KPMG LLP's Independent Auditor's Report

To the members of Croda International Plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of Croda International Plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of Croda International Plc ("the Company") for the year ended 31 December 2023 (FY23) included in the Annual Report and Accounts, which comprise:

Group (Croda International Plc and its subsidiaries)	Parent Company (Croda International Plc)
Group Income Statement;	Company Balance Sheet;
Group Statement of Comprehensive Income;	Company Statement of Changes in Equity; and
Group Balance Sheet;	Notes A to O to the Parent Company financial statements, including the accounting policies on page 197.
Group Statement of Cash Flows;	
Group Statement of Changes in Equity; and	
Notes 1 to 28 to the Group financial statements, including the accounting policies on pages 157 to 163.	

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

Our risk assessment considers the Group's operations, the macro-economic environment and other relevant external factors which impact the results of the Group. Having considered these external factors, we have identified the below key audit matters.

The estimated recoverable amount of the Flavours goodwill is sensitive to changes in key assumptions. There is limited headroom in the model and therefore the recoverable amount of goodwill in the Flavours CGU continues to be a key audit matter, however the level of risk has reduced compared to FY22 as a result of the impairment recognised the prior year. We have identified the valuation of the Flavours Cash Generating Unit (CGU) to be a significant risk of error.

We have identified the valuation of the UK defined benefit pension scheme liabilities as a key audit matter given the scheme remains open to future accrual and new members, and due to the significant estimation uncertainty with regards to key assumptions used for determining the valuation of gross defined benefit liabilities. The sensitivity of the estimation is heightened when there is volatility in the macro-economic conditions, as currently experienced in the UK in FY22 and FY23.

Following the divestment of the PTIC ("Performance Technologies and Industrial Chemicals") businesses in FY22, the key focus for the Parent Company audit is the recoverability of the shares in Group undertakings and amounts owed by Group undertakings given they represent a significant portion of the Company's assets; accordingly this has been reinstated as a key audit matter.

Key Audit Matters ("KAM")	Vs FY22	Item
Flavours goodwill impairment	▼	4.1
Valuation of UK defined benefit pension scheme liabilities	◀ ▶	4.2
Recoverability of Parent Company's shares in Group undertakings and amounts owed by Group	◀ ▶	4.3

Key

Decrease in level of risk	▼
No change in level of risk	◀ ▶

Audit Committee interaction

During the year, the Audit Committee ("AC") met five times. KPMG are invited to attend all AC meetings and are provided with an opportunity to meet with the AC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the AC in section 4, including matters that required particular judgement for each. The matters included in the Audit Committee Chair's report on pages 100 to 105 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY23 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the year ended 31 December 2018. The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2023.

The Group engagement partner is required to rotate every five years. As these are the third set of the Group's financial statements signed by Ian Griffiths, he will be required to rotate off after the FY25 audit.

The average tenure of partners responsible for component audits as set out in section 7 below is 2.7 years, with the shortest being 1 and the longest being 6.

Total audit fee	£2.5m
Audit related fees (including interim review)	£0.3m
Other services	£0.001m
Non-audit fee as a % of total audit and audit related fee %	12%
Date first appointed	25 April 2018
Uninterrupted audit tenure	6 years
Next financial period which requires a tender	2028
Tenure of Group engagement partner	3 years
Average tenure of component signing partners	2.7 years

Materiality (item 6 below)

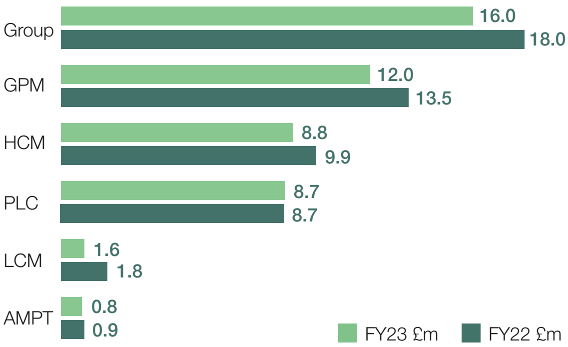
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £16m (FY22: £18m) and for the Parent Company financial statements as a whole at £8.7m (FY22: £8.7m).

Consistent with FY22, we determined that Group profit before tax from continuing operations ("PBT") normalised for goodwill impairment, and restructuring costs, remains the benchmark for the Group as the Group is a profit-making trading business. As such, we based our Group materiality on normalised PBT, of which it represents 4.7% (FY22: 4.7%).

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 0.3% (FY22: 0.3%).

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PLC	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

Group scope (item 7 below)

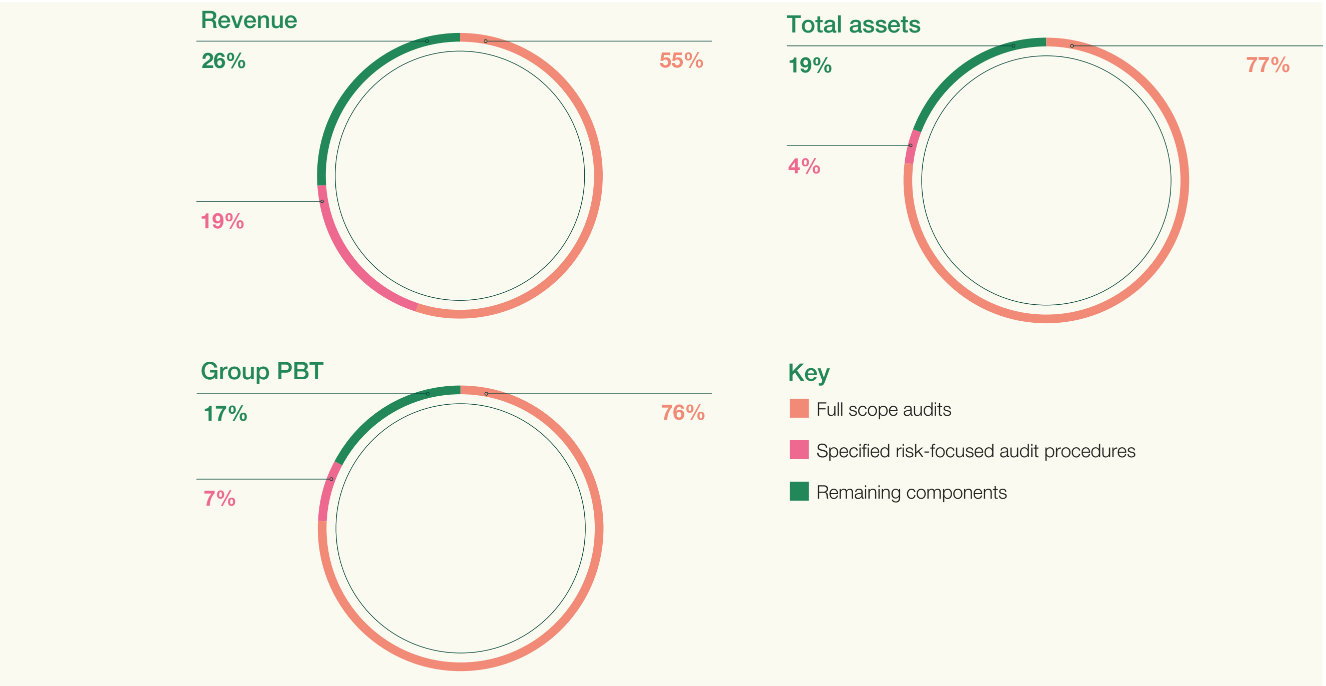
We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

Of the Group's 86 reporting components, we subjected 8 (FY22: 11) to full scope audits for Group purposes and 6 (FY22: 4) to specified risk-focused audit procedures as these are not individually significant but were included in the scope of our Group reporting work in order to provide further coverage over the Group's results.

The components within the scope of our work accounted for the percentages illustrated below.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.



The impact of climate change on our audit

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. The Group is monitoring Climate Positive targets and Science Based Targets in line with limiting global warming to 1.5ºC by 2030, and to be climate net zero by 2050. Climate change initiatives impact the Group in a variety of ways including opportunities and risks relating to bio-based raw material supply, operational and supply chain decarbonisation and emerging regulatory requirements such as carbon taxes. Further information is provided on pages 59 to 67.

The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, including an evaluation of critical accounting estimates and judgements. The Group concluded that this did not have a material effect on the consolidated financial statements, as described on pages 157 and 158.

We performed a risk assessment, taking into account climate change risks and commitments made by the Group, considering how climate change may impact the financial statements and our audit. This included enquiries of management, consideration of the Group's processes for assessing the potential impact of climate change risk on the consolidated financial statements and assessing the TCFD scenario analysis performed by the Group, including their assessment of critical accounting estimates and judgements, and the effect on our audit. Our risk assessment considered in particular the potential impact on the recoverable amount of goodwill and intangible assets, the estimates made regarding useful economic lives of property, plant and equipment, going concern and the valuation of certain unquoted pension assets.

We held discussions with our own climate change professionals to challenge our risk assessment.

Based on our risk assessment we determined that the climate related risks to the Group's business, strategy and financial planning do not have a significant impact on balances in the consolidated financial statements or on our key audit matters.

We have read the Group's disclosure of climate related information in the front half of the Annual Report as set out on pages 98 and 99, and considered consistency with the financial statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period (going concern is considered 12 months from approval of the financial statements). The Group issued two profit warnings in 2023 to announce the reduction in its expected profit before tax at year end. The reduced profits were driven by customer destocking activities which were unprecedented as set out in the Strategic Report on page 19. The risk that we considered most likely to adversely affect the Group's and Parent Company's available financial resources and metrics relevant to debt covenants over this period was:

- Further customer destocking and weaker demand could have an adverse impact on the Group's future cashflows, forecasts and overall profitability, as seen through 2023

We also considered less predictable but realistic second order impacts, such as regulatory incidents, site incidents and impact of product quality issues leading to a product recall or loss of revenue which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure on page 157.

Accordingly, based on those procedures, we found the Directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement on page 157 of the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure on page 157 to be acceptable; and
- The related statement under the Listing Rules set out on page 138 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the long-term viability statement on page 58 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the Directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the long-term viability statement set out on page 58 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Flavours goodwill impairment

Financial Statement Elements	FY23	FY22	Our assessment of risk vs FY22	Our results
Flavours goodwill	**£92.8m**	£94.4m	▼ Our assessment is that the risk has decreased since FY22	**FY23 Acceptable** FY22: Acceptable
Impairment charge	**£Nil**	£34.6m		

Description of the Key Audit Matter

- The estimated recoverable amount of the Flavours goodwill (acquired through the Iberchem acquisition in FY20) is subjective due to the inherent uncertainty involved in forecasting and discounting estimated future cash flows (specifically the key assumptions such as revenue and cost of sales).
- There is limited headroom in the model and therefore the risk of estimation uncertainty remains, however the level of risk has reduced compared to FY22 as a result of the impairment recognised in the prior year.
- The effect of this matter is that, as part of our risk assessment, we determined that the impairment assessment in respect of the recoverable amount of the Flavours goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 12) disclose the sensitivities estimated by the Group.

Our response to the risk

Our procedures to address the risk included:

- **Assessing methodology:** we obtained the discounted value in use cash flow model and assessed the methodology, principles and integrity of the model.
- **Our valuation expertise:** we involved our own valuation specialists to assist us in challenging the appropriateness of the discount rate assumption.
- **Benchmarking assumptions:** we challenged the Group's forecast assumptions for cash flow projections, including the rate of sales growth and gross profit growth in the short to medium term, with reference to internally and externally derived sources.
- **Historical comparisons:** we assessed the Group's historical forecasting accuracy by comparing forecasts from prior years with actual results in those years.
- **Sensitivity analysis:** we performed breakeven analysis on the key assumptions including revenue and gross margin. We also performed breakeven analysis on other assumptions such as discount rate and long-term growth rates.
- **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflect the risks inherent in the valuations of goodwill.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the Croda International Plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverable amount of the Flavours goodwill, including our planned substantive procedures, the involvement of our valuation specialists and the extent of our control reliance.
- Our conclusions on the appropriateness of the methodology, key assumptions used and conclusion of no impairment to be recorded.
- The adequacy of the disclosures, particularly as they relate to the sensitivity of the key assumptions.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the model, and in particular key assumptions used in the model including revenue and cost of sales growth rates and other assumptions such as discount rates and terminal growth rates.

Our results

Based on the risk identified and our procedures performed, we found the Group's conclusion that there is no impairment of goodwill to be acceptable (FY22: We found the goodwill balance, and the related impairment charge, to be acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 105 for details on how the Audit Committee considered this Key Audit Matter as an area of significant attention, page 159 for the accounting policy, and note 12 for the financial disclosures.

4.2 Valuation of UK defined benefit pension scheme liabilities (Group)

Financial Statement Elements			Our assessment of risk vs FY22	Our results
	FY23	FY22		
Gross defined benefit liabilities £867.3m (FY22: £858.4m); although this specific risk is only associated with the UK scheme liabilities £735.5m (FY22: £726.2m)	**£735.5m**	£726.2m	◀ ▶ Our assessment is that the risk is similar to FY22	**FY23 Acceptable** FY22: Acceptable

Description of the Key Audit Matter

Subjective valuation

- The Group has defined benefit pension scheme liabilities in the UK that are material in the context of the overall balance sheet and the results of the Group.
- Significant estimates, including the discount rate, the inflation rate and the mortality assumptions, are made in valuing the Group's defined benefit pension liabilities (before deducting the scheme assets). The UK scheme is also open to future accrual and new members, and small changes in the assumptions and estimates with respect to the liabilities may have a significant effect on the financial position of the Group. The Group engages external actuarial specialists to assist them in selecting appropriate assumptions and in calculating the liabilities.
- The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the defined benefit liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

The financial statements (note 11) disclose the sensitivity of the liabilities to key assumptions estimated by the Group.

Our response to the risk

Our procedures to address the risk included:

- **Benchmarking assumptions:** we challenged the key assumptions applied in the calculation of the liabilities including the discount rate, inflation rate, and mortality with the support of our own actuarial specialists to compare the key assumptions against market data.
- **Actuary's credentials:** we assessed the competence, capabilities and objectivity of the Group's actuarial expert.
- **Sensitivity analysis**: we assessed the sensitivity of the defined benefit liabilities to changes in key assumptions.
- **Assessing transparency:** we considered adequacy of the Group's disclosures in respect of the sensitivity of the gross liabilities to changes in key assumptions.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the Croda International Plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of UK defined benefit pension scheme liabilities, including the use of our actuarial specialists.
- Our conclusions on testing the valuation of the defined benefit liabilities and the adequacy of the disclosures.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- The appropriateness of the valuation of UK defined benefit pension scheme liabilities and in particular, the selection of key assumptions used in the valuation (the discount rate, the inflation rate and the mortality).

Our results

We found the valuation of the pension liabilities to be acceptable (FY22 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 105 for details on how the Audit Committee considered this Key Audit Matter as an area of significant attention, page 160 for the accounting policy, and note 11 for the financial disclosures.

4.3 Recoverability of Parent Company's shares in Group undertakings and amounts owed by Group undertakings

Financial Statement Elements	FY23	FY22	Our assessment of risk vs FY22	Our results
Shares in Group undertakings	**£1,567.0m**	£1,411.1m	◄ ► This area has been reinstated as the key audit matter for the Parent Company for FY23 as post the divestment of the majority of the Performance Technologies and Industrial Chemicals businesses the main area of audit effort has switched from the divestment accounting to the recoverability assessment.	**FY23: Acceptable** FY22: Acceptable
Amounts owed by Group undertakings	**£1,293.0m**	£1,287.1m		

Description of the Key Audit Matter

Low risk, high value

- The carrying amount of the Parent Company's amounts owed by Group undertakings, held at cost less impairment, represents 45% and the carrying value of the Parent Company's shares in Group undertakings represents 54% of the Parent Company's total assets.
- We do not consider the recoverable amount of these amounts to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in the context of the Parent Company financial statements as a whole, these are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our Company audit.

Our response to the risk

Our procedures to address the risk included:

- **Test of detail:** we compared the carrying amount of 100% of the Parent Company's shares in Group undertakings with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of the carrying amount of those shares and assessed whether those subsidiaries have historically been profit-making.
- **Assessing subsidiary audits:** we assessed the work performed by the subsidiary audit team on all of those subsidiaries, and considered the results of that work, on those subsidiaries' profits and net assets, and the likely risk of default on the intra-group balance.
- **Test of detail:** For each intra-group debtor counterparty, we evaluated the likely risk of default with reference to the Company's definition of default and those subsidiaries' performance against budgets and forecasts of future profitability.

We performed the tests above rather than seeking to rely on any of the Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the Croda International Plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverability of the Parent Company's shares in Group undertakings and amounts owed by Group undertakings including details of our planned substantive procedures.
- Our conclusions on the appropriateness of the carrying value of the Parent Company's shares in Group undertakings and amounts owed by Group undertakings.

Areas of particular auditor judgement

We do not consider this KAM to have any significant judgement or estimation involved.

Our results

We found the Parent Company's conclusion that there is no impairment of its shares in Group undertakings and amounts owed by Group undertakings to be acceptable (FY22 result: acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee Report on page 105 for details on how the Audit Committee considered the recoverability of Parent Company's shares in Group undertakings and amounts owed by Group undertakings as an area of significant attention, pages 162 and 197 for the accounting policy on the recoverability of the Parent Company's shares in Group undertakings and amounts owed by Group undertakings, and notes F and G for the financial disclosures.

Changes to key audit matters

Divestment of the majority of the Performance Technologies and Industrial Chemicals businesses (Group and Parent Company)

The Group disposed of the majority of the Performance Technologies and Industrial Chemicals businesses ("PTIC") in FY22 and this was identified as a key audit matter for FY22. However, there are no such events taking place in current year and therefore this is no longer identified as a key audit matter. We have instead reinstated the key audit matter over the recoverability of the Parent Company's shares in Group undertakings and amounts owed by Group undertakings as post the divestment of the majority of the Performance Technologies and Industrial Chemicals businesses, the main area of audit effort has switched from the divestment accounting to the recoverability assessment.

Recoverable amount of the Fragrances goodwill

We continue to perform audit procedures over the recoverable amount of the Fragrances goodwill, however, the risk in this area has reduced such that we no longer consider this to be a key audit matter. This is based on the headroom shown within the model and our risk assessment procedures which have considered how sensitive the model is to assumptions such as short-term revenue and cost of sales growth, long-term growth rate and discount rate.

5. Our ability to detect irregularities, and our response

Fraud – Identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: • Enquiring of Directors, the Audit Committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud. • Reading Board, Nomination Committee, Remuneration Committee and Audit Committee minutes, and whistleblowing logs. • Considering remuneration incentive schemes (annual Bonus Plan and Performance Share Plan) and performance targets for Executive Directors, Executive Committee, senior leaders and senior managers, including the EPS growth target. • Using our own forensic specialists to assist us in identifying fraud risks. This included holding a fraud risk assessment discussion with the audit team and assisting us in designing procedures to identify fraud risks.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope and specified risk-focused component audit teams of relevant fraud risks identified at the Group level and requesting these component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.
Fraud risks	As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. We do not believe there is a fraud risk related to revenue recognition because revenue transactions have low individual value with high volume, are routine and process driven and do not involve judgement or estimation. This reduces the opportunities for fraudulent activity. We did not identify any additional fraud risks.
Procedures to address fraud risks	We performed procedures including: • Identifying journal entries to test for all full scope and specified risk-focused components based on risk criteria by the Group audit team. Component audit teams were instructed to test the identified entries to supporting documentation. These included those posted by senior finance management or other high-risk users and those posted to unusual account combinations. • Assessing whether the judgements made in making accounting estimates and related accounting treatment are indicative of a potential bias.

Laws and regulations – Identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussions with the Directors and other management of the policies and procedures regarding compliance with laws and regulations.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to all full scope and specified risk-focused component audit teams of relevant laws and regulations identified at the Group level, and a request for these component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, pensions legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/regulation areas	The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety and product liability, competition, anti-bribery and corruption, intellectual property, employment law, tax, trade compliance laws and environmental legislation, Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") and recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£16m (FY22: £18m) Materiality for the Group financial statements as a whole	**What we mean** A quantitative reference for the purpose of planning and performing our audit. **Basis for determining materiality and judgements applied** Materiality for the Group financial statements as a whole was set at £16m (FY22: £18m). This was determined with reference to a benchmark of normalised Group profit before tax from continuing operations ("PBT") of which it represents 4.7% (FY22: 4.7%). Consistent with FY22, we determined that Group normalised PBT remains the main benchmark for the Group because it is the metric in the primary statements which best reflects the focus of the financial statements' users. Also profit is directly linked to shareholder returns, therefore the users of financial statements are focused on profit based measures as this is the primary measure communicated to investors, in both short-term guidance and in financial reporting. We have normalised by adding back adjustments that did not represent the normal continuing operations of the Group, being goodwill impairment arising on the acquisition of Sipo (£20.8m) discussed in note 12 and restructuring costs (£5.4m) discussed in note 21 (FY22 were exceptional PTIC gain, goodwill impairment and property, plant and equipment impairment), and we have averaged over five years (FY22: three years). We note that there has been a positive impact of Covid on the Group in 2021 and 2022 coupled with more usual levels of profit in 2020 and 2019, we therefore consider five years to be the more appropriate time period to normalise. Our Group materiality of £16m was determined by applying a percentage to the normalised PBT. When using a benchmark of normalised PBT to determine overall materiality, KPMG's approach for listed entities considers a guideline range 3% - 5% of the measure. In setting overall Group materiality, we applied a percentage of 4.7% (FY22: 4.7%) to the benchmark. Materiality for the Parent Company financial statements as a whole was set at £8.7m (FY22: £8.7m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.3% (FY22: 0.3%).
£12m (FY22: £13.5m) Performance materiality	**What we mean** Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. **Basis for determining performance materiality and judgements applied** We have considered performance materiality at a level of 75% (FY22: 75%) of materiality for the Group financial statements as a whole to be appropriate. The Parent Company performance materiality was set at £6.5m (FY22: £6.5m), which equates to 75% (FY22: 75%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.
£0.8m (FY22: £0.9m) Audit misstatement posting threshold	**What we mean** This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to Croda International Plc's Audit Committee. **Basis for determining the audit misstatement posting threshold and judgements applied** We set our audit misstatement posting threshold at 5% (FY22: 5%) of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £16m (FY22: £18m) compares as follows to the main financial statement caption amounts:

	Total Group revenue		Group profit before tax		Total Group assets	
	FY23	FY22	**FY23**	FY22	**FY23**	FY22
Financial statement caption	**£1,694.5m**	£2,089.3m	**£236.3m**	£780.0m	**£3,579.2m**	£3,611.9m
Group materiality as % of caption	**0.9%**	0.9%	**6.8%**	2.3%	**0.4%**	0.5%

7. The scope of our audit

Group scope

What we mean

How the Group audit team determined the procedures to be performed across the Group.

The Group has 86 reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance, those which were significant due to risk and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group financial statements as a whole.

We determined individually financially significant components as those contributing at least 5% (FY22: 5%) of total assets or 10% (FY22: 10%) of total revenue or 10% (FY22: 10%) of Group profit before tax. We selected total assets, total revenue, and profit before tax because these are the most representative of the relative size of the components. We identified 4 (FY22: 5) components as individually financially significant components and performed full scope audits on these components.

In addition, to enable us to obtain sufficient appropriate audit evidence for the Group financial statements as a whole, we selected 10 (FY22: 10) components on which to perform audit procedures. Of these components, we performed full scope audits for 4 components (FY22: 6), performed audits of account balances e.g., revenue and cash, on 5 components (FY22: 4) and only cash on 1 component (FY22: nil) and performed analytical procedures on the remaining 72 components (FY22: 73). The components within the scope of our work accounted for the percentages illustrated in section 2 – Group Scope.

Scope	Number of components	Range of materiality applied
Full scope audit	8 (11)	£2.7m - £8.8m (£1.8m - £9.9m)
Specified audit procedures	6 (4)	£1.6m - £2.7m (£1.8m - £2.7m)

During FY23, we scoped out Croda Singapore and Croda Italy and reduced the scope for Croda Japan from full scope audit to specified procedures due to the decrease in relative significance of these components to the Group. Further, during FY23, we scoped in Croda Denmark for specified audit procedures to ensure appropriate overall coverage of the Group. The remaining 26% (FY22: 22%) of total Group revenue, 17% (FY22: 13%) of total profits and losses that made up Group profit before tax and 19% (FY22: 17%) of total Group assets is represented by 72 (FY22: 72) reporting components, none of which individually represented more than 3% (FY22: 2%) of any of total Group revenue, total profits and losses that made up Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on 10 of the 14 components (FY22: 11 of the 15 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

The Group team has also performed audit procedures on the following areas on behalf of the components:

- Understanding of IT is gained centrally on behalf of components that are on the centralised ERP system and findings are shared with relevant component teams.
- The Group team adopted a centralised approach to testing completeness and accuracy of the data extracted for revenue, purchases and journal entries. Data and analytics routines were performed for 12 components (FY22: 13), and the Group team assessed the outputs of these routines before sending outputs to component auditors and instructing them to test transactions meeting certain criteria.

These items were audited by the Group team because the Group has a centralised IT system making this an efficient audit approach. The Group team communicated the results of these procedures to the component teams. The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, as detailed in the table above, having regard to the mix of size and risk profile of the Group across the components.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

The Group team performed procedures on the items excluded from normalised Group profit before tax.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Group audit team oversight

What we mean

The extent of the Group audit team's involvement in component audits.

In working with component auditors, we:

- Held planning calls with component audit teams to discuss the significant areas of the audit relevant to the components.
- Issued Group audit instructions to component auditors on the scope of their work, including specifying the minimum procedures to perform in their audit of revenue using data and analytics procedures, cash and journals.
- Visited four (FY22: two) components in-person in France and Spain as the audit progressed to understand and challenge the audit approach. Organised regular video conferences with the partners and Directors of the Group and component audit teams. At these visits and video conferences, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component audit teams.
- Inspection of component audit teams' key work papers (in person and/or using remote technology capabilities) to evaluate the quality of execution of the audits of the components with particular focus on work related to significant risk and assessed the appropriateness of conclusion and consistencies between reported findings and work performed.

8. Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic Report and Directors' Report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Our reporting

We have nothing to report in these respects.

Directors' Remuneration Report

Our responsibility

We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 138, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule ("DTR") 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Griffiths
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
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26 February 2024