

# REMUNERATION POLICY FOR THE MANAGEMENT BOARD

This remuneration policy is adopted by the General Meeting on 30 June 2020 to be consistent with the new requirements of the Dutch Civil Code. This remuneration policy shall be posted on the website of IMCD N.V. ("IMCD" or the "Company").

The Supervisory Board, based on a recommendation by the Remuneration Committee, will have the authority to determine the amount, level and structure of the remuneration package for the individual members of the Management Board, in accordance with this remuneration policy.

## Objectives

With this remuneration policy IMCD aims to attract, motivate and retain highly qualified executives by providing them with a balanced and competitive remuneration package that is focused on sustainable results and is aligned with IMCD's long-term strategy. The amount, level and structure of the remuneration package for each member of the Management Board should contribute to the Company's strategy, long-term interests and sustainability by:

- a) attracting, motivate and retain highly skilled individuals with the right balance of qualities, capabilities, profile and experience needed to support and promote the growth and sustainable success of the Company and its business;
- b) driving strong business performance, promoting accountability and incentivising the achievement of short and long-term performance targets with the objective of furthering long-term value creation in a manner consistent with the Company's identity, culture and values;
- c) assuring that the interests of the members of the Management Board are closely aligned to those of the Company, its business and its stakeholders; and
- d) ensuring overall market competitiveness of the remuneration package, while providing the Supervisory Board sufficient flexibility to tailor the Company's compensation practices on a case-by-case basis, depending on the market conditions from time to time.

As a guiding principle, the remuneration of the members of the Management Board are set around the median of remuneration levels payable within a peer group of companies of comparable size, complexity and international scope, relevant to IMCD from a labour market perspective.

To this extent, the Remuneration Committee may from time to time execute a benchmark analysis to assess the position of the remuneration packages for the Management Board in comparison with market practise and industry peers. If a benchmark investigation is performed, the peer group taken into account will be disclosed in the remuneration report of the respective year in which the benchmark took place.

## Determination of remuneration

The Remuneration Committee shall prepare its recommendations relating to the remuneration package for each member of the Management Board in accordance with this policy and any such recommendation shall cover the remuneration structure, the amount of the fixed and variable compensation components, the performance criteria used, the scenario analyses that have been carried out and the relevant internal pay ratio(s).

In preparing this policy and in determining the remuneration packages for the members of the Management Board pursuant to this policy, the Supervisory Board shall consider, respectively, among other matters:

- relevant market information such as industry standards and peer group data;
- if applicable, any pre-existing arrangements with the Management Board members, their respective positions within IMCD's organisation and any compensation payable by IMCD or any



of its subsidiaries to the Management Board members in any other capacity;

- the financial and non-financial performance indicators relevant to IMCD's long-term strategy;
- legislation and best practice recommendations of the Dutch Corporate Governance Code;
- the wage and employment conditions of IMCD's employees (including the relevant internal pay ratios),
- the identity, culture and values of IMCD;
- the level of social acceptance (*maatschappelijk draagvlak*); and
- scenario analyses carried out in advance;

all in order to strive for a balanced and fair compensation practice while observing the objectives first outlined above.

Before making a recommendation relating to the remuneration package for any member of the Management Board, the Remuneration Committee shall take note of the views of such member of the Management Board with regard to the amount, level and structure of that remuneration package.

### Composition of remuneration packages

The remuneration package for the members of the Management Board consists of a mix of fixed and variable components, including:

- A 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. The amount of the base salary may be increased or decreased from time to time, subject to the principles laid down in this policy and the terms of any existing contractual arrangements with the Management Board member(s) concerned.

#### Short-term incentive (STI)

The objective of the short-term incentive plan is to ensure that the members of the Management Board prioritise defined short-term operational objectives,

leading to long-term value creation. The short-term incentive consists of a (potential) cash bonus payment, depending on achievements in relation to pre-set targets. The structure of the STI plan is as follows and applies to all members of the Management Board equally:

STI variable pay structure (bonus opportunity in % of annual gross base salary)	
Under performance (below set threshold)	0%
At target performance	50%
Maximum opportunity (capped)	75%

The 'at target' STI bonus amount will be paid out when predefined targets are realised, while the maximum STI amount, capped at 75% of a Management Board members annual gross base salary, might be paid out in case of substantial outperformance of the predefined targets. If realised performance in any year is below the pre-defined threshold level, no bonus will be paid out.

#### STI criteria

On an annual basis, the Supervisory Board shall:

- set and, if appropriate, amend the financial and/or non-financial metrics, targets, objectives and/or conditions and determines the weight thereof;
- set and, if appropriate, amend the values below which no bonus amount will be due, the 'at target' value and the maximum at which the bonus will be capped will be due (threshold performance); and
- determine the extent to which the applicable targets, objectives and/or conditions are achieved.

The financial criteria for the STI may include, amongst others, a target for organic growth and M&A growth, for which the performance thresholds are as follows:

Criteria	Performance thresholds
Organic growth (operating EBITA)	• 10% ≤ budget - no award
	• at target level - 2/3rd
	• 5% ≥ budget - full award
M&A growth (acquired EBITA)	• no added EBITA - no award
	• target level - 2/3rd
	• 50% ≥ target - full award



Performance between thresholds will be measured and awarded on the basis of a linear scale.

Both criteria contribute to the policy objectives by encouraging the Management Board members to focus on successful execution of IMCD's long-term growth strategy optimisation of the Company's valuation.

Any non-financial criteria will be directly derived from IMCD's strategic agenda and/or organisational priorities and are in line with the corporate objectives for the relevant year. Examples include targets related to integration of acquisitions, leadership development and succession planning, ICT developments, sustainability and diversity.

### Long-term incentive (LTI)

The purpose of the long-term incentive plan is to drive long-term performance and focus on realising the Company's long-term operational objectives, to support retention and to further strengthen the alignment with shareholders' interests and the focus on sustainability and long-term value creation in accordance with IMCD's strategy. The LTI plan is structured in a way that contributes to the simplicity and transparency of the IMCD's overall remuneration policy for the Management Board.

Under the LTI plan the Management Board members are eligible to annual awards of conditional performance shares, that may vest after a three-year performance period. Vesting depends on achievements in relation to pre-set targets and is subject to continuous employment. Up and until the moment of vesting, the members of the Management Board are not eligible to receive dividends nor do they have any other rights of a regular shareholder.

The structure of the LTI plan is as follows and applies to all members of the Management Board equally:

LTI variable pay structure (bonus opportunity in % of annual gross base salary)	
Under performance (below set threshold)	0%
At target performance	100%
Maximum opportunity (capped)	150%

### LTI criteria

The following table shows the criteria and their weight, together with the performance ranges and

pay-out levels applicable to the Management Board's LTI plan(s). The Supervisory Board may decide to include other criteria as well and/or change the weight of the LTI criteria on an annual basis, subject to the terms of any new legislation and/or existing contractual arrangements with the relevant members of the Management Board concerned. Such decision will be disclosed in the remuneration report.

LTI Criteria	Performance thresholds	Total weight
Cash	• < 10% below target -	0%
EPS <sup>1</sup>	• ≥ 5-10% below target -	50%
growth	• ≤ > 5% range of target -	100%
	• ≥ 5% above target -	150%
Relative	• Fourth quartile -	0%
TSR <sup>2</sup>	• Third quartile -	50%
in peer	• Second quartile -	100%
group	• First quartile -	150%

<sup>1</sup> EPS = Earnings Per Share

<sup>2</sup> TSR = Total Shareholder Return

In relation to the TSR bonus component, vesting will not take place if the Company's TSR is negative over the performance period. The Supervisory Board shall set and, if appropriate, amend the values of targets and thresholds annually.

### Contribution to policy objectives

The use of "Cash EPS growth" as criteria reinforces the importance of earnings, which are expected to have a direct relationship to the Company's share price. For commercial and strategic reasons, the actual EPS target value is not disclosed.

The use of "Relative TSR" as criteria encourages delivery of a total shareholder return that is superior to the Company's competitors and/or market peers.

### TSR peer group

The peer group used for the calculation of the outcome of the TSR component, exists out of 11 companies, plus IMCD. The TSR peer group is reviewed and updated, if necessary, annually.

### Vesting and holding period

Upon expiration of the three-year performance period of any LTI plan, the Supervisory Board will determine the extent to which the applicable targets, objectives and/or conditions have been achieved and will



determine the number of conditional shares that will vest.

An additional holding period of two years will be applicable to the vested shares until such shares have been held for five years as of the conditional grant date. An exception is made for cases in which shares are sold and transferred in order to meet tax requirements at vesting and in case of termination of employment 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 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 the members of the Management Board any vested shares awarded on the basis of incorrect financial or other data.

#### *Adjustments to variable remuneration*

The Supervisory Board may adjust the amount or value of an STI or LTI awarded to a Management Board member to a suitable level, if payment or satisfaction of that award would be unacceptable under the standards of reasonableness and fairness.

The Company may reclaim payments made (in cash, in kind or in the form of securities) under an STI or

LTI award, in whole or in part, to the extent that such payment was made on the basis of incorrect information regarding the achievement of the targets, objectives and/or conditions underlying the award or regarding the circumstances on which the award was dependent. The Supervisory Board, or a special representative designated by the General Meeting, may demand such repayment on the Company's behalf.

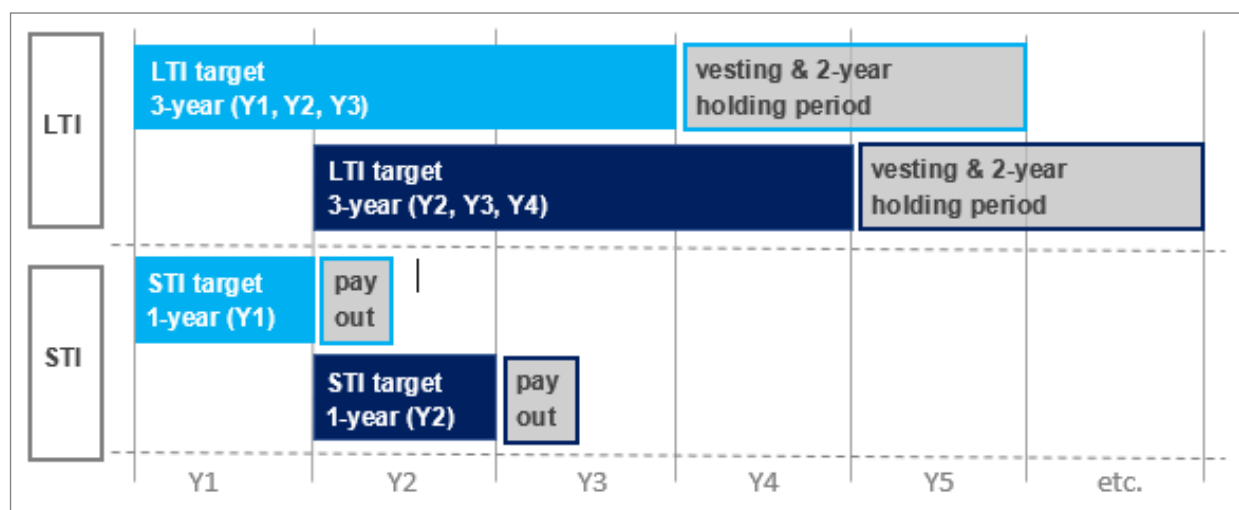
### **Pension and fringe benefits**

The members of the Management Board are participating in the same defined contribution pension scheme that applies to the Company's employees in the Netherlands at any time.<sup>1</sup> The pensionable salary is capped at the Dutch statutory provided level.

In case of appointment of members with an international background to the Management Board, the Supervisory Board may in its discretion decide to offer additional expatriate benefits, such as, for example, additional pension arrangements or allowances for housing, international schooling and/or tax-equalisation. Such decision will be disclosed in the remuneration report.

#### *\* Illustration of STI and LTI overlapping pay-out*

*The below illustrates the overlapping cycles of STI and 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.*



<sup>1</sup> At the date of this policy such pension scheme exists out of a defined contribution plan, insured by AEGON Levensverzekering N.V.



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

### Share ownership / sign-on award

The CEO is required to keep a portfolio of IMCD shares to a value of two years annual base salary. For other members of the Management Board this requirement applies with a value of one year annual base salary. New board members may build up the required shareholding in three years time, including by way of vesting of conditional shares under the LTI plan.

For new members of the Management Board, the Supervisory Board may in its discretion decide to offer a sign-on award, covering compensation that such new member will lose by leaving previous employers. The sign-on award can consist of a cash payment or performance shares (subject to the LTI plan rules), which shall not vest before the above minimum share ownership requirement is met.

### Contractual arrangements

The members of the Management Board have a service agreement with IMCD and the terms and conditions of these service agreements are aligned with the provisions in the Code.

#### *Duration and notice period*

The service agreements are contracts for a four year term and can be terminated by both parties at a notice period of six (6) months.

#### *Severance compensation*

The service agreements contain severance provisions which provide for a (maximum) severance pay equal to the gross fixed annual base salary in the event of early termination, save for early termination at the initiative of the Management Board member concerned. Severance pay will not be awarded if payment thereof would be unacceptable according to the standards of reasonableness and fairness in view of the acts of the member of the Management Board.

### Temporary deviation

The Supervisory Board, upon a proposal by the Remuneration Committee, may resolve to deviate temporarily (and ultimately until the General Meeting adopts an amended compensation policy following the occurrence of such deviation) from this policy, if this is necessary to serve the long-term interests and sustainability of the Company or to assure its viability, if the Supervisory Board has determined in its discretion that special circumstances apply.

### Review and adoption

The Remuneration Committee shall review this policy annually. Pursuant to a resolution to that effect, the General Meeting may (re)adopt, amend or supplement this policy on the basis of a proposal by the Supervisory Board.

When the remuneration policy is submitted to the General Meeting for adoption, the Supervisory Board shall include a description and explanation of:

- the major changes; and
- how the votes and views of shareholders on the remuneration policy and the remuneration reports since the most recent vote on the remuneration policy in the General Meeting have been taken into account in the new remuneration policy.

