

# REMUNERATION REPORT 2018

The Remuneration Committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy and remuneration proposals concerning the members of the Management Board. The Supervisory Board assesses the proposals and submits, in the event of proposed policy changes, the remuneration policy to the General Meeting for adoption.

This remuneration report provides an overview of the remuneration policy for IMCD's Management Board and the application thereof in 2018.

## Remuneration Policy

In 2018, the SB proposed to revise the remuneration policy that had been in place since IMCD's IPO in 2014. External benchmarking showed that the total Management Board's compensation was no longer competitive, taking market developments and IMCD's successful growth over the years into account. The revised remuneration policy was adopted by the General Meeting on 8 May 2018 and entered into force with immediate effect.

The Management Board's base salaries, as well as the bonus levels under the long-term variable incentive were increased. By increasing the overall value of the long-term bonus component in the total remuneration package, a better balance was created between short-term and long-term variable incentive. This change added to an increased focus on sustainable long-term performance of the Company.

### Objective and principles

The objective of IMCD's remuneration policy is to attract, motivate and retain highly qualified executives in its Management Board. It aims to reward members of the Management Board with a balanced and competitive remuneration package that focuses on sustainable results and that is aligned with IMCD's strategy for creation of long-term value.

Although the Company's strategy is primarily defined by the Management Board, the remuneration policy is designed in such a way that the Supervisory Board can ensure, by defining the performance criteria and

(operational and financial) targets under the remuneration policy, that the remuneration of the Management Board is linked to and supports the company's strategic priorities. It enables to Supervisory Board to encourage behaviour focused on long-term value creation and a sustainable contribution to all stakeholders.

The remuneration policy of the Management Board is in conformity with principle 3.1.2 of the Code.

### Market positioning / peer review

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 labour market perspective.

The Supervisory Board takes into account the internal relativity to the positions below the Management Board as well. All components of the remuneration packages are reviewed annually.

Upon initiative of the Remuneration Committee, the review of the remuneration packages may include an external benchmark against a peer group of companies. Such a study was most recently executed by EY at the end of 2017.

The peer group consisted of (1/3<sup>rd</sup>) AEX and (2/3<sup>rd</sup>) AMX companies in the Netherlands with similar size and market capitalization. Substantially smaller or larger companies, financial institutions and real estate companies were excluded from the peer group, as well as companies with poor disclosure in respect of remuneration details.



## Summarised overview of IMCD's remuneration policy and application in 2018

Policy summary	Application in 2018*
<p><b>Base salary</b></p> <ul style="list-style-type: none"> <li>• A fixed annual cash compensation, paid in 12 equal monthly instalments.</li> <li>• Aim for the median level of the labour market peer group.</li> <li>• Reviewed annually, against external market developments and internal relativity to other employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Base salary paid as follows: <ul style="list-style-type: none"> <li>- Piet van der Slikke: EUR 579,902</li> <li>- Hans Kooijmans: EUR 440,340</li> </ul> </li> </ul> <p><u>Note:</u> At the 2018 AGM, the shareholders approved an increase of the base salaries of the MB members for the first time since 2014. The new base salary applied as of July 2018.</p>
<p><b>Short-term incentive</b></p> <ul style="list-style-type: none"> <li>• A variable pay-out in cash based on annual performance conditions set by the SB</li> <li>• 'At target' level: 50% of base salary</li> <li>• Maximum opportunity: 75% of base salary</li> <li>• No pay-out in case performance is below pre-determined minimum thresholds</li> </ul>	<ul style="list-style-type: none"> <li>• Applicable criteria and their weight: <ul style="list-style-type: none"> <li>- qualitative targets: 20%</li> <li>- organic growth (operating EBITA): 60%</li> <li>- M&amp;A growth (acquired EBITA): 20%</li> </ul> </li> <li>• Actual pay-out: <ul style="list-style-type: none"> <li>- Piet van der Slikke: 71.25% of base salary</li> <li>- Hans Kooijmans: 71.25% of base salary</li> </ul> </li> <li>• The SB did not use its discretionary powers to deviate from the results calculated on the bases of the performance criteria.</li> </ul>
<p><b>Long-term incentive</b></p> <ul style="list-style-type: none"> <li>• Annual grant of conditional shares that vest after three years</li> <li>• 'At target' level: 100% of base salary</li> <li>• Maximum opportunity: 150% of base salary</li> <li>• Performance targets and their weight: <ul style="list-style-type: none"> <li>- cash earnings per share (EPS): 50%</li> <li>- relative total shareholder return (TSR): 50%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• In 2018, shares vested for the first time since the start of the MB's LTI Program in 2015.</li> <li>• MB met the EPS target at 'at target' level. The TSR target was met at the maximum pay-out threshold.</li> <li>• Hence, shares vested as follows: <ul style="list-style-type: none"> <li>- Piet van der Slikke: 19,040 shares</li> <li>- Hans Kooijmans: 14,000 shares</li> </ul> representing a realized LTI bonus of 62.50% the (then) applicable base salary.** </li> <li>• The SB did not use its discretionary powers to deviate from the results calculated on the bases of the performance criteria.</li> </ul>
<p><b>Pension</b></p> <ul style="list-style-type: none"> <li>• Participation in the general IMCD pension scheme that also applies to other IMCD employees in the Netherlands.</li> <li>• No additional contributions are paid above the (statutory) capped pensionable salary.</li> </ul>	<ul style="list-style-type: none"> <li>• For the year 2018, the pensionable salary was capped at EUR 105,075 (in accordance with Dutch law).</li> <li>• Pension rights accrued as follows: <ul style="list-style-type: none"> <li>- Piet van der Slikke: EUR 40,000</li> <li>- Hans Kooijmans: EUR 36,000</li> </ul> </li> </ul>

\* Details of the actual costs pertaining to the remuneration of the members of the Management Board and the Supervisory Board in the financial year 2018 are also included in note 50 of the financial statements to the annual report 2018.

\*\* An increase of the LTI opportunity levels was approved at the 2018 AGM. For the conditional shares awarded under the 2015 LTI Program, the 'at target' opportunity however was 50% of base salary and the maximum opportunity was 75% of base salary.

## Application of Remuneration Policy in 2018

### Base salary

The base salary for the members of the Management Board is determined by the Supervisory Board.

The external benchmark conducted at the end of 2017 showed that the base salary for both the CEO and CFO were respectively 19% and 21% below the median level of the peer group. For 2018, the Supervisory Board therefore decided to increase the base salaries to bring such directionally back to the median level.

Annual base salaries for the management board		
	2018	2017
Piet van der Slikke	EUR 638,000	EUR 514,599
Hans Kooijmans	EUR 497,000	EUR 378,383

Upon approval by the General Meeting, the revised base salaries were paid as of July 2018.

### Short-term incentive (STI)

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

The short-term incentive consists of a (potential) cash bonus payment, depending on achievements in relation to pre-set targets. This applies equally to both CEO and CFO. The short-term incentive structure is as follows and applies equally to both CEO and CFO:

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

On an annual basis, the Supervisory Board selects qualitative, non-financial and financial targets for the Management Board short-term incentive plan and determines the weight thereof.

The following table shows the selected criteria, their weight and the performance ranges (minimum, at target and maximum pay-out levels) that applied to

the 2018 short-term bonus:

Criteria	Performance thresholds	Total weight
Qualitative criteria	n/a	20%
Organic growth (operating EBITA)	<ul style="list-style-type: none"> <li>• 10% ≤ budget - no award</li> <li>• at target level - 2/3rd</li> <li>• 5% ≥ budget - full award</li> </ul>	60%
M&A growth (acquired EBITA)	<ul style="list-style-type: none"> <li>• no added EBITA - no award</li> <li>• target level - 2/3</li> <li>• 50% ≥ target - full award</li> </ul>	20%

For commercial and strategic reasons, the actual EBITA target numbers are not disclosed.

In 2018, the Management Board outperformed on both financial targets, leading to a maximum award for these components. In respect of the non-financial criteria, the Supervisory board decided to grant 15% (out of the available 20%) for this component. Hence, the total STI bonus for 2018 granted to each of the Management Board members, amounted to 95% of the maximum opportunity. This resulted in a gross cash bonus payment of EUR 413,180 to the CEO and EUR 313,742 to the CFO.

### Long-term incentive (LTI)

The purpose of the long-term incentive 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, that vest after a three-year performance period. Vesting depends on achievements in relation to pre-set targets and is subject to continuous employment. The long-term incentive structure applies equally to both CEO and CFO:

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

In accordance with the Code, an additional holding period of two years is applicable to vested shares.

The following table shows the selected criteria and their weight, together with the performance ranges and pay-out levels that were set for the 2018 LTI. The performance parameters are measured over the three year performance period 2018-2020.

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

\* EPS = Earnings Per Share

\*\* TSR = Total Shareholder Return

For commercial and strategic reasons, the actual EPS target number is not disclosed.

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.

In 2018, Premier Farnell Plc was removed due to its delisting and replaced by Aalberts Industries NV. It is foreseen that Nexeo will be replaced in the course of 2019, depending on potential delisting as the result of the acquisition by Univar.

## Actual remuneration paid in 2018

The table below summarizes the costs for the remuneration of the Management Board members charged to IMCD and its group companies in the financial year 2018.

(amounts x EUR 1,000)	Year	Salary	Bonus	Share based payment	Pension	Other	Total
Piet van der Slikke	2018	580	480	355	40	47	1,502
	2017	515	300	444	42	46	1,347
Hans Kooijmans	2018	440	363	265	36	42	1,146
	2017	378	222	326	38	41	1,005
<b>Total</b>	2018	1,020	843	620	76	89	2,648
	2017	893	522	770	80	87	2,352

TSR peer group 2018 LTI	
Aalberts Industries NV	- Euronext Amsterdam
Aceto Corporation	- Nasdaq
Brenntag AG	- Frankfurt Stock Exchange
Bunzl Plc	- London Stock Exchange
DKSH Holding AG	- SIX Swiss Exchange
Electrocomponents Plc	- London Stock Exchange
Ferguson Plc	- London Stock Exchange
Nexeo Solutions Inc	- Nasdaq
Travis Perkins Plc	- London Stock Exchange
Rexel SA	- Euronext Paris
Univar Inc	- Nasdaq

## Pensions and other benefits

In 2018, 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. The applicable cap for 2018 amounted to EUR 105,075.

As in foregoing years, the pension premiums for the participation of the Management Board members due in 2018 were paid for by the Company. Pension rights are accrued for in the financial statements in accordance with IFRS / IAS 19.

Pursuant to their service agreements, the Management Board members receive customary fringe benefits including a fixed expense allowance, fixed contribution to healthcare insurance and a company car.



### 2018 long-term incentive award

The below sets out the conditional performance shares granted to the Management Board in 2018.

	Performance Shares awarded	Corresponding award value
Piet van der Slikke	16,518	EUR 869,853
Hans Kooijmans	12,533	EUR 660,010

At the beginning of 2021, the Supervisory Board will review the outcome of performance in the three year performance period 2018-2020 and determine the amount of conditional shares that will vest.

### Vesting 2015 long-term incentive

At the beginning of 2018, conditional performance shares vested for the first time since the start of the LTI Programme for the Management Board. The three year performance period for the conditional shares awarded in 2015, ended with the close of the calendar year 2017.

Under the 2015 LTI Plan, the 'at target' opportunity equalled 50% of the Management Board members' annual base salary. The maximum opportunity was capped at 75%. The Management Board met the EPS target at 'at target' level. The TSR target was met at the maximum level (with IMCD ranking in the first quartile). Hence, shares vested as follows:

	Performance Shares vested	Corresponding award value*
Piet van der Slikke	19,040	62.50%
Hans Kooijmans	14,000	62.50%

\* As a % of the applicable base salary in 2015

### Other remuneration information

#### Internal pay ratio

The pay-ratio used by IMCD reflects the average total remuneration of all IMCD employees worldwide relative to the total remuneration for the CEO and CFO. This has resulted in the following outcome:

	Year	Total MB member remuneration (EUR)	Average total compensation* (EUR, all global employees)	Pay ratio
CEO	2018	1,595,000	65,111	24.5
	2017	1,029,198	59,368	17.3
CFO	2018	1,242,500	65,111	19.1
	2017	756,766	59,368	12.7

The average employee compensation was calculated with the numbers as reported in note 10 (Personnel expenses) in the Annual Report (wages and salaries / total average number of employees).

The compensation for the CEO and CFO includes the 2018 base salary, short-term bonus and long-term bonus as referred to in this Remuneration Report, on 'at target' level (100%).

Social security, pension and benefit costs are excluded for both the average employee and for the Management Board.

### Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is determined by the General Meeting. It is not made dependent on the Company's results and none of the members of the Supervisory Board receive shares, options for shares or similar rights to acquire shares as part of their remuneration.

The annual fixed fees for the Supervisory Board remuneration have been adopted by the General Meeting in 2014 and have not been revised since.

The below table provided an overview of the applicable fees in 2018.

Function	Annual fee
Supervisory Board - chairman	EUR 60,000
Supervisory Board - member	EUR 40,000
Audit Committee - chairman	EUR 10,000
Audit Committee - member	EUR 7,000
Remuneration Committee - chairman	EUR 8,000
Remuneration Committee - member	EUR 5,000

The costs for the remuneration of the Supervisory Board members charged to IMCD in the financial year 2018 are as follows:

	2018 (x EUR 1,000)	2017 (x EUR 1,000)
Michel Plantevin	65	65
Arjan Kaaks	50	50
Julia Van Nauta Lemke	47	47
Janus Smalbraak	41	40
Stephan Nanninga	28	-
Jean-Charles Pauze	17	48
<b>Total SB remuneration</b>	<b>248</b>	<b>250</b>

## Other policy information

### Scenario analysis

Scenarios concerning the possible outcomes of the variable components and the impact on the remuneration of the Management Board members are analysed annually and taken into consideration by the Remuneration Committee and Supervisory Board. The scenarios reviewed include minimum (0%), at target (100%) and maximum (150%) variable pay achievement.

### Own views of Management Board members

The chairman of the Supervisory Board discusses the Management Board members' own view on their remuneration package annually and/or in case of any proposed changes to the remuneration packages.

### Term of appointment

Management Board members are appointed for a term of four years. The current term of both Management Board members expires in 2022. The (total) term of employment of Management Board members is not limited in any way.

### Revision and claw back of variable pay

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 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.

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).

### Severance compensation

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, subject to a fairness review.

### Notice period

The service agreements with the members of the Management Board can be terminated by both parties at a notice period of 6 months.

### No loans

IMCD nor any of its group companies does not provided any loans, advances or guarantees for the benefit of the Management Board members.

## LOOKING AHEAD 2019

After amendment of the base salaries in 2018, no changes will be made for 2019, The revised base salaries as applicable since July 2018, will be corrected for inflation only, based on Netherlands (*Centraal Bureau voor de Statistiek (CBS)*).

For the short-term incentive plan for 2019, it is foreseen that the Supervisory Board will adjust the weight of the performance criteria, focussing more on organic growth and non-financial targets and less on M&A growth.

For the long-term incentive plan for 2019, no changes are anticipated other than a potential adjustment of the peer group. The Supervisory Board is of the opinion that the amendments made in 2018 are sufficient to provide for a competitive long-term incentive, corresponding with the company's focus on sustainable long-term growth.

