

IMCD audit tender process disclosure

The below sets out the audit tender process followed by IMCD to prepare in a timely manner for the anticipated audit firm rotation.

Introduction

Upon the decision to commence a tender, a project team was formed consisting of the CFO, the Group Director Corporate Control, the Director Internal Audit and the Company Secretary. The selection team consisted of the project team, both members of the Audit Committee, and the CEO.

Scope

The scope of the audit assignment included assurance on the consolidated financial statements of IMCD N.V., including the integrated sustainability information in the annual report, and the statutory financial statements of selected subsidiaries for an initial period of at least three years, starting in 2024 or 2025. The selection process consisted of three phases. In the pre-selection phase, the project team approached all audit firms with a license to audit public interest entities in The Netherlands. Next to IMCD's incumbent auditor Deloitte, these audit firms were BDO, EY, KPMG, Mazars and PwC.

Selection process and criteria

Three firms confirmed their interest and were sent IMCD's request for proposal ('RFP'). The selection criteria defined in the RFP included the audit team and organisation and auditor's independence, global network, and ability to execute a global audit, the audit approach and integration of digitisation and technology aspects, the transition plan, adaptability to change, audit fees, proximity to IMCD NV and ability to mobilise the audit firm's relevant domain expertise and resources across IMCD N.V. global footprint and the overall impression during the tender process. EY and KPMG confirmed their interest to proceed to the second phase of the tender process. Deloitte confirmed interest to continue its services in 2024.

In this phase the audit firms had access to a data room organised by the company, and participated in interviews and site visits, where the audit firms and their local representatives had the opportunity to meet and receive required information from IMCD's management for certain subsidiaries, and senior managers from group staff functions (Tax, Treasury, Finance & Control, Internal Audit, Legal, Compliance, IT and Sustainability). In addition, IMCD organised meetings for EY and KPMG with the incumbent auditor Deloitte. Thereafter, the audit firms provided their initial proposal, which were discussed with the IMCD project team in a further meeting.

The audit firms submitted their final written proposal and presented this to the selection team, including both Audit Committee members, CFO and CEO. Both audit firms were asked to detail the expected learning curve in case of a long-term relationship and benefits for the audit process, and the expected impact on the development of the total audit fees. The proposals were also evaluated against the proposal requested from Deloitte for its auditor services in 2024.

Evaluation of criteria and recommendation

The presentations were directly followed by an evaluation meeting, where the individual presentations were discussed and considered in combination with (i) the input collected from the interviewees and meeting participants involved in the second phase, and (ii) the rating of the written proposals as prepared by the IMCD project team.

It was concluded that both proposals met the criteria set out in the tender by IMCD. In the rating of the selection criteria included in the RFP, EY received the highest score. Elements where EY received the best rating included the audit team and organisation, audit approach and integration of digitisation and technology aspects, the proposal for a transition plan, adaptability to change, independence and audit fees.

For 2024, the Audit Committee recommended the reappointment of Deloitte, who's proposal offered IMCD consistency in the core audit team for another year and commitment to IMCD's sustainability journey (in which IMCD works towards compliance with various new reporting requirements, amongst other CSRD in 2024).

Weighing all information, the Audit Committee made a recommendation to the Supervisory Board, to propose to propose either KPMG or EY to the AGM as of 2025, with a preference for EY and an initial three-year appointment. EY was named the preferred choice because of, among other, the overall strength and knowledge of the presented audit team and organisation, including on topics as digitisation and technology aspects (IT/cyber) and sustainability / ESG reporting, as well as the attractiveness of fee-level offered and anticipated learning curve in event of a long-term cooperation.