

CRODA

The Croda Pension Scheme

Trustee Report

November 2024



Smart science to improve lives™

Welcome

Welcome to the 2024 *Trustee Report* for members of the Croda Pension Scheme, bringing you up to date with recent developments in your Scheme. While it has to contain certain information required by regulations, we have included a few additional features this year which we hope you will enjoy reading.

I am immensely proud to be Chair of the Trustee of your Scheme, the only defined benefit pension scheme of a FTSE100 company still open to new joiners. I am also fortunate to work with an outstanding team, made up of my fellow Trustee Directors, the Scheme Secretary and the administration team, and our actuarial and legal advisers. The Trustee board brings together an excellent balance of skills, knowledge, experience and diversity in an environment where challenge is welcome. There have been no changes to the Trustee board since our last newsletter; but as we go into 2025, we will be starting the formal process to elect two Member Nominated Trustee Directors from those of you who are already in receipt of your Croda pension. Ahead of then, don't hesitate to contact either myself or the administration team to express early interest.

The continuing support of a strong sponsor remains very important. You will see that your Scheme is very well funded with sufficient assets to cover 122% of the liabilities, according to the latest update from our actuary. Over the years, we have diversified our investments and reduced the investment risk the Scheme takes, while also investing in a way that sees our assets and liabilities move in broadly the same way. Reducing risk in this way both increases the security of your accrued benefits and reduces the likelihood of the Scheme becoming a burden to Croda.

We were pleased to launch a UK pension section on **croda.com** in September, where you can now more easily access various Scheme-related documents and reports. Here, you can read our first climate-change report, and I would point you to page 9 which highlights

the avoided emissions of our wind and solar power investments in particular. Where possible, and when in the best interest of the Scheme and members, we work to ensure our ESG values and policies align with those of our sponsor, with our early moves into wind and solar a testament to this. We also intend to move to sharing more Scheme communications electronically, including this newsletter, so that our members can access these in the way that suits them best. However, being mindful of our membership's demographic, we will continue to use printed versions where there is a demand.

Finally, a thank you for all the hard work that goes on behind the scenes by the Scheme's administration team. As I am sure most of you appreciate, pensions is a very complex area and the team does a great job keeping everything running and making sure your benefits are correct – you can read more about them on page 10.

Graham Myers

Chair of the Trustee

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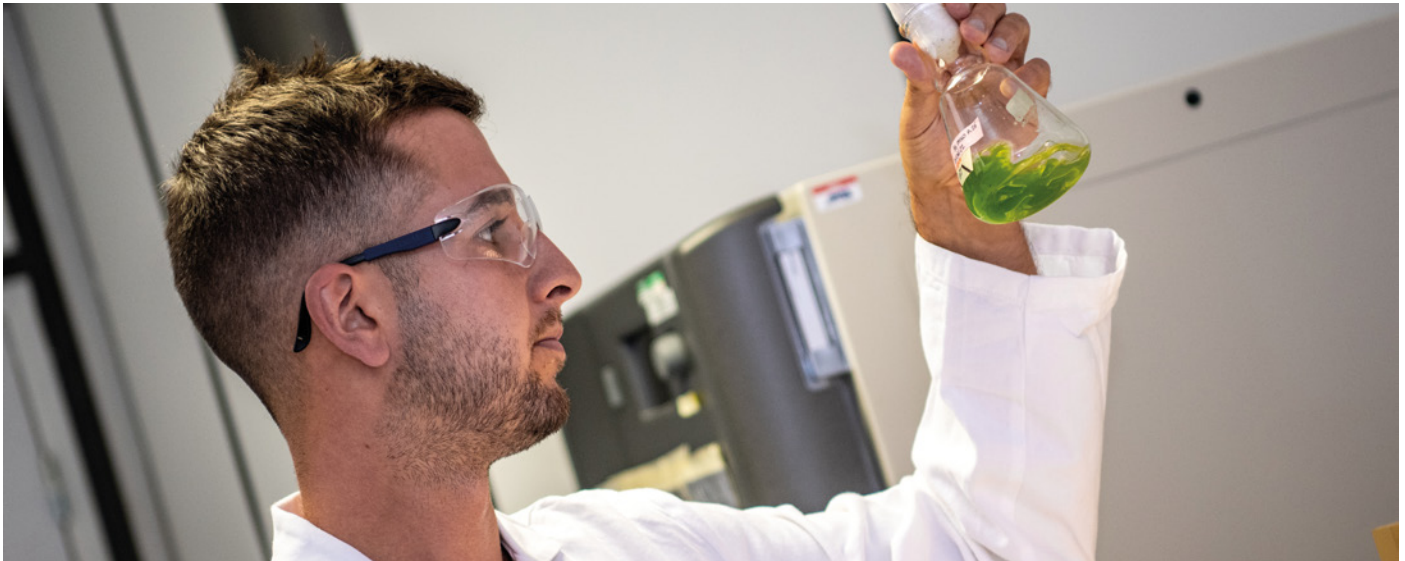
Scheme noticeboard

Changes to our communications

We're going digital! We are always looking at reducing the amount of paper we use; and for all current employees, the newsletter is available on the intranet. From 2025, the newsletter will be available online for all our members.



If you wish to continue receiving a paper copy, please email **pensions@croda.com** or write to us at the address on the back page before 31 March 2025.



Scheme valuation

Every three years, the Scheme has a full actuarial valuation to provide an update on its financial health. The latest valuation looked at the position as at 30 September 2023, and the results were very positive.

The Scheme had a surplus of assets of £133m over what should be required to provide full benefits to all members. This is a substantial increase from the previous surplus of £11m in 2020, largely due to the rise in interest rates over the intervening period. It means that there is likely to be no requirement for any additional funding in the near future, over and above the contributions the Company currently pays in respect of active members.

If, in the future, it is shown that additional shortfall funding is required, negotiations will take place with the Company to agree how any funding shortfall will be met, but members should be reassured that the Company has always provided additional funding where it has been shown to be necessary in the past.

You will find the latest Summary Funding Statement at the back of this newsletter, which provides detailed information about the Scheme's financial position and highlights its current very healthy funding level.

Information about the Scheme

If you would like to know more about the Scheme's finances and investments, you can find the following documents at

www.croda.com/en-gb/about-us/where-we-operate/emea/united-kingdom

- TCFD Report March 2024 (Climate-change report)
- Statement of Investment Principles
- Implementation Statement



Don't lose your benefits

In common with many pension schemes, the Scheme's rules include a provision where pension instalments will be forfeited if not claimed within six years of your normal retirement age (NRA). Therefore, if you would like to take your benefits later than your NRA, it is very important that you let the Croda pensions team know.

Late retirement is possible from the Scheme, and you can find more details about this and your NRA in the Scheme booklet on the pensions website at <https://bit.ly/4fVA6aY>



Retirement illustrations for deferred members

If you have left Croda but not yet retired, you are a deferred member of the Scheme and you will have been sent details of the amount of your Croda pension when you left.

This benefit increases in line with capped inflation in the period up to your retirement. Nothing else will alter the level of your benefit, so it's not necessary to send you the kind of annual statement that is usually provided for defined contribution pension arrangements, where fund values can go up and down in line with investment performance.

If you would like an estimate of the pension you will receive from Croda at retirement, please contact the Croda pensions team who will prepare a quote for you at your preferred retirement age.

Our current policy restricts the number of illustrations provided to two per member per year. This policy does not affect your statutory right to request one cash equivalent transfer value quotation per year.



Potential benefits for dependants

If you haven't yet drawn your Scheme benefits or are in the first five years of receiving your pension (other than a spouse's or dependant's pension), there may be a cash lump sum payable in the event of your death.

Although the recipient(s) of any lump sum is at the discretion of the Trustee, you can help decide who should receive it by keeping your nomination form up to date.

As your pension benefits do not currently form part of your estate, they aren't covered by any provisions you make in your will. If you don't regularly review and update your nomination, the lump sum may be paid to someone you no longer wish to benefit.



You can update your nomination at any time by completing the form which you can download at <https://bit.ly/3YOdX7G>



Guaranteed Minimum Pension (GMP) equalisation

Work continues to ensure that GMPs are equalised for male and female members. The project will not be completed before 2025. Any changes to benefits will be very modest and not reduce pensions, whilst only applying to a minority of retired members who will be notified before any amendments.

Scheme facts

As at 30 June 2024...



The total value of all the Scheme's assets was **£804m**.



The Scheme currently pays benefits to **2,629** pensioners.



There are also **1,616** members who have left Croda but still have benefits in the Scheme.



There are **932** active members who currently work for Croda and pay into the Scheme.

Membership



2,629 Pensioners



1,616 Members who have left Croda



932 Active members

Our investments

Over recent years as the Scheme's funding level has consistently remained high, and often improved, the Trustee has taken opportunities to reduce the level of investment risk.

A significant proportion of the Scheme's assets are now invested in Liability Driven Investment funds that largely compensate for the effect of any movements in interest rates and inflation on the liabilities, protecting the strong funding level already achieved by the Scheme.

The remainder of the Scheme's assets target a healthy long-term investment return, and so the funds we look to invest in are those that can demonstrate a commitment to providing a positive long-term investment return on a sustainable basis, including in relation to climate change. This policy aligns with Croda, which continues to make sustainable growth a key pillar of its future operations. The Scheme has direct investments in both wind and solar power funds in the UK, as well as a global fund focused on energy transition. In addition, one of our infrastructure investment managers has a good proportion of our fund allocated to green energy.

The combined effect of the Scheme's direct investments in solar and wind power producers resulted in a reduction to carbon dioxide production of over 8,600 tonnes. This saving is roughly equivalent to removing 4,300 typical petrol-powered family cars from the road for a year, which would cover almost 32 million miles!

The asset split for the Scheme is shown in the chart as part of the Summary Funding Statement on page 16, which indicates the high degree of diversification across return-seeking assets. Since the date of the statement, your fund has also added to and diversified its LDI portfolio with an investment in high-quality Sterling corporate bonds to complement its UK government debt holdings. As well as having a higher expected return than government debt of similar maturity, we can also more directly influence how the funds are used by the borrowers.

Please note that the investment performance achieved by the Scheme does not affect your benefit entitlement, as the level of your accrued benefit does not depend on the underlying value of the Scheme's assets.

Looking after the Scheme

Trustee Directors

The current Trustee Directors are:

Appointed by Croda

Graham Myers, Chair

Dave Cherry

Julia Creasey

Independent

John Hurst

Member Nominated

Marie Banks

Kevin Nutbrown

Rob Walthall

Meet our newest Trustee Director, Marie Banks

I joined Croda 18 months ago and, very quickly after joining, an opportunity came up to be a Member Nominated Trustee Director on the Trustee board. I'd done something similar in a previous organisation and really enjoyed it, and I jumped at the chance to be a part of this team at Croda.

The board is made up of a really diverse group of people, and I have really enjoyed my first year as part of the Trustee. It's given me brilliant insight into the wider Croda group, and my skills around technology and digital are already proving really complementary to the topics we discuss.

Most importantly, I have felt welcomed and supported as I learn more about Croda and the Croda Pension Scheme. I am looking forward to many more years of adding value to the board.

Coming soon!

The next election of Pensioner Member Nominated Directors will take place in 2025. If you are a Scheme pensioner who would be interested in helping to run our Scheme, keep an eye out for more details to come.



Pensions wordsearch



The solution is printed on page 14.

Can you find the hidden words that are all to do with pensions and our team?

- | | |
|-----------|------------|
| Trustees | Car |
| Address | Retirement |
| Holiday | Nomination |
| Louise | Pension |
| Deferred | Scams |
| Joanne | Paul |
| Pensioner | Benefit |
| Alice | Relax |

Tips for a long retirement

These come from our oldest pensioner, aged 102.



- 1 Never eat anything that hasn't been cooked in a chip pan.
- 2 Never cross the threshold of a gym.
- 3 Never partake in physical training – the last time he tried it in 1941, they packed him off to fight in the war.

Pension news

General Code of Practice

The Pensions Regulator (TPR) published the final General Code which came into effect from 27 March 2024. It sets out the Pensions Regulator's expectations of the policies and processes that schemes should have in place to meet the legal requirement for an effective system of governance.

The Trustee is confident that it already has in place thorough policies and processes, as demonstrated by another positive annual report from the Scheme's auditors (RSM), and is now assessing the most efficient way of demonstrating compliance with the requirements of the code on an ongoing basis.

State pension increase

In April 2024, the State pension increased by 8.5%, in line with the government's commitment to the 'triple lock'. This is a cross-party policy to increase the State pension every year in line with the higher of either inflation, measured by the Consumer Prices Index (CPI), the average wage increase across the UK or 2.5%.

- Basic State pension is £169.50 a week (for those who reached State pension age (SPA) before April 2016).
- Full State pension is £221.20 a week (for those who reached SPA after April 2016).

Helping you make the most of your State pension

The government has extended its deadline to buy back any National Insurance (NI) years between 2006 and 2016 to 5 April 2025. To check if you're missing any NI years, go to

www.gov.uk/check-national-insurance-record



Planning for your retirement

Will you have enough to retire? It is difficult to gauge if you will have enough in retirement to afford the lifestyle you want. The Pensions and Lifetime Savings Association (PLSA) has created the Retirement Living Standards to help more people plan effectively for retirement. The standards include three levels of expenditure – minimum, moderate and comfortable. You can learn more about these retirement living standards at www.retirementlivingstandards.org.uk

Remember to account for all your savings:



State pension: The amount of State pension you'll receive depends on your earnings and how long you've worked. You can get a State pension forecast at www.gov.uk/check-state-pension



Other workplace pension schemes and savings: You might also have savings or investments elsewhere and/or other pensions from previous employers. If you've lost track of your previous pension arrangements, please use the following service: www.gov.uk/find-lost-pension

Increase to minimum pension age

Currently, the earliest age you can normally draw benefits from any type of pension scheme is 55. The only exceptions to this are where a member has serious permanent ill health issues or some protected rights.

From 6 April 2028, this minimum age is increasing to 57. Any members reaching age 55 after this date, other than the very few with protected rights or ill health, cannot take any action to avoid this change.

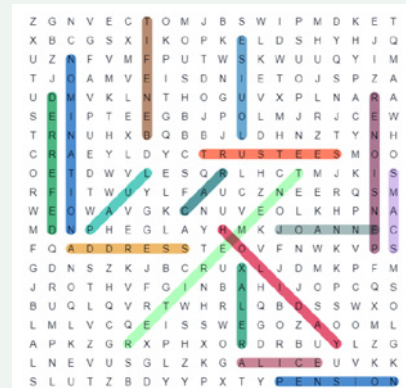
However, any members born between 6 April 1971 and 6 April 1973 can choose to draw their benefits after they reach 55 and before 6 April 2028 to avoid a subsequent delay to age 57. Any members considering this option need to carefully consider the financial implications of choosing to follow it, which may include paying tax at a higher rate if continuing to work, the loss of future benefit accrual and a reduction in the amount of pension in payment for drawing early. If in doubt, members should seek independent financial advice.



Pensions Dashboards

The Pensions Dashboards programme is a government project that will enable individuals to access their pensions information online, securely and all in one place, thereby supporting better planning for retirement and improving financial wellbeing. Pension schemes are required to connect to the Pensions Dashboards by October 2026, and we are already working towards our connection date. A public launch date is yet to be announced.

Wordsearch solution



Pension scams

Cold calls from advisers to pension scheme members are illegal, so please be wary of anyone contacting you out of the blue. If you receive an approach that you are suspicious about, please let the Croda pensions team know about it.

The Scheme's administrative procedures already meet the requirements of the Pensions Regulator's scams pledge, and we signed up to this in 2023.

If you choose to transfer out of the Scheme, having taken advice from a specialist pension transfer adviser, one of the team will contact you before the money is transferred away to ensure that every aspect of the process meets the standards agreed within the pledge.



Tax and your pension

The Lifetime Allowance tax charge was abolished entirely from 6 April 2024, so there is now no tax limit on the level of pension you can accrue over your whole career. The following limits apply to building up your pension pot each year and taking lump sums from your pension savings.

Lump Sum Allowance (LSA)

From April 2024, there are new limits on the amount you can take as tax-free lump sums from all your pensions at retirement. For most people, the Lump Sum Allowance is £268,275. You can find out more at www.gov.uk/tax-on-your-private-pension/lump-sum-allowance

Annual Allowance (AA)

There is a limit on the value of pension benefits that you can build up each year tax-efficiently. This limit is called the Annual Allowance and is currently £60,000 for most members, tapering down to £10,000 for the highest earners. You can find out more at

www.tax.service.gov.uk/pension-annual-allowance-calculator

Summary Funding Statement

The Trustee is pleased to present you with the Summary Funding Statement of the Croda Pension Scheme (the Scheme).

The Trustee's last update included a summary of the financial position as at 30 September 2020, the actuarial valuation date, and updates as at 30 September 2021 and 30 September 2022. Since then, a formal valuation of the financial position of the Scheme has been completed as at 30 September 2023 and the results are summarised here.

Why are you sending me this?

Under law, the Trustee must provide you with an update on the financial position of the Scheme on an annual basis. The Summary Funding Statement must contain a number of different pieces of information. These include the funding position as at the last formal valuation, an estimate of the position if the Scheme had been 'wound up' at that date and an explanation of any change in the funding position from that disclosed in the most recent Summary Funding Statement. In addition, you must be informed as to whether any payment has been made to the Company from the Scheme since the date of the previous Summary Funding Statement.

What is an actuarial valuation?

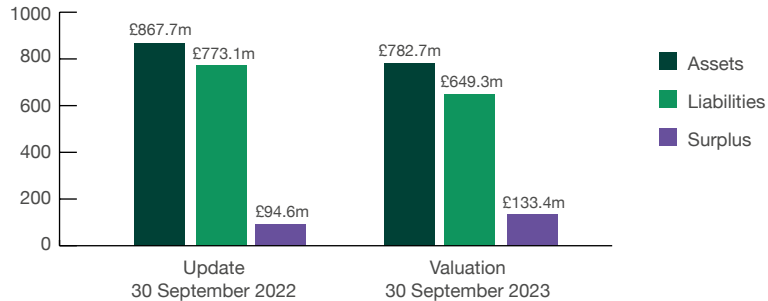
An actuarial valuation is an exercise to assess the financial position of a pension scheme, and all defined benefit schemes are required to complete a valuation at least every three years. The Trustee and Company are jointly responsible for ensuring that there are sufficient assets in the Scheme to meet benefits already promised to members and dependants. Therefore, if the valuation shows that assets are insufficient to meet these benefits already promised, the results are used to determine the amount of additional contributions required to ensure that this shortfall is removed.



The latest formal funding valuation of the Scheme and the updated position

You may recall from the last Summary Funding Statement that the previous valuation of the Scheme was carried out as at 30 September 2020.

The Trustee also receives annual updates from the actuary on the financial position of the Scheme to help monitor the funding position between formal valuations, and the last Summary Funding Statement included an update of the position at 30 September 2022. The results of the 2022 update are shown below along with the results of the latest full valuation at 30 September 2023.



Since the last update, over the year to 30 September 2023, the surplus in the Scheme has increased. The main reason for this is that over the year to 30 September 2023, government bond yields rose and short-term inflation expectations fell. While this contributed significantly to the fall in the value of the Scheme's assets, it also led to the Scheme's liabilities falling by a greater amount. There have not been any payments to the Company out of Scheme funds.

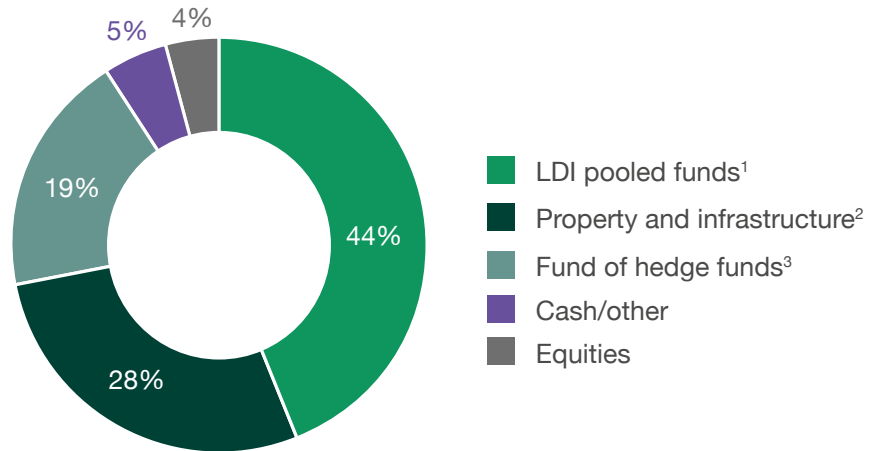
Croda's support

One of the Trustee's main objectives is to have enough money in the Scheme to pay pensions both now and in the future. After paying pensions and other expenses of the Scheme, the Trustee invests the contributions received in order to generate returns to meet the liabilities. However, the success of the Scheme also relies on the support of the Company because:

- the Company contributes to the future cost of running the Scheme on an annual basis
- the funding level can fluctuate and, at times when there is a deficit, the Company will usually be required to pay more money into the Scheme
- the target funding level may turn out not to be enough so that the Company will need to put more money in.

The Scheme's investments

The Trustee's policy is to invest in a broad range of assets in order to maximise returns while managing risk. The allocation of the Scheme's assets at 30 September 2023 is set out in the chart below.



¹ Funds that invest in a range of assets to construct an investment strategy that closely matches the behaviour of the pension liabilities.

² Investment in funds that earn income by investing in infrastructure projects such as schools, hospitals, toll roads, railways, utility companies etc.

³ Funds that invest in other hedge funds.

Wind-up of pension schemes

Please note that we have included the information in this section because we are required to do so by law – it should not in any way be taken as implying that the Company is looking to terminate the Scheme.

It is both the Trustee's and the Company's intention that pensions will continue to be paid in full to members as and when they reach retirement. Legislation does, however, require that we inform you as to what would happen were the Scheme to wind up, however remote a possibility this might be. In this unlikely event, benefits would be secured by buying insurance policies with an insurance company.

At 30 September 2023, the valuation estimated that the additional amount needed to ensure that all members' benefits could be paid in full if the Scheme had started winding up (full solvency) was approximately £5.7 million. This has fallen from £128.3 million at the 30 September 2022 update.

If the Scheme were to wind up and the Company could not afford to meet the extra cost of securing benefits with an insurer, the Pension Protection Fund (PPF) might be able to take over the Scheme and pay pensions to members in accordance with PPF rules.

Further information and guidance are available on the PPF's website at www.ppf.co.uk. Alternatively, you can call the PPF on 0345 600 2541 or email them at information@ppf.co.uk

As previously noted, it is the intention of both the Trustee and the Company that the Scheme will continue to pay retirement pensions in full. We strongly recommend that you take independent financial advice before making any decisions regarding your pension provision. Details of independent financial advisers in your area can be found at www.unbiased.co.uk

Scheme modifications

We can confirm that the Scheme has not been modified by the Regulator and no directions, nor a schedule of contributions, have been imposed on the Scheme by the Regulator.

Climate-change report

The Trustee has produced a climate-change report for the year to 30 September 2023. It provides members with details about the work carried out by the Trustee in relation to climate change. A hard copy of the report is available on request, or you can find it online at <https://bit.ly/40X8Zbn>

Get in touch

Your pensions team

The team is headed up by Pensions Manager, Paul Costello with the other team members being Joanne Helm, Louise Ramsden and Alice Wilson. If you have any questions about the Scheme or your benefits, please get in touch.

We'd love to hear your feedback on this communication. All comments are welcome and important in making sure you're getting the most from us when it comes to your newsletter.

Email us

pensions@croda.com

Call us

01405 860551

Write to us

Pensions Administration Department
Cowick Hall
Snaith
Goole
East Yorkshire DN14 9AA

Let us know!

Please remember to let us know if your address changes so that we can keep our records up to date and keep in contact with you about the Scheme and your benefits.

For security reasons, it is not possible to take address, beneficiaries and bank changes over the phone. We require a signed authority for these changes and will accept scanned copies of correspondence via email.