Remuneration Report 2017

Introduction

This remuneration report of the Supervisory Board of IMCD N.V. describes the remuneration policy for IMCD's Management Board as proposed by the Supervisory Board and adopted by the General Meeting on 26 June 2014 (§1) and how the remuneration policy was executed in 2017 (§2 and §3).[1] The remuneration policy includes a long-term incentive plan (for the annual award of conditional performance shares) for the Management Board. This report also describes the changes to such long-term incentive plan that will be put before the General Meeting for approval during the 2018 AGM upon proposal by the Supervisory Board (§4).

I. Remuneration Policy (2014 – present)

The Supervisory Board, based on the advice of the Remuneration Committee, determines the remuneration and other terms of employment of the individual members of the Management Board within the scope of the remuneration policy as adopted by the General Meeting and in accordance with the articles of association.

IMCD remuneration policy is aimed at attracting, motivating and retaining highly qualified executives. Its goal is to reward members of the Management Board with a balanced and competitive remuneration package that is focused on sustainable results and aligned with IMCD's strategy for the creation of long-term value. The remuneration packages of the members of the Management Board are set directionally around the median of remuneration levels payable within a peer group of comparable national and international companies relevant to IMCD from a labour market perspective. In setting the remuneration levels for the Management Board, the Supervisory Board considers the internal relativity to the positions below the Management Board as well.

Pursuant to the remuneration policy, the remuneration packages of the members of the Management Board consist of fixed and variable components including a fixed annual base salary, a short-term incentive plan (annual cash bonus), a long-term incentive plan (conditional performance shares), pension and fringe benefits and severance arrangements in line with the provisions of Dutch law and the Dutch Corporate Governance Code (the "Code").

The objective of the short-term incentive ("STI") plan is to ensure that the members of the Management Board will be focused on realising their short-term operational objectives leading to longer term value creation. On an annual basis, STI performance conditions are set by the Supervisory Board on or before the beginning of the relevant calendar year. These performance conditions include criteria reflecting IMCD's financial performance and may also include qualitative criteria related to IMCD's and/ or individual performance. The annual 'at target' STI amount equals 50% of the annual base salary and is paid out when the predefined targets are realised, while the maximum STI amount equals 75% of the annual base salary and might be paid out in case of substantial outperformance of the predefined targets. If realised performance is below a certain threshold level, no STI will be paid out.

[1] Details of the actual costs pertaining to the remuneration of the members of the Management Board and the Supervisory Board in the financial year 2017 are also included in note 50 of the financial statements to the annual report 2017.

The purpose of the long-term incentive ("LTI") plan is to drive long-term performance, support retention and to further strengthen the alignment with shareholders' interests. The LTI plan is structured in a way that contributes to the simplicity and transparency of the IMCD's overall remuneration policy. Under the LTI plan the Management Board members are eligible to annual awards of conditional performance shares. The conditional performance shares may become unconditional and vest after the end of a three-year performance period. Vesting is subject to continuous employment and to the achievement of pre-determined performance conditions. In accordance with the Code an additional holding period of two years is applicable to the vested shares. The value of the annual LTI plan at (the conditional) grant date equals 50% of the annual base salary at the at-target level and 75% of the annual base salary at the maximum pay-out level. The number of conditional performance shares that vest after three years may vary between 0% and 150% of the conditionally granted number of shares, depending on the extent to which the applicable performance conditions have been satisfied. Performance is measured by a combination of pre-defined financial targets (at group level) to be set by the Remuneration Committee of the Supervisory Board.

In line with Dutch law and the Code, the variable remuneration of the Management Board members may be reduced or (partly) recovered if certain circumstances apply. For any variable remuneration component conditionally awarded to a member of the Management Board in a previous financial year which would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved, the Supervisory Board will have the power to adjust the value downwards or upwards (test of reasonableness). In addition, the Supervisory Board will have the authority under the Code and Dutch law to recover from a member of the Management Board any variable remuneration awarded on the basis of incorrect financial or other data (claw back). In case of a share price increase due to a public offer on IMCD's shares or in the situation of an intended legal merger or demerger or other significant transactions, the remuneration of a Management Board member that was received in the form of shares may be reduced by an amount equal to the value increase of the shares.

II. Remuneration of the Management Board in 2017

In 2017, the Supervisory Board, based on preparations by the Remuneration Committee, evaluated the actual Management Board performance and assessed the possible outcomes of the variable remuneration components, taking into account several scenario analysis, the internal pay ratio and the relevant performance targets and metrics set by the Supervisory Board, within the framework of the Remuneration Policy. In addition, an external party was also asked to provide a benchmarking study of the total compensation packages of the members of the Management Board.

Based on the Remuneration Committee's evaluation, the Supervisory Board concluded that the remuneration policy has been applied consistently in 2017. Since its listing however, IMCD's revenues have grown from EUR 1.233 billion to EUR 1.907 billion at year end 2017. In addition, market capitalisation increased from EUR 1.1 billion at IPO to EUR 2.8 billion at year end 2017. Consequently, the external benchmark was requested to include a peer group of AEX and AMX companies in the Netherlands with a similar revenue size and similar market capitalisation. Compared to this updated, more relevant benchmarking group, as well as because of a general increase in market conditions for management compensation, the benchmark study showed that the total compensation packages for IMCD's Management Board members are no longer competitive to its peers. Hence, the Supervisory Board considers it necessary to make certain adjustments in the Management Board compensation packages and will propose the General Meeting to approve of an adjusted Remuneration Policy during the 2018 AGM (see §4 below).

At IMCD's IPO in 2014 the Management Board members were re-appointed as managing directors (*statutair directeur*) by the General Meeting for four year terms. The service agreements and the remuneration for each of the Management Board members were determined by the Supervisory Board with due observance of the remuneration policy. In accordance with Dutch law and the Code, the service agreements with the Management Board members contain provisions related to severance arrangements with a maximum payment of the gross fixed annual salary, claw back and adjustment of the variable remuneration components as a result of a public offering or other exceptional circumstances (fairness review). Pursuant to the service agreements the Management Board members receive customary fringe benefits including a fixed expense allowance and a company car.

In 2017, the Management Board members participated in the 'IMCD pension scheme', a collective defined benefit plan based on average pay, insured by AEGON Levensverzekering N.V. In accordance with Dutch pension legislation, with effect of 1 January 2015 the pensionable salary was capped at EUR 100,000 and 103,317 for this year. As in foregoing years, the pension premiums for the participation of the Management Board members due in 2017 were paid for by the company. Pension rights are accrued for in the financial statements in accordance with IFRS / IAS 19. IMCD N.V. nor any of its group companies provided any loans, advances or guarantees for the benefit of the Management Board members in 2017. The costs for the remuneration of the Management Board members charged to IMCD N.V. and its group companies in the financial year 2017 are as follows:

EUR 1,000	Year	Salary	Bonus	Share based payment	Pension	Other	Total
P.C.J. van der Slikke	**2017**	**515**	**300**	**444**	**42**	**46**	**1,347**
	2016	513	384	246	39	44	1,226
H.J.J. Kooijmans	**2017**	**378**	**222**	**326**	**38**	**41**	**1,005**
	2016	377	283	181	32	36	909
Total	**2017**	**893**	**522**	**770**	**80**	**87**	**2,352**
	2016	890	667	427	71	80	2,135

Base salary

At IMCD's IPO and with effect from July 2014 the annual base salaries of the Management Board members were set at EUR 510,000 for the CEO and at EUR 375,000 for the CFO, which remained unchanged for 2015. For the calendar years 2016 and 2017, the base salaries were corrected for inflation only, on the basis of the Dutch Consumer Price Index over the relevant calendar year as determined by Statistics Netherlands (*Centraal Bureau voor de Statistiek (CBS)*).

STI 2017

The 'at target' STI opportunity (annual cash bonus) for members of the Management Board equals 50% of the annual base salary, while the maximum amount equals 75%. Upon the proposal of the Remuneration Committee the targets for the STI 2017 were set by the Supervisory Board at the beginning of the calendar year 2017. Qualitative, non-financial, STI performance criteria related to the Management Board's performance applied in 2017 with a weight of 15% of total maximum STI. The remaining 85% of total STI 2017 was based on financial performance criteria related to organic growth (with a relative weight of two thirds) and to growth through acquisitions (with a relative weight of one third), both measured by EBITA. For both financial STI criteria, performance ranges for minimum, at-target and maximum (threshold) pay-out levels were determined. For commercial and strategic reasons, no further details of the STI performance targets that were set for 2017 are disclosed.

On the basis of IMCD's audited financial statements for 2017, the Supervisory Board determined to grant 1.5 times the 2017 STI 'at target' opportunity to each of the Management Board members, resulting in a 2018 STI gross cash payment of EUR 391,353 to the CEO and EUR 287,759 to the CFO.

<u>LTI 2017</u>

The 'at target' level for the award of conditional performance shares granted in 2017 under the LTI plan (annualised value) is 50% of the Management Board member's annual base salary. The number of shares conditionally granted 'at-target' is set by dividing 50% of the base salary by the average IMCD share price during the month December of the preceding year. The number of conditional performance shares that vest after three years may vary between 0% and 150% of the conditionally granted (at target) number of shares, depending on the extent to which the applicable LTI performance conditions have been satisfied. Consequently, the maximum award value under the LTI Plan is 75% of the Management Board member's annual base salary.

The 2017 LTI performance targets, as first set in 2015 and continuously applied since then, are based on (i) cash earnings per share growth and (ii) relative total shareholder return (TSR) performance within a relevant peer group selected by the Supervisory Board. Both performance parameters have a relative weight of 50% and are measured over a performance period of three calendar years. For both LTI criteria the minimum, at-target and maximum levels for the performance period 2017-2019 were set by the Supervisory Board at the beginning of the calendar year 2017. If the LTI performance targets are met at the maximum level, the maximum of 150% of the conditional shares granted, will vest. If performance is below the minimum levels, 0% of the conditional shares will vest.

The TSR peer group for the LTI 2017 Plan consisted of:

- Brenntag AG (Xetra)
- DKSH Holding Ltd (Virtex)
- Bunzl Plc (London Stock Exchange)
- Rexel SA (Euronext Paris)
- Electrocomponents Plc (London Stock Exchange)
- Premier Farnell Plc (London Stock Exchange)
- Ferguson Plc, formerly known as Wolseley Plc (London Stock Exchange)
- Travis Perkins Plc (London Stock Exchange)
- Univar Inc. (Nasdaq)
- Nexeo (Nasdaq)
- Aceto Corp (Nasdaq)

The TSR peer group is reviewed and updated annually by the Supervisory Board. It is foreseen that Premier Farnell Plc will be removed from the TSR peer group (due to its delisting) and replaced by Aalberts Industries N.V. (listed at Euronext Amsterdam).

For commercial and strategic reasons, no further details of the LTI performance targets that were set for 2017 are disclosed. Under the LTI Plan for 2017 the CEO was granted 9,768 conditional performance shares at the maximum level of 75% of the base salary, with a corresponding fair value of EUR 385,950. On the same basis, the CFO was granted 7,182 conditional performance shares, with a corresponding fair value of EUR 283,786. If and to the extent the LTI maximum targets are met, these shares may vest in 2020, after which they will be subject to an additional holding period of two years.

No conditional performance shares vested in the course of 2017. It is foreseen that conditional performance shares will vest in 2018, as conditional shares were granted for the first time in 2015 and, consequently, the first three year performance period came to an end at the close of the calendar year 2017. This will be reported on in further detail in next year's Remuneration Report.

Internal pay ratio

The pay ratio of IMCD's Management Board compensation compared to the average employee compensation during 2017 is 17:1 for the CEO and 13:1 for the CFO.

These ratio's were obtained by dividing the 2017 total remuneration for the CEO and CFO by the 2017 average total remuneration of all other employees worldwide. The compensation for the CEO and CFO includes the 2017 base salary, short term incentive (STI) and Long Term Incentive (LTI) as referred to in this Remuneration Report, on 'at target' level (100%). The average employee compensation was calculated from the numbers as reported in note 10 (Personnel expenses) in the Annual Report (wages and salaries / total average number of employees = EUR 122,535 / 2,064 = EUR 59,368). Social security, pension and benefit costs are excluded for both the average employee and for the Management Board.

III. Remuneration of the Supervisory Board members in 2017

The General Meeting determines the remuneration of the members of the Supervisory Board. The Supervisory Board periodically submits proposals to the General Meeting in respect of the remuneration of the chairman, the vice-chairman and the other members of the Supervisory Board. The remuneration of the Supervisory Board may not be made dependent on the Company's results and none of the members of the Supervisory Board may receive shares, options for shares or similar rights to acquire shares as part of their remuneration. In 2014 the General Meeting approved a proposal of the Supervisory Board for annual fixed fee levels for the individual Supervisory Board members that are in line with supervisory board remuneration levels payable within a peer group of comparable companies relevant to IMCD. The annual fee levels for the Supervisory Board members are as follows:

- Chairman of the Supervisory Board: EUR 60,000
- Other Members of the Supervisory Board: EUR 40,000
- Chairman of the Audit Committee: EUR 10,000
- Member of the Audit Committee: EUR 7,000
- Chairman of the Remuneration Committee: EUR 8,000
- Member of the Remuneration Committee: EUR 5,000

The costs for the remuneration of the Supervisory Board members charged to IMCD N.V. in the financial year 2017 are as follows:

EUR 1,000	2017	2016
M.G.P. Plantevin	65	34
A.J.T. Kaaks	50	50
J.C. Pauze	48	63
J. Van Nauta Lemke -Pears	47	30
J. Smalbraak	40	27
Total	**250**	**204**

IV. Proposed amendments to the Remuneration Policy as of 2018

On 1 March 2018, the Supervisory Board nominated both management board members for re-appointment for another period of four years, starting at the date of the 2018 AGM and ending at the (end of the) AGM in the fourth year thereafter in 2022. The General Meeting will be asked to approve of this proposal for re-appointment during the 2018 AGM.

In connection to the foreseen re-appointment, the terms and conditions of the current management contracts and compensation were benchmarked and reviewed by the Remuneration Committee and the Supervisory Board. The Supervisory Board concluded that some elements of the total Management Board compensation need to be amended in order for IMCD's Management Board remuneration to remain competitive.

An independent, professional third party (EY) was contracted to conduct an external compensation benchmarking study in which the compensation packages for the CEO and CFO were compared to AEX and AMX companies in the Netherlands with a similar revenue size and market capitalisation. The benchmark comprised compensation elements such as base salary, STI and LTI opportunity, pension and other components. The benchmark showed that total compensation for both the CEO and CFO is currently well below the median of the peer group. In order to remain competitive, the remuneration packages of the members of the Management Board need to be amended. The Supervisory Board sees the re-appointment of the Management Board members and their upcoming contract renewals in 2018 as an adequate opportunity to do so. Consequently, the SB proposed the following adjustments:

1. An increase of the base salaries for both members of the Management Board to the median level of the peer group benchmark. This means a revised base salary of EUR 638,000 for the CEO position and EUR 497,000 for the CFO position.

2. An adjustment of the LTI opportunity for both members of the Management Board to a competitive level of 100% (at target) and 150% (maximum) of their annual base salary.

No adjustment of the current STI opportunity (total bonus of 50-75% of base salary) is required or proposed, as the benchmark showed that this part of the compensation package is in line with market circumstances and therefore competitive.

Ad proposal 1
The adjustment of the base salaries does not reflect a change in principles. Under the current Remuneration Policy, it was also the aim to set the compensation of the Management Board members directionally around the

median of remuneration levels payable within a peer group. The proposed adjustment is a correction to once again meet that objective.

Ad proposal 2

The benchmarking study outlined that the LTI opportunity for the Management Board is not competitive in comparison to the peer group. For most peers in the benchmarking study, the LTI opportunity amounts to 100% (at target) and 150% (maximum) of annual base salary, especially for CEO positions. The Supervisory Board supports that the Management Board’s LTI opportunity should be brought in line with market circumstances. In addition, the Supervisory Board considers that a stronger focus on this long-term component of the compensation package will provide a better balance in the total compensation package and will further aligning the Management Board’s interests with shareholders’ interests and long-term value creation.

The benchmarking study furthermore indicated that both Management Board members have pension arrangements that are in the bottom of the peer group. Main reason for this situation is that, upon the changes in statutory law in 2015, the Management Boards pension contributions has been capped to EUR 103,317 (in line with all other senior employees of IMCD in the Netherlands) whereas most peers in the benchmark have received additional pension contributions. The Supervisory Board has decided to leave this compensation element as is and, instead, to focus on enhancing other factors, such as the LTI opportunity, that reinforce the incentive put on long-term value creation.

***

ANNEX - DRAFT REVISED REMUNERATION POLICY - FOR SHAREHOLDER APPROVAL ON THE 2018 AGM

IMCD Remuneration Policy

This remuneration policy, including the long-term incentive ("**LTI**") plan, as included herein is approved by the General Meeting on [9 May 2018], to replace the previous remuneration policy adopted by the General Meeting on 26 June 2014 with immediate effect.

The Supervisory Board, based on a proposal by the Remuneration Committee, will have the authority to determine the remuneration of the individual members of the Management Board, within the scope of the remuneration policy as adopted by the General Meeting. In its annual (remuneration) report, the Supervisory Board will communicate clearly and transparently to the Company's stakeholders how the remuneration policy has been pursued.

With this remuneration policy IMCD aims to attract, motivate and retain highly qualified executives and rewarding members of the Management Board with a balanced and competitive remuneration package that is focused on sustainable results and is aligned with IMCD's long-term strategy.

Market positioning

The remuneration of the members of the Management Board are set around the median of remuneration levels payable within a peer group of comparable national and international companies relevant to IMCD from a labor market perspective. In setting the remuneration levels for the Management Board, the Supervisory Board takes into account the internal relativity to the positions below the Management Board as well.

Pursuant to the remuneration policy, the remuneration of the members of the Management Board will consists of the following fixed and variable components which are discussed in more detail below:

- Fixed annual base salary;
- Short-term incentive plan (annual cash bonus);
- Long-term incentive plan (conditional performance shares);
- Pension and fringe benefits; and
- Severance arrangements

Base salary

The base salary is determined by the Supervisory Board.

Short-term incentive plan

The objective of the short-term incentive ("STI") plan is to ensure that the members of the Management Board will be focused on realizing their short-term operational objectives leading to longer term value creation. The annual 'at target' STI amount will be paid out when predefined targets are realized, while the maximum STI amount might be paid out in case of substantial outperformance of the predefined targets. If realized performance is below a certain threshold level, no STI will be paid out.

On an annual basis, performance conditions will be set by the Supervisory Board on or before the beginning of the relevant calendar year. These performance conditions include criteria reflecting IMCD's financial performance and might as well include qualitative criteria related to IMCD's and/ or individual performance. For the selected performance conditions, the Supervisory Board will annually define the performance ranges, i.e. the values below which no pay out will occur (threshold performance), the ‘at target’ value and the maximum at which the pay-out will be capped. The maximum total amount payable under the STI plan equals 1.5 times the ‘at target’ opportunity.

The ‘at target’ STI opportunity for members of the Management Board equals 50% of the base salary, while the maximum amount equals 75% of the base salary.

Long-term incentive plan

The purpose of the long-term incentive ("**LTI**") plan is to drive long-term performance, support retention and to further strengthen the alignment with shareholders’ interests. The LTI plan is structured in a way that contributes to the simplicity and transparency of the IMCD’s overall remuneration policy.

The LTI plan for the Management Board and Executive Committee positions consists of a conditional right to receive shares in the capital of the Company. Under this plan, participants are eligible to annual awards of conditional performance shares. The conditional performance shares may become unconditional after the end of a three-year performance period. Vesting is subject to continuous employment and to the achievement of pre-determined performance conditions. Up and until the moment of vesting, participants are not eligible to receive dividends nor do they have any other rights of a regular shareholder.

The value of the annual LTI plan at (the conditional) grant date will be aligned with competitive market levels for each of the Management Board and Executive Committee positions. The ‘at target’ LTI opportunity for members of the Management Board equals 100% of the annual base salary, while the maximum opportunity equals 150% of the annual base salary.

The number of conditional performance shares that vest after three years may vary between 0% and 150% of the conditionally granted (at target) number of shares, depending on the extent to which the applicable performance conditions have been satisfied. Performance is measured by a combination of pre-defined financial targets (at group level) to be set by the Remuneration Committee of the Supervisory Board.

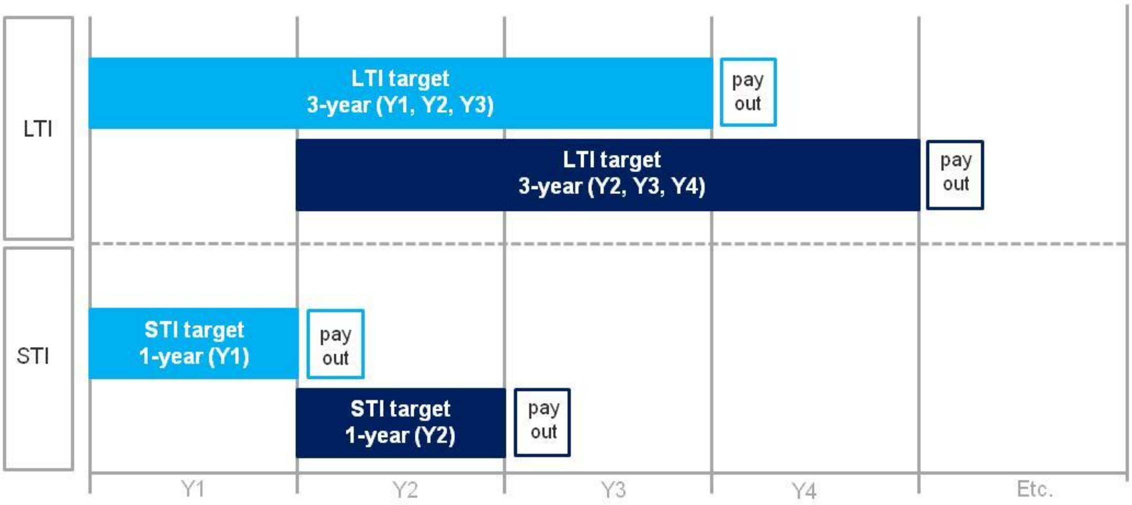
In accordance with the Dutch Corporate Governance Code (the “**Code**”), an additional holding period of two years will be applicable to the vested shares of the Management Board. An exception is made for cases in which shares are sold in order to meet tax requirements at vesting and for participants whose employment is terminated during the holding period.

If in the reasonable opinion of the Supervisory Board the vesting of the conditional performance shares would insufficiently reflect IMCD’s overall financial performance due to extraordinary circumstances during the performance period, the Supervisory Board has have the discretionary power to adjust the amount of conditional performance shares that would have vested, downwards or upwards. In addition, the Supervisory Board may recover from participants any vested shares awarded on the basis of incorrect financial or other data.

On an annual basis, a number of restricted shares is available to be conditionally granted to management positions acting one or two levels below the Executive Committee. This contributes to motivating and retaining key employees in order to further enhance long-term performance of the Company. The restricted shares vest after a two-year period, under the condition of continuous employment. In addition, performance conditions are linked to the vesting of the restricted shares.

Illustration of short-term and long-term incentive plans

Below, an illustration is provided of the overlapping cycles of LTI grants which results from the annual conditional grant of performance shares that each might vest after a period of three years. After two years, two overlapping grant of conditional shares will be outstanding, etc.



Adjustments to variable remuneration

In line with the Dutch law and the Code, the remuneration of the Management Board members may be reduced or (partly) recovered if certain circumstances apply:

- Test of reasonableness - pursuant to the Code, any variable remuneration component conditionally awarded to a member of the Management Board in a previous financial year which would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved, the Supervisory Board will have the power to adjust the value downwards or upwards;
- Claw back - in addition, the Supervisory Board will have the authority under the Code and Dutch law to recover from a member of the Management Board any variable remuneration awarded on the basis of incorrect financial or other data;
- Deduction of value increase of shares – in case of a share price increase due to a public offer on IMCD's shares, Dutch law prescribes to reduce the remuneration of a Management Board member by an amount equal to the value increase of the shares. Only shares received by means of remuneration are subject to deduction - shares that the director has purchased are not. Similar provisions apply in the situation of an intended legal merger or demerger, or in other significant transactions.

Pension and fringe benefits

The members of the Management Board are participating in the same defined benefit pension scheme that applies to other employees in the Netherlands.

The members of the Management Board will be entitled to customary fringe benefits, such as a company car, expense allowances and reimbursement of costs.

Severance arrangements

The Management Board members have a service agreement with IMCD and the terms and conditions of these service agreements are aligned with the provisions in the Code. The service agreements are contracts for a term of four years and contain severance provisions which provide for a compensation for the loss of income resulting from a non-voluntary termination of employment equal to the gross fixed annual base salary, unless payment of such compensation would be unacceptable according to the standards of reasonableness and fairness in view of the acts of the member of the Management Board.

***