,300	15,453

9. Non-Executive Directors' remuneration

The remuneration of Non-Executive Directors for the year ended 31 December 2020 payable by Group companies is detailed below, this table reflects actual payments in 2020.

		Non-Executive Director fees £	Benefits ¹ £	Total £
Anita Frew	2020	300,900	–	300,900
	2019	295,000	5,546	300,546
Alan Ferguson ²	2020	28,084	–	28,084
	2019	87,300	3,004	90,304
Helena Ganczakowski ⁴	2020	85,789	–	85,789
	2019	77,000	4,805	81,805
Jacqui Ferguson	2020	63,240	–	63,240
	2019	62,000	2,455	64,455
Roberto Cirillo	2020	63,240	–	63,240
	2019	62,000	5,845	67,845
Keith Layden	2020	63,240	–	63,240
	2019	62,000	861	62,861
John Ramsay ^{3,4}	2020	73,793	–	73,793
	2019	–	–	–
Steve Williams ⁵	2020	–	–	–
	2019	20,667	2,787	23,454

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. Alan Ferguson retired on 23 April 2020. His fees were pro-rated accordingly.

3. John Ramsay was appointed to the Board on 1 January 2020.

4. Following Alan Ferguson's retirement, 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.

5. Steve Williams retired 24 April 2019.

Non-Executive Directors appointment

The effective dates of the letters of appointment for the Board Chair and each Non-Executive Director who served during 2020, are shown in the table below:

Non-Executive Director	Original appointment date	Expiry date of current term
Anita Frew	05 March 2015	05 March 2022
Roberto Cirillo	26 April 2018	26 April 2024
Alan Ferguson ¹	01 July 2011	30 June 2020
Jacqui Ferguson	01 September 2018	01 September 2021
Helena Ganczakowski	01 February 2014	31 January 2022
Keith Layden	01 May 2017	01 May 2023
John Ramsay	01 January 2020	01 January 2023

1. Alan Ferguson retired on 23 April 2020.

10. 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
Jez Maiden	09 October 2014	by the Company 12 months, by the Director 6 months

External directorships

Executive Directors are permitted to accept external appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for Non-Executive Director roles. Jez Maiden was appointed as a Non-Executive Director of PZ Cussons on 16 October 2016. He stepped down from this role on 31 May 2020 and received a fee of £26,291 for his services in 2020.

11. Remuneration Committee attendance and advisers (unaudited information)

The following Directors served as members of the Committee during 2020:

- Helena Ganczakowski (Chair)
- Alan Ferguson (Retired 23 April 2020)
- Roberto Cirillo
- Jacqui Ferguson
- John Ramsay (From 01 January 2020)

See page 63 for details of attendance at meetings during the year.

In addition, the Committee invites individuals to attend meetings to ensure that decisions are informed and take account of pay and conditions in the wider Group. During 2020, invitees included other Directors and employees of the Group and the Committee's advisers (see below), including Anita Frew (Company Chair), Steve Foots (Group Chief Executive), Jez Maiden (Group Finance Director), Keith Layden (Non-Executive Director), Tracy Sheedy (Group HR Director), Tom Brophy (Group General Counsel and Company Secretary) and Caroline Farbridge (Deputy Company Secretary).

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

Remuneration Committee advisers (unaudited information)

Deloitte LLP were retained as the appointed adviser to the Committee for the whole of 2020 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 £72,485 (excluding VAT). The Committee regularly reviews the external adviser's relationship and is comfortable that the advice it is receiving remains objective and independent.

12. 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 ¹	% change in benefits ²	% change in bonus ³
Average employee of the Group's parent Company³	3.66%	-0.06%	0.00%
Average UK employee⁴	3.43%	-3.27%	27.96%
Executive Directors			
Steve Foots	2.00%	0.50%	0.00%
Jez Maiden	2.00%	2.29%	0.00%
Non-Executive Directors			
Anita Frew	2.00%	-100.00%	–
Roberto Cirillo	2.00%	-100.00%	–
Alan Ferguson ⁵	-67.83%	-100.00%	–
Jacqui Ferguson	2.00%	-100.00%	–
Helena Ganczakowski ⁶	11.41%	-100.00%	–
Keith Layden	2.00%	-100.00%	–
John Ramsay ^{6,7}	–	–	–

1. Employees of the Group's parent company and UK employees received a 2% pay increase in 2020, in line with both Executive Directors and Non-Executive Directors. The % increase above this represents individual employee salary reviews, promotions and new hires.

2. 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.

3. The senior annual Bonus Plan and Croda Europe Discretionary Bonus Scheme did not pay out for 2019 or 2020. This percentage represents a small increase in the amount of sales bonus received by a small number of employees.

4. Excluding Executive Directors and Non-Executive Directors.

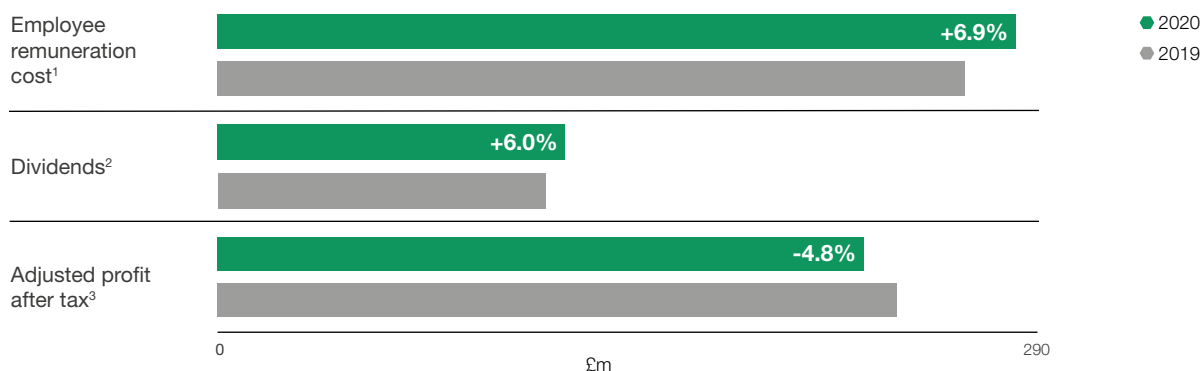
5. Alan Ferguson retired on 23 April 2020.

6. Following Alan Ferguson's retirement, 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.

7. John Ramsay was appointed to the Board on 1 January 2020 and therefore has no comparable remuneration figures for 2019.

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 133. 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.

13. Statement of voting (unaudited information)

	Remuneration Policy 2020 AGM		Annual Report on Remuneration 2020 AGM	
	number of votes	% of votes	number of votes	% of votes
Votes cast in favour	97,230,580	97.55%	96,844,492	97.16%
Votes cast against	2,445,834	2.45%	2,833,300	2.84%
Total votes cast	99,676,414	100%	99,677,792	100%
Withheld	152,926		151,550	

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

On behalf of the Board

Helena Ganczakowski

Chair of the Remuneration Committee

1 March 2021

E. Summary of the Remuneration Policy

An updated Remuneration Policy was presented and approved by shareholders at the 2020 AGM. It is intended that this will operate until the AGM in 2023. The full Remuneration Policy can be found on pages 77 to 83 of our Annual Report & Accounts 2019.

Main components of the Remuneration Policy

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		
<p>Normally reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee, considering:</p> <ul style="list-style-type: none"> • The performance and experience of the individual concerned • Any change in scope, role and/or responsibilities • Pay and employment conditions elsewhere in the Group • Rates of inflation and market-wide wage increases across international locations • The geographical location of the Executive Director • Rates of pay in international manufacturing and pan-sector companies of a comparable size and complexity. 	<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		
<p>The Group typically provides the following benefits:</p> <ul style="list-style-type: none"> • Company car (or cash allowance) • Private fuel allowance • Private health insurance and other insured benefits • Other ancillary benefits, including relocation expenses/arrangements (including tax thereon) as required. <p>Additional benefits might be provided from time to time (for example in circumstances where an Executive Director is deployed to, or recruited from overseas).</p> <p>The Committee will consider whether the payment of any additional benefits is appropriate and proportionate when determining whether they are paid.</p>	<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. 	<p>None.</p>
Performance-related annual bonus – to incentivise and reward delivery of the Group's key annual objectives and to contribute to longer-term alignment with shareholders		
<p>Normally one third of any bonus paid is compulsorily deferred into shares for three years through the Deferred Bonus Share Plan (DBSP).</p> <p>The Committee has the discretion to permit DBSP awards to benefit from dividends on shares that vest.</p> <p>The balance of the bonus is paid in cash.</p>	<p>Group Chief Executive: 150% of salary.</p> <p>Other Executive Director: 125% of salary.</p>	<ul style="list-style-type: none"> • Bonus will typically be based on challenging financial targets set in line with the Group's KPIs (for example profit growth targets). • The Committee has the flexibility to include, for a minority of the bonus, targets related to other Group measures where this is considered appropriate. • For a profit measure, bonus normally starts to accrue once the threshold target is met (0% payable) rising on a graduated scale to 100% for outperformance. Were an additional KPI metric to be introduced, the threshold would not exceed 25%. • 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 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, serious misconduct, serious reputational damage or material corporate failure. The provisions will operate for a three-year period following the date on which the bonus is paid.

Operation

Maximum opportunity

Framework used to assess performance and for the recovery of sums paid

Performance Share Plan (PSP) – to incentivise and reward the execution of business strategy over the longer term and to reward sustained growth in profit and shareholder value

The PSP provides for awards of free shares (i.e., either conditional shares or nil-cost options) normally made annually which vest after three years subject to continued service and the achievement of challenging performance conditions. Shares are subject to a two-year post-vesting holding period.

The Committee has the discretion to permit awards to benefit from the dividends paid on shares that vest.

Normal maximum opportunity of:

- Group Chief Executive: 225% of salary
- Other Executive Director: 175% of salary.

In exceptional circumstances (eg recruitment), awards may be granted up to 300% of salary to compensate for value forfeited from a previous employer.

- Granted subject to a blend of challenging financial (eg EPS), shareholder return (eg relative TSR) and strategic targets (eg sustainability). The performance targets may also include an additional underpin (eg an EVA underpin).
- Targets will normally be tested over three years.
- In relation to financial targets (eg 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 (eg 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 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, 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.

All-employee share plans – to encourage retention and long-term shareholding in the Company and to provide all employees with the opportunity to become shareholders in the Company on similar terms

- Periodic invitations are made to participate in the Group's Sharesave scheme and Share Incentive Plan.
- Shares acquired through these arrangements have significant tax benefits in the UK subject to satisfying certain HMRC requirements.
- The plans can only operate on an all-employee basis.
- The plans operate on similar terms but on a non tax-favoured basis outside the UK as appropriate.
- In the event that Croda were to introduce an all-employee plan similar in nature to the current Sharesave and Share Incentive Plan, the Committee retains the discretion to allow Executive Directors to participate on the same basis as other employees.
- In relation to HMRC plans (or equivalent) the maximum participation level is as per HMRC limits. For any other all-employee plan the maximum will be equivalent to the maximum applying to all employees.
- There are no post-grant targets currently applicable to the Group's Sharesave and Share Incentive Plan.

Pension – to provide competitive long-term retirement benefits and to act as a retention mechanism and reward service

Pension benefits are typically provided either through (i) participation in the UK's defined benefit pension plan with a cash supplement provided above any pension salary cap or (ii) a cash supplement provided in lieu of pension.

- 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.
- None.

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.

Other Disclosures

Pages 50 to 105 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 51.5p per share (2019: 50.5p). If approved by shareholders, total dividends for the year will amount to 91p per share (2019: 90p). Details of dividends are shown in note 8 on page 132; details of the Company's Dividend Reinvestment Plan can be found on page 165. 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 25 on page 153.

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 54 and 55.

In line with the 2018 UK Corporate Governance Code, each Director will be standing for re-election at the AGM. Details of the Directors' service contracts are given in the Directors' Remuneration Report on page 97.

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 95.

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 Memorandum and 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 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 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 2020 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, copies of which 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 2020 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 2021 AGM, that is 21 May 2021, and so the Directors propose to renew them for a further year.

On 18 November 2020, the Company raised gross proceeds of £627m new equity to part-fund the acquisition of Iberchem. 10,630,003 new Ordinary Shares were admitted to trading on 20 November 2020 following the placing and retail offer at a price of 5900 pence. The new shares are fully paid and rank pari passu in all respects with each other and with the existing Ordinary Shares in the capital of Company. Following the admission, the total number of Ordinary Shares in issue in Croda is 139,518,681 (excluding shares held in treasury).

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. During 2020, close to 100% of our employees received training. This included training on home working and mental health.

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 2020, 85% of our UK employees and 63% 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, Connect; 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. In 2020 we conducted 11 surveys to gain vital feedback on employee views across the global organisation during the pandemic.

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 32.
- Information on energy consumption can be found on page 32.
- Information on energy efficiency can be found on page 32.
- Information on gas emissions, energy consumption and energy efficiency - other disclosures can be found on page 32.
- An indication of likely future developments in the Group's business can be found in the Strategic Report, starting on page one.
- An indication of the Company's overseas branches are on pages 162 to 164.

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 the following pages of this Annual Report and Accounts as detailed in the table on page 104.

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 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 auditors

Our auditors, KPMG, have indicated their willingness to continue in office and, on the recommendation of the Audit Committee, a resolution regarding their reappointment and remuneration will be submitted to the AGM on 21 May 2021.

Audit information

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are 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 auditors are 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.

It is proposed that the Company adopt new articles of association (the "New Articles") to update the Company's current articles of association (the "Existing Articles"), which were last amended in 2013. The proposed updates reflect developments in market practice and legal and regulatory requirements, provide additional flexibility and clarify certain aspects of the operation of the Existing Articles where necessary or appropriate.

The principal changes to the Company's Existing Articles are summarised in the Notice of the AGM to be held on 21 May 2021. A copy of the New Articles and a copy of the Existing Articles marked up to show all proposed changes is available at www.croda.com/agm.

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 contains 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 (2019: £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 147 to 148.

Capitalised interest

The Group's policy for capitalising borrowing costs directly attributable to the purchase or construction of fixed assets is set out on page 126.

Listing Rule (LR) 9.8.4R information

Section	Topic	Page reference
(1)	Capitalised interest	Page 104
(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	Not applicable
(7) (8)	Allotments of equity securities for cash	Page 103
(9)	Participation in a placing of equity securities	Not applicable
(10)	Contracts of significance	Page 104
(11) (14)	Controlling shareholder disclosures	Not applicable
(12) (13)	Dividend waiver	Page 102

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 Companies Act 2006 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. In addition, the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 and reliable;
- for the Group financial statements, state whether they have been

prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;

- 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.

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.

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 1 March 2021 and is signed on its behalf by



Tom Brophy
Group General Counsel and
Company Secretary

1 March 2021