

# **UN Global Compact**

## **Communication on Progress**

### **2022**

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The validity of this COP is one year from the date of its approval.

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## ABBREVIATIONS

The following abbreviations are provided to ease the understanding not only of the current policy but any other related company document.

COP	Communication on Progress
ESG	Environmental, Social, and Governance
HSEQR	Health Safety, Environment, Quality and Regulatory
HSEQR&S	Health, Safety, Environment, Quality, Regulatory & Sustainability
HSEQRP	Health, Safety, Environment, Quality, Regulatory Policy
NCR	Non-Conformance Report
OECD	Organisation for Economic Co-operation and Development, intergovernmental organisation with 38 member countries
UNGC	United Nations Global Compact

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## 1 FOREWORD CEO

To our stakeholders,

IMCD N.V. supports the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. We are committed to making the UN Global Compact and its principles part of the strategy, culture, and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. With this Communication on Progress, we describe our company's efforts to implement the Ten Principles.

As we emerge from the challenges of the pandemic, we are forced to rethink the way we live, work, and do business. The events of the past two years have also underscored the need for action against climate change. To keep global warming to no more than 1.5°C, as called for in the Paris Agreement, the world needs to reduce carbon emissions by 45% by 2030 and reach net zero by 2050. Businesses will play a major part in achieving this goal.

The way forward is to embrace sustainability and encode it within our DNA. At IMCD, we recognise that our impact on the environment and society has grown in line with our global presence. I am happy to share that our efforts to balance our economic, environmental, and social needs are beginning to show tangible results.

In our fourth year of reporting on sustainability, we now have more data available, helping us to better understand our environmental impact. We brought more focus in our efforts to improve our sustainability performance and streamlined the steps going forward. We also enhanced our reporting further, meeting the Global Reporting Initiative (GRI) standards.

Our effort to improve sustainability practices also received external recognition. First, I am delighted that IMCD was recently included in the new AEX ESG Index on the Euronext Amsterdam Stock Exchange, as one of the 25 best-in-class publicly traded companies in the Netherlands that demonstrate the most effective practices in Environmental, Social and Governance (ESG) areas.

In 2021, IMCD Group was also awarded with a Gold rating by EcoVadis, a leading sustainability rating provider, promoting transparency and sustainability in global supply chains. IMCD previously had a Silver rating. The new status reflects our drive for continued improvement and reassures our business partners that IMCD meets high sustainability standards in all areas of its business.

Turning to operations, we implemented an uniform, global set of ESG standards for our business partners. With our asset-light business model and outsourced supply chain, we understand that the responsible management of our supply chain can only be achieved together with our partners. We are encouraged by the high adoption rates from our third-party logistics providers.

An important step has been fine-tuning our materiality matrix. By taking a new look at what is most material to IMCD, we have been able to improve our sustainability strategic planning. Here, we have sharpened our focus around three major areas, namely Sustainable Solutions, Supply Chain Decarbonisation and Talent Attraction and Retention.

In terms of Sustainable Solutions, our commercial teams and technical experts have been promoting greener, healthier, and more sustainable products and formulations across all eight Business Groups for several years now. Last year, we streamlined and aligned this approach within the Global IMCD Sustainable Solutions Framework Programme. The new programme ensures that our Business Groups serve the needs of their respective markets while staying aligned to our overall approach to promoting sustainable products.

Through our new Supply Chain Decarbonisation Programme, we support the reduction of emissions across our supply chain by optimising our transport and order management and by engaging with third-party logistics service providers.

Talent Attraction and Retention, our third area of focus, strengthens the diversity of our teams and further foster an already strong international and entrepreneurial business culture. We know diversity is integral to creating a world of opportunity. That is also why we launched the first IMCD Global Women in Leadership Development Programme last year. A development we will continue in the future.

I am proud of the success we have achieved so far, and of our colleagues' efforts in uniting around our sustainability performance. There is much more work ahead for us to contribute to the world's net-zero targets, but I am confident that our almost 4,000- strong team will lead from the front on sustainability in the years ahead.

Rotterdam, 1 September 2022

Piet van der Slikke

## 2 INTRODUCTION

IMCD N.V. committed to the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption on February 12<sup>th</sup> 2022. This being the fourth year of reporting of sustainability, means there is more data available and the team have been working hard on improving the global sustainable approach for IMCD.

This is the first report of communication on progress and in the chapters below we summarize the key efforts and achievements in each of the issue areas of the Ten Principles. More detailed information can be found in our Sustainability Report 2021, which is publicly available on our website.



## **3 HUMAN RIGHTS PRINCIPLES**

### **3.1 Assessment, policy, and goals**

#### **Culture and values**

IMCD is very proud of its people and culture and considers them to be its most valuable asset by far. It is easy to explain why: the value of the company lies in the commercial partnerships we have established with suppliers and customers all over the globe, in the quality and the technical expertise of the people who manage those relationships, and in the people who lead and support them in various functions.

In this very technical world of speciality chemicals and ingredients, our management approach is to operate as a people centric, professional services firm, where highly qualified key people working in a flat organisation with locally delegated decision making, make the difference for suppliers, customers and each other.

The IMCD Management Board and Executive Committee are responsible for and committed to achieving the highest standards of talent attraction & retention, diversity and labour practices. The Global Human Resources Director, who reports directly to the CEO, is responsible for developing and implementing people practices in dialogue with the Management Board and Executive Committee. IMCD has a network of Human Resources (HR) heads in the large and middle-sized countries who implement HR practices & policies in line with the company's strategy and global people plans.

#### **Goals**

The overall People related goals for IMCD are, firstly, to attract the necessary quantity and quality of new staff to enable the business growth in all regions. Secondly, to develop and to maintain the existing workforce through specialized training programmes and keep turnover of employees in check. Thirdly, to ensure all staff understand and act in line with our business culture. As more formalised parts of the management approach, the following describe the behaviour we expect from our people (and the boundaries):

1. the IMCD Code of Conduct and IMCD Business Principles,
2. the Management Instructions and
3. IMCD's values.

### **Code of Conduct and Business Principles**

The IMCD Code of Conduct and IMCD Business Principles are applicable to all our staff and articulate standards on expected behaviours, working conditions, equal opportunities, human and labour rights. For country Managing Directors we have additional Management Instructions detailing specific company norms, actions, expectations, and limits of decision making. The IMCD values embedded in our company culture provide further guidelines about what type of behaviours and actions we expect from all employees. Not only towards customers and suppliers but also towards co-workers. The values also serve as a good starting point to explain to employees in newly acquired businesses how things work at IMCD and the type of behaviour we expect.

IMCD's management approach is to act in line with the OECD guidelines for Multinational Enterprises and the three UN Guiding Principles on Business and Human Rights; Protect, Respect, Remedy. Our IMCD values are also clear guidelines for the behaviour of our employees, and we hold them accountable. We require the same standards for labour and human rights in our supply chain via our ESG Standards for IMCD Business Partners. By means of this document, business partners of IMCD are informed about the (minimum) standards that IMCD expects them to adhere to and operate by.

### **3.2 Implementation**

In 2021, we recalibrated the material topics to sustainability in the new materiality matrix and the outcomes are a stronger focus on (1) Talent attraction & retention (2) Diversity, equity & inclusion and (3) Labour practices, in this order of importance.

#### **Culture and values**

We apply the values in multiple ways. Firstly, the values serve as a good starting point to explain to employees in newly acquired business how things work in IMCD and what type of behaviour we expect. Secondly, we explain to new hires in existing businesses how IMCD functions. Thirdly, values also serve as guiding principles for Managers and employees when they have to take difficult decisions about promotions and transitions out.

In 2019 we re-evaluated our IMCD Culture and Values and worded them more precisely. We informed the Supervisory Board, Management Board, Executive Committee, Country

Managing Directors through various meetings, brochures, and town-halls. A brochure describing the values was printed and an IMCD Values video made and published on the IMCD corporate website.

### **Employee engagement**

IMCD informs employees of upcoming changes in the business/organisation at an early stage and in detail and, we give people advance notice that more than complies with the minimum period of notice required locally and/or international level. Given our business model of delegated decision-making by Country Managing Directors, we defer to their judgement of the local situation and provide advance notice and transition payments over and above the local legal requirements and/or better than packages that are the results of collective bargaining agreements.

### **IMCD Cares**

With its IMCD Cares fund, IMCD aims to offer its employees the opportunity to make a positive and meaningful impact in their local communities. Its goal is to improve the daily lives and futures of those around us, focusing on three pillars: environment, education & diversity, and health & well-being.

### **Internal Alert Procedure**

For all concerns, IMCD has implemented an Internal Alert Procedure, available on its website, that enables IMCD employees worldwide to report, without fear of retaliation, any irregularities, or deviations in IMCD's operations, including deviations from IMCD's business principles as described in the Code of Conduct or other group policies. To support the use of the Internal Alert Procedure and in line with European legislation on whistleblower protection (Directive EU 2019/1937) IMCD maintains an (externally hosted) Ethics and Compliance Hotline. As from September 2021, the hotline is also included in the ESG Standards for IMCD Business Partners and open to reports by third party stakeholders.

All reported concerns, complaints and incidents are registered, investigated, followed up and closed. Reported non-compliance claims are registered using global systems and following global procedures. Local HSEQR Managers are responsible for assessing the compliance impact of non-conformities and determining the actions required.

### 3.3 Measurement of outcomes

#### **Employee engagement**

IMCD conducted two global town-halls for all employees in 2021, one in March and the other in November. Some of the topics on the agenda were: full year financial results, people statistics, COVID-19/work from home, diversity, digitalisation, the IMCD Cares fund. Town-halls are always live and, interactive and presenters take questions from the participants. Questions that are not addressed in the town-hall are answered in writing afterwards.

We engaged in more direct social dialogue with employees. In 2021 we conducted employee opinion surveys in several countries including Austria, Germany, Sweden, Brazil, and the UK, and we recently issued a worldwide Sales Excellence survey to poll all our worldwide inside and outside sales staff on topics such as the IMCD sales process, training & recruitment.

For next year, as part of our social dialogue management approach we decided to conduct a standardised global employee opinion survey to enhance the direct dialogue with our employees.

#### **Internal alert procedure**

In 2021, the first full year that the hotline was operational, two reports were made through the hotline IMCD (2020: one report). The reports received are examined and, if a compliance infringement has taken place, appropriate action is taken. The incoming reports in 2021 concerned cases of suspected violation of the IMCD Code of Conduct and/or Business Principles.

## 4 LABOUR PRINCIPLES

### 4.1 Assessment, policy, and goals

IMCD has zero tolerance for forced labour and/or child labour. We respect the right of our employees to organise themselves and to join trade unions and representative bodies such as works councils and Health Safety & Environment Committees. All employees have the right of collective bargaining.

#### **Health and safety**

We aim to minimise occupational risks for our employees by providing safe environments and equipment, effective communication on safe handling of the products and health and safety training. Our ultimate target is zero incidents, and our ambition is for all our people to be safe, healthy, and have a balanced life.

In addition to complying to local laws and regulations, an occupational health and safety management policy (part of the IMCD HSEQR Policy) has been implemented across all companies in the Group and applies to all our workers and activities with special attention to those that take place in laboratories, our own warehouses, and operations. Within our approach, IMCD operates local health and safety management systems that define our commitment to providing a safe and healthy work environment and ensuring our employees and visitors, no matter where they are, can return home safely, each and every day. The health and safety system has been developed and is regularly reviewed by the Global HSEQR & Sustainability Director, and is supported at local level by Regional HSEQR Directors for the development of regional HSEQR plans.

We are committed to delivering on our health and safety goals through processes and operating procedures that always prioritise safe work practices, by proactively identifying and managing exposure to risk and ensuring that our business activities comply with all laws and regulations specific to the regions in which we operate.

#### **Diversity**

Our management approach to Diversity, Equity, and Inclusion (Diversity) starts with the commitment to all employees that we provide equal opportunities, irrespective of gender, or

gender identity (LBGTQ), race, disability, ethnicity, nationality, age, or religion. This principle we apply to the full employee life-cycle starting with attraction, recruitment, job assignments, promotions, rewards, and benefits. We do not tolerate discrimination on any of the above grounds. We have made this clear to all our staff in our Code of Conduct, Management Instructions and Values. Furthermore, we have set up and widely communicated Internal Alert Procedure and Ethics and Compliance Hotline where employees can, if desired anonymously, report grievances.

As to Diversity in gender, as stated previously, the gender distribution of our workforce is very well balanced with 51,4% women (1,921 total) and 48,6% men (1,819). This is a very different gender distribution, with far more women, than on average in the Chemical and Ingredient industry and is a testament to IMCD's attractiveness to women.

Zooming in on gender diversity per layer in the organisation, the Supervisory Board comprises of 40% women and 60% men making the F:M composition 40%. IMCD more than complies with the Dutch Corporate Governance Code in this respect which calls for at least 33% women on Supervisory Boards. Our Management Board/Executive Committee consists of six members who are all male.

Our sub top means a leader in a country reporting to a country managing director or a senior manager in one of the regional leadership teams. At this management sub top of the business, we find all Country Managing Directors and their management teams as well as all regional headquarter staff, a total of 339 positions of which 131 (39%) are filled by women. The more senior women are managing directors leading businesses in Turkey, Colombia, Vietnam, the Philippines and Indonesia and women in senior functions in the Group Office and/or Business Groups.

## **4.2 Implementation**

We monitor child labour annually and measure how many workers are covered by a collective bargaining agreement (CBA). There was zero child labour at IMCD in 2021 and, we know of all seven employees under the age of 20 that were employed by IMCD, their country of employment and type of role, mostly interns and students or other young learners.

### **Health and safety**

Our local HSEQR Managers are responsible for conducting employee training on occupational health and safety. These trainings are provided regularly to each employee and bring greater attention to the handling of hazardous products using safety data sheets, as well as evacuation, first aid and emergency instructions. Each warehouse or production site has a trained first-aider and, where relevant, a fire fighter. Every work-related incident at our sites is investigated by a competent person or, when necessary, a committee. This process includes identifying the hazards, assessing the risks, and determining corrective actions and necessary improvements to the health and safety management system. Where employees encounter a hazard at the workplace, or a situation that they feel could cause an injury or illness, they are required to immediately remove themselves from the situation and report this to the local HSEQR Manager. The health, safety, and well-being of our workers is unconditional; we make no concessions in this area.

We have agreed strict operating procedures for all our third-party logistics operations. We measure performance and non-conformances (NCR management) which we have made visible on a global scale. In addition to our business reviews, we audit our own and external sites for health and safety policy compliance on an annual basis.

Through performing risk assessments and supported by the results of the incident investigations, we identified the main sources of hazards that pose a risk of injury and ill health as follows: ergonomics of the equipment and the walking surfaces; warehouse vehicles, machinery and tools; exposure to chemicals; traffic and other commute related aspects; natural events; and contact with electricity. To eliminate the hazards and minimise the risks, we conducted a series of trainings and briefings on safety protocols and standard operating procedures, followed up the incidents with introduction of first-aider courses, complemented annual medical exams with ergonomic assessments of the equipment and working spaces, conducted treatment of slippery surfaces and evaluated the prevention tools available on premises subject to risk. To reinforce risk prevention and mitigation, we support regular trainings with periodic health and safety messages and review controls. We encourage countries to share best practices and have an opportunity to standardise programmes across all countries. To further ensure the good health of the team, we provide the legally required medical insurance policies, and, where relevant, medical exams for the workers.

**Diversity**

After conducting an internal Diversity analysis, which was discussed at Supervisory & Management Board level, we concluded that women are already well represented in our country management teams in functional or non-commercial roles such as Finance, HR, Legal and Health/Safety/Environment (56% of these roles filled by women) but less so in commercial and digital leadership roles (27% of these positions lead by women). To address this imbalance we defined an ambitious global goal to increase the number of female leaders in commercial senior sub top management positions. As in, responsible for the overall leadership and Profit & Loss (P&L) of a certain business or Department.

We had several Diversity goals and targets in 2021. Firstly, to maintain a balanced male and female employee base. Secondly, to ensure the top management layer/the board and executive committee has diversity in nationality and thirdly, to appoint a minimum of 40% women in all open sub top vacancies -globally. A final goal was to start a specific development programme for up-and-coming women to speed up the internal talent pipeline.

As a result of this goal setting, we committed resources in the form of Management Board/Supervisory Board/ Executive Committee/HR time and attention but we also came up with the needed budget for the Women in Leadership development programme.

**4.3 Measurement of outcomes****Freedom of association**

In 2021, we did not receive any complaints or grievances indicating that the freedom of association or collective bargaining is at risk in one of our countries, neither via management channels, our Internal Alert Procedure or the IMCD Ethics and Compliance Hotline.

At year-end 2021, we had 1,019 employees whose employment conditions were guided by a collective agreement. We also measure formal employee representation on an annual basis. In 2021, 1,575 employees (42% of the workforce) worldwide were represented in formal joint management and employee Health & Safety committees and 943 employees (25% of workforce) covered by formally elected employee representatives such as works councils. Most works councils and employee representation at IMCD can be found in our EMEA region and the least representation is in our Asian countries. However, social dialogue with employees goes further than workers represented through works councils and committees.



The direct dialogue is equally important. Our management approach in this topic is a combination of:

1. global town-halls with all staff,
2. employee opinion surveys and
3. ongoing dialogue between management and employees.

### **Incidents**

In 2021, a total of 14 incidents were registered by the company (2020: 16). The incidents involved recordable work-related injuries due to muscle strain, slips, trips and falls, cuts and handling chemicals, as well as a household injury while working from home. No fatalities or injuries resulting in an inability to work for longer than six months were registered by any of the companies in the Group in 2021.

The rate of recordable work-related injuries is reduced from 0.50 in 2020 to 0.36 in 2021, based on 200,000 worked hours; The rate of high consequence work-related injuries dropped from 0.03 in 2020 to 0.00 in 2021, again based on 200,000 worked hours.

### **Diversity**

What we achieved for diversity, firstly, we concluded the year with a healthy employee base of 51% women and 49% men. Secondly, the Diversity in nationality at the top of the business, our Supervisory Board has five members representing four nationalities, and our Management Board/Executive Committee consists of six senior leaders representing four distinct nationalities. Thirdly, in 2021 IMCD appointed 35 women to sub top management positions, representing 50% of the 70 open positions, meaning, we overachieved our own target of appointing 40% women. Fourth, we started with support of the US-based IMPACT Group, an IMCD Global Women in Leadership programme to accelerate the training and development of women in the Americas, EMEA, and Asia and to better prepare them for future leadership roles. In the 2021/22 programme we enrolled 19 participants from Canada and the US, EMEA and Asia. Lastly, we also monitored the number of appointments of women in purely commercial and digital leadership roles, as a subgroup of the above-mentioned senior teams in regions and countries. A total of 40 roles from the 70 open positions in 2021 were classified as commercial with profit and loss responsibility and in this group we appointed 15 (37,5%) women and 25 (62,5%) men.

**Redundancy**

Regarding employee transitions, in 2021 we divested the US based Nutri Granulations business and the Indonesian warehouse; a total of 62 people (less than 2% of the total workforce) were affected by these changes. Employees were offered the opportunity to transfer with their jobs to the new owners, the vast majority accepted, and those who did not accept received transitions packages that were over and beyond the legal minimum.

We did not conduct and large-scale redundancy or reduction in workforce in 2021 of more than 5% of our employee base. IMCD is a growth company and treats its employees with care, so these restructurings are not commonplace.

## 5 ENVIRONMENTAL PRINCIPLES

### 5.1 Assessment, policy, and goals

#### **Applying the precautionary principle**

IMCD believes in actively responding to the threat of serious and irreversible damage to society and the environment. Even when issues are uncertain, the possibility of adverse effects urges us to make discretionary decisions. When acting on its key areas of sustainability, IMCD applies and encourages its partners to apply the precautionary principle to protect society and the environment from exposure to harm.

#### **Environmental responsibility**

IMCD aims to grow its business while reducing its environmental footprint and having positive social impact demonstrated through clear and measurable metrics. We are committed to offering products and solutions within our portfolio that focus on the health and well-being of our consumers, the environment and society, while managing our operations in a responsible way.

IMCD takes climate protection seriously and proactively responds to risks and opportunities relating to climate change together with suppliers and customers and in its logistics. IMCD continuously seeks to reduce the environmental impact of its operations. We optimise daily operations, focusing on reducing greenhouse gas emissions from our activities and in the supply chain. We engage with third-party logistics providers to reduce Scope 3 emissions. IMCD ensures the highest standards are applied for its waste handling and disposal to avoid environmental pollution.

IMCD's target (set in 2019) remains to deliver a 15% reduction in its GHG emissions per million-euro operating EBITDA by 2024, compared to the 2019 baseline.

Eco-efficient operations concern sustainably managing our energy and GHG emissions, conscientious water usage, and good waste and wastewater management. We monitor and report on these items according to the GRI guidance.

The HSEQR & Sustainability Policy and Global procedures are developed at Group level. The HSEQR Managers in each country translate these into local procedures, taking into account local laws and regulations, and the business landscape.

As the next steps for further improvements, we are focusing on expanding renewable energy use in our operations and the growth of the share of electric vehicles. IMCD, together with its service providers, will further improve the reporting of data on the electricity use and electricity mixes at rented facilities.

### **Water management**

IMCD acknowledges that water is a precious shared resource which IMCD must sustainably maintain along with the local communities in which IMCD operates. For this purpose, although we do not set up any water-related goal or target, we encourage water saving measures in our own processes and in all our facilities. To monitor our progress, water-related performance indicators are part of our reporting system. Moreover, we are continuously working on the development of products that can help our customers in more responsible water use in their operations. Our company's direct water-related impacts relate predominately to water use in laboratories, warehouses, and offices such as in kitchens, for cleaning and for sanitary usage. Due to the types of buildings, we use, and the relatively small amount of water involved in our processes, we do not commonly source water ourselves, but work with local water providers. Nonetheless, we have three sites where rainwater is harvested.

### **Operational waste management**

Responsible waste management is an important part of our approach to sustainable operations. Working with chemicals can entail the generation of a considerable amount of waste via the companies' operations and supply chain. Therefore, IMCD is committed to meeting all relevant requirements set by local laws and regulation and in our internal policies, as well as requirements agreed with customers and suppliers regarding waste treatment and disposal. Furthermore, we encourage the reduction of waste in our value chain by promoting a line of more sustainable products and services in our product portfolio throughout the IMCD Sustainable Solutions programme.

Our own offices, warehouses and limited production sites are the main sources of waste. Led by warehousing activities, the waste generated is predominantly non-hazardous. However, certain processes in our laboratories and product storage activities result in the generation of

hazardous waste. To ensure that all waste generated by operations is properly identified and sent for disposal by licensed companies in accordance with the relevant laws and regulations, a global waste disposal policy is in place as part of both the HSEQR Policy and the Supply Chain Management Policy.

## 5.2 Implementation

### **Reducing our environmental impact**

One of the most significant ways to reduce our environmental impact is by reducing our carbon footprint, and this starts with monitoring carbon emissions. We track our progress by monitoring and reporting the emissions in Scopes 1 and 2 (as defined by the GHG Protocol), as well as emissions originated in transport carried out by our logistics partners (falling under scope 3 in the GHG Protocol).

The local HSEQR Managers are responsible for the implementation and execution of the procedures, for measuring performance, implementing corrective actions, and monitoring the results. They report back to the Group HSEQR & Sustainability Department, and the reported metrics are assessed by the Group Corporate Control Department and the Group HSEQR & Sustainability Department. We track our performance and our progress towards achieving our overall sustainability vision by reporting and monitoring our KPIs. We can see whether new measures are needed, or if our targets or policies should be adjusted. It is a continuous improvement process, one in which we communicate our progress internally and to our external stakeholders.

### **Operational waste management**

All waste generated in our activities is transferred to third parties for treatment. Local HSEQ Managers are responsible for ensuring that disposals are undertaken according to local laws and regulations, and by accredited disposal companies. In its offices and at other locations, IMCD promotes the recycling of used material and minimising paper consumption.

## 5.3 Measurement of outcomes

IMCD's direct environmental footprint is limited given its asset-light business model. Nevertheless, reducing our overall operational footprint on the environment is essential for us and our stakeholders. Performing well on this topic is important if we are to set an example for our upstream and downstream business partners. Embedding good environmental practices

in our business also makes IMCD an attractive employer for young talent. Therefore we strive for sustainable managing of our energy and GHG emissions, conscientious water usage, and good waste and wastewater management. We monitor and report on these items according to the GRI guidance.

### **Energy and GHG emissions**

Total GHG emissions (Scope 1 and 2) were reduced by 12% compared with 2020 and by 21% compared with the baseline 2019. In 2021, most of our energy consumption and related emissions of scope 1 and 2, were attributed to the energy use at the facilities: supplying electricity and heating and cooling of the space. Use of fuels for transportation (in business trips, warehousing, or minor share of logistics) contributed to 46% of the energy consumption within the organisation, and to 36% of the GHG emissions of Scope 1 and 2. Fugitive emissions, estimated coolant leakage in normal operation of air conditioning systems, composed only a marginal part of our Scope 1 (about 1%).

As of 2021, two companies in the Group have a 100% renewable electricity mix in all the facilities, and 26 companies reported partial use of renewable energy. There are 24 electric passenger cars in ownership or lease of the companies of the Group, and 68% of our warehouse vehicles are electric.

The reduction of the energy consumption and the emissions is explained by the decrease in fuels used (in particular, natural gas, diesel, fuel oil, and LPG), as well as the reduction of electricity used in 2021. This reduction is primarily due to divestment in facilities with higher energy consumption, significantly decreasing energy use. Most noticeable are the developments in the Americas region. Additionally, some of the operating companies of the Group relocated offices in 2021, leading to lower energy consumption and, consequently, better environmental performance. For example, office lease contracts expired in Spain, France, Italy, and Sweden, and offices were moved to more sustainable buildings. Some share of the reduction might be also attributed to better quality data reporting in 2021. As a result of our efforts to increase the data quality, 74% of the emissions and 75% of energy consumption were reported based on confirmed primary data in 2021, compared with 71% and 66% respectively in 2020.

**Water and wastewater**

Our global water consumption decreased from 7,451 m<sup>3</sup> in 2020 to 4,299 m<sup>3</sup> in 2021. In addition, water consumption in water-stressed areas decreased as well, from 724 m<sup>3</sup> to 249 m<sup>3</sup>. The water consumption intensity decreased by 49% compared with 2020.

**Operational waste management**

In our effort to improve the quality of data reporting, in 2021 we achieved a full factual assessment of hazardous waste generation. Moreover, the reporting quality of non-hazardous waste increased, with 56% of the waste generation in 2021 being based on estimations compared to 62% in 2020.

For all regions, the generation of hazardous and non-hazardous waste increased in 2021 compared to the previous year. This was an expected outcome given the low values in 2020 due to COVID-19 measures, and the increased activities on the premises in 2021 due to the ease of restrictions. In addition, part of the increase in waste generation is caused by the growth of the business. The total amount (tonnes) of non-hazardous waste, however, has remained below the level in 2019 indicating that there is an overall reduction due to optimisations in the infrastructure and the logistics in the premises and scale down of the production facilities.

All waste generated by our activities is transferred to third-party service providers for treatment. In total, 8% of our non-hazardous waste is diverted from disposal, including through material recycling activities (5%) and other recovery operations such as biowaste sent for processing (3%).

The hazardous waste generation in 2021 exceeds the levels of 2019 and 2020. This is largely explained by the disposal of batches of historically accumulated hazardous waste in our US and UK companies, leading to an overall increase of waste volumes for 2021. About half of the hazardous waste is generated on IMCD's own premises and half in third-party facilities.

## 6 ANTI-CORRUPTION PRINCIPLES

### 6.1 Assessment, policy, and goals

#### **Code of Conduct and Business Principles**

IMCD's Code of Conduct summarises IMCD's group policies and business principles that set out the framework for ethical decision-making when representing IMCD in dealings with business partners and other stakeholders.

The Code of Conduct and IMCD Business Principles, which contain a clear set of values and shared standards, are intended to guide our employees in their behaviour and interactions, and support the desired ethical conduct within our organisation. Clear prohibitions are included as well. For questions that the Code of Conduct and IMCD Business Principles do not answer directly, our employees are encouraged to consult with local management and/or the Group Compliance Officer.

#### **Corruption, bribery, and fraud**

Prevention of corruption, bribery and fraud is a core element of IMCD's compliance framework. All IMCD employees must strictly adhere to all anti-bribery and anti-corruption laws in force nationally and internationally. IMCD employees are prohibited from making, offering or authorising bribes or facilitation payments. Potential breaches of the policies in place to prevent corruption, bribery or fraud can damage IMCD's reputation and present a financial risk. IMCD therefore applies a 'zero-tolerance' approach, which is detailed in our Code of Conduct.

#### **Anti-competitive behaviour**

IMCD supports the principle of free market competition and aims to ensure that all IMCD employees comply with competition and antitrust laws. Given the potentially significant financial and reputation damage of a breach, a zero-tolerance approach applies. IMCD expects its business partners to embrace a framework where the standards of fair business and competition are upheld, similar to that at IMCD, as formalised in 2021 with the implementation of the ESG Standards for IMCD Business Partners.

To guide employees in their behaviour, IMCD Group policies includes a Competition Law Code of Conduct. This Code includes examples of behaviour that may pose a risk and must be



avoided. In cases of any doubt, IMCD encourages employees to consult management and/or IMCD's Group Compliance Officer further advice.

### **Regulatory compliance**

As a globally operating distributor of speciality chemicals and ingredients, IMCD encounters many chemical- and market- specific regulatory requirements (relating to pharmaceutical, food and personal care products for example) that it needs to comply with. To ensure compliance, IMCD has a team of global regulatory affairs and quality specialists in place as part of its HSEQR organisation, both in Rotterdam at its head quarters, and in each region and in individual countries.

This team continuously works to advance procedures and trainings so that awareness and up-to-date knowledge of regulatory compliance and export control is maintained within its global organisation. In addition to the principles, instructions and prohibitions covered in the Code of Conduct and IMCD Business Principles discussed above, a more detailed HSEQR Policy and further screening procedures are in place to ensure regulatory compliance. IMCD's global trade sanction policy and guideline on restrictive measures and export control are updated on a regular basis, after which training of key employees takes place in respect of the revisions.

### **Internal alerts and whistleblower system**

Our employees have a channel to seek advice and report their concerns about unethical and unlawful behaviour through IMCD's Internal Alert Procedure. This procedure enables IMCD employees worldwide to report any irregularities or deviations in IMCD's operations regarding the IMCD Business Principles as described in our Code of Conduct. The Internal Alert Procedure was updated in 2021 to, among other things, incorporate the IMCD Ethics and Compliance Hotline as an additional tool for internal reporting.

## **6.2 Implementation**

### **Corruption, bribery, and fraud**

IMCD has group-wide policies and guidelines in place to support and guide employees on these topics. These policies include clear examples of behaviour that must be avoided and cover instructions on gifts, hospitality, donations and political involvement, and avoiding conflicts of interest. The anti-corruption guidance applies to all employees equally. Our employees always have access to the latest versions of company policies via a dedicated

Compliance section in IMCD's intranet. Training on anti-corruption-, bribery- and fraud-prevention is a mandatory part of IMCD's online e-learning programme, which supports the compliance framework.

### **Anti-competitive behaviour**

Training on antitrust law is a mandatory part of IMCD's online e-learning programme, which supports the compliance framework. As a further means to ensure compliance by all IMCD subsidiaries, employees can report suspected irregularities or behaviour that may indicate a breach of IMCD's antitrust policies through IMCD's Internal Alert Procedure and IMCD Ethics and Compliance Hotline.

### **Regulatory compliance**

A revision and renewed training on trade sanctions and export control took place in the first half of 2021. In addition, training material on trade sanctions and export control, developed by external experts, is available in multiple languages in the courses offered on IMCD's e-learning platform. The procedures described are used in combination with software that enables sanctions screening of business partners.

### **Ethics and compliance training**

In 2020, IMCD introduced a library of more than 1,500 compliance-related courses in approximately 60 local languages on its global e-learning platform, available to all employees worldwide (supporting local compliance efforts and ensuring a better understanding of the material). The implementation of an online training curriculum started at the same time, covering the essential pillars of IMCD's compliance programme, including anti-bribery, anti-fraud, export control and antitrust training material.

In 2021, the roll-out of this training programme continued and was completed for the Middle-East, North-America, Latin-America and the APAC region. Roll-out in EMEA is scheduled for 2022. It is IMCD's target to achieve and sustain full coverage in compliance training for all relevant employees by the end of the year.

### **Internal alerts and whistleblower system**

IMCD maintains this global hotline to further support its Internal Alert Procedure. The Ethics and Compliance Hotline, which went live in the fourth quarter of 2020, with roll-out completed in January 2021, offers a web portal in 15 languages as well as local staffed telephone hotlines

in multiple countries. The hotline is available 24/7 to report any ethics concerns or breaches (or potential breaches) of IMCD's Code of Conduct, Business Principles or other group policies in a confidential and, if desired, anonymous manner.

The introduction of the hotline was used to create more awareness for IMCD's Code of Conduct and ethical business behaviour in general, through additional training. Poster material was distributed to all IMCD locations, introducing the new tool and providing examples of situations that are appropriate to report. As from September 2021, the hotline is also included in the ESG Standards for IMCD Business Partners and open to reports by third party stakeholders.

### 6.3 Measurement of outcomes

#### **Corruption, bribery and fraud**

In 2021, IMCD strengthened its third party due diligence process by implementing its ESG Standards for IMCD Business Partners, the latest version of which is available on IMCD's website. The ESG Standards for IMCD Business Partners applies to all business partners in IMCD's supply chain and sets minimum requirements for ethical business conduct, including clear instructions and prohibitions in the field of corruption, bribery and fraud.

Our legal entities are periodically reviewed by the Internal Audit Department. Part of these reviews is determining compliance with these policies and guidelines. In 2021, the Internal Audit Department reviewed 63 (2020: 48) entities, together representing 72% (2020: 82%) of our revenue. Based on these reviews, along with detailed policies and guidelines and ongoing training, we estimate the likelihood of corruption-related risks to be low.

As a further means to ensure compliance by all IMCD subsidiaries, employees can report suspected irregularities or behaviour that may indicate a breach of IMCD's policies or national and international corruption legislation through IMCD's Internal Alert Procedure and IMCD Ethics and Compliance Hotline.

In 2021, no violations of IMCD's anti-corruption, anti-bribery or anti-trust policies were reported, signifying that there were no incidents, nor were there any pending or completed legal proceedings.

**Anti-competitive behaviour**

In 2021, no violations of IMCD's Competition Law Code of Conduct were reported, signifying that there were no incidents, nor were there any pending or completed legal proceedings.

**Regulatory compliance**

In 2021, IMCD was not charged with any significant fines (in excess of €100,000) or non-monetary sanctions for non-compliance with laws and regulations in the socio-economic area, or with environmental laws and regulations. Nor was the Group in breach of, and did not receive significant fines warnings in relation to, regulations regarding product and service information and labelling and marketing communications.

**Internal alerts and whistleblower system**

In 2021, the first full year that the hotline was operational, two reports were made through the hotline IMCD (2020: one report). The reports received are examined and, if a compliance infringement has taken place, appropriate action is taken. The incoming reports in 2021 concerned cases of suspected violation of the IMCD Code of Conduct and/or Business Principles.

## 7 LOOKING FORWARD

Thank you for your interest in the actions IMCD is taking in line with the Ten Principles of the United Nations Global Compact on human rights, labour, environment, and anti-corruption. We are committed to making the UN Global Compact and its principles part of the strategy, culture, and day-to-day operations in our company, and to engage in the Sustainable Development Goals in particular.

Looking forward, we plan to include the communication on progress in our Sustainability Report next year. This will make the communication more complete and align with GRI.