

SUSTAINABILITY REPORT 2019





IMCD is a market leader in the marketing, sales and distribution of speciality chemicals and food ingredients. Listed on the Euronext, Amsterdam (IMCD), in 2019 IMCD realised revenues of EUR **2,690 million** with nearly **3,000 employees** in over **50 countries** on **6 continents**. Next to its operational sustainability performance, IMCD focuses also on its commercial approach in promoting more sustainable products by using quantitative analysis and technical expertise. The key areas for its operational sustainability performance are: financial resilience, business integrity, product stewardship, responsible operations, and people fulfilment and diversity.

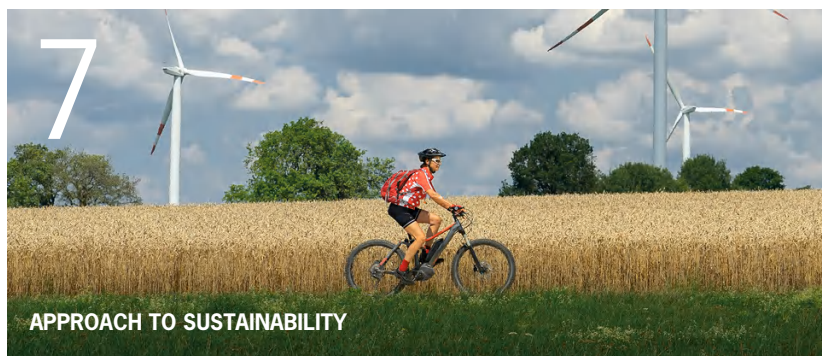
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Dear Reader,

In these challenging times, where our lives and businesses have been impacted by COVID-19, IMCD has managed to successfully adapt to the new circumstances. Our flexible business model has enabled us to quickly shift from office-based to home-based working while keeping our business up and running. The performance of our people has been exceptional. Thanks to them we are able to offer the level of service our customers expect from us. They have enabled IMCD to stay open for business.

During 2019, at IMCD we saw drastic improvements to our reporting system and overall sustainability performance. In fact, our main KPI (greenhouse gas emissions per operating EBITDA) was reduced by 13.4% (from 431 tonne CO₂eq/Million Euro operating EBITDA in 2018 to 373 tonne CO₂eq/Million Euro operating EBITDA in 2019¹), indicating our commitment to improving our internal operations and the applicability of our approach.

The “IMCD Sustainable Solutions” programme is gaining traction and I am proud that our suppliers consider it to match their needs and ambitions. For us to accelerate, IMCD will perform a benchmark analysis of our portfolio in 2020 and, as of 2021, we will set a revenue percentage target for the programme. “IMCD Sustainable Solutions” promises to be a differentiator for us and our businesses. We will look to take a leading role among our peers and provide better products for our customers while improving the ties with our suppliers.

Our internal organisation has taken a clear professionalisation step in various fields such as; health and safety, regulatory affairs, customer service, and quality management. In 2019, we started planning a company-wide quality approach with our third-party certifying body (TUV Nord) to ensure all our facilities will operate under the same ISO quality standards, and that our work processes will be streamlined.

IMCD has a clear role in providing speciality ingredients and support to help improve the added value for our customers and suppliers. Looking ahead, I'm confident our position will help to reduce the environmental impact industry-wide and enable us to become THE GO-TO distributor for sustainable products.

Rotterdam, 7 July 2020

Piet van der Slikke

¹. When comparing the total CO₂eq emission for 2018 and 2019 in the same scope. For more information, see the chapter “responsible operations”.

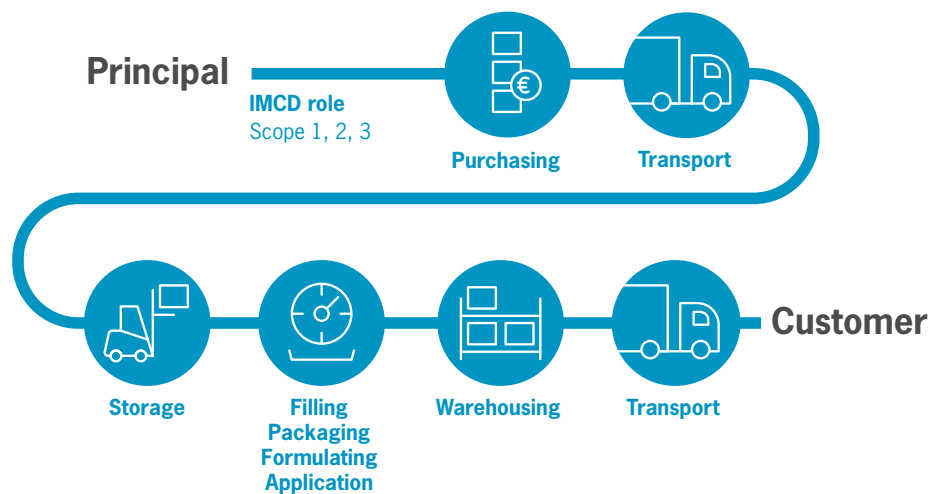
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Our environmental impact

Coming from our operations, mainly logistics



Scope 1 emissions are direct emissions produced by the burning of fuels of the emitter.

Scope 2 emissions are indirect emissions generated by the electricity consumed and purchased by the emitter.

Scope 3 emissions are direct emissions produced by the burning of fuels by third-party logistics providers.

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IMCD recognises that, as it increases its global presence, its impact on the environment and society becomes more important. IMCD believes that growing sustainably is not only measured by its social or environmental impact, but also by its drive to improve financial performance and to embed it in the IMCD business model.

IMCD's efforts to reduce its environmental impact are directly linked to costs and revenue. Demands for sustainable and ethically sourced products are increasing and are clear business opportunities. IMCD's environmental and societal contributions begin with its suppliers and via its people, expanding throughout the value chain.

The purpose of our sustainability approach is to grow the business while reducing its environmental footprint with clear and measurable metrics. We are committed to offering products and solutions within our portfolio that focus on health and wellbeing for our consumers, the environment and society whilst managing our operational footprint in a responsible way.

2019 was the second year IMCD reported on sustainability information. We asked our external assurance provider to provide limited assurance on the 2019 report in a similar way to the 2018 report.

Managing sustainability

IMCD's sustainability agenda and strategy are determined by its Management Board, which also reviews and approves the organisation's sustainability report and ensures that all material topics are covered. The Supervisory Board oversees, monitors and advises the Management Board on the corporate social responsibility issues

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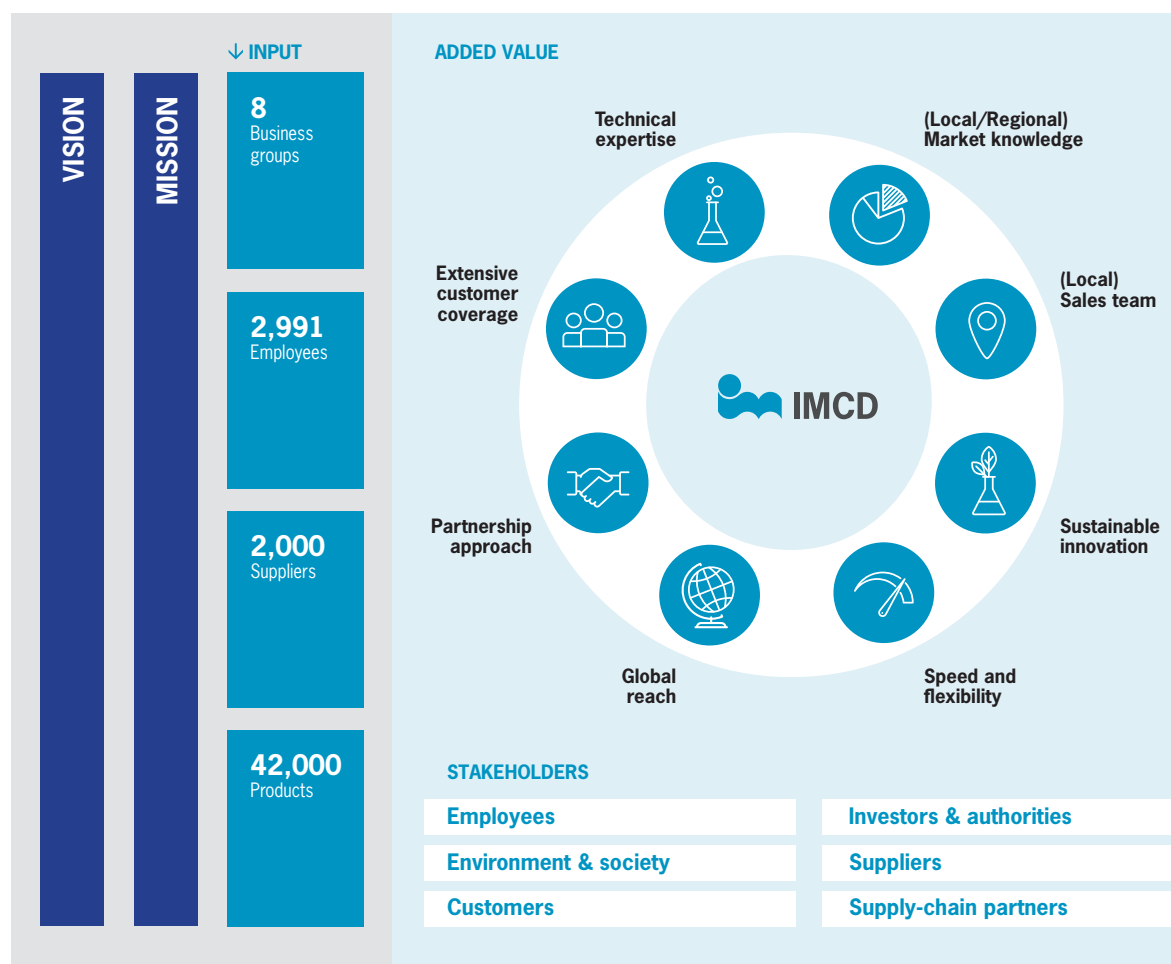
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that are relevant to the business and the IMCD strategy for achieving its sustainability agenda. Both governing bodies review sustainability topics and their impacts, risks and opportunities at least annually, as well as upon receiving critical concerns.

Sustainability aspects of IMCD's operational activities are managed on a day-to-day basis within the Group's Regulatory, Quality and Sustainability team, led by the Group Director Regulatory, Quality and Sustainability, who reports directly to the Management Board.

Topics that are assessed by the Management Board in consultation with internal stakeholders and considered to be most relevant to IMCD's business are monitored at group level by the appropriate directors and employees responsible for quality, health and sustainability, supply chain, human resources and legal affairs.

The Company's sustainability policies and procedures are reviewed continuously. The IMCD HSEQ (Health, Safety, Environment and Quality) Policy, which forms the basis for IMCD's sustainability policies and procedures, is

developed by the Group Director Regulatory, Quality and Sustainability and approved by the Management Board (latest review in 2019). These policies cover all the companies within the IMCD Group.

IMCD aims to be a valued partner to all its suppliers and customers by providing continuous training to its employees, ensuring they have the skills and ability to deliver a quality service. When regulatory, quality and sustainability aspects are changed or new processes, regulations or laws are implemented that are relevant to staff, special training sessions are organised to ensure up-to-date knowledge and effective performance throughout the Company.

Grievance mechanism and concerns communication

All complaints and critical concerns regarding HSEQ-related topics are handled through the established complaint and incident handling procedure. Claims raised by (potential) third parties are reported to the Group finance and legal department. Emergency situations can also be

→ OUTPUT

1%
Organic gross profit growth

10%
Acquisition gross profit growth

8.4%
EBIT margin

16%
EBITA CAGR (5 year)

€ 2.7 billion
Revenue

49,000
Customers

8%
Earnings per share growth

€ 0.90
Dividend per share

→ OUTCOME



Financial
resilience



Business
integrity



Product
stewardship



Responsible
operations



People
fulfilment
and diversity

→ IMPACT

3 GOOD HEALTH
AND WELL-BEING



8 DECENT WORK AND
ECONOMIC GROWTH



12 RESPONSIBLE
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13 CLIMATE
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IMCD's value-creation model shows how it uses the resources, capabilities and expertise at its disposal to create value for IMCD's key stakeholders. IMCD's business model transforms these capital inputs into value outputs and outcomes that over the short, medium and long term create value for the organisation, its stakeholders and society at large.

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communicated to IMCD through a 24-hour emergency response provider (except for the US, Australia and New Zealand) or through a contact number specified on IMCD's website, as well as on every safety data sheet and/or product label.

All reported concerns, complaints and incidents are registered, investigated and concluded. Reported non-compliance claims are registered using global software. The local HSEQ manager is responsible for assessing the compliance impact of non-conformities and determining the actions required.

Significant complaints and incidents must be communicated to the relevant IMCD product manager, the local finance department and the local managing director, as well as to the Group Regulatory, Quality and Sustainability Director. The latter is responsible for assessing the concerns raised and communicating critical concerns to the Management Board and the Supervisory Board. The periodic reports of the complaints, claims and concerns are used to support trend analysis and to drive specific actions to improve performance.

Key areas for sustainability

In 2019, we continued on the work done in 2018 where we defined a Group-wide approach. An internal sustainability task force was set up to determine the key sustainability topics for IMCD's business. The task force conducted an internal stakeholder survey amongst a group of 100+ employees globally, achieving a response rate of >80%. These employees were selected based on managerial responsibility and active involvement in (local) sustainability practices. Participants in the survey were invited to rate a list of selected economic, environmental and social topics in order of importance and relevance (impact on day-to-day decision-making). The participants were also able to comment on the topics and indicate additional topics.

Based on the results of the stakeholder survey and the dialogue that emerged from it, IMCD identified the main topics of concern and analysed their importance for the development of the business. Overall, defining the material topics was guided by IMCD's core competences, estimating the significance of the Company's economic, environmental and social impacts as well as their consequences, taking into account the interests

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and expectations of internal stakeholders (employees and shareholders), the main topics and future challenges for the sector, and the scope of laws and regulations of strategic significance. The chart below represents the main topics assessed.

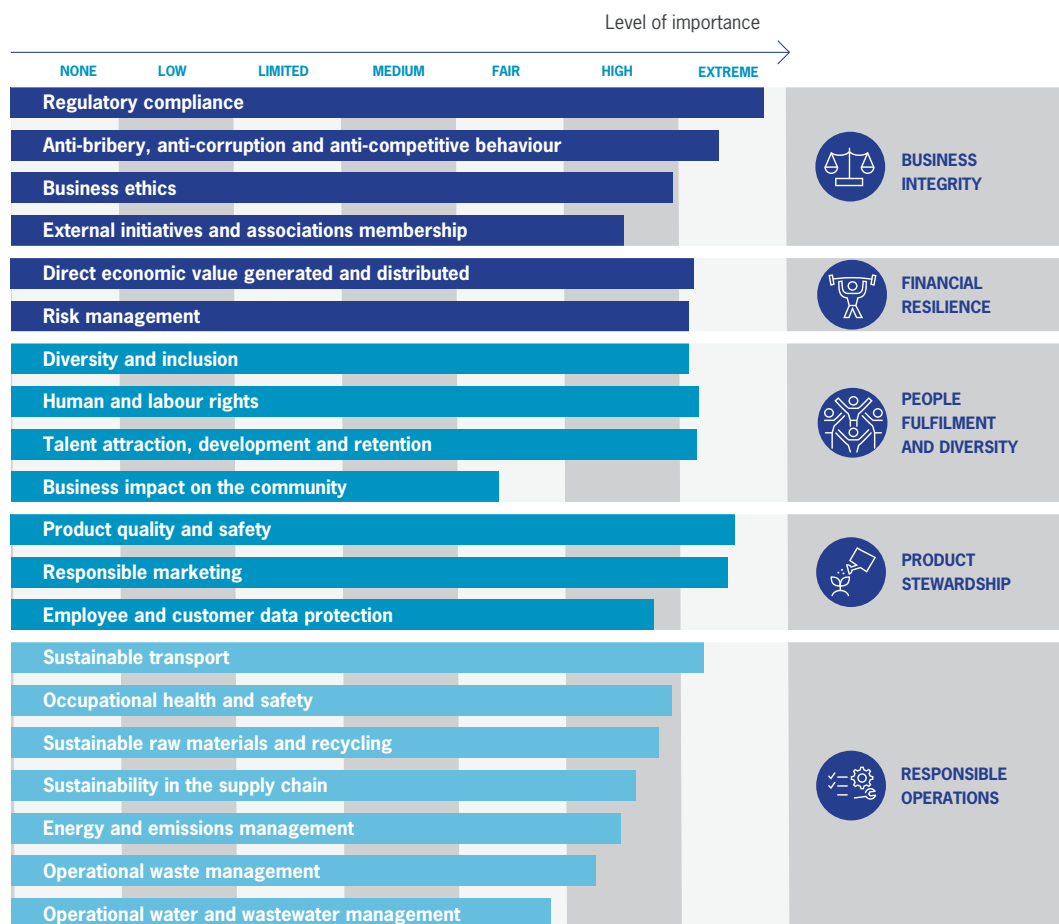
The identified material topics further laid the groundwork for the formulation of five key areas in which IMCD strives to stimulate sustainable practices: financial resilience, people fulfilment and diversity, product stewardship, responsible operations and business integrity.

This Sustainability Report follows the adopted approach and considers all key areas and the identified material topics in full for the Group unless specified otherwise.

Five key sustainability areas



Materiality bar: internal stakeholders' assessment of the topics



Sustainable Development Goals alignment

A selection of leading chemical companies and industry associations initiated the process of translating the United Nations Sustainable Development Goals (SDGs) into a Chemical Sector SDG Roadmap (published in July 2018 under the guidance of the World Business Council for Sustainable Development). IMCD fully supports the initiative and aligns its sustainability priorities with targets underlining at least four of the SDGs that the chemical sector identified and that it feels the most power to contribute to:



IMCD is committed to product stewardship. Its technical experts constantly analyse new technologies and turn market trends into viable green, healthy and more sustainable applications, formulations and solutions. By putting this expertise to work for the benefit of our suppliers and customers, IMCD contributes to increased availability of products with health and safety benefits, while reducing their environmental footprint.



IMCD employs almost 3,000 people globally, and through its operational activities, reaches more than 2,000 suppliers and more than 49,000 customers. Hence, IMCD plays a key role in generating rewarding work opportunities and high level working conditions and delivers an important contribution to economic growth, both directly and indirectly.



By simplifying its suppliers' supply chains on both a local and global scale, IMCD enhances process efficiency, leading to improved resource usage as well as emission, energy and waste reductions.



Not only does IMCD deliver this for its partners, but it is also committed to working in a way that is responsible, ethical and sustainable itself.

From the viewpoint of advancing our contribution to reaching the aforementioned goals, we focus on reshaping our product portfolio and optimising our own operations in order to minimise our impact.

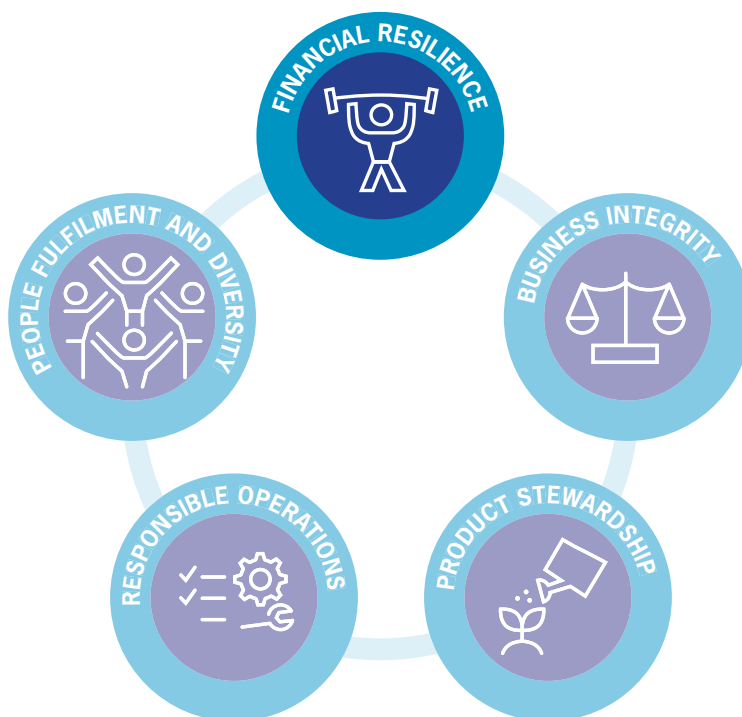
Applying the precautionary principle

IMCD believes in actively responding to the threat of serious and irreversible damage. Even when issues are considered to be 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.

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FINANCIAL RESILIENCE

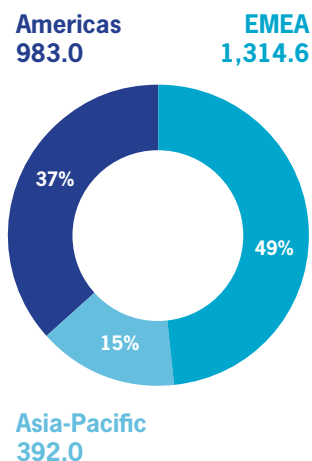
When operating globally, in a fast-paced and competitive market, exposure to risks is inevitable. Being able to adapt to disruptions and rebound quickly during adverse circumstances is paramount. IMCD works hard to cultivate a culture of resilience, combining an entrepreneurial spirit with sound financials and reporting discipline.

Direct economic value generated and distributed

2019 can be characterised as a year with challenging macroeconomic market conditions. In particular, the industrial market segment in parts of the EMEA and Americas regions experienced volatility in customer demand. Nevertheless, IMCD was able to deliver a solid performance by further expanding its supplier relationships and product portfolios and growing its customer base. IMCD successfully integrated the businesses acquired in 2018 and further expanded its infrastructure in Europe, the Americas and Asia by acquiring reputable speciality chemical distributors.

Through its technical, marketing and supply chain expertise, IMCD continued to deliver added value and growth to its customers and principal partners in more than 50 countries.

Revenues by region in 2019



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Key performance indicators

(IN THOUSAND EURO)	2018	2019
Net revenues and other operating income	2,388,614	2,706,563
Costs		
Operating costs	2,025,632	2,301,532
Employee wages and benefits	200,389	228,973
Payments to providers of capital	56,491	69,587
Payments to governments	39,134	41,346
Economic investments	12,735	17,722
Direct economic value retained	54,233	47,403
Total capitalisation	1,949,329	2,187,886
Debt	1,162,981	1,321,361
Equity	786,348	866,525
Total assets	1,949,329	2,187,886

Further information on our approach to managing financial resilience and our financial performance is available in the Financial Performance chapter of the Annual Report 2019.

Risk management

In achieving its objectives, IMCD faces risks and uncertainties, including those due to macroeconomic conditions, regional and local market developments and internal factors. IMCD strives to identify and control those risks and uncertainties as early as possible. Risk





management is an essential element of IMCD's corporate governance and is embedded in the Company's business processes.

Although the Company recognises the risks and uncertainties associated with its business activities, IMCD believes that the broad diversity of its business in terms of product portfolio, localisation, suppliers, end-market sectors and customers can lessen the impact of local and regional economic changes. However, if adverse circumstances are pronounced and/or long-lasting, they can have a significant impact on the Company's business and operations.

The IMCD risk management policy aims to optimise the balance between maximising business opportunities within the framework of the Company's strategy, while managing the risks involved. The risk management systems, including supporting tools, are continuously monitored by the Supervisory Board, Management Board, Corporate Control, Internal Audit and by regional and local management, improved when required and modified according to changes in internal and external conditions.

Based on internally conducted analysis, IMCD distinguishes strategic, operational, compliance, and financial risk categories in its risk management framework. The summary of their evaluation is presented below.

More about risks, impacts and opportunities, as well as about the Company's risk management system, its elements and evaluations, can be found in the Risk Management section of IMCD's Annual Report for 2019.

	RISK	LIKELIHOOD	IMPACT
 STRATEGIC	Decline in customer demand	Moderate	Moderate
	Supplier dependency	Moderate	Moderate
	Acquisition and integration risk	Moderate	Moderate
 OPERATIONAL	Dependency on key personnel	Moderate	High
	Cybercrime and continuity of ICT	Moderate	High
	Health / safety / environmental incidents	Low	High
	Climate change	Moderate	Moderate
 COMPLIANCE	Non-compliance with laws and regulations	Low	High
	Anti-corruption and bribery	Low	High
 FINANCIAL	Volatility of foreign currencies	High	Low
	Credit risk	Moderate	Low
	Liquidity risk	Low	Moderate
	Interest rate risk	Moderate	Low



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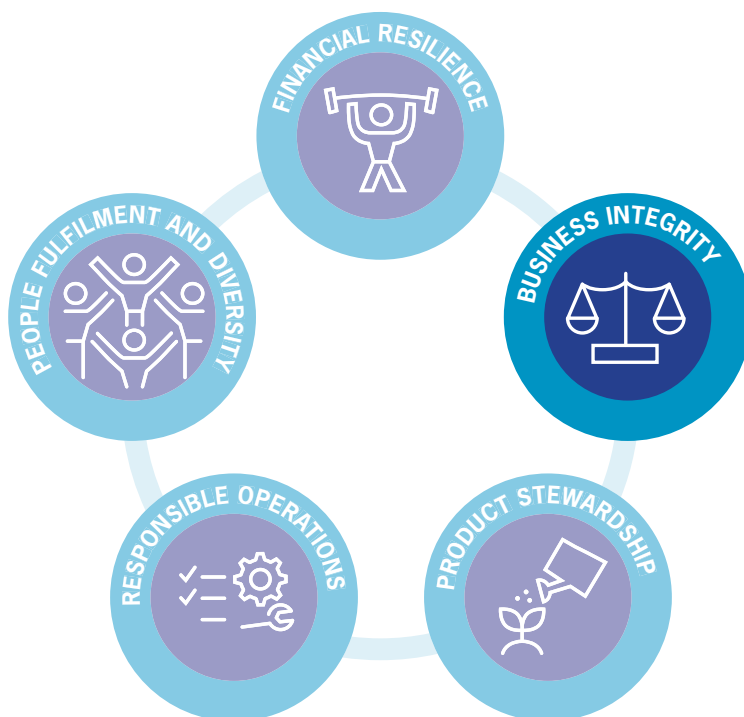
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BUSINESS INTEGRITY

Integrity is essential to the way IMCD does business. We are committed to creating and maintaining a culture that promotes trust, confidence and respect for our employees, our external business partners and other stakeholders.

Global Code of Conduct

Our Code of Conduct provides our employees worldwide with the framework for ethical decision-making when representing IMCD. With a clear set of values and shared standards, it guides our employees in their behaviour and interactions and supports the desired ethical conduct within our organisation. The Code of Conduct gives support to our employees when faced with ethical or compliance-related questions. Clear prohibitions are included in the code itself. For questions that the Code of Conduct does not answer directly, our employees are encouraged to seek further consultation with management and/or legal counsel.

IMCD employees have a channel to seek advice and report their concerns about unethical and unlawful behaviour through an Internal Alert Procedure. This procedure enables IMCD employees worldwide to report any irregularities regarding the execution of applicable IMCD business principles, or any legal, operational or other issues that concern the IMCD Group, a respective local subsidiary or any individual employee. To further support its Internal Alert Procedure, IMCD decided in 2019 to install an external Ethics and Compliance Hotline. This platform is expected to go live in the second half of 2020.

Our Code of Conduct applies to all employees of IMCD globally. It is kept up to date regularly, so that it maintains its relevance as a guide and as a true reflection of IMCD's culture. It is publicly available to all our stakeholders through our

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corporate website [www.imcdgroup.com]. IMCD employees have access to our Code of Conduct via our intranet, through which they are also informed of any changes. In 2019, the Code of Conduct was reviewed and updated. In the course of 2020, additional (training) material to create further awareness for the Code of Conduct will be implemented.

Regulatory Compliance

As an international organisation operating in many countries, it is IMCD's priority is to respect all requirements of both local and international laws and regulations. This principle is laid out in our Code of Conduct.

A set of policies and screening procedures is in place to create and maintain awareness of ethical business practices and to ensure the screening, monitoring and compliance with applicable legislation, rules and other regulations.

In 2019, IMCD was not charged with any significant² fines or non-monetary sanctions for non-compliance with laws and regulations in the socio-economic area, or environmental laws and regulations. The Company was not in breach of, and did not receive significant fines or warnings in relation to, regulations regarding product and service information and labelling and marketing communications.

We intend to continue our work on advancing procedures and trainings to uphold this excellent practice of compliance in future years as well.

Anti-corruption and anti-competitive behaviour

IMCD is committed to bribery prevention and does not tolerate any form of corruption or bribery, including facilitation payments in connection with its operations. We support the principle of free market competition and wish to ensure that all IMCD employees comply with competition law. IMCD commits to complying with all applicable rules on export control in the countries and regions where it operates. IMCD expects its business partners to embrace a similar framework in which fair business and competition are upheld. For the topics mentioned here, IMCD applies a 'zero-tolerance' approach, which is detailed in our Code of Conduct.

Specific internal policies and guidelines are in place to support and guide employees on subjects of legislative compliance, including anti-corruption

and anti-bribery, anti-competitive behaviour and trade restrictions. Our employees always have access to the latest versions of company policies, including those on anti-corruption and prevention of anti-competitive behaviour, through IMCD's intranet.

IMCD has specifically established internal guidelines on corruption and bribery for its employees based on the 2010 Bribery Act of the United Kingdom, which is considered one of the most stringent legislations in the world. In 2019, 67 out of our 93 entities (72%) - representing 92% of our revenue - were assessed for risks related to corruption. Excluding entities that were acquired during 2019, the percentage of entities assessed was 83%, representing 92% of our revenue. Based on our high performance, detailed procedures and continuous training, the likelihood of corruption-related risks (fines, potential prosecution of employees and substantially harming the Company's reputation) is estimated to be low.

In 2018, attention was given to a revision of IMCD's global trade sanction policy and guidelines on restrictive measures and export control. These policies are used in combination with automated software to screen business partners against various sanction-related lists. In 2019, key employees were trained on the revised guidelines and an automated export control check was implemented in IMCD's global CRM system.

Our policies and training include clear examples of behaviour that must be avoided. In cases of any doubt, IMCD encourages employees to consult management and/or IMCD's legal counsel for further advice. In addition, 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 as a further means to ensure all IMCD subsidiaries always comply. During 2019, IMCD implemented an online (e-)learning platform, which will further strengthen IMCD's compliance programme. In the first half of 2020, IMCD worked on the implementation of training curricula covering topics that include anti-bribery, anti-fraud, export control and anti-trust. Such curricula are tailored to the needs of local IMCD companies and, for many locations, will include material in the local language to improve training results.

In 2019, IMCD was not made aware of any violation of its stringent anti-corruption and/or anti-bribery, anti-trust and monopoly policies within its corporate Group.

² Significant penalties/fines are those in excess of €100,000.

External initiatives and associations membership

Throughout 2019, IMCD was a committed participant in various external initiatives, networks and platforms with a focus on sustainable logistics. Examples include the Lean & Green initiative; Europe's leading programme for sustainable logistics, and EcoVadis' Together for Sustainability (TfS) initiative, aiming to develop and implement a global audit programme to assess and improve sustainability practices within the supply chains of the chemical industry. In prior years, IMCD entities in China, India, South Africa and the US all received bronze-level recognition awards from EcoVadis. In 2019, IMCD as a Group was awarded with an EcoVadis silver recognition, an improvement over the 2018 bronze recognition.

IMCD is particularly proud of the achievements of its entities in Spain and Germany. In 2019, both were awarded outstanding gold-level recognition (previously granted to IMCD France). IMCD Germany's excellent result puts it among the top 2% of performers evaluated by EcoVadis for the German chemical distribution industry. As a member of the Lean & Green programme, IMCD Spain set the goal of achieving a 20% reduction in its CO₂ emissions by 2020.

IMCD remains a proud member of the Roundtable of Sustainable Palm Oil (RSPO), a non-profit organisation that unites stakeholders from seven sectors of the palm oil industry, aiming to develop and implement global standards for sustainable palm oil. In 2019, the number of IMCD entities that joined in IMCD's Group membership increased to 29.

The majority of IMCD's operating companies (based on revenue) take part in the "Responsible Care" or "Responsible Distribution" programmes of the International Council of Chemical Associations (ICCA) through local associations.

A list of all of our memberships will be published on our renewed website during the course of 2020.

IMCD is also actively participating in various industry associations, such as ACDV (Association de la "Chimie du Végétal"), which promotes and supports bio-sourced raw materials, minerals and biodegradable products, and FECC, an association of the European chemical distribution industry. IMCD holds a board position in both associations.

Stakeholder engagement

In close cooperation with the key stakeholders in its value chain, IMCD strives for operational excellence in all aspects of its business operations. Based on the principles of product stewardship and open relationships with its business partners, IMCD aims to create long-term value for its stakeholders. IMCD's value creation model shows how the Company uses the resources, capabilities and expertise at its disposal to create value for its customers, suppliers, supply-chain partners, employees and the investors as well as the authorities, environment and society.

Stakeholder engagement takes many forms and touches multiple topics. We include stakeholder dialogue and consultations on economic, environmental and social topics in our sustainability strategy. The frequency of the consultations and other forms of engagement depends on the business flow, fulfilment of the strategic tasks for the Company, actual topics in society and the market situation.

In 2019, we defined our sustainability approach and published IMCD's first Sustainability Report. In addition, we selected a group of external stakeholders for a further survey, with the aim to collect more insight for IMCD's external sustainability profile. The stakeholder group selected for the survey included an international selection of suppliers and customers, as well as investors. The survey is sent out in the course of 2020 and the results will be included in the further definition of management approach throughout the year.

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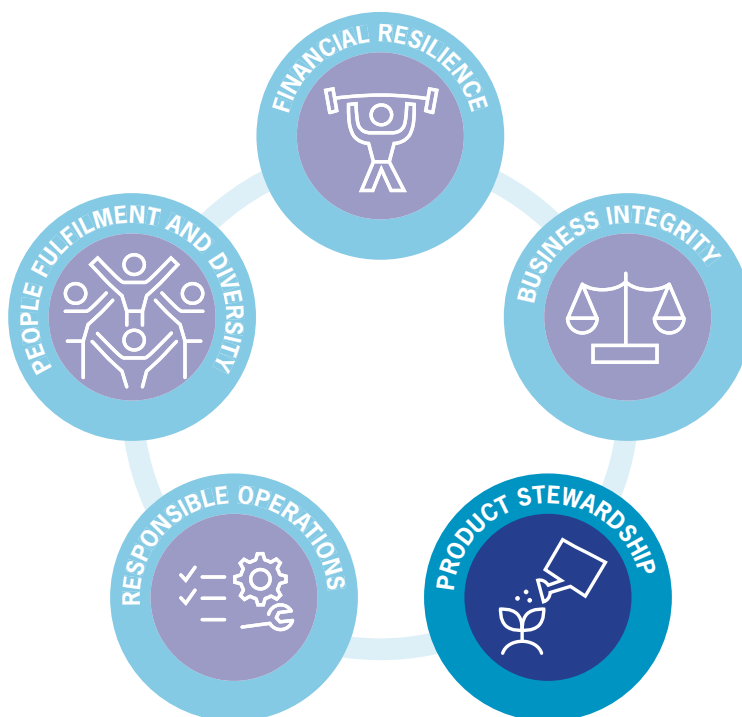
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PRODUCT STEWARDSHIP

Market trends and new technologies are screened and analysed at IMCD's laboratories and technical centres. This enables the Company's researchers to share their technical expertise and knowledge on product formulations, processes and applications to support sustainable innovation from both its suppliers and customers. Our in-house regulatory data centre and questionnaire centre add value to our suppliers and customers by providing efficiency, expertise and speed.

Sustainability in the supply chain

As a distributor of a wide range of speciality chemicals and food ingredients, IMCD takes full responsibility for its own operations and the impact it has on society and the environment. IMCD also acknowledges that the products it distributes could have societal and environmental impacts throughout their full lifecycles. Therefore, IMCD

encourages responsible and sustainable operations in its full supply chain. IMCD supports the reduction of product-lifecycle greenhouse gas emissions and continuously explores further ways to reduce its carbon footprint, together with its supply-chain partners.

In order to evaluate compliance, IMCD assesses its third-party service providers at least once prior to engagement. The frequency of repeated assessments is based on the types and quantities of products stored or transported by that third-party service provider. All new third-party suppliers are screened prior to contracting. As a result of this screening, a potential supplier can be approved with or without minor improvements, put on hold for approval until the required improvements have been implemented, or denied approval.

IMCD requests quality management certifications (ISO 9001 and Responsible Care, amongst others) from its third-party service providers, as well as disclosure of how they manage relevant environmental impacts as required by local regulations. In addition, IMCD has established procedures in order to confirm with third-party service providers that they comply with applicable health, safety and environmental legal requirements.

Every year we run several projects to reduce the impact of our products upstream and downstream within the supply chain, as a part of the sustainability collaboration with our partners.

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IMCD strives to ensure responsible operations and product use within the downstream supply chain. We ensure that all products we distribute are accompanied by additional information on responsible handling, safe use and disposal in order to equip our customers with the knowledge to reduce avoidable negative effects on the environment and society.

Supply Chain Management – Sustainability and Efficiency

At IMCD, we never take our supply chain for granted. Instead, we commit ourselves to its continued optimisation, to ensure it is the best in the industry. With trust in our logistics service providers (LSPs), we are able to offer flexible, scalable and cost-effective solutions across a wide variety of different industries.

Since the transportation industry involves the shipment of goods from one location to another, the basic responsibility of reducing carbon emissions takes priority as part of the IMCD commitment to sustainable practices. We ensure that all our LSPs have their own sustainability agendas alongside regulatory compliance and stringent performance management.

We work with each LSP on a one-to-one basis to ensure a flawless data exchange between IMCD's enterprise resource planning system (ERP) and their transport management systems (TMS). As IMCD expands its presence around the world, we recognised that a single ERP solution gives us a more accurate and consistent understanding of our business at any given time anywhere in the world. Since we have the majority of countries on our global ERP system, we have widened the scope of our carbon emissions measurement with the US and some APAC countries and continue to expand towards global visibility. We use operational business insights to streamline processes and guarantee the most efficient ways of working, while also keeping our carbon footprint front of mind.

Responsible marketing

In 2019, we updated our sustainability strategy based on multiple inputs like, market demand, external benchmarking with peers and our internal stakeholder assessment. Sustainable marketing was one topic that topped the list. In order to include this topic, we initiated an approach which integrates our health and safety programs and regulatory affairs system, to ensure product safety. Secondly we use environmental impact data based on life cycle assessment for our products which we develop with our suppliers.

Both assessments are used as a basis to roll out a marketing program called "IMCD Sustainable Solutions". In this program we provide a dedicated marketing approach for products that offer a clear benefit for our customers regarding environmental impact and provide no significant health (or environmental health) risk. More information on this program can be found in the Chapter "IMCD Sustainable Solutions".

Product quality and safety

We are committed to providing our customers with products and services that meet their requirements while being compliant with all global regulations.

To do so, IMCD Group's Regulatory, Quality and Sustainability department ensures that our products are safe, of high quality, and meet labelling standards.

Given the vast number of products in the Company's portfolio (more than 45,000 in 2019), IMCD's product quality and safety policies are focused on the assessment of our suppliers' products and compliance with applicable regulations on safety, quality and labelling.

To fulfil these policies, IMCD has established a product compliance assessment policy within its HSEQ policy. Critical categories included in the assessment are: hazard, classification, labelling, handling and transport, drug precursor and other special conditions with immediate effect on the handling and distribution of the product.

Neither research nor tests involving animals are carried out in any IMCD laboratory or technical centre.

Safety

IMCD performs chemical identity analysis in respect of its own formulations only. IMCD does not perform chemical analysis of distributed products, but through a specifically established procedure we do issue a suppliers' Certificate of Analysis (CoA).

Quality

We base our approach to quality on management systems and certifications released from internationally accredited bodies. IMCD's operating companies have or will have implemented specific management systems

relevant to the products distributed or based on market requests. This includes (amongst others): Responsible Care® or Responsible Distribution® for quality management, ISO 14001 for environmental management, ISO 22000 / HACCP / BRC for food safety management, OHSAS 18001 for occupational health and safety, GMP+ for good manufacturing practices for food, pharmaceutical and cosmetic products, GDP for good distribution practices for pharmaceutical products and ECO concerning organic products.

Beyond this, our operating companies are required to implement quality management systems based on the internationally recognised ISO 9001 standard. As of 31 December, 2019, 85% of our total workforce was located in operating sites that have implemented quality management systems certified according to ISO 9001. It is our goal to extend the implementation of that standard to the whole Group by 2021, through the introduction of a global Corporate Quality Management System certified according to ISO 9001.

This project, which started in 2019, will lead to the harmonisation of local procedures to align with Group standards. Based on that, it will be possible to set common objectives and goals and share data among local companies.

The first step of the project was the transfer of all existing ISO 9001 and 14001 certificates under a single Certification Body, TUV Nord. This is a major worldwide Certification Body that we have selected as our global partner. The transfer will be achieved during 2020.

"We are all very excited about this project," says Michele Incagli, project leader. "To our knowledge, we are the first global distributor to implement a Group ISO certification at corporate level. We believe this will provide us with a competitive advantage in terms of harmonisation among our operating sites. Thus leading to our final objective: providing the highest quality service."

Labelling

Local HSEQ managers ensure that labelling for all products distributed by IMCD, including information on content, sourcing of the components and their environmental or social impact, complies with local labelling standards.

For each product distributed by IMCD, a Safety Data Sheet (SDS) must be available if deemed necessary. In 2019, this applied to >95% of IMCD's product portfolio.

An SDS communicates risks and hazards along the supply chain. Customers plan their workplace safety and storage upon the information given within the SDS. Provided by suppliers and approved by IMCD's local HSEQ manager, the SDS must be proactively distributed to the warehouses and customer upon purchase, detailing information on labelling, safe use and instructions for safe disposal. For hazardous products, the established CLP/ GHS labelling procedure is applied to inform the user about the hazard, as well as the risk when handling the material. In 2019, IMCD encountered 215 cases of internal non-compliance caused by incorrect labelling, markings or paperwork. None of these incidents resulted in a significant fine. These cases include the incidents of non-compliance with IMCD's own procedures concerning labelling and the assurance of health and safety impact of products and services.

IMCD's target is to achieve 0% missing SDSs for hazardous materials. To guarantee compliance and to provide workers and clients with the correct safety information, IMCD developed a new system that provides safety data sheets, using information and limits for all products across all regions and countries for the various lines of business in which IMCD sells. This new system improves the regulatory and quality function and will enable IMCD to avoid any case of quality or regulatory non-compliance more efficiently. This system was developed in 2019 and will be launched in 2020.

Data protection

IMCD acknowledges the fundamental rights and freedoms of its employees, suppliers, customers and other third parties. This includes the rights that concern protection of privacy and personal information. IMCD respects local privacy laws and regulations and will always ask permission to use any personal information if so required.

In 2019, IMCD did not receive any substantiated complaints concerning breaches of privacy of employees, customers, suppliers or other third parties, nor did it identify any leaks, thefts or losses of personal or corporate data in its internal screening.

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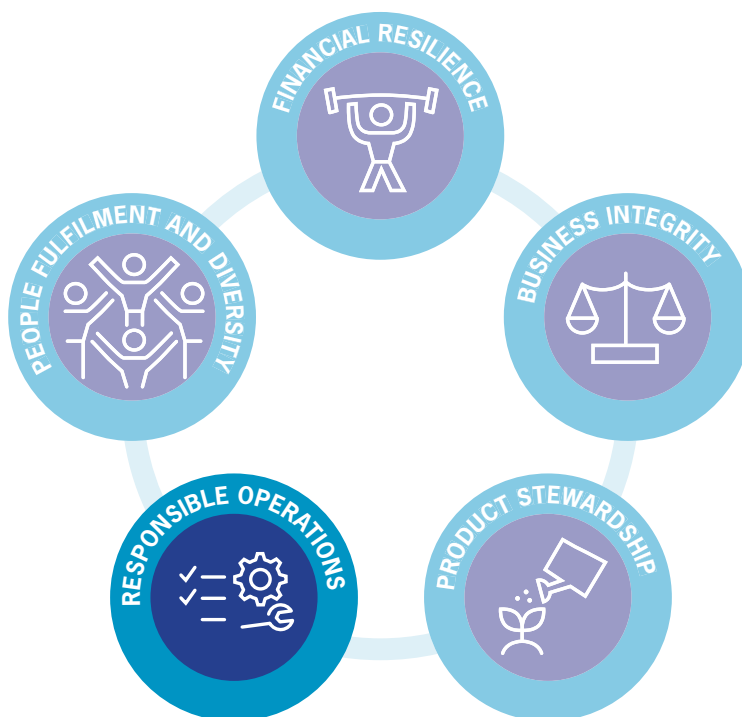
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RESPONSIBLE OPERATIONS

We recognise the need for clear performance targets to deliver on IMCD's sustainability agenda. In 2018, we developed metrics for tracking our sustainability performance. During 2019, we focused on executing a Group-wide sustainability approach and reporting system.

Improvements in metrics and reporting systems allowed us to increase the factual base of the presented values.

In our Sustainability Report 2018, we provided clear CO₂ emission reduction targets per million EUR EBITDA, which we will follow up every year. This allows us to manage our progress and show commitment towards improving our performance.

In 2019, we engaged with the IMCD's stakeholders to further develop and define our policies in the five key areas. We will continue with this process in 2020, and we expect these efforts to result in the expansion of our targets.

While only in the first stage of our programme, we have already set a target to deliver a 15% reduction in our GHG emissions per million Euro operating EBITDA, by 2024 compared with the base year 2019 (full geographical scope). This relates to our total global carbon footprint resulting from our own activities, consumed purchased energy and logistics provided by our third-party service providers.

Summary of global greenhouse gas emissions (own operations and third party logistics) for all available regions and resource efficiency index

The total green house gas emission per scope is provided here, scope 1 and 2 are global and 3 is provided from the available geographical area. The resource efficiency index is given as tonne CO₂ emission per million euro operating EBITDA.

TYPES OF EMISSION	2017 OLD SCOPE	2018 OLD SCOPE	2019 OLD SCOPE FOR THIRD PARTY EMISSIONS	2019 NEW SCOPE FOR THIRD PARTY EMISSIONS ¹
Direct energy carriers use (Scope 1) - Global	6,283	6,501	7,208	7,208
Provided energy (Scope 2) - Global	5,936	6,083	5,868	5,868
Third party logistics (Scope 3) - in available geographical scope	77,729	76,954	79,060	155,400
Total estimated emissions	89.949	89.538	92,136	168,476
Emissions intensity per FTE	40	32	31	56
Emissions intensity per mln euro of operating EBITDA	541	431	373	683

¹ Change scope is geographical; Old scope is only Europe while new scope is Europe, US (excluding ET Horn), Malaysia, India, Indonesia, South Africa

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Energy and emissions management

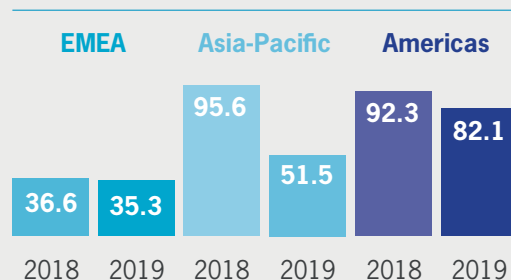
ENERGY CARRIER	ENERGY CONSUMPTION TOTAL, GJ			ENERGY RELATED EMISSIONS, tCO ₂ Eq ¹		
	2017	2018	2019	2017	2018	2019
Direct energy carriers use (Scope 1)	94,756	97,842	111,890	6,620	6,837	7,237
Natural gas	23,652	23,652	39,493	1,331	1,331	2,222
Petrol	21,605	22,180	22,574	1,723	1,764	1,551
Diesel	49,431	51,943	47,052	3,225	3,401	3,266
LPG	0	0	2,772	0	0	169
Heating oil	67	67	0	5	5	0
Other fugitive emissions	0	0	0	336	336	29
Provided energy (Scope 2)	49,810	51,325	43,990	5,936	6,083	5,868
Electricity ²	40,849	42,366	40,492	5,645	5,791	5,754
Supplied heating	8,962	8,960	3,198	292	291	104
Supplied cooling	0	0	301	0	0	10
Total energy consumption within organisation (Scope 1 and 2)	144,566	149,167	155,881	12,556	12,919	13,105
Intensity per tonne of purchased product	0.210	0.163	0.161	0.018	0.014	0.014
Intensity per FTE	63.83	53.29	52.12	5.39	4.50	4.37
Intensity per million euro of operating EBITDA	870.24	718.42	631.69	73.56	60.60	52.99

¹ In the 2019 report, the applied emission factors were updated retrospectively. Values presented for the years 2017 and 2018 are recalculated using the updated emission factors. For more about these changes, please refer to the Annex "Changes due to update of emission factors"

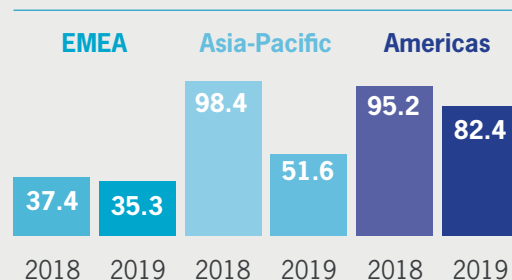
² Emission factors for the consumed electricity include as a minor share, upstream emissions that occur in the value chain before the electricity generation process (e.g. emissions related to the production of fuels combusted for electricity generation at a power plant). As such, the presented values also include Scope 3.3 emissions according to the Greenhouse Gas Protocol classification.

Direct energy use attributed to use of biodiesel in 2019 is equal to 4,097 GJ, with associated GHG emissions of 287 tCO₂eq

Energy-associated emissions intensity within the organisation by region
tCO₂eq per mln euro operating EBITDA

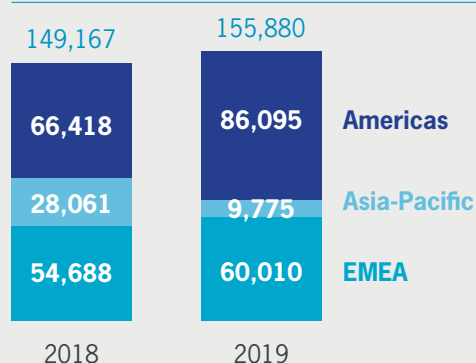


Total GHG emissions intensity within the organisation by region
tCO₂eq per mln euro operating EBITDA



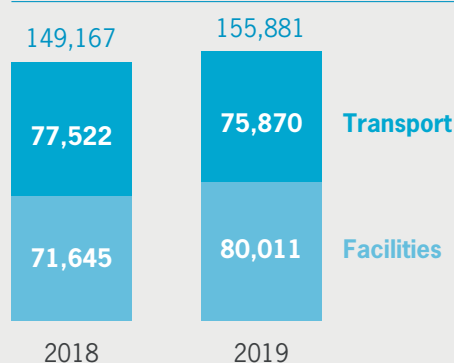
Total energy consumption within the organisation by region of operation

GJ



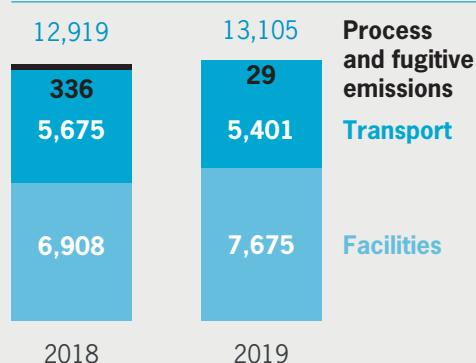
Energy consumption by activity

GJ



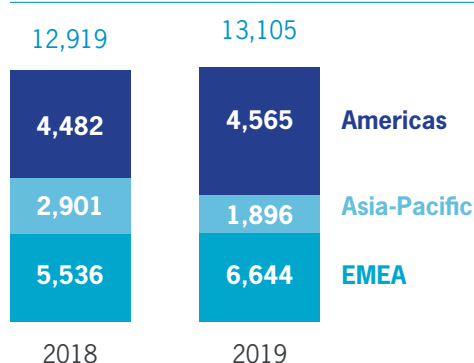
GHG emissions by activity

tCO₂eq



Total GHG emissions within the organisation (Scope 1 and 2) by region of operation

tCO₂eq



At IMCD, we recognise the impact caused by our main activities, energy consumed in our facilities, transport of goods and production processes.

Thanks to the efforts of all companies within the Group, we increased the share of energy consumption reporting based on confirmed primary data from 41% in 2018 to 58% in 2019, and emissions within the organisation from 46% in 2018 to 60% in 2019. Improvements are recorded for reporting across all scopes, with the largest advances made in reporting direct energy carriers use: growth from 29% to 50% in energy consumption and from 26% to 47% in emissions. In reporting supplied energy use, data accuracy rose from 63% in 2018 to 77% in 2019 for energy consumption, and from 67% to 76% in the associated emissions. The quality of estimations made for reporting the rest of the energy consumption and emissions also rose significantly. This was possible due to worldwide execution of the Group's sustainability strategy, alignment and unification of the reporting procedures between the companies of the Group. For the estimation methodology and list of assumptions, please refer to the Annex.

These developments allowed IMCD to achieve significant improvements in accuracy and completeness of reporting the sustainability data, and thus to move to the next steps in the development of its energy and emissions strategy.

In 2019, IMCD's total energy consumption and emissions grew in comparison with 2018 as a result of organic growth and acquisitions.

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Much of the aforementioned increase in energy consumption and associated emissions in direct energy carrier use was the result of increased natural gas consumption at IMCD facilities. This is generally explained by natural gas combustion used for generating heat in production sites of the former E.T. Horn, which was acquired in 2018 and therefore not fully accounted for that year. Some changes may be also attributed to higher quality of the data collected for reporting. Other changes have less significance in terms of total performance and could be attributed to shifts in energy consumption (e.g. due to climate conditions), shifts between the fuels used for transport and improvement in collected data quality. It is also of interest that, in 2019, we started using biofuels for transport at certain sites, decreasing fossil-based greenhouse gas emissions.

In 2019, nine companies within the Group reported using electricity from renewable sources at their sites³, with varying shares. Following the approach of reporting emissions based on country-specific electricity mixes, this was not directly accounted for in the reported values. However, we support further expansion in green electricity use at our sites.

Despite absolute growth of energy consumption and GHG emissions for IMCD as a group, specific energy use and emissions have decreased for indicators of all recorded denominators, with the greatest improvements shown in energy consumption and GHG emissions per million euro operating EBITDA in each region of the Group. This was achieved mainly due to a higher operating EBITDA in 2019 and integration of the recently acquired companies in the Group. These developments enabled further rapid improvements in the regions with the newly entered or expanded markets, lowering relative GHG emission while increasing operating EBITDA.

Most of IMCD's energy consumption and emissions originate from our facilities in EMEA and the Americas. As the oldest and most established part of our global operation, our EMEA business has the largest market volumes and staff numbers within the group, explaining its high contribution. At the same time, the EMEA region demonstrates the lowest levels of specific energy consumption and emissions. Americas' high contributions are associated with organic growth and acquisitions, specifically of production facilities. We are especially glad to see that, despite their additional energy consumption and emissions in 2019, our specific emissions per operating EBITDA have decreased for our Americas production sites.

Our energy consumption is divided approximately evenly between transport and facilities. While in previous years transport was accounted for a slightly higher use than facilities, this changed in 2019 with the acquisition and integration of production facilities with higher heating demand. Contributions from IMCD's own transportation make up a reasonable proportion of the energy consumption, with the use of passenger cars as well as specific instances where the Company operates its own logistics transport. This distinction is also reflected in associated greenhouse gas emissions from energy use within the organisation.

Process and fugitive emissions, not directly associated with energy use, are indicated in the Company's impact mostly due to air conditioning and cooling, and the associated leakage of cooling agents. In 2018, the total impact of these emissions was estimated to contribute less than 3% of the energy use-related impacts globally. In 2019, thanks to the increased data accuracy, IMCD reported an even lower assessed level of emissions: around 29 tCO₂eq (0.2%) globally.

Using the metrics set in the previous year, 2019 will be established as a baseline year, in terms of energy use and emissions in general, and the target KPI of emissions per operating EBITDA in particular. In 2020, we will continue working on our global strategy to reduce greenhouse gas emissions relative to earnings, including the development of operational and organisational measures and initiatives. Target areas include the optimisation of activities, uncovering energy-saving potential and increasing sustainable energy sourcing. Implementation of measures in these target areas will contribute to achieving IMCD's goal of a 15% reduction in GHG emissions per million Euro operating EBITDA by 2024 versus the base year 2019.

³. certified

“The service provider’s technology, processes and information lead to **better decision-making** to reduce fuel consumption”

CO₂ emissions from freight transport

Freight transport is a large contributor to CO₂ emissions and mitigating its environmental impact is essential in striving for a sustainable future. In the US and Canada, IMCD has acquired M.F. Cachat, E.T. Horn and L.V. Lomas, companies which each had their own operational setup.

After detailed analysis, IMCD signed an agreement with a single freight service provider that provides global expertise in transportation, offering IMCD best-practice services with enhanced visibility and actionable data across all modes. The service provider’s technology, processes and information lead to better decision-making. The enabled shipment consolidation will improve vehicle utilisation and reduce trip frequency. That, in turn, will reduce fuel consumption, which directly impacts our carbon footprint: a sustainable development.

Stan Bijsterveld
Group Supply Chain Director



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Own transport reporting

	2017 ¹	2018 ¹	2019
Direct energy carriers use for own transport, tCO₂eq (Scope 1)			
Business trips with company's transport, tCO ₂ eq	3,484	3,607	3,673
Warehouse logistics, tCO ₂ eq	278	370	287
Distribution, tCO ₂ eq	1,185	1,187	897
Total, tCO ₂ eq	4,947	5,164	4,857
Electricity use for own transport, tCO₂eq² (Scope 2)			
Business trips with company's transport, tCO ₂ eq	0,0	0,0	0,1
Warehouse logistics, tCO ₂ eq	625	511	544
Total, tCO ₂ eq	625	511	544
Total emissions from transport use within organisations	5,572	5,675	5,401
Direct energy carriers use for own transport (biogenic)			
Business trips with company's transport, tCO ₂ eq	0	0	6
Warehouse logistics, tCO ₂ eq	0	0	238
Distribution, tCO ₂ eq	0	0	44
Total, tCO₂eq	0	0	287
Emissions intensity per FTE (Scope 1+2 transport)			
Direct energy carriers use for own transport, tCO ₂ eq/FTE	2.2	1.8	1.6
Electricity use for own transport, tCO ₂ eq /FTE	0.3	0.2	0.2
Total, tCO₂eq/FTE	2.5	2.0	1.8
Emissions intensity per tonne of purchased product			
Direct energy carriers use for own transport, tCO ₂ eq/t	0.007	0.006	0.005
Electricity use for own transport, tCO ₂ eq /t	0.001	0.001	0.001
Total, tCO₂eq/t	0.008	0.006	0.006
Emissions intensity per mln euro Operating EBITDA			
Direct energy carriers use for own transport, tCO ₂ eq/mlin euro	29.8	24.9	19.7
Electricity use for own transport, tCO ₂ eq/mlin euro	3.8	2.5	2.2
Total, tCO₂eq/mlin euro	33.5	27.3	21.9

¹ In the 2019 report, the applied emission factors have been updated retrospectively. Values presented for the years 2017 and 2018 are recalculated using the updated emission factors, in order to provide a fair estimation of changes in the Company's performance. For more about these changes, please refer to the chapter "Changes due to an update of emission factors".

² Emission factors for the consumed electricity include, as a minor share, upstream emissions that occur in the value chain before the electricity generation process. As such, the presented values include Scope 2 and Scope 3.3 according to the Greenhouse Gas Protocol classification.

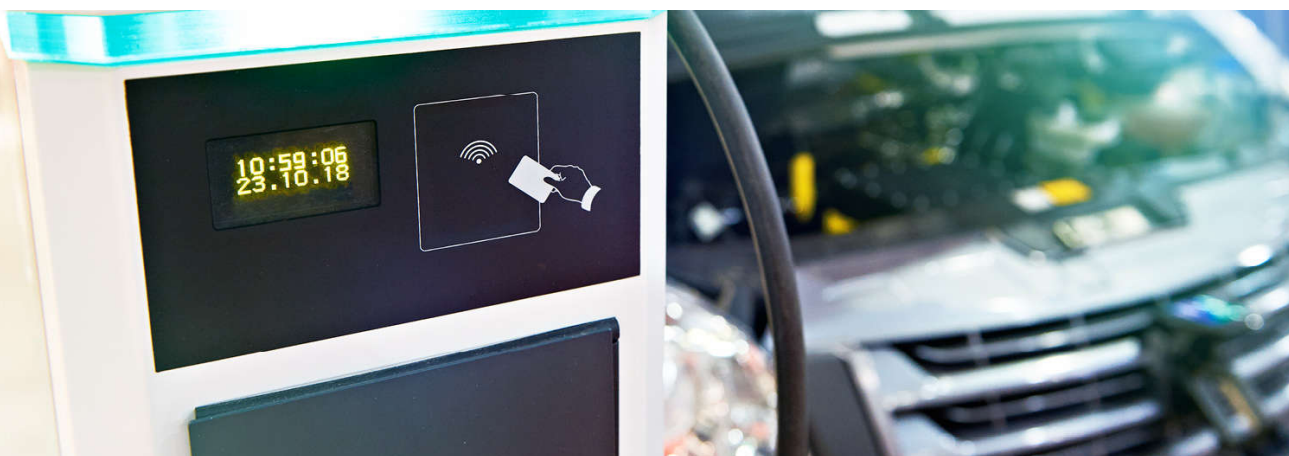
Please note that transport emissions were also included in the reporting in the chapter "Energy and emissions management". In 2019, around 26% of the total emissions from own transport were based on actual fuel consumption. All other values presented in the table are modelled based on actual and estimated numbers of vehicles, distances, hours of work, and average values. For the methodology and list of assumptions, please refer to the Annex.

As a global distributor, transportation services are an important part of IMCD's day-to-day operations. The Company recognises the significant impact of these services on the environment and is committed to achieving more sustainable transportation solutions.

Transport sustainability is managed by the Group Supply Chain function in close cooperation with

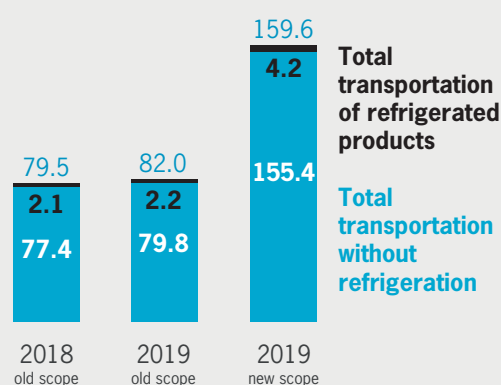
the RAQS function. The focus of the sustainability approach for this topic is twofold.

The primary focus is on direct and indirect emissions associated with Company's own transport. IMCD regional offices own or lease several passenger cars, trucks and other vehicles used for business-related transportation. In some exceptional cases, IMCD also operates its own logistics transportation. Emissions associated



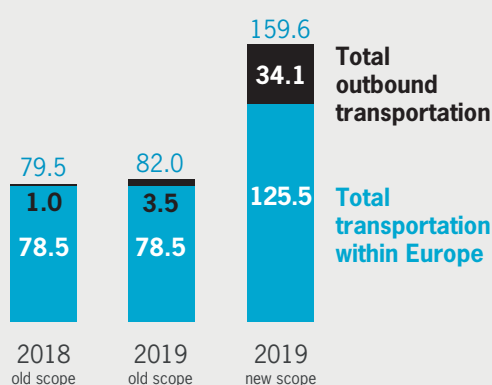
GHG emissions from transportation, by refrigeration

thousand ktCO₂eq



GHG emissions from transportation, by destination

thousand ktCO₂eq



with IMCD's own transport are directly controlled by the Company, but only a modest share of its transportation is carried out through these means.

IMCD's emissions from its own transport decreased by 5% year-on-year in absolute terms in 2019. Some of these changes can be attributed to changes in fuel use. For example, our transportation fleet in Indonesia switched from diesel to biodiesel. Some changes may also be explained by the significantly increased certainty of the reported values.

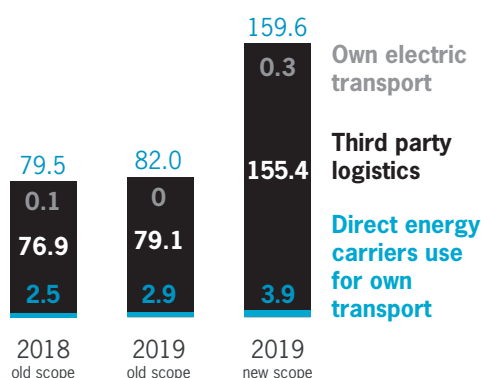
The decrease in total emissions from our own transport was reflected in reduction of specific emissions for all reported bases. In particular, emissions from own transport per Operating EBITDA in 2019 decreased by almost 20%. The organic growth of the Group and a favourable market environment were among the key reasons for this change.

The second focus is transportation of the products within the services provided by contracted partners. Although IMCD does not have a direct

impact on how its contractors implement sustainability in their business, the Company recognises its responsibility to consider their impact. For this reason, IMCD aims to look beyond the emissions within its direct control.

GHG emissions from product transport, by emissions scope

thousand ktCO₂eq



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For the reporting period 2017–2018, only the data for third-party logistics in Europe was available for analysis. In 2019, we were able to expand the considered geographical scope with our companies in the USA, South Africa, India, Indonesia, and Malaysia. IMCD continues to work on improving data registration and collection with the aim to expand its analysis and reporting to a global scale.

IMCD logistics is predominantly done by our contracted partners. Therefore, it is understandable that the GHG emissions associated with it dominate the total estimations for the transport, contributing about 97%.

While considering the constant geographical scope taken in the most recent reporting year, GHG emissions from transport have increased in absolute terms, which is connected mainly with the organic growth of the Group in the region and increases in the volume of purchased and therefore transported goods. The Company's geographical expansion in 2019 also resulted in a significant increase in inter-regional transportation and therefore sea and air freight, and as the consequence - slight increase in the specific emissions per tonne of purchased product. Specific emissions per FTE remained stable, while emissions per million Euro operating EBITDA decreased.

The expansion of the considered geographical scope for which data for third-party transportation was available resulted in a subsequent increase

to integrate the transportation of a larger share of the purchased products in the reporting. The increase can be seen in absolute terms for all means of transportation. The respective increase in road freight is proportional to the growth of the considered product mass, while sea and air freight growth is significantly larger. This is attributed to the inclusion into the scope of more regions that are distant from each other or are separated by ocean, as well as expansion of data availability with inter-regional purchases. The geographical expansion and increased data availability resulted in an increase in specific emissions per tonne of product purchased, FTE and EBITDA.

IMCD's centralised supply-chain team and local supply-chain experts are committed to provide, the most efficient routing, optimal volume mileage ratio and the implementation of sustainable transport modes, wherever possible.

Transport, specifically transport provided by logistics partners, is the single largest contributor to IMCD's GHG emissions (within reasonable control). Therefore, sustainable transport is one of the core focal points of the Company's sustainability strategy. IMCD expects this to be the biggest contributing factor to its goal of a 15% reduction in GHG emissions per operating million Euro EBITDA by 2024 in comparison to the base year 2019. In 2020, we will continue to set effective measures, initiatives and programmes for our own transport as well as transport provided by third parties.

	2017 OLD SCOPE ¹	2018 OLD SCOPE ¹	2019 OLD SCOPE	2019 NEW SCOPE ²
TOTAL TRANSPORT REPORTING INCL THIRD PARTY				
Direct energy carriers use for own transport (in established scope), tCO₂eq (Scope 1)	2,440	2,487	2,835	3,966
Own electric transport (in established scope), tCO₂eq (Scope 2)	142	142	31	257
Third parties logistics (in established scope), tCO₂eq (Scope 3)	77,729	76,954	79,060	155,400
Road transportation, tCO ₂ eq	76,920	75,940	75,274	114,068
Sea freight, tCO ₂ eq	242	303	1,133	12,357
Air freight, tCO ₂ eq	568	711	2,652	28,975
Total transport in the established scope, tCO₂eq	80,311	77,583	81,926	159,623
Emissions intensity per FTE, tCO ₂ eq/FTE	77	62	62	76
Emissions intensity per tonne of purchased product, tCO ₂ eq/t	0.213	0.215	0.220	0.292
Emissions intensity per operating EBITDA, tCO₂eq/mln EUR	812	708	672	848

¹ Please note that the reported values for 2017 and 2018 are subject to corrections, (see Annex "Sustainability Report 2018. Errata") and recalculation due to an update of the emission factors (see Annex "Changes due to an update of emission factors") and an erroneous double counting of some third party logistics. Around 1% of the total emissions (26% of the emissions from own transport) are based on actual fuel consumption; all other values presented in the table are modelled based on actual and estimated masses of products to transport, numbers of vehicles, logistical points, distances, and average typical values. For the methodology and list of assumptions please refer to the Annex "Assumptions taken for the report".

² Established scopes include: "old scope" - Europe without Serbia; "new scope" - Europe, South Africa; Malaysia, Indonesia, India; the USA without Puerto Rico, US Food and former ET Horn.

in the reported emissions. In 2019, we were able

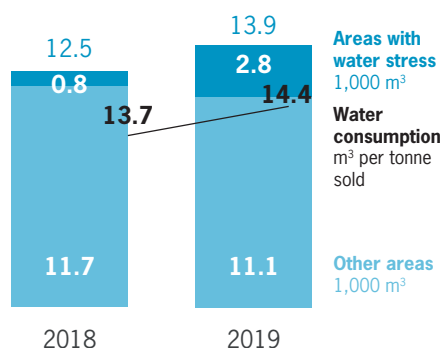


Operational water and wastewater management

	2017	2018	2019	CHANGE IN 2019
Total water withdrawal, 1,000m³	49.42	52.74	57.65	+9.3%
Water withdrawal from municipal source, 1,000m ³	49.42	52.74	57.38	+8.8%
Incl. in areas with water stress ¹	25.92	26.83	14.80	-44.8%
Own withdrawal	0.00	0.00	0.27	NR
Incl. in areas with water stress	0.00	0.00	0.27	NR
Total water consumption, 1,000m³	10.67	12.51	13.94	+11.4%
Incl. in areas with water stress	0.70	0.82	2.82	+243.9%

¹ Water-stress areas are identified as areas with high (40-80%, baseline water-stress level) or extremely high (>80%, baseline water-stress level) stress, based on the data from the World Resources Institute, Aqueduct Water Risk Atlas. Assessed on the levels available in the Atlas in 2019 for reporting 2017 and 2018, and levels available in the Atlas in 2020 for reporting 2019. Water consumption is based on local water withdrawal minus discharge. The water withdrawal presented is based on estimations provided by the sites, RASQ, or modelled values (16% in 2017, 14% in 2018, 21% in 2019). Water discharge is based on 77% assumptions for 2017-2018, and on 39% assumptions for 2019. For the estimation methodology and list of assumptions please refer to the Annex.

Water consumption and water consumption intensity per tonne sold



Apart from direct use of water at IMCD locations, water-related impacts can be seen along the whole value chain. IMCD supports responsible water management and water use reduction in the supply chain. We facilitate the reduction of water use downstream, providing information on the hazards posed by our products as well as their safe use and disposal.

Access to reliable sources of clean fresh water is essential for IMCD as a speciality chemicals distributor. Our direct water-related impact is connected with fresh water use at our facilities, including offices, laboratories and warehouses and small number of production sites.

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Given that some of our operations are located in water-stressed areas, we understand our duty to manage our water use responsibly, and pay special attention to water management in those areas. We are developing approaches to encourage water saving in our processes and water-saving measures by our employees in every facility. In 2019, IMCD's quality, health and sustainability team worked to improve and harmonise existing systems for monitoring water use at our sites worldwide.

Water withdrawal and consumption have increased in absolute terms in 2019 compared with 2018. Generally, the increase in water use relates to the growth of the business (with the acquisition of ET Horn we also included a small production facility, Nutrigranulations). These changes were partly caused by the increase in the harmonisation and general quality level of the collected data.

Water consumption in areas with water stress contributed around 20% of the total water consumption of the Group in 2019. An increase in consumption was seen in both water-stressed and non-water-stressed areas, but was exceptionally high in the case of the latter. This change occurred not only due to the growth in the number of facilities, but also due to the reclassification of water-stress levels by the World Resources Institute.

Because of the types of facility buildings we use, and the relatively small amount of water we use, we do not commonly source water ourselves. Instead, we use the water supplied by local fresh-water providers (municipal source). There is one exception: our site in Belgium started harvesting rain water for use in sanitary facilities in 2019, a year in which the respective part of Belgium has experienced high levels of water stress.

For the same reasons, IMCD companies do not handle used water discharge themselves, but instead send it to third parties for treatment. Our wastewater generally has the same characteristics as municipal wastewater³, and is therefore transferred to water treatment facilities via a common pipeline. In 2019, 1m³ of wastewater used for equipment cleaning in Brazil was transferred to a third party for a specialised treatment.

³ According to FAO, www.fao.org/3/t0551e/t0551e03.htm, the main concern for municipal wastewater is caused by dissolved and suspended solids, nitrogen, phosphorus, chloride, alkalinity, grease and BODs.

Handling of chemicals

Most of IMCD's operating companies (in terms of revenue) take part in the "Responsible Care" or "Responsible Distribution" programmes of the International Council of Chemical Associations (ICCA) through local associations. These operating companies have stated their commitment to sustained development and observance of the guidelines outlined in the global programme, which covers eight guiding principles.

The commitment to these guidelines and policies is assessed by independent third-party experts in accordance with the relevant regional assessment systems. Independent experts also review and document the relevant operating company's environmental performance and safe handling of chemicals.

IMCD fully endorses the objectives of the European Union's regulation on Chemicals: REACH (EC) No 1907/2006 concerning the registration, evaluation, authorisation and restriction of chemicals. In following this legislation, IMCD supports improved handling of chemicals to protect human health and the environment via REACH compliance in the EU. By upgrading the regulatory chemical compliance system in 2019, REACH encourages the chemical industry to innovate and to replace substances of very high concern with suitable alternatives, or to use them such a way that risks are adequately controlled. IMCD cooperates with (co-)producers, suppliers, and customers to fully and successfully implement

REACH objectives. REACH became fully operational in 2018, when registration of all chemical substances became mandatory. Most of the registrations have been performed by our suppliers or their representatives. As of 2019, IMCD also owns 21 active REACH registrations itself.

In 2019, zero significant spills⁴ (compared with three in 2018) of hazardous substances were registered by companies within the IMCD Group.

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⁴ A significant spill is defined as a spill of any volume of a substance, registered in a list of substances of very high concern, or candidate list of substances of very high concern by REACH.

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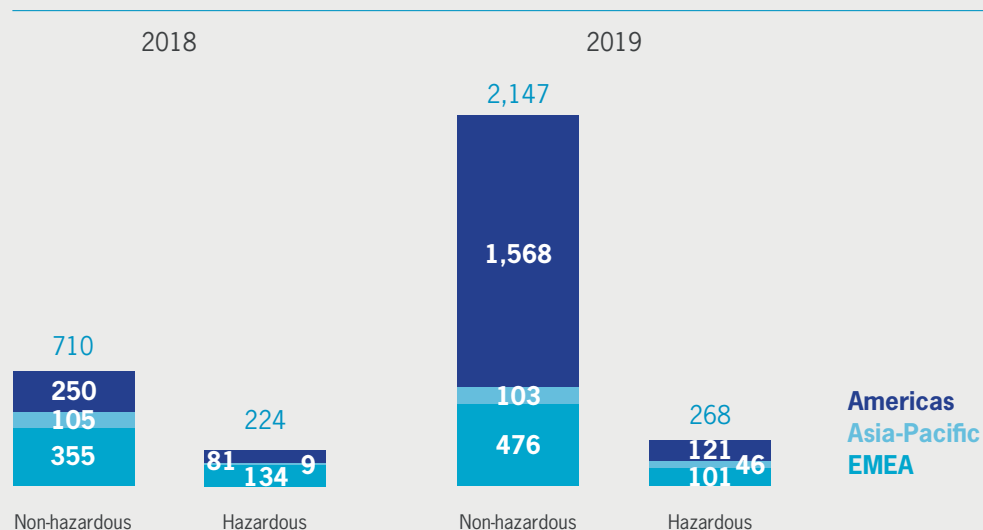
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Operational waste management

Hazardous and non-hazardous waste generation by region tonne



At IMCD, we understand that working with chemicals can potentially mean a considerable amount of waste is generated by the Company itself and along the supply chain. We therefore make responsible waste management an important part of our sustainability approach

IMCD is committed to meeting relevant legislative requirements, as well as requirements agreed with customers and suppliers, for environment, waste treatment and disposal. A waste disposal policy is in place globally (as part of the HSEQ policy), to ensure that all waste generated by operations is properly identified and sent for licensed disposal, in accordance with relevant legislative requirements. The policy applies to supply-chain-related materials and Company office-related waste.

In 2019, IMCD's quality, health and sustainability team has worked to improve and harmonise existing systems for the monitoring and reporting of waste management aspects within the Group. Their actions resulted in an improvement in quality of reporting of hazardous waste generation (1% is based on estimations in 2019 compared with 29% in 2018), and changes in the scope of reporting of non-hazardous waste generation. This allowed us to include additional indicators in our reporting, resulting in a higher level of estimations (55% are based on estimations in 2019 compared with 30% in 2018).

Most of non-hazardous waste is sent to regulated landfills. The majority is allocated to IMCD's newly acquired and integrated production facilities in the US.

Offices, warehouses and production sites are the main sources of the Company's waste generation. Both hazardous and non-hazardous waste generation increased in 2019 compared with the previous year. Most of this growth resulted from an increase in production activities, as well as the acquisition of a new production facility that was integrated in 2019 and consequently not accounted for in 2018. Minimising waste by aligning and optimising infrastructure and logistics processes is a part of IMCD's integration process for new acquisitions. IMCD wants to create synergies regarding these important topics.

The newly developed reporting system has allowed us to estimate the waste treatment employed for the waste generated at IMCD facilities. All produced waste is transferred to third parties for treatment. It is the responsibility of the local HSEQ manager to ensure disposals are undertaken according to local laws and by accredited disposal companies. The waste management hierarchy is embedded in IMCD's company policy. In its offices and other locations, IMCD supports the recycling of used (office) material, including by minimising paper consumption.

Most of our hazardous waste is sent for incineration. Our energy-recovery processes generate additional benefits beyond the main lifecycle of the disposed materials.

In 2020, we will continue to integrate waste management measures into our overall sustainability plans.

Sustainable raw materials and recycling

Specific products distributed by IMCD have the potential to significantly impact the environment and communities. We understand that reducing material usage, re-using and recycling, as well as use of more sustainable raw materials by the Company and by suppliers, is crucial for a more sustainable and future-proof supply network. This was confirmed at our 2018 task force meeting, during which our employees defined their sustainability focus topics.

Following our internal stakeholder assessment, IMCD included this material topic with respect to our operations.

However, as a distributor alone, the material consumption in our operations is small relative to the materials consumed in manufacturing our products. The main focus of our cooperation with our suppliers is therefore to develop and integrate more sustainable products for our customers. Sustainable sourcing of raw materials, enlargement of renewable feedstock and recycled content is becoming one of the areas now addressed by our "IMCD Sustainable Solutions" programme. Circular economy and recycling are topics we include in our commercial approach and will have clear focus in the "IMCD Sustainable Solutions" programme. More information regarding the program can be found in the chapter "IMCD Sustainable Solutions".

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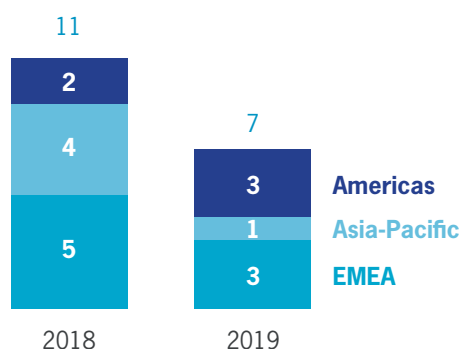
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Occupational health and safety

Number of registered lost time incidents



Our business relies heavily on our people, and the health and safety of our employees is of the utmost importance to us. We therefore follow a people-centric management approach. 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 lost-time incidents.

An occupational health and safety management policy (part of the IMCD HSEQ policy) has been implemented across all companies in the Group.

Our local HSEQ 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 applicable, a fire fighter. Every work-related incident at our sites is investigated. This process includes identifying the hazards, assessing the risks, and determining corrective actions and necessary improvements to the health and safety management system.

In 2019, the total number of lost-time incidents (LTI) registered by the company decreased on a group level. The LTIs all involved work-related injuries, of which one was a high-consequence work-related injury that resulted in the employee taking 29 days of absence. As was the case for the reporting years 2017 and 2018, no fatalities were registered by any of the companies in the Group in 2019.

The rate of recordable work-related injuries has decreased in 2019 to 0.23 based on 200,000 worked hours (vs. 0.38³ in 2018). The rate of high-consequence work-related injuries in 2019 was 0.03 based on 200,000 worked hours (vs 0 in 2018). For the calculations of the rates, FTE is taken being equivalent to 2,080 annual hours.

³ subject to Sustainability Report 2018 Errata, see in the Annex (for the year 2018 reporting, the FTE data from 2017 was used, hence this caused a deviation).

IMCD SUSTAINABLE SOLUTIONS

Alongside the sustainability agenda for its internal operations, IMCD is working to further push its sustainability initiatives throughout its value chains. We believe sustainable products could offer a reduced environmental impact in combination with financial benefits for all our stakeholders, in all phases of the life cycle. Through quantitative analysis, we can offer more competitive products that help our customers reduce their environmental footprint and create financial savings. By connecting with our suppliers, we can analyse, introduce and market their sustainable products to a wider customer base. Our unique market and technical expertise ensure we offer real sustainable solutions.

During 2019, IMCD formulated its sustainability strategy with a two-pillar approach. The first of these pillars is IMCD's operational sustainability. This pillar focuses on finding ways to optimise our supply chains, collaborate with our third-party service providers to reduce environmental impact and ensure compliance with legal and ethical standards as described in our business principles and Code of Conduct.

However, the reduction of our operational footprint is limited. The second pillar therefore focuses further down the value chain. To be a genuine partner with more sustainable products and operations we need to expand our scope, particularly in the use and waste phases.

This means connecting with suppliers, customers, waste processors and associations to increase the use of sustainable products with deeper market penetration, which will create a wider customer base for these products. By using our local market knowledge, technical expertise, large customer base and broad product range, we can really help turn the chemicals landscape into a future-proof market that leads the way in sustainable applications. We are doing this by assessing products that qualify for the programme through a rigorous scheme where we can quantify their aspects, as explained in the methodology section, and ensure the product performs and delivers.

Value chain cooperation

The only way IMCD can achieve its objectives is by cooperating with the various players within its value chain. This starts with our suppliers. IMCD Sustainable Solutions directly connects with the sustainability programmes from top-tier sustainability performers in the chemical industry (according to the Dow Jones Sustainability index 2019). By connecting to suppliers, with whom we have already had a long-term relationship, we can use their assessment data as input for our calculations and marketing approach.

By assessing the environmental footprint of these products, we can model scenarios of the use phase of our customers, offering bespoke solutions tailored to their respective processes and products. Considering our wide supplier and customer base, it is clear that the potential for this programme is vast. What our suppliers think about this is reflected in the following quote:

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By working together, we can truly create brighter lives for everyone

"IMCD has truly put sustainability at the core of its business, continuing to focus on it across a wide range of activities. Indeed, there are important similarities between IMCD's sustainability priorities and our own at DSM – in particular, the shared drive to reduce the use of chemicals of concern and to lower our products' carbon footprints. It's a privilege to work with companies that share these values, and we are proud of how we work together with leading partners such as IMCD to drive the joint success of our businesses in a sustainable way. For this reason, DSM values its collaboration with IMCD very highly, and we are committed to continuing our close relationship to carry the success of IMCD, as well as its customers, into the future."

Helen Mets

Executive Vice-President DSM Materials

Methodology

For the programme to work, and to steer the Company towards providing more environmentally friendly products, we first need to analyse our own portfolio per line of business.

The first step focuses mainly on human and environmental toxicity. By using our regulatory data system, we are able to conduct a large-scale analysis of our products. This includes classification and labelling, country inventories and regional lists of concern (for example, the SVHC (substances of very high concern) list in the EU). Products that are classified in a severe hazard class or are listed on inventories (restricting their use), will not be eligible to enter the program.

This approach provides insight into potential future risks with products in the regulatory landscape and can initiate a reformulation of the portfolio, enabling us to phase out such products when needed.

From products that meet the toxicity/regulatory requirements for entering the programme, we select, together with our suppliers, products that have a (potential) environmental saving throughout the life cycle but also do not incur any additional costs for the customer compared to mainstream products. We do this by using our supplier's life cycle assessment data or by calculating it together with the supplier following the LCA (life cycle assessment) methodology.

Products that meet all those requirements and have the quantitative data to support our claims can be marketed as an "IMCD Sustainable Solution". This way, IMCD's sales team can directly connect with the customers and provide the business case for shifting to a more sustainable solution.

Circular economy

“Our strategy is to further **optimise the lifespan of plastics** by reusing and recycling items as many times as possible”

Patrick van Vugt
Business Group Director
Advanced Materials, EMEA

In the linear economy the main drivers have always been the creation, consumption and disposal of products, whilst generating significant waste and emissions. Instead, the **circular economy** fundamentals are based on minimising waste and pollution and adopting smart material solutions by recovering and regenerating product and materials at the end of each service life.

As the **Advanced Materials** Business Group, we have always been following and anticipating (global) mega trends, such as 3D printing and sustainability, to challenge our teams by optimising our business model. Underlining the importance of such mega trends, the Advanced Materials Business Group recently installed a “Sustainability” Task Force. The main objective of this task force is to investigate the impact on our business and our stakeholders in the industry, but mostly to investigate the growth it can generate on the sustainable pathway.

One of the key drivers in the sustainable landscape is local or regional regulations installed by local governments encouraging the industry to adopt smarter material solutions. Especially in Europe, IMCD Advanced Materials recognised a transition to more recyclability, resulting in a more advanced product portfolio to fulfil the needs of our customers. IMCD's Advanced Materials strategy is to further optimise the lifespan of plastics by reusing and recycling items as many times as possible.





Greener sustainable solvent choices for API manufacture

“We develop more sustainable chemical processes undertaking sustainable solvent choices”

The manufacture of APIs has the potential to generate significant amounts of waste by-products and pollutants, in some cases more so than “heavier” industries, such as oil refining which might otherwise be perceived as causing greater environmental harm. A life-cycle case study by one leading pharmaceutical company estimated for every 1kg of API produced, approximately 80kg of the waste was generated from its API manufacturing facilities, with close to 65kg of that being solvent-related. Assuming this is not common in the sector, solvent selection can therefore play a crucial role in alleviating the environmental burden associated with API manufacture.

In response to this need, IMCD Regulated Synthesis launched its “Greener Solutions” initiative to support its customers in their efforts to develop more sustainable chemical processes undertaking sustainable solvent choices. The first iteration of the initiative is the “Greener Solvents” seminar, highlighting newer and greener alternatives to some of the more commonly used, but potentially toxic and/or environmentally harmful, solvents in chemical synthesis today.

Partnering with several of the world’s leading principals, the Regulated Synthesis team has assembled (and continues to add to) a portfolio of speciality solvents offering various green credentials, at times derived from renewable feedstocks, which have lower toxic potential or consume less energy when manufactured.

Hashim Javaid, Ph.D.
International Technical Manager,
Regulated Synthesis

Since its launch in 2018, more than 1,000 people from more than 70 customers, including pharmaceutical companies and contract manufacturing organisations, have participated in the seminar. The seminar has also been delivered to academic institutions in an effort to reach the next generation of process chemists.

One notable event in November 2019 was when IMCD was invited to present the Greener Solvent seminar at the “New Trends in Organic Synthesis” conference in Milan, where IMCD experts discussed safe, green and scalable chemistry in sustainable solvents to an audience of more than 100 research chemists.



Life cycle assessment

**“We create value by
extending our formulation
services to include
sustainability product
credentials”**

Carola Duncan
Global Marketing Director,
Coatings & Construction

Sustainability is an established trend in Coatings & Construction, with industry leaders having long-standing programmes to manage and promote their range of products with environmental benefits.

IMCD Sustainable Solutions is taking this one step further by creating a portfolio covering all chemistries required to formulate reduced-impact paints, industrial coatings, construction products, adhesives and inks. IMCD Coatings & Construction already offers technical support, formulation expertise and regulatory guidance, helping our customers formulate the coatings and construction solutions of tomorrow. By extending our formulation services to include sustainability product credentials, we offer even more value.

This is an effective way for our principal partners to provide their customers with sustainable solutions. For our customers, as a one-stop shop for sustainable resins, functional fillers, pigments and additives by the best-in-class principal suppliers, we represent and formulate support to implement those solutions faster. The C&C programme starts by engaging closely with our principal partners to identify the products to add to the IMCD Sustainable Solutions programme. We then move forward to exchange life cycle assessment data, as the specifics of a product's impact from cradle to grave is vital to the IMCD programme.

Using a standard set of rules aligned to the coatings & construction industry, we use the data to build a product selection app. This app – to be piloted in 2020 – will make it straightforward for the customer to review the benefits of a sustainable solution before making a product choice.

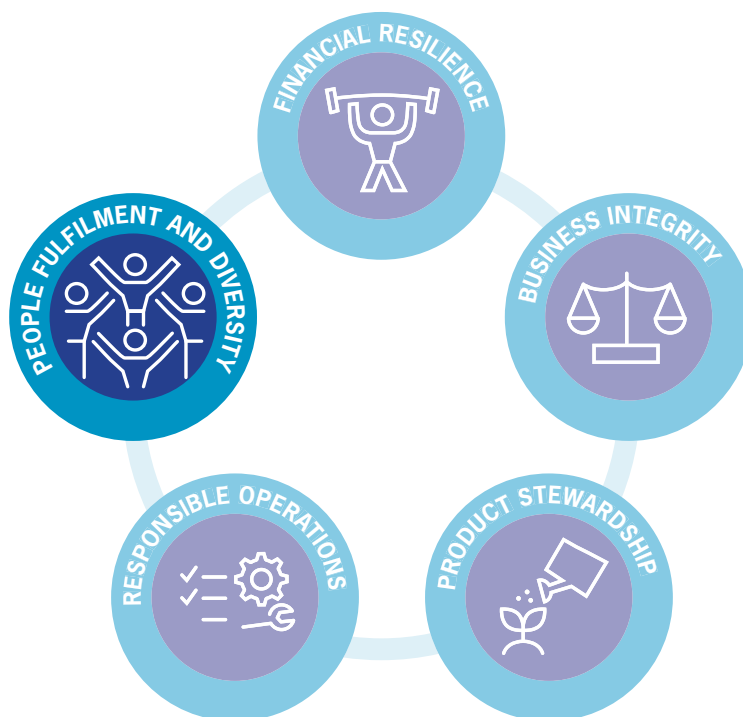




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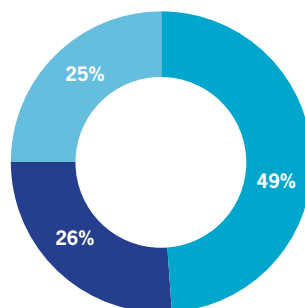
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IMCD is a diverse group of 2,991 women and men who live and work in many different places around the world. We operate in the Americas, EMEA and the Asia-Pacific region. Our business relies heavily on the quality of our people and that is why responsible employment and community practices is crucial. We aim to minimise bureaucracy in the workplace and instead encourage an organisation based on entrepreneurship, freedom to act, partnership, integrity and trust. Borders and backgrounds do not matter when it comes to working together.

Employment in 2019 by region

Asia-Pacific EMEA



Americas

* Data is census data, based on country organisation input and verified by the Group office. Data is presented on a Full-Time Equivalent basis, based on the definitions of national laws where the respective operations are located, as of the end of the reporting period (31 December).

Our management approach is people-centric, decentralised with an *entrepreneurial* culture, where people can enjoy what they do, have the freedom to act and decide what is best for the business.

The IMCD Management Board and Executive Committee are responsible for and committed to achieving the highest levels of people fulfilment and diversity, meeting, as a minimum, all legal requirements while going above and beyond with supporting training and worldwide rollouts. The IMCD Code of Conduct cites safe and stimulating

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working conditions, equal opportunities, and human and labour rights as core Company values. The Code of Conduct also governs the behaviour of all employees, while the Management Instructions Guide provides details for management.

Talent attraction, development and retention

At IMCD, we place great importance on the knowledge and expertise of our people, since we do not have our own manufacturing facilities, products or unique intellectual property.

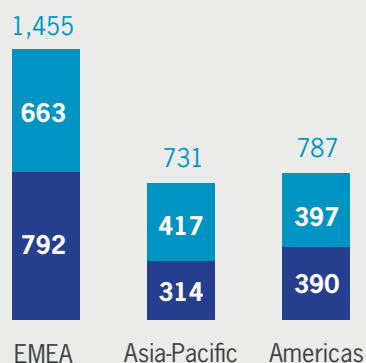
This is one of the reasons why no company activities are performed by workers who are not employees of IMCD and only 1% of our staff are temporary employees. We believe in hiring and developing knowledgeable full-time, permanent employees. This strong focus on hiring and developing permanent employees leads to a strong continuity in service to our suppliers and customers. We have 1,496 females and 1,477 males on permanent contracts, reflecting our

commitment to our staff. Around 4% of IMCD's employees (permanent and temporary) work part-time, with most of these having requested a part-time schedule to better suit their preferences and family situation. The remaining 96% of staff work full time.

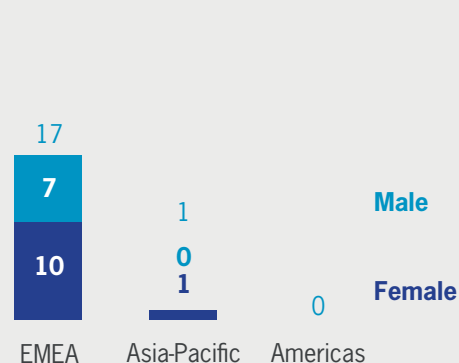
Last year, our employment grew significantly in all operating regions, due to both organic growth and acquisitions. The highest growth was registered in the APAC region (20%), and the lowest was EMEA (3%). Through acquisitions, IMCD welcomed 130 new colleagues last year. Excluding acquisition, the number of FTEs increased by 62, reflecting our organic growth.

IMCD's employee attrition levels were 14% worldwide. This includes voluntary resignations, terminations, retirements, staff reductions after acquisitions and all other circumstances in all our countries and regions. The attrition rate for outside sales employees was 10.7%. This provided stability for our suppliers and customers, which was much appreciated.

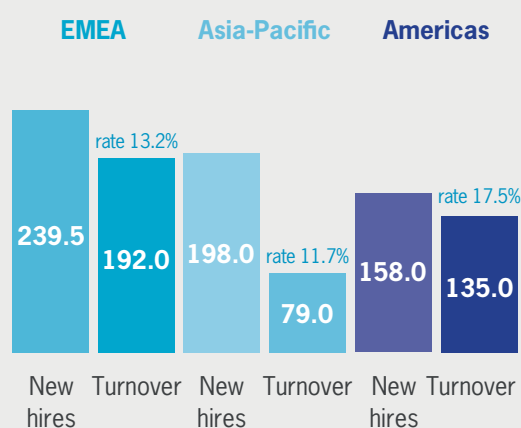
Permanent employees in 2019



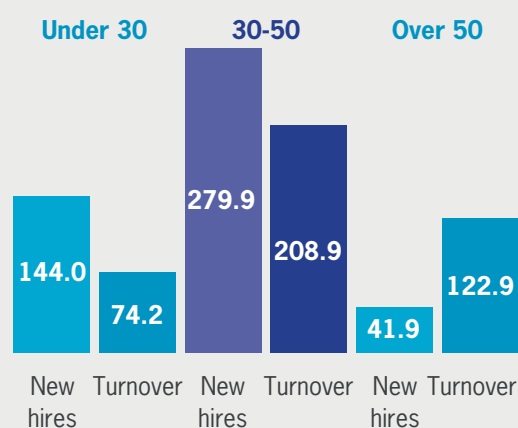
Temporary employees in 2019



New hires and staff turnover in 2019 by region



by age



Most of our employees joined IMCD with previous extensive knowledge and experience in speciality chemicals or food ingredients, or were working in sales, marketing and product management or in technical development/application. Commercial employees account for the vast majority of IMCD's organisation. In 2019, 66% of IMCD staff worked in a supplier- or customer-facing role (up from 64% in 2018). This experience is incredibly valuable to the Group and marks the difference between a good organisation and a great one. The number of IMCD employees with a qualification is also high. IMCD employs 714 individuals who have completed a Master's degree or higher and another 1,336 who have a Bachelor's degree or equivalent, so 69% of employees have a university degree, highlighting the knowledge and expertise of our staff.

Workshops and training sessions are held within IMCD's facilities for the sales force, ensuring they stay abreast of market trends and developments and fully understand the functionality and characteristics of the products within the portfolio. This enables them to better understand issues that customers may face and supports the development of their skills to the highest level.

We implemented a new global Learning Management System (Cornerstone) in Q4 of 2019 that serves as an instrument to offer technical, commercial, compliance, management and business skills training to all our employees at any time and at any location. This tool enhances professional and personal development while providing a means to track and certify development progress. The initial take-up rate of the new system has been very positive, with more than half of our employees being active users. We continue to offer event-based training programmes such as new employee inductions, onboarding, management training and skills-based courses in classroom settings when possible and where needed so our approach to learning & development is blended.

Human and labour rights

IMCD neither engages in nor supports the use of forced, bonded, involuntary or child labour in any way. IMCD complies with the standards of the International Labour Organisation and the minimum age requirements in all countries in which it conducts business.

Meeting legal requirements (including legislation on human and labour rights and social standards) also plays a central role in the screening procedure of future suppliers. As of July 2018, a new supplier screening process was implemented in the HSEQ policy.

In 2019, there were no IMCD operations, considered to have significant risk for incidents concerning child, forced, or compulsory labour. Next to this, we have in our HSEQ policy the new supplier assessment procedure in which new suppliers are assessed to ensure compliance with local human and labour rights.

IMCD recognises and respects its employees' rights to freedom of association and assembly, as well as collective bargaining, and does not interfere with the exercise of such rights in any way. As of the end of 2019, 26% of our employees are covered by collective bargaining agreements. It has not come to our attention that any IMCD suppliers violate or may be violating workers' rights to exercise freedom of association or collective bargaining.

Diversity and inclusion

IMCD values diversity among its employees and believes that a workforce that is diverse in gender, age, culture and nationality among others is a contributor to the Company's success.

At IMCD, we are committed to providing equal opportunities for all applicants and employees. Our

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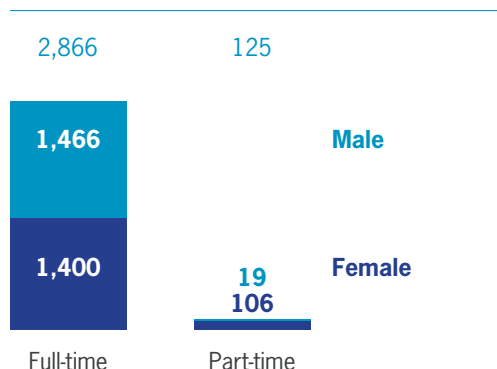
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Total number of employees by employment type and gender in 2019



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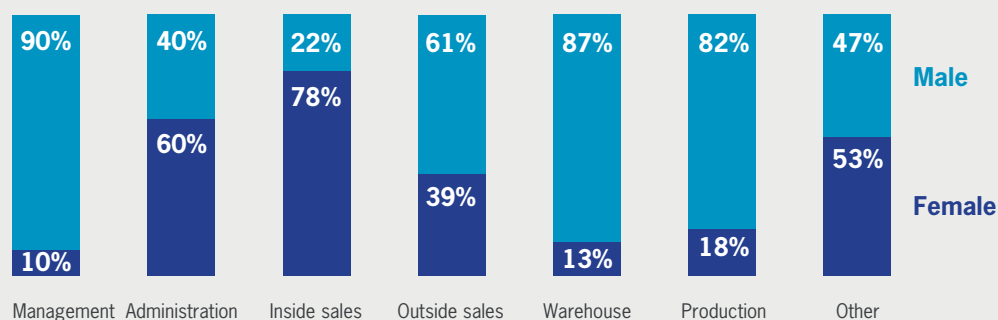
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Gender distribution among the employees in 2019, by employee category



Code of Conduct, business principles and management instructions are clear that discrimination in the workplace is not tolerated and we provide opportunities for everyone.

It is IMCD's fundamental philosophy to respect and adhere to the principle of non-discrimination based on race, caste, colour, national origin, religion, age, sexual orientation, gender identity or expression, disability, protected veteran status, union membership, political affiliation or any other characteristic protected by law.

IMCD employs 2,991 people, with an almost equal split between females (1,506) and males (1,485) from more than 50 different nationalities.

Females form the majority of client- and supplier-facing roles/internal and external sales functions with 1,065 FTEs compared with 903 males in similar functions. In administration, this ratio is 218:147. However, in management, we still have an opportunity to improve with a ratio of 6:57. At the other end of the spectrum, we can report 90 young trainees spread over our various country operations, of which 61 (68%) are female. We are confident that with a strong female talent pipeline in client-facing and administrative roles, such as marketing managers, the ratio will further improve in the years to come. IMCD has female managing directors leading businesses in Turkey, Vietnam, the Philippines, Indonesia and our Jan Dekker business, as well as various senior females leading functions in the Group office.

Last year, no incidents of discrimination were registered within the Group. Our goal is to further promote our values on diversity and equal opportunities internally and externally, maintain our high moral standards, and investigate potential barriers for transparent and non-punishable alert.

It is all about **smart people** doing the right things

“Smart people are those who can apply their knowledge, talent and drive to **solve societal problems.**”

I often think about what needs to be done in order to fast-forward sustainability actions in today's world, and the more thought I give it, the clearer it becomes. You get the best results by having smart people doing the right things for the business, the environment and the employees. Smart people are a joy to work with. They inspire others. They think before they act and they like to do the right thing. They are talent magnets. Smart people are those who can apply their knowledge, talent and drive to solve societal problems, large and small. In our case, solve issues for the benefit of our customers and suppliers. Smartness is diverse. It does not care about nationality, gender, sexual orientation, age or personality style.

At IMCD, we enjoy a culture that combines entrepreneurship with freedom to act and high integrity. Hence, our culture is an accelerator for smart people. I have never met a smart person who “knew it all”. Smart people are humble and constantly look for opportunities to learn new things, apply technology and come up with novel ways of doing business. At IMCD, we often talk about “value through expertise”. We don't need expertise to show off. We need it to put it to work for others.

Ben van Stekelenburg
Global Human Resources Director



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Business impact on the community

At IMCD, we care about the communities in which we are located.

We understand that our operations have an impact and as such, we strive for strong engagement with local communities to understand their expectations and needs. Being present in more than 50 countries on 6 continents, we did not want to select a single cause for the whole Company. Instead, we opted to support smaller local initiatives. By doing so, we enhance engagement with local communities and fulfil our full potential to make a positive impact. We also encourage our employees to support local initiatives to make a lasting and personal difference in our immediate communities.

Examples of IMCD's support for local communities include:

- Making a difference in South Africa: Better future for disadvantaged children
- Making a difference in South Africa: Helping Nora Maaga to realise her dream
- Making a difference in China: Ensuring Wang gets the education he deserves
- Making a difference in Ghana: Creating opportunities for local women
- Making a difference in Germany: Supporting children with disability and illness
- Making a difference in Brazil: Transforming the Coca Shantytown in Diadema
- Making a difference in Brazil: Encouraging potential in low-income communities
- Making a difference in France: Working to improve our immediate communities

IMCD refrains from political involvement of any kind. It respects its employees' rights to be politically active; however, in doing so, it must always be clear that they do not represent IMCD as a company. IMCD does not make financial donations or other contributions to political parties, organisations or individuals engaged in politics.

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To the Shareholders of IMCD N.V.,

Our conclusion

We have reviewed the sustainability information in the accompanying Sustainability report for the year 2019 of IMCD N.V. at Rotterdam. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year 2019 in accordance with the reporting criteria as included in the sustainability report.

The sustainability information consists of performance information in the sections:

- 'Approach to sustainability' (page 7-12)
- 'Financial resilience' (page 13-16)
- 'Business integrity' (page 17-20)
- 'Product stewardship' (page 21-24)
- 'Responsible operations' (page 25-38)
- 'IMCD Sustainable solutions' (page 39-44)
- 'People fulfilment and diversity' (page 45-49)
- 'About this report' (page 54)
- 'Other information'. (page 55-66)

Basis for our conclusion

We have performed our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports) which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our responsibilities under this standard are further described in the section 'Our responsibilities for

the review of the sustainability information' of our report.

We are independent of IMCD N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. IMCD N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information and the applied reporting criteria as disclosed of the sustainability report.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Emphasis on adjusted prior period comparative figures

We draw attention to the disclosure of the adjusted 2017 and 2018 CO2 emissions on page 32 and 63 of the Sustainability Report and the adjusted 2018 work related injury rate on page 38 and 63 of the Sustainability Report. The CO2 emission figures in the comparative figures have retrospectively been corrected in 2019 for the years 2017 and 2018. The comparative figures for the work related injury rate figures have

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retrospectively been adjusted in 2019 for the year 2018. Our conclusion is not qualified in respect of these matters.

Paragraph to emphasize the impact of the corona virus

The corona virus also impacts IMCD N.V. The management indicates that it is currently not possible for them to properly estimate the impact of the coronavirus on the ESG performance of IMCD N.V. Our opinion is not modified in respect of this matter.

Unreviewed corresponding information

No review has been performed on the sustainability information for the period up to 2018. Consequently, the corresponding sustainability information and thereto related disclosures for the period up to 2018 is not reviewed.

Limitations to the scope of our review

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

The references to external sources or websites in the sustainability information are not part of the sustainability information as reviewed by us. We therefore do not provide assurance on this information.

Responsibilities of the management board for the sustainability information

The management board is responsible for the preparation of the sustainability information in accordance with the reporting criteria as disclosed in the sustainability report, including the identification of stakeholders and the definition of material matters. The choices made by the management board regarding the scope of the sustainability information and the reporting policy are summarised in the section 'About the report' and 'Other information' on page 54 - 66.

The management board is also responsible for such internal control as the management board

determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the reporting process of IMCD N.V.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our review included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the

reasonableness of estimates made by the management board.

- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
 - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
 - Interviewing relevant staff responsible for providing the information and consolidating the data in the sustainability information;
 - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
 - Reviewing, on a limited test basis, relevant internal and external documentation;
 - Performing an analytical review of the data and trends
 - Evaluating the presentation, structure and content of the sustainability information;
 - To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the management board regarding, among other matters, the planned scope, timing and outcome of the review.

Amsterdam, July 7th , 2020

Deloitte Accountants B.V.

J. Hendriks

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Contact

Head office IMCD N.V.

Wilhelminaplein 32

3072 DE Rotterdam

The Netherlands

Phone: +31 10 290 86 84

Fax: +31 10 290 86 80

If you have questions regarding the report or its content, please contact us

ir@imcdgroup.com

Phone: +31 10 290 86 84

About the Report

The sustainability report has been prepared as IMCD's comprehensive report on the topic as a part of the Sustainability Strategy of the Company. The current report covers the full year of 2019 and all companies of the IMCD Group unless stated otherwise. Reporting is aimed to be conducted on an annual basis. All entities included in the Company's consolidated financial statements or equivalent documents are covered by the report.

The scope of the report for qualitative KPI's is global with the exception of newly acquired companies in the course of 2019, and with the exception of the relevant HR topics, where it was included.

With the support of the Management Board, it is the Company's policy to seek review of its sustainability reporting by external independent parties. This report has therefore completed the external assurance procedure implemented by Deloitte Accountants B.V. at limited assurance level.

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Covid-19 impact

Subsequent to the reporting period, the Covid-19 pandemic impacted the world, the people and global economies and businesses. At the time of publication of this report management of IMCD is unable to project the exact implications of this pandemic on the ESG performance of IMCD.

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Assumptions used for reporting

This annex presents estimations, extrapolations and assumptions for all reported indicators, in cases when primary data was not available. Indicators not considered in this chapter were reported based on the primary data collected by IMCD.

Estimations, extrapolations and assumptions necessary for reporting the indicators considered in this chapter are connected with:

- data gaps in primary data reported from the sites (local/regional HSEQ managers)
- impossibility to perform direct accounting (e.g. direct accounting of volumes of emitted GHG)

Company-specific data used in the calculations is of two quality and assurance levels:

1. Data reported by the site with a proof document
2. Data estimated by the sites with no proof document following the Sustainability Reporting Manual of the company

Energy consumption within the organisation and direct (Scope 1) emissions.

Energy consumption within the organisation and emissions associated with it have two main source activities: energy use in facilities (space heating and electricity generation – stationary combustion), and own transport (mobile combustion).

Stationary combustion energy consumption data was collected from the sites for 2017-2019 on the volume or mass of the fuels consumed, with two locations where the emissions from use of natural gas and diesel in 2017-2018 were reported instead of the fuel consumption. Some assumptions and estimations were performed to fill the data gaps and derive direct emissions associated with stationary consumption. We have performed the following estimations:

- Space heating demand for sites that could not report a value in 2017-2018 was estimated based on the heating demand per m² for the region and climate (IIESA data[1]) with a pessimistic assumption of used facilities belonging to the existing no-retrofit stock.
- For the US sites (excluding situated in California – reported separately), heating demand in 2017-2018 was estimated in MJ/m² based on the floor area of facilities (primary data) and heating demand per m² for the state region (IIESA data¹, demand for tropical and subtropical climate is taken as 0). Sources of

heat generation were assumed to be in accordance with the US heat generation mix, based on the EIA data[2], and included for Scope 1 natural gas and heating oil, an approach discussed with the RAQS director for this particular region. For 2019, the regional reporting was expanded with acquired companies and factual and high-certainty estimation data, it was possible to collect for the sites.

- Space heating in Japan and Singapore in 2017-2018 was assumed to be performed by air-conditioning systems (regional practice), as well as for the Nordic region (as reported by the sites). These were included in Scope 2 (electricity consumption). This assumption was validated with primary data for 2019.
- Conversion between volumes/mass of fuels and consumed energy was implemented based on the heating value of the respective fuels.
- GHG emissions associated with the stationary combustion were calculated based on the emission factors extracted from the database Ecoinvent 3.6 balanced on the method of IPCC 2013 for GWP 100a (global warming potential in 100 year time horizon). In order to include direct emissions only, the datasets of Ecoinvent were modified by removing upstream processes from consideration.
- The same emission factors were used to estimate use of natural gas and diesel for electricity generation in two cases for 2017-2018, when the emissions were reported instead of the fuel use.

Energy use and emissions in mobile combustion includes use of own transport fleet. Two lines of assessments were used depending on the available data:

1. For the sites that reported volume of fuel used, emissions from transport were estimated based on the reported volumes, standard conversion rates, and emission factors established for different transportation means when relevant. For locations that have on the balance different transportation means, the estimated fuel use was calculated as assumed for other sites (see p.2) for each of the transportation means. The reported fuel use was allocated proportionally to estimated values, and emissions were calculated based on that allocation. Emissions were calculated based on the emission factors extracted from the Ecoinvent 3.6 database.

2. Estimations reported by the sites based on the total number of vehicles by type and average distance driven or hours worked. The following estimations have been made for these cases:

- For passenger cars, the fuel use was calculated based on the average passenger car (EURO 4) from database Ecoinvent 3.6, in a respective mix of petrol, diesel and natural gas. In order to include Scope 1 emissions only, the upstream processes were excluded from consideration. The same dataset was used to extract the GHG emissions factor balanced on the method of IPCC 2013 for GWP 100a (global warming potential in 100 year time horizon).
- For the sites that could not report the number of passenger cars in 2017-2018, the estimation was made based on the floor area of the site and the functionality (with warehouse or without warehouse). This was not relevant for 2019.
- For diesel, petrol or LPG-fuelled inhouse transport vehicles (warehouse transport), the energy use was estimated based on the reported number of vehicles (primary data), average hours of work per day (estimation) and fuel use per hour of work (based on Ecoinvent 3.6 data set for diesel machine operation, 18.64-74.57 kW in high load – corresponding to average warehouse diesel loader). The same data set was used to extract GHG emissions factor of combustion of a kg of diesel used in the activity (balanced on the method of IPCC 2013 for GWP 100a (global warming potential in 100 year time horizon)).
- For petrol-fuelled forklifts in Brazil, the site has reported in 2017-2018 the GHG emissions in m³ of CO₂eq. The reported number was converted to tCO₂ based on the molar mass of CO₂. In absence of petrol warehouse transport datasets in Ecoinvent 3.6, the energy use was calculated based on the emissions factor of petrol burned in a passenger car (Scope 1 only, excluded upstream processes).
- For other petrol and LPG fuelled warehouse transport, the energy consumption per year was estimated to be equal to the one in diesel (in MJ/hour), and the associated emissions were calculated based on the emissions factor of fuel burned in a passenger car (Scope 1 only, excluding upstream processes).
- For the logistics with trucks, the energy consumption was estimated based on the reported number of trucks (primary data), driven distance per day (estimation), and average load of a truck by type (small or articulated lorry in 2019, averaged for 2017-2018 due to limited data availability). All transportation was assumed to be performed by diesel trucks, respectively energy consumption was extracted from an Ecoinvent 3.6 data set in respect to tkm transportation services (Scope 1 only, excluding upstream processes). The same dataset was used to

extract GHG emissions factors per tkm of transportation (Scope 1 only).

- Conversion between volumes/mass of fuels and consumed energy was implemented based on the heating value of the respective fuels.

Additionally to energy consumption associated GHG emissions, the reporting includes fugitive emissions associated with space cooling (air conditioning) in facilities. These Scope 1 fugitive emissions were estimated based on the reported floor area with air conditioning, with assumed split-air AC capacity 60m² per 1.7kg of charge (R410A as a conservative assumption), and leakage rate according to the IPCC guidance 2006 (3%). Fugitive emissions of cooling agents from small refrigeration units in own warehouses were assessed to be neglectable.

Estimated GHG gases include CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, and others. The equity share consolidation approach was consistently applied in reporting. According to the Company's set targets, 2019 is becoming the base year for further reporting for assessments. Figures for 2017 and 2018 are presented as a benchmark for the 2019 performance, as a closest continuous identical periods of time to the reported year 2019. Figures for 2017 and 2018 were updated to reflect errata correction and update of emission factors. That decision allowed to carry out most consistent calculations and precise short-term, useful reduction calculations. More on that can be found in the respective following annexes.

[1] http://www.iiasa.ac.at/web/home/research/Flagship-Projects/Global-Energy-Assessment/GEA_Chapter10_buildings_hires.pdf

[2] <https://www.eia.gov/consumption/commercial/data/2012/index.php?view=consumption#c1-c12>

Energy consumption outside the organisation: Energy indirect (Scope 2) GHG emissions.

Relevant energy consumption outside the organisation and emissions associated with it have two main source activities: energy use in facilities (space heating, space cooling and electricity use), and own transport (passenger cars and warehouse).

Data on consumption of supplied heating and cooling was provided by the sites in GJ.

- For the sites that reported space heating with supplied heat but could not report consumed volumes in 2017-2018, the heat use was estimated based on floor area (primary data),

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and heating demand per m² for the region (IIESA data[1]). Heating demand for tropical and subtropical regions were assumed to be 0. Averaging heating demand based on the consumption of the sites that had reported the values was not reasonable due to the relatively small number of the reported sites, and large climate differences. For 2019 all relevant sites were able to provide primary data or specific higher-certainty estimations.

- For the US sites (excluding California – reported separately), heating demand in 2017-2018 was estimated in MJ/m² based on the floor area of facilities (primary data) and heating demand per m² for the state region (IIESA data¹, demand for tropical and subtropical climate is taken as zero). Share of district heating (supplied heat) in space heating demand was assumed to be in accordance with the US heat generation mix, based on the EIA data[2]. In 2019 reporting included acquired sites and was based on primary data and high certainty estimations.
- Emissions associated with supplied heat consumption were estimated flat for all locations. No consistent and reliable source was found to provide easily accessible information on district heating emission factors for the whole range of the countries, this resulted in selecting one uniform factor. The choice for the Dutch emission factors was made due to the location of the headquarters. Following precautional principle, the conservative assumption of CHP district heating was assumed. The emission factor is consistent with the method of IPCC 2013 for GWP 100a (global warming potential in 100 years' time horizon).
- Emissions associated with supplied cooling were estimated based on the primary data for consumed energy and the emission factor calculated with a primary data-based modelling of cooling production. Emission factor is extracted with balancing on the method of IPCC 2013 for GWP 100a (global warming potential in 100 year time horizon).

Data on electricity consumption was obtained from the sites in MWh when possible.

- For the sites that did not report the electricity consumption for year 2017 (2 sites, 3% of total floor area), 2018 electricity consumption was assumed to be equal. That is connected with the fact of facilities use predominantly by offices, that did not change in year 2018, and relative consistency in electricity intensity per floor area.
- For the sites that could not report electricity consumption in 2017-2018 because of the use of facilities shared with other companies,

electricity consumption was estimated based on floor area of the facility (primary data), function of the facility (office with warehousing or office without warehousing – primary data), and average electricity use per floor area by the reported sites based on their functionality. In 2019 electricity consumption was reported by the locations based on the primary data or higher certainty estimation based on similar principle.

- For the regions that report the data in 2017-2018 as a group while including facilities in several countries, the consumed electricity was distributed between the sites of different countries proportionally to the floor area, or if floor area was unknown - this was divided equally.
- Emissions associated with electricity consumption were estimated on the location-based approach. Emissions factors were extracted from the datasets of Ecoinvent 3.6 for respective regional electricity mixes, balanced on the method of IPCC 2013 for GWP 100a (global warming potential in 100 years' time horizon).

Energy consumption and Scope 2 emissions associated with transport refer to use of electricity for electric loaders at own warehouses, and in 2019 to the share of transport with a passenger car. These indicators are calculated only for the purposes of reporting within the chapter "Sustainable transport", and are included in overall electricity consumption. Electricity consumption for transport is estimated based on the number of electric in-house vehicles (primary data), estimated hours of work per year and electricity use per hour of work with a 15% time loading use (based on specifications of a commonly used articulated loader[3]). The share of passenger car transport with electric cars is calculated based on the estimated shares in the Ecoinvent 3.6 datasets, in Europe and the rest of the world separately. Emissions associated with electricity consumption were estimated on the location-based approach. Emission factors include a minor share of the upstream emissions (i.e. emissions occurring in the life cycle of electricity production prior to the electricity generation per se), and thus additionally account Scope 3.3 emissions. Emissions factors were extracted from the datasets of Ecoinvent 3.6 for respective regional electricity mixes, balanced on the method of IPCC 2013 for GWP 100a (global warming potential in 100 year time horizon).

Electricity use for facilities and associated with it emissions are calculated as a difference between the total electricity use and electricity use for transport.

Estimated GHG gases include CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, and others. The equity share consolidation approach was consistently applied in reporting. According to the Company's set targets, 2019 is becoming the base year for further reporting for assessments. Figures for 2017 and 2018 are presented as a benchmark for the 2019 performance, as a closest continuous identical periods of time to the reported year 2019. Figures for 2017 and 2018 were updated to reflect errata correction and update of emission factors. That decision made it possible to carry out the most consistent calculations and precise short-term, useful reduction calculations. More on that can be found in the respective following annexes.

[1] http://www.iiasa.ac.at/web/home/research/Flagship-Projects/Global-Energy-Assessment/GEA_Chapter10_buildings_hires.pdf

[2] <https://www.eia.gov/consumption/commercial/data/2012/index.php?view=consumption#c1-c12>

[3] <https://www.wackerneuson.eu/en/products/wheelLoaders/articulated-wheel-loaders/model/wl20e/type/TechnicalData/>

Other indirect (Scope 3) GHG emissions

Scope 3 transportation emissions volume was modelled based on the available data of delivery distance, mass and general means of transportation.

Logistics database extracts were used, containing the primary data on the netto mass of a product delivered, country and postal code of starting point and, country and postal code of the destination point. For the emissions calculations, the following assumptions and estimations were made:

- Mass of packaging for all of the products was estimated as 3% of the netto mass of the delivered products: the pessimistic estimate provided by the logistics department and harmonised with the active logistics software.
- 2% of the products (w/w) is estimated to be transported with refrigeration (based on a assumption of the logistics department).
- Three types of transportation mode is applied in the calculations depending on the geography of the points of origin and destination. All intra-continental transactions are assumed to be performed by road transportation (articulated lorry, based on the estimation provided by the logistics department). That also concerns all transportation in Europe with the island countries (Ireland, UK, Faroe islands, Malta and Cyprus). This is based on the fact of unknown actual routes of transportation, traditionally

preferred maximum of road transportation, and minimal share of such transactions. While a presumably non-material leg of the route can be covered by ferry transportation, impacts of road transportation per tkm of service are higher and thus the assumption presents a rather pessimistic approach, and does not underestimate the total emissions. Exception is made for Iceland in 2019, for which for 97%w/w of transaction means of transportation were identified specifically as air or sea (for the remaining 4% the default ratio of 10% by air and 90% by sea was applied).

- The inter-continental transportation includes road and intercontinental transport. Performed 100% by road is assumed transportation between: Europe and North Africa; Europe and Central Asia; Asia and Central Asia. Other intercontinental transportation is assumed to be performed 10% by air (air freight for high-importance transactions, a pessimistic assumption by the logistics department), and 90% by sea (transoceanic ship).
- Distances for the road transportation are calculated as distance by roads (including road with tolls) from postal code of start to postal code of destination, using Google Maps GIS. A one postal code territory is commonly small enough to reasonably approximate the location. When one of the postal codes is unknown or not identifiable by Google GIS (number does not exceed 5%), the regional postal code is taken, or in absence of the latter, the country postal code (based on the postal code of the central post office).
- Air freight transportation distance is identified as a straight line between the locations in question in Google GIS.
- Sea freight distance is calculated as a straight-line distance adjusted on the coefficient of 2,1516. The coefficient is extracted based on the analysis of the relation between straight-line distance in Google GIS and marine navigation distance[1] for a sample of locations that contained short-, medium-, and long-distance freight. The differences are assumed to be coming from the water routes available for navigation; manoeuvring; and navigation dispatching.
- Transportation services are calculated as a result of multiplying the mass of the delivered product with packaging by the transportation distance. The sum of transportation services volumes in tkm is adjusted, by adding a percentage equal to the percentage of "mass lost": mass of products for which no distance calculation was possible (does not exceed 1% of all transactions) over total mass of purchased products with packaging.

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- For each of the types of freight, two generic means of transportation were identified: with refrigeration and without refrigeration. Respective data sets are chosen from Ecoinvent 3.6 and approved as an approximation by the logistics department. The datasets are used to extract the GHG emissions factors per tkm of transportation services, balanced on the method of IPCC 2013 for GWP 100a (global warming potential in 100 year time horizon).
- Final GHG emissions are calculated as a product of transportation services for each mean of transportation and respective emission factor.

In view of gradual expansion of the geographical scope of reporting of Scope 3, the following geographical scopes are presented in the report:

- for 2017-2019 ("old scope"): EMEA without Serbia, Middle East and Africa
- for 2019 ("new scope"): EMEA without Middle East and Africa (South Africa included); Malaysia, Indonesia, India; the USA without Puerto Rico, and transactions of acquired assets of US Food and ET Horn.

Note for the calculations of specific emissions:

- for the companies acquired in 2019, the FTE count is included as at end of the year, while transportation transactions and EBITDA are only included as from the acquisition date. This should be taken into account when looking at the intensity KPI's per FTE, as it could lead to too high FTE numbers when not applying a pro rata (or average) contribution of FTEs to the total. The impact of the deviation is not expected to exceed 1%.
- for the companies merged in 2019, the FTE, EBITDA, and tons of product purchased indicators cannot be separated started from the date of the merger. At the same time, the transportation transactions for those cannot be included into the calculations until the full integration of the logistics systems, leading to possible higher FTE and EBITDA values than those respective to the included logistical transactions. In 2019, that is applicable to ET Horn which has been merged into IMCD US as from November 2019 and can therefore no longer be separated.

Organisational scope for the consideration (revenue) is defined by types of transactions, and is defined by the financial account of the sale. Such, the logistical transaction is count into the organisational scope if financially it is set on the considered region (scoped in company). The

transactions include intra-regional and inter-regional sales of a scoped-in IMCD company with delivery from the stock to a customer, intra-regional and inter-regional sales of a scoped-in IMCD company with direct delivery from supplier to the customer, intra-regional purchases of a scoped-in IMCD company with delivery from a supplier to the stock, and in 2019 (scope 2019) only interregional purchases of a scoped-in IMCD company with delivery from a supplier to the stock.

For sales with delivery directly from the supplier to the customer, logistical transactions are logged twice (as a sale and as a purchase). Due to database limitations, some discrepancies can occur. For 2017 (geographical and organisational scope 2018), the detected discrepancies constituted 0,14% of the considered volumes. For 2018 (geographical and organisational scope 2018), the detected discrepancies constituted 0,35% of the considered volumes. For 2019 (geographical and organisational scope 2019), the detected discrepancies constituted 0,04% of the considered volumes).

Sales volumes calculated through logistics data are compared for validation with sales volumes registered financially. Discrepancies can be explained by the scoping of merged companies, specifics of invoicing, and corrections. Discrepancies for 2017 (geographical and organisational scope 2018) constituted +2.9% of the considered volumes. For 2018 (geographical and organisational scope 2018) constituted -1.1% of the considered volumes. For 2019 (geographical and organisational scope 2019), constituted -3.3% of the considered volumes). To present a fair estimation of KPI for respective specific emissions, the volumes defined by the logistics data are taken in calculations.

Estimated GHG gases include CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, and others. The equity share consolidation approach was consistently applied in reporting. According to the Company's set targets, 2019 is becoming the base year for further reporting for assessments. Figures for 2017 and 2018 are presented as a benchmark for the 2019 performance, as a closest continuous identical periods to the reported year 2019. Figures for 2017 and 2018 were updated to reflect errata correction and update of emission factors. That decision allowed to carry out most consistent calculations and precise short-term, useful reduction calculations. More on that can be found in the respective following annexes.

[1] Tools used: <https://sea-distances.org/>

Energy intensity and GHG emissions intensity

Energy and GHG emissions intensity is calculated as a result of division of respective energy consumption or amount of emissions by the intensity base. Three intensity bases are used throughout the report:

- FTE: based on the primary data supplied by the HR department
- Mass of product purchased: based on the primary data, supplied by the controlling department
- EBITDA:
 - Total EBITDA is taken based on primary data on the Group level
 - EBITDA per region is calculated as EBITDA generated by the companies of the region plus proportionally allocated EBITDA of the holding companies.

Water withdrawal

Water withdrawal data is obtained from the sites in m³ (1000l) when possible. All sites use fresh water supplied by third parties (municipal water) – based on the information provided by the sites, apart from 270m³ of own surface water withdrawal in 2019 related to rain water harvesting.

- For the sites that did not report the water withdrawal for year 2017 (2 sites, 3% of the total by floor area), the equal to 2018 water withdrawal was assumed. That is connected with the fact that facilities use predominantly offices that did not change in year 2018, and relative consistency in water use intensity per floor area.
- For the sites that could not report water withdrawal in 2017-2018 due to the use of facilities shared with other companies, water withdrawal was estimated based on floor area of the facility (primary data), function of the facility (office with warehousing or office without warehousing – primary data), and average water withdrawal per floor area by the reported sites based on their functionality. Extreme outliers' data is excluded for the purpose of averaging. In 2019 water withdrawal was based on primary data and higher-certainty estimations provided by the locations.
- For the regions that reported the data in 2017-2018 as a group while including facilities in several countries, the water withdrawal was distributed proportionally to the floor area, or when floor area distribution was not available - equally between the sites. This was not relevant in 2019.
- For South Africa, where two locations were situated in areas with different water stress in 2017-2018, the total water withdrawal was

distributed between the two locations equally. Not relevant for 2019 when the sites have same water stress level.

- Water stress areas are identified as areas with baseline water stress high (40-80%) or extremely high (>80%), based on the data from the World Resources Institute, Aqueduct Water Risk Atlas. Accessed on May 1, 2019 for 2018-2019 reporting years; assessed on June 5, 2020 for 2019 reporting year.

Water discharge

Water discharge data is obtained from the sites in m³ (1000l) when possible. All sites use water for near-to-domestic use purposes or for production (consumed in the process and is not discharged), and hand it over for treatment to third parties (assumed not fresh water at the moment of hand over) – based on the information provided by the sites.

- For the sites that did not report the water discharge for year 2017 (2 sites, 3% of the total by floor area), the equal to 2018 water discharge was assumed. That is connected with the fact of facilities use predominantly by offices that did not change in year 2018, and relative consistency in water use intensity per floor area.
- For the sites that reported zero water discharge, or did not report water discharge while reporting water withdrawal in 2017-2018, water discharge was estimated to be equal to water withdrawal, based on correction of miscommunications of “discharge” during data collection, and validated by the RASQ Director.
- For the sites that could not report water discharge in 2017-2018 due to the use of facilities shared with other companies, water discharge was estimated based on floor area of the facility (primary data), function of the facility (office with warehousing or office without warehousing – primary data), and average water discharge per floor area by the reported sites based on their functionality. Extreme outliers' data is excluded for the purpose of averaging. In 2019, the values were reported by locations based on the primary data or higher-certainty estimation.
- For the regions that report the data in 2017-2018 as a group while including facilities in several countries, the wastewater generation was distributed proportionally to the floor area or if that information was not available equally between the sites of different countries (excl. SEE – see below).
- Water stress areas are identified as areas with baseline water stress high (40-80%) or extremely high (>80%), based on the data from the World Resources Institute, Aqueduct Water

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Risk Atlas. Accessed on May 1, 2019 for 2018-2019 reporting years; assessed on June 5, 2020 for 2019 reporting year.

Water consumption

Water consumption is based on local water withdrawal minus discharge. Water withdrawal reporting based on estimations is accounting for 16% in 2017, 14% in 2018, and 14% in 2019, respectively. Water discharge reporting based on estimations is accounting for 77% in 2017, 77% in 2018, and 39% in 2019, respectively.

Waste generation by type

Data on hazardous and non-hazardous waste generation is obtained from the sites in metric tonnes (1000kg). All sites hand over waste to third parties for treatment – based on the information provided by the locations.

- For the sites that did not report the waste generation for year 2017 (2 sites, 3% of the total by floor area), the waste generation was assumed to be equal to that of 2018.
- For the sites that could not report waste generation in 2017-2018 due to the use of facilities shared with other companies, hazardous and non-hazardous waste generation was estimated based on floor area of the facility (primary data), function of the facility (office with warehousing or office without warehousing – primary data), and average hazardous and non-hazardous waste generation per floor area by the reported sites based on their functionality. In 2019, the values were reported by locations based on the primary data or higher-certainty estimation.

Data on hazardous and non-hazardous waste treatment was obtained from the sites based on primary data and high certainty estimations. When no treatment was possible to identify or assume, method was indicated as "Handed over to certified 3rd parties for treatment (method unknown)".

Occupational health and safety

The rate of recordable work-related injuries, as well as the rate of high-consequence work-related injuries are calculated on a base of 200,000 worked hours, with an full time equivalent annual working hours equal to 2,080 hours.

Sustainability Report 2018. Errata

A few deviations occur in the Sustainability Report 2018 which are caused by slight calculation errors, and due to a changes in scope:

PAGE AND POSITION	REPORTED	SHOULD READ AS
p. 35, chart "GHG emissions from transportation, by refrigeration", Total transportation of refrigerated products 2018	2.8	2.1
p. 35, chart "GHG emissions from transportation, by refrigeration", Total transportation of non-refrigerated products 2018	106.7	78.8
p. 35, chart "GHG emissions from transportation, by refrigeration", Total 2018	109.5	80.9
p. 35, chart "GHG emissions from transportation, by destination", Total transportation within Europe 2018	107.3	78.7
p. 35, chart "GHG emissions from transportation, by destination", Total 2018	109.5	80.9
p. 36, table, line 3, Scope 3: Third parties logistics (Europe) 2017	109,443	78,890
p. 36, table, line 3, Scope 3: Third parties logistics (Europe) 2018	106,972	78,349
p. 36, table, line 4, road transportation 2017	107,698	77,144
p. 36, table, line 4, road transportation 2018	104,785	76,162
p. 36, table, line 7, total transport in Europe 2017	111,980	81,426
p. 36, table, line 7, total transport in Europe 2018	109,555	80,932
p. 36, table, line 8, Emissions intensity per FTE 2017	107.4	78.4
p. 36, table, line 8, Emissions intensity per FTE 2018	85.3	63.2
p. 36, table, line 9, Emissions intensity per tonne of purchased product 2017	0.1546	0.2162
p. 36, table, line 9, Emissions intensity per tonne of purchased product 2018	0.1541	0.2185
p. 36, table, line 9, Emissions intensity per Operating EBITDA 2017	1,113.7	822.9
p. 36, table, line 9, Emissions intensity per Operating EBITDA 2018	974.0	719.5
p. 37, last sentence, rate of recordable work related injuries based on 200 000 worked hours, 2018	0.47	0.38

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Changes due to an update of emission factors

In the 2019 IMCD Sustainability Reporting, certain changes were introduced to the emission factors as used in the models for the calculations of the greenhouse gas emissions.

Generally, most emission factors were changed from those extracted from Ecoinvent 3.5 (APOS library) to Ecoinvent 3.6 (cut-off library). In 2019, Ecoinvent updated its database to provide more recent and more accurate models and values (e.g. updating the inventories for electricity mixes from related to 2012-2014 data to 2016 data, providing more granularity and more accurate inventories for air transportation). To support more relevant reporting, it was decided to update our source for emission factors accordingly. This concerns emission factors for:

- Scope 1 transportation (road, warehouse transport)
- Scope 1 space and process heating
- Scope 2 + Scope 3.3: electricity consumption
- Scope 3 transportation (road, sea, air)

Changes due to an erroneous double counting of third-party transportation. During 2019, we noted that the information on third party logistics and

emissions contained an error. We noted that for internal transports (from one IMCD warehouse to another IMCD warehouse, the information reported contained both the inbound and the outbound shipping, therewith double counting the logistics and emission charges. In the comparative figures, the double counted charges have been eliminated.

Upon investigation of the Ecoinvent 3.6 processes similar to those from Ecoinvent 3.5 used in previous years, it was concluded that they are not suitable for the model. Additionally, no consistent and reliable source was found to provide easily accessible information on district heating emission factors for the whole range of the countries, leading to the choice in favour of one uniformed factor. Emission factors for supplied district heating were changed from those extracted from Ecoinvent 3.5 to the recommended by the Dutch Ministry of Economic Affairs and Climate Policy. The choice for the Dutch emission factors was made due to the location of the headquarters. Following the precautional principle, the conservative assumption of CHP district heating was assumed.

The tables below present the changes in calculated indicators caused by changes in the adopted emission factors.

EMISSIONS WITHIN ORGANISATION, SCOPE 1 AND SCOPE 2

Indicator	2017			2018		
	new factors	old factors 2017	change	new factors	old factors 2018	change
Direct energy carriers use (Scope 1)	6,283	6,190	2%	6,501	6,406	1%
natural gas	1,331	1,303	2%	1,331	1,303	2%
petrol	1,723	1,689	2%	1,764	1,729	2%
diesel	3,225	3,193	1%	3,401	3,368	1%
heating oil	5	5	-6%	5	5	-6%
Provided energy (Scope 2)	5,936	6,381	-7%	6,083	6,549	-7%
electricity	5,645	6,136	-8%	5,791	6,305	-8%
supplied heating	292	245	19%	291	244	19%
TOTAL energy consumption within organisation (Scope 1 and 2)	12,220	12,571	-3%	12,583	12,955	-3%
Intensity per ton merchanded	0.0178	0.0183	-3%	0.0136	0.0142	-3%
Intensity per FTE	5.39	5.55	-3%	4.50	4.63	-3%
Intensity per mln euro of operating EBITDA	73.56	75.67	-3%	60.60	62.39	-3%
Breakdown by activity						
Facilities	6,648.0	7,031.3	-5%	6,908.0	7,310.6	-6%
Transport	5,571.5	5,539.9	1%	5,675.3	5,644.3	1%
Process and fugitive emissions	336.2	336.2	0%	336.1	336.1	0%
TOTAL	12,555.7	12,907.4	-3%	12,919.4	13,291.0	-3%
Breakdown by region						
Energy associated emissions						
EMEA	4,356.6	4,342.6	0%	4,396.2	4,381.3	0%
Asia-Pacific	2,738.0	2,742.2	0%	2,818.2	2,823.0	0%
Americas	5,124.9	5,486.3	-7%	5,369.0	5,750.6	-7%
Total emissions						
EMEA	4,442.3	4,428.3	0%	4,481.9	4,467.0	0%
Asia-Pacific	2,820.5	2,824.8	0%	2,900.9	2,905.8	0%
Americas	5,292.9	5,654.2	-6%	5,536.6	5,918.2	-6%
Emissions intensity by region, per mln euro Operating EBITDA						
Energy associated emissions						
EMEA	41.3	41.2	0%	36.64	36.52	0%
Asia-Pacific	103.1	103.2	0%	95.55	95.71	0%
Americas	150.2	160.8	-7%	92.31	98.87	-7%
Total emissions						
EMEA	42.1	41.2	0%	37.36	37.23	0%
Asia-Pacific	106.2	106.3	0%	98.36	98.52	0%
Americas	155.1	165.7	-6%	95.19	101.76	-6%

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Own Transport (Scope 1 and Scope 2)	2017			2018		
	new factors	old factors	change	new factors	old factors	change
Scope 1: Direct energy carriers use for own transport:						
business trips with Company's transport, tCO ₂ eq	3,484	3,409	2%	3,607	3,530	2%
warehouse logistics, tCO ₂ eq	278	281	-1%	370	373	-1%
distribution, tCO ₂ eq	1,185	1,191	0%	1,187	1,193	0%
Total, tCO ₂ eq	4,947	4,881	1%	5,164	5,096	1%
Scope 2: Electricity use for own transport, tCO ₂ eq						
warehouse logistics, tCO ₂ eq	625	659	-5%	511	548	-7%
Total, tCO ₂ eq	625	659	-5%	511	548	-7%
Total emissions from transport use within organisations, tCO ₂ eq (Scope 1 and 2, excluding biogenic)	5,572	5,540	1%	5,675	5,644	1%
Emissions intensity per FTE						
Scope 1: Direct energy carriers use for own transport	2.18	2.15	1%	1.84	1.82	1%
Scope 2: Electricity use for own transport, tCO ₂ eq	0.28	0.29	-5%	0.18	0.20	-7%
Total, tCO ₂ eq/FTE	2.46	2.45	1%	2.03	2.02	1%
Emissions intensity per t merchanded						
Scope 1: Direct energy carriers use for own transport	0.0072	0.0071	1%	0.0056	0.0056	1%
Scope 2: Electricity use for own transport, tCO ₂ eq	0.0009	0.0010	-5%	0.0006	0.0006	-7%
Total, tCO ₂ eq/t	0.0081	0.0080	1%	0.0061	0.0062	1%
Emissions intensity per mln euro Operating EBITDA						
Scope 1: Direct energy carriers use for own transport	29.78	29.38	1%	24.87	24.55	1%
Scope 2: Electricity use for own transport, tCO ₂ eq	3.76	3.97	-5%	2.46	2.64	-7%
Total Scope 1 and 2, tCO ₂ eq/t	33.54	33.35	1%	27.33	27.18	1%
Sustainable Transport						
Transport Emissions (Scope 1, Scope 2, Scope 3) in Europe	new factors	old factors	change	new factors	old factors	change
Scope 1: Direct energy carriers use for own transport (in established scope)	2,440	2,392	2%	2,487	2,439	2%
Scope 2: Own electric transport (in established scope)	142	144	-1%	142	144	-1%
Scope 3: Third parties logistics (in established scope)	77,730	78,890	-1%	76,954	78,349	-2%
road transportation	76,920	77,144	0%	75,940	76,162	0%
sea freight	242	292	-17%	303	366	-17%
air freight	568	1,454	-61%	711	1,822	-61%
Total transport in Europe	80,311	81,426	-1%	79,583	80,932	-2%
Emissions intensity per FTE (in established scope)	77.30	78.37	-1%	62.17	63.23	-2%
Emissions intensity per t merchanded (in established scope)	0.213	0.216	-1%	0.215	0.219	-2%
Emissions intensity per mln euro of operating EBITDA (in established scope)	811.63	822.90	-1%	707.53	719.52	-2%

Colophon

Contact

Head office IMCD N.V.
Wilhelminaplein 32
3072 DE Rotterdam
The Netherlands
Phone: +31 10 - 290 86 84
Fax: +31 10 - 290 86 80

Concept and graphic design

CF Report, Amsterdam,
The Netherlands

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The Netherlands

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iStock
Shutterstock



