



One sustainable future

Innovation
through
formulation

Sustainability Report 2022

About this report

Introduction

This Sustainability Report sets out a comprehensive overview of our sustainability strategy, our business model and the extra-financial performance of Azelis in 2022.

Based on sustainability indicators, this Report describes our non-financial risks and opportunities, and summarizes the impact of our activities on our major stakeholders and our efforts to create value over time for all of them. It aims to provide a balanced picture of our activities in 2022, highlighting the challenges and risks we face as well as the progress we have made.

This Report also outlines Azelis' contribution to attaining the United Nations Sustainable Development Goals.



Action 2025

Our five-year sustainability strategy, *Action 2025*, embodies our ambition to be a world-leading provider of sustainable solutions and services in the specialty chemicals and food ingredients distribution industry, as well as an industry-leading innovation service provider. It commits Azelis to achieving a series of ambitious targets by 2025 across all the major sustainability aspects impacting our operations.

Our *Action 2025* program reflects the principles of international benchmarks used to track progress in sustainability, including the UN Sustainable Development Goals (SDGs), the ISO 26000 standard, the Responsible Care® / Responsible Distribution® programs, and the guidelines of the Global Reporting Initiative (GRI) that are used as a reference.

Methodology

Azelis is committed to maintaining a transparent and credible reporting environment that enables us to articulate our strategy, drive performance and maintain a dialogue with our business partners to meet their expectations.

We carry out a materiality assessment every three years with our stakeholders to help us identify the main extra-financial risks, opportunities and challenges faced by Azelis and to determine the key performance indicators (KPIs) for monitoring progress in these areas. The next materiality assessment will be done in 2023, in accordance with the requirements of the EU CSRD Corporate Sustainability Reporting Directive.

This Sustainability Report is based on the United Nations Global Compact initiative principles, ISO 26000 and the Global Reporting Initiative (GRI) guidelines that are used as reference.

As a company listed on the Brussels stock index (Euronext Brussels), this Sustainability Report constitutes Azelis' non-financial statement and is based on the requirements of the Belgian law regarding the disclosure of non-financial information (transposition of the European Non-Financial Reporting Directive (NFRD) 2014/95/EU).

The annexes to this report contain detailed information relating to our non-financial performance in 2022 and corresponding KPIs. An independent auditor has performed a review and has provided limited assurance (see page 113) on selected non-financial KPIs in this Report.

For detailed information about our methodology, please see pages 121-127 of this Report.

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A message from our CEO

One clear mission

Our mission to deliver innovation through formulation continues to drive our business forward. Azelis made strong progress in 2022, despite a challenging economic and geopolitical environment, thanks to our robust business model and the dedication of our people.

I met colleagues in many Azelis offices and locations during 2022 and I was deeply impressed by the commitment of our people to delivering sustainable value propositions at all levels of our business. Employees across Azelis have wholeheartedly embraced our sustainability strategy in terms of their understanding of what needs to be done and their determination to drive it forward.

Our across-the-board commitment to sustainability saw us become the top-ranked business in our sector in the 2022 global Sustainalytics ratings, which measures our exposure to environmental, social and governance (ESG) risks and how well we are managing those risks. That #1 position is recognition for all the hard work our employees have put in over the past few years.

We made good strides towards tackling climate change within the scope of our activities and on improving the diversity of our leadership teams. Regarding "Environment" and the second key sustainability KPI, carbon intensity emissions (Scope 1 and Scope 2), our 2025 target was achieved (see KPIs on pages 24-25) in 2022. The target realization has been impacted following improved calculation of the carbon intensity emissions since 2021 onwards, in addition to a slower increase in carbon emissions compared to the increase of revenues in comparison with 2021. Furthermore, specific carbon mitigation measures have been taken in 2022 such as installation of solar panels, sourcing renewable energy whenever possible and implementing mobility budgets amongst other actions.

The proportion of women on our senior management team increased from 23.5% to 31.8% in 2022. Since the launch of our biennial Employee Satisfaction Surveys in 2014, we have seen continuous improvement over the years. We achieved excellent results in our latest survey, exceeding our *Action 2025* targets on loyalty and working conditions and achieving our employee engagement target.

We developed thousands of formulations in 2022, many of which provide sustainable solutions to existing challenges, from using pea proteins as a mincemeat alternative to harnessing bacteria to produce pesticides



for organic farming. We have implemented tools for our lab community worldwide to measure progress in developing formulations which have positive impacts for society.

Our continued investment in our global laboratory network and digital platforms has strengthened our ability to innovate for principals and customers. In 2022 we increased the number of customer and principal portals and e-Labs, expanding our capacity to help customers in a virtual environment on a 24/7 basis, and completed the migration of all our IT systems onto cloud-based infrastructure.

Our sustainability leadership differentiates Azelis and helps our principals and our customers meet their own sustainability goals. Now that we are at the top of the Sustainalytics rankings, we must strive to stay there. We want to be a leader in our sector and that is why we are setting new targets where we have exceeded our *Action 2025* goals and why we are creating an annual fund, from 2023, to invest in climate change mitigation projects across our facilities.

Our annual revenue in 2022 rose to €4.1 billion, up from €2.8 billion in 2021, representing a year-on-year increase of 45.3% and we achieved €456.9 million of adjusted EBITA, a 164 bps margin expansion over the previous year. These excellent results were due to a combination of mergers and acquisitions and organic growth, underpinned by the key drivers of our business strategy: innovation, digitalization and sustainability.

In 2023 we will continue to pursue our purpose of working together with our principal partners and customers to make the world a better place. We are excited to meet the challenges ahead as we press on with accelerating our growth strategy, while creating value for all our stakeholders.

Dr. Hans Joachim Müller,
Group Chief Executive Officer

2022 highlights

Executive summary

At Azelis 2022 was a year of improvement and consolidation of our sustainability strategy as we aligned further with our investors' expectations. We introduced several new initiatives and increased our commitment to helping customers develop sustainable products through increased numbers of e-Labs and customer portals. We also approved a new annual fund for climate change mitigation projects and reached some of our *Action 2025* targets well ahead of time – including on carbon intensity and diversity.

We attained the highest ranking among a peer list of 178 international traders and distributors compiled by Sustainalytics, which makes Azelis the leader in sustainability in our industry and puts us in the top 5th percentile of more than 15,000 companies rated by the firm worldwide. The Sustainalytics ratings evaluate a company's exposure to Environmental, Social and Governance (ESG) risks and how well it manages them. We believe that the Sustainalytics rating, together with our EcoVadis® Platinum assessment achieved in 2021, affirms our continued strong performance across a broad range of ESG metrics.

In 2022 we engaged an independent auditor to help us enhance the substance and integrity of our sustainability reporting by providing limited assurance on a number of our KPIs, including the results of our employee satisfaction survey; the percentage of employees in talent pools; the percentage of revenue covered with ESG assessed suppliers through Together for Sustainability® audits and EcoVadis® assessments and TfS® audits, tools available through (TfS®); the number of material breaches of laws, regulations and ethical behavior policies; the percentage of employees being trained in ethical behavior policies; the percentage of employees that have passed our knowledge reviews; and the number of reports raised through our SpeakUp! Line. Our KPIs on the percentage of women in leadership positions and carbon emissions intensity received limited assurance in 2021 and 2022.



Photo: Karen Yee and Kimberly Chung, Azelis Singapore.

We intend to improve our performance further in the coming years with a focus on waste management and the continuous identification of sustainable products. Where we met our targets early, we will review them as a demonstration of our determination to improve even further.

Our *Action 2025* strategy – based on the four pillars of People, Products and Innovation, Governance and Environment – continues to spur us on and forms the basis on which we pursue our one global mission to be a leading provider of sustainable products and services in our sector. In 2022 we made advances on each of these four pillars.

In the **People** area we increased the proportion of women on our senior management team to 31.8% from 23.5%. We carry out Employee Satisfaction Surveys every two years and achieved strong results in our latest survey, exceeding our *Action 2025* target scores on loyalty and working conditions and achieving our target for employee engagement.

On **Products and Innovation** we opened a second Regional Innovation Center, in Singapore, and initiated upgrade construction work on a third Center, in the US, which will open in 2023. In addition, we opened a Regional Competence Center for Meat and Meat Alternatives in Poland. On the industrial side, we moved our lubricants and metal working fluids laboratory from Germany to Italy, where it will become a Regional Competence Center for Industrial Applications in 2023. We continued to develop the local capabilities of our labs, and we now run more than 60 laboratories globally. While we made good progress on supply chain monitoring through our membership of Together for Sustainability®, we also identified challenges in collecting information on the number of sustainable products in our portfolio and will revisit the issue in 2023 with a new approach.

Thanks to our new team of Sustainability Coordinators and our training programs for suppliers in 2022, we increased the percentage of our ESG assessed turnover from 55.8% to 75.2%. This brought us close to our *Action 2025* target of 80% coverage of turnover assessed.

In the field of **Governance** we are delighted with a nil score on our KPI related to material breaches of law and regulations in 2022. The main focus within our compliance program has been to ensure continued compliance with our new duties as a publicly traded company and maintaining open communication with the Belgian regulator to further comply with our public disclosure requirements. We carried out an extensive review of our internal rules of procedure, and implemented training on our newly issued Dawn Raid policy. In addition, we agreed a program to develop business continuity and crisis management plans for each of our sites.

On **Environment** our 2025 carbon intensity (tCO₂e/mn€ sales) for Scope 1 and Scope 2 target was achieved in 2022 with a measured carbon intensity of 3.48 LB / 3.36 MB versus the target of 3.57 to be achieved by 2025 (baseline year 2019 (4.76 tCO₂e/mn€ sales). As a sign of our commitment to continue that progress, we decided to increase investment from 2023 onwards in climate change mitigation projects (€1.5million/year) across our facilities worldwide, including through the installation of more solar panels and the introduction of further energy efficiency measures. We are committed to using renewable energy sources wherever possible. Although our global percentage of renewable energy consumption decreased to 9.43% in 2022 compared with 12.46% in 2021 (following acquisitions of two companies in the Americas and APAC regions which do not use renewable energy sources), there was an increase of 3.9% in absolute terms in our consumption of renewable energy in our EMEA operations in 2022. We migrated all IT systems to cloud-based infrastructure, delivering significant reductions in emissions. On waste management, we made limited headway in calculating the exact amount of waste we generate and will intensify efforts to improve measurements in 2023.

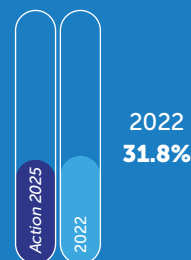
Overall, in 2022 Azelis continued to advance towards integrated reporting of its financial and non-financial performance across the organization. We expect to publish our first integrated report in 2025 covering the 2024 financial year so that sustainability is an integral part of our business strategy. Our appointment of a Group Sustainability Coordinator and three new Regional Sustainability Coordinators will help achieve this goal as they work together to establish one rigorous global ESG reporting system on a monthly basis.



People

Proportion of women in our senior management team

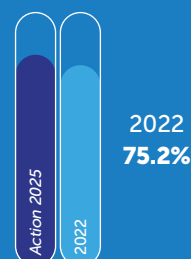
Action 2025 target: 30%



Products & Innovation

Proportion of turnover covered by ESG assessed suppliers

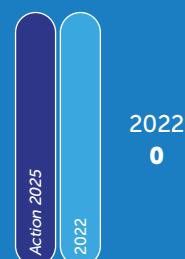
Action 2025 target: 80%



Governance

Number of material breaches of law and regulations

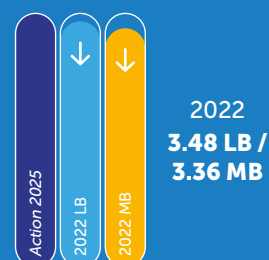
Action 2025 target: 0



Environment

Carbon intensity emissions, Scope 1 & 2 tCO₂e/mn€ sales

Action 2025 target: 3.57*



* In 2021, Scope 2 emissions were not calculated market-based and location-based. More information can be found in the Methodology section of this Report.

Azelis at a glance

About us

Azelis is a leading innovation service provider in the specialty chemicals and food ingredients industry.



Operating in:
EMEA
Americas
Asia Pacific



2,700+ principals &
59,000+ customers



3,825 employees



117 offices in
63 countries



60+ application
laboratories and
Innovation Centers



28 innovation
awards
(2015-2022)



Fully integrated
digital platforms
such as e-Labs and
customer portals

75.2%

proportion of 2022
revenue covered
with ESG assessed
suppliers



45.3% revenue
increase in 2022
to **€4.1 billion**

Through our lateral value chain we distribute specialty chemicals and food ingredients supplied by major manufacturing companies (our 'principals') to manufacturers of consumer products for the Life Sciences and Industrial Chemicals end markets (our 'customers') across multiple geographies. Using our laboratories and technical expertise, we combine chemicals from different principals to develop innovative and sustainable formulations for our customers' products – from sun lotion, soap and seed coatings to hand cream, non-hazardous and durable coatings and meat-free burgers. Once these formulations have been finalized and tested with our assistance, we are also able to help with the sales and marketing of these products.

This concept of the lateral value chain is an essential attraction for all our business partners. It means that we can create innovative and sustainable formulations for our more than 59,000 customers, and we can extend the reach of our more than 2,700 principals into new markets and help inform their R&D programs.

Our emphasis on innovation through formulation is part of our heritage. Azelis was created in 2001 through the merger of Novorchem/Italy and Arnaud/France to create a chemistry-driven specialty distribution platform, as envisioned by Azelis' founder, Dr. Hans Udo Wenzel. Our roots go back to 1898 with the formation of the chemical distributor Chance & Hunt/UK which became part of Azelis in 2002. Our longstanding values of entrepreneurship, knowledge, focus and respect are very much part of what drives us today.

We are a global business, headquartered in Antwerp/Belgium, with over 3,800 employees in 63 countries across EMEA, the Americas and Asia Pacific at the end of 2022. Azelis was publicly listed on Euronext Brussels in 2021 and our annual turnover was € 4.1 billion in 2022.

Our business model and strategy for value creation are driven by innovation, digitalization and sustainability. We have over 60 application laboratories worldwide, where we enhance existing formulations and develop new ones for our customers, including products that meet increasing sustainability demands, and where we benchmark product performance.

The combination of our lateral value chain, our technical expertise, and a vast catalog of formulations developed over the years allows us to bundle products and develop innovative formulations for our customers. Our digital platforms (customer portals, e-Labs) give them access to our capabilities in real-time and reduce time to market. Our innovative tools and formulations expand the market for our principals' products and empower them with valuable insights on emerging market trends that contribute to shaping products for the future.

Our purpose encompasses our commitment to ensuring that Azelis makes a positive contribution to society and the environment. Our *Action 2025* sustainability strategy outlines how we will achieve our ambition to be the industry's leading distributor of sustainable solutions and services. Developed in partnership with our stakeholders, *Action 2025* commits us to ambitious targets in the areas of Environment, Products and Innovation, People and Governance. We report regularly on our progress towards these objectives.

Mergers and acquisitions create value for all our stakeholders as we expand into new market segments, deepen our cooperation with strategic principals, strengthen our ability to innovate and ensure best practices in sustainability in all our markets.

In this way we are driving demand for sustainable products, encouraging R&D into sustainable materials, and helping to increase the sustainability of the specialty chemicals and food ingredients sector.

Our purpose

At Azelis, our 3,800+-strong team is united and inspired by one shared purpose: together we strive to make the world a better place as the connectors and creators behind endless new possibilities, touching the lives of people everywhere, in ways that are both everyday and extraordinary.

Our values

Our values define who we are and what we stand for. They are embedded in everything we do and in each step we take on our journey towards a more sustainable and innovative future.

We are entrepreneurial

We embrace a culture of ambition and innovation that empowers our people, ensuring they can explore different ways of thinking for our customers and principals.

We are focused

We deliver unrivalled service and build trusted partnerships, providing uniquely tailored solutions in response to deep local knowledge and emerging market trends.

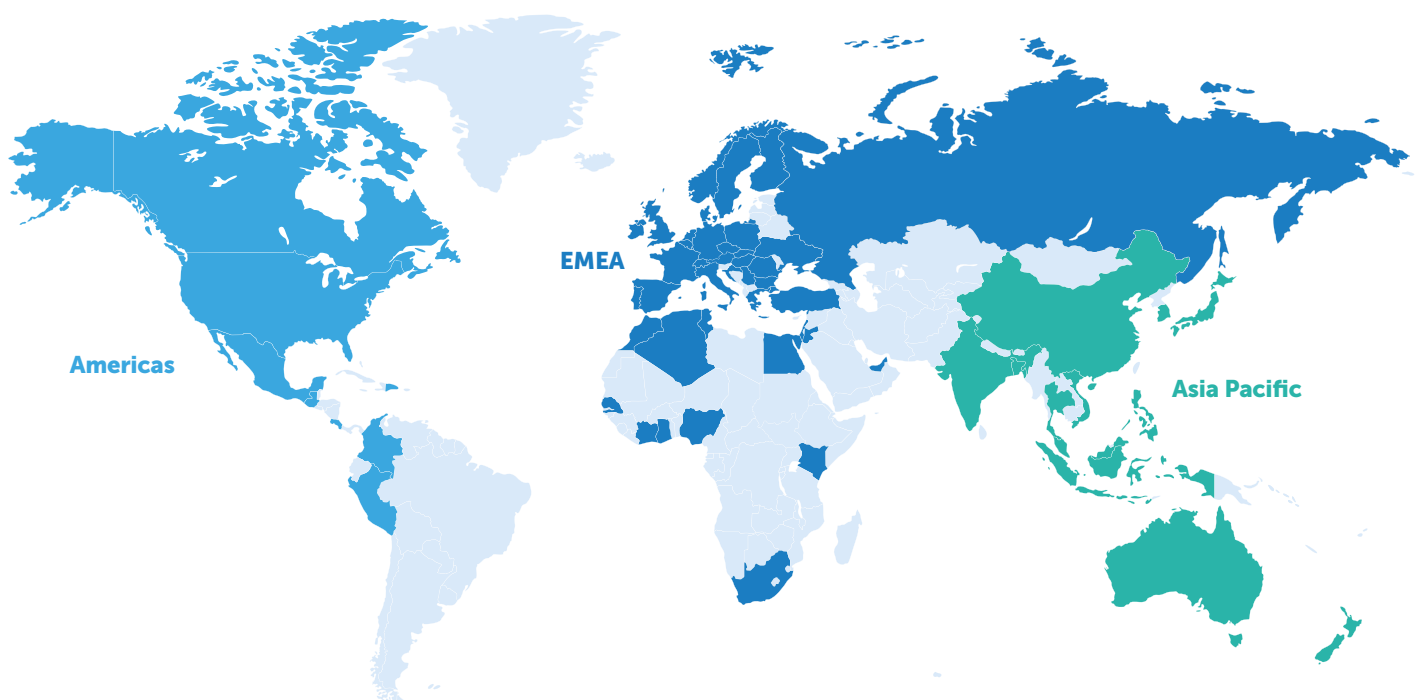
We are respectful

We balance ambition with humility as we strive to become a benchmark for sustainability, dedicating our professional lives to the future of our customers, our principals and our planet.

We are knowledgeable

We collaborate with principals, colleagues and customers, combining ideas and expertise to deliver market-leading solutions that improve people's lives globally.

Our presence around the world



Our strategy for sustainable growth

We achieve growth in three main ways: by expanding the number of principals we work with, by increasing the number of customers we serve, and through mergers and acquisitions. Despite the global economic conditions, 2022 was a successful year of growth for Azelis in all three areas.

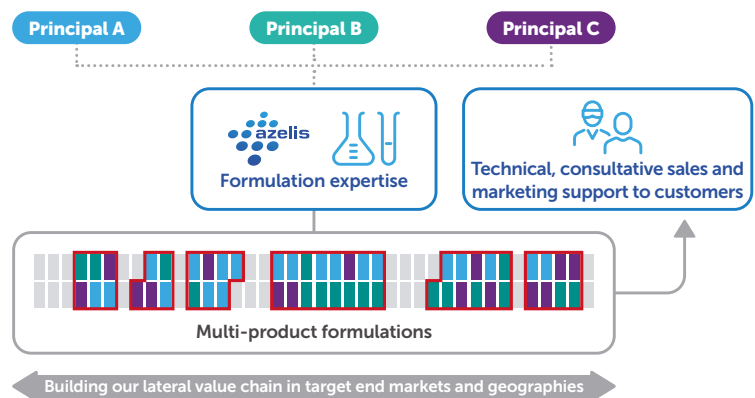


Growth with principals

By acting as a trusted technical sales resource, solutions provider and distributor for our principals, we help them to accelerate growth in markets where they are already present, and to enter new markets. Our strong focus on sustainability allows our principals to advance their sustainability agendas by bringing environmentally friendly and healthy products to market. As our reputation grows in these fields, we earn extended distribution agreements from existing principals and sign new ones with other principals across the globe.

Growth with customers

Our lateral value chain and digital platforms help improve existing products and develop new ones with new formulations – increasing our customers' sales and growth opportunities. By expanding our mandates with principals, developing a broader portfolio of products and identifying sustainable alternatives, we are winning new customers and unlocking new formulations for existing customers.



Growth through acquisitions

The market for specialty chemicals and food ingredients is large and highly fragmented, which presents opportunities for consolidation. We acquire other companies with the aim of leveraging our scale to help them grow and extending our lateral value chain.

When considering mergers and acquisitions we look for companies that share our business model and values. We carry out rigorous due diligence before purchases together with post-merger integration programs that ensure we create value for all stakeholders. Acquisitions are also an opportunity for us to extend compliance with high ESG standards in the industry around the world. As soon as new companies join our group, we begin the process of aligning their performance with our four sustainability pillars.

In 2022 we completed 12 acquisitions, of which 7 were in EMEA, 4 in Asia Pacific and we entered South America with the acquisition of ROCSA in Colombia.

Our key business drivers

We aim to be a world-leading innovation service provider for the specialty chemicals and food ingredients markets. Leveraging our lateral value chain, our business strategy is focused on a threefold commitment to encouraging innovation, digitalizing our operations, and ensuring that sustainability is at the heart of everything we do.

Driving innovation together: leadership in innovation

Formulation expertise is critical to success in specialty chemicals and food ingredients distribution. Azelis has established a large network of laboratories with more than 60 application laboratories worldwide. These application laboratories deliver a number of important services for customers including the development of new formulations, enhancement of existing formulations and benchmarking of product performance. Our online formulation tools, Azelis e-Labs, complement our leading physical laboratory network by enabling customers to explore new innovations in a virtual environment.

Taking action together: leadership in sustainability

Sustainability is at the heart of Azelis' business model and is fundamental to what we do. Sustainability themes are gaining prominence among principals and customers, increasingly influencing their decisions as to whom they partner with. At Azelis we help principals and customers meet their sustainability objectives by helping them to create products and formulations that reduce their environmental footprint. Our new formulations enable customers to replace traditional chemical ingredients with new sustainable alternatives (e.g., hydrocolloids), producing superior product qualities and delivering sustainable value (e.g., energy conservation and water reduction).

Building connections together: leadership in digitalization

Azelis benefits from a strong digital backbone which comprises integrated resource planning systems, global customer relationship management and a master data and analytics hub. We aim for our digital technology backbone to be built upon tools that are scalable, future-proof, harmonized, secure and highly resilient, creating value for our customers and principals as well as internal efficiency gains and the capability to generate new business insights. This capability empowers management to take decisions quickly and effectively as they rapidly identify and address business issues. In 2022, we significantly increased the number of customer portals from 50 to 105 and the number of e-Labs from 10 to 14 as our one innovative culture enhanced our capacity to help customers develop sustainable products.



We have been steadily ramping up our digitalization and we have embedded a digital platform ecosystem into our business practices. We now deliver engaging and personalized digital experiences to our customers and principals, deploying best-in-class digital touchpoints to enhance these experiences and drive future growth.

Dr. Heli Kilpala, Group Strategy and Digitalization Director

Trends shaping the chemical distribution market

There is a growing demand from the customer for value-added services and support, with digital capabilities playing a key role as an enabler and differentiator. A new generation of buyers are comfortable doing their own product searches online and using online platforms to narrow down suppliers, innovations, and products in line with their needs. Distributor touchpoints are dedicated to understanding the value the distributor can bring in testing, launching, and growing the market for new solutions.

Sustainability and market disruption

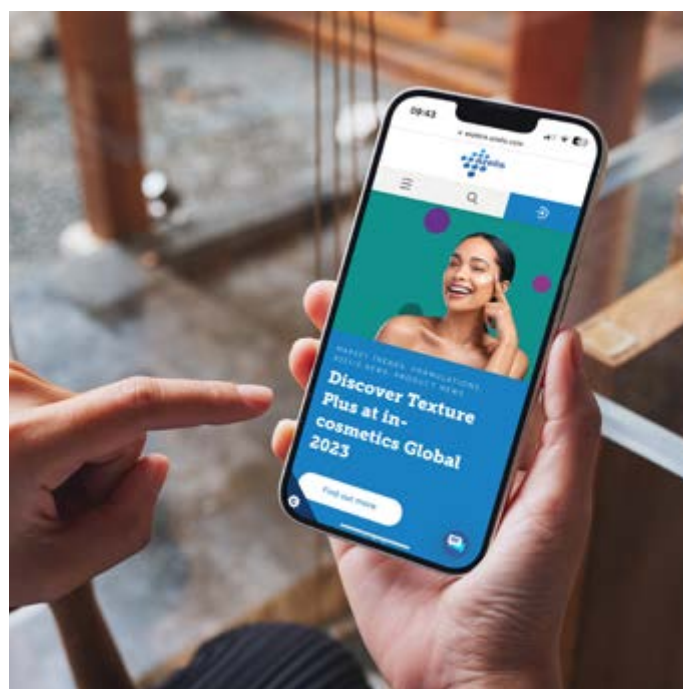
The specialty chemicals field is characterized by rising regulatory requirements driven by mature markets as well as professionalization in emerging markets. An increasing focus on sustainability drives increasing demand not only for compliance, but also for alternative sustainable solutions (such as reduced water content, animal free products, sustainability and affordability without compromising product quality). The customer base of our principals is becoming more complex especially in the smaller customer segments, where smaller disruptions dictate trends following unconventional processes and management methods. In Personal Care, for instance, independent, innovative and purposeful brands are defined as Indie Brands. Principals often need their specialized distributor partners to manage those brands.

Consolidation of distributor relationships

Principals continue to expand to growth markets (e.g. Asia Pacific, Latin America, and Africa) and use distributors as local access. At the same time they have an ambition to consolidate their distributor relationships to streamline their relationships. Larger (global) players in specialty chemicals distribution that are continuously expanding their market and regional coverage, with local, advanced technical, regulatory, marketing, sales and digital capabilities, are best positioned to benefit from these market trends as compared to small local players.



Photo: Christopher Neff,
Azelis United States.



Our business model to create value for our stakeholders

Our resources

Human and societal capital



3,825 skilled, experienced employees



8 years average tenure



42 average age of employees



% of female/male/
chose not to disclose:
53.4%/46.4%/0.2%



77 nationalities

Financial capital



Asset-light business model



Strong equity/debt position



Funding for net working capital, enabling growth



Listed on Euronext Brussels

Intellectual capital



117 offices in **63** countries



2,700+ principals & **59,000+** customers



60+ application laboratories and Innovation Centers

2,000+

Customer-facing employees

Environmental capital

9.3

MWh of energy consumption

Our value creation model

Our purpose

We strive to make the world a better place. To be the connectors and creators behind endless new possibilities; touching the lives of people everywhere, in ways that are both everyday and extraordinary. It's a purpose that's driven through one shared ethos: **Innovation through formulation.**

Our growth drivers

Innovation
Sustainability
Digitalization

Our ambition

To be the world-leading innovation service provider in the specialty chemicals and food ingredients distribution industry

Our values

Entrepreneurial
Respectful
Focused
Knowledgeable

Our partnerships for sustainability



Our added value to principals

Global partner with local footprint
Market knowledge, data and insights
Sales partner with deep technical expertise across end-markets
Managing complexity & aggregating demand

Innovation through formulation

Our added value to customers

Full suite of products (lateral value chain)
Technical, consultative sales, both face-to-face and digital
Innovation services & regulatory support
Speed and reliability of delivery

The global leader in innovation services through the following specific end-markets in specialty chemicals and food ingredients:

Life Sciences

Agricultural & Environmental Solutions
Animal Nutrition
Food & Nutrition
Home Care & Industrial Cleaning
Personal Care
Pharma & Healthcare

Industrial Chemicals

Advanced Materials & Additives
CASE
Electronics
Essential Chemicals
Fine Chemicals
Lubricants & Metal Working Fluids

Oilfield
Textile, Leather & Paper

Industry trends relevant to Azelis in 2022

- Streamlined distributor relationships
- Growing demand for value-added services
- Greater regulation
- Trends towards sustainable formulations
- Greater movement towards digitalization including product information shifting online and upper funnel of sales journey

Value creation for our stakeholders

Employees



'Working conditions'
Employee Satisfaction
Survey score: **75/100** ★

2,523

employees
completed a
performance
review



33.9% of internal
promotions vs.
vacancies/open
positions



Average number
of training hours
per employee:
15.9

98.6%

of employees
trained in ethical
business behavior ★

Investors and shareholders



€4.1 bn
Revenue in 2022



Strong cash generation:
free cash flow conversion of **94.8%**

Principals and customers



Extensive product portfolio
with **~78,000** stock keeping
units (SKU) sold in 2022



Principal satisfaction
survey results: **4.26/5**

75.2%

of our revenue covered with
ESG assessed suppliers ★

Environment and society



2 environmental
accidents in owned and
external warehouses and
during transportation ★



Carbon intensity CO₂ emissions
per € millions of sales
(Scope 1 and Scope 2) =
3.48 LB / 3.36 MB ★

★ = KPIs which are part of the *Action 2025* framework

Contributing to UN SDGs



Interview with Thijs Bakker, Azelis Group CFO

Towards integrated reporting



How did Azelis perform financially in 2022?

The stars aligned for us in 2022 and we had strong organic growth with our principals and our customers across all regions. On top of that we executed our M&A strategy well and we entered the South American region with the acquisition of ROCSA in Colombia and complemented our industrial chemicals platform in Africa and the Middle East by acquiring the Lebanese-headquartered business Chemical Partners.

How closely linked are sustainability performance and financial performance?

Sustainability is vital to our financial performance as one of the underlying engines of our business strategy. Many of our principals and customers have a sustainability agenda and we see ourselves as working on the front line to help everyone to adopt more sustainable formulations.

We constantly offer our customers alternative formulations that are better for the environment, and we see that as one of our core responsibilities. Our ambition to help make a positive difference and set new trends also provides us with new sales opportunities and expands our business.

One reason we posted such good financial results for 2022, despite global economic uncertainties, is due to demand for product reformulations that take sustainability into account. You can see that in our food labs with the increased demand for meat alternatives and vegan products. In our personal care formulations, we are responding to demand for more natural ingredients and in our seed treatments for agriculture for increased crop yields using up to 80% less water.

We have anticipated and adapted well to trends. In France, which is one of the first countries to introduce a Nutri-Score™ system for food items to tackle obesity, we worked with a large bakery to reformulate their brioches with more fiber, less sugar and less fat. We earned an A rating for this traditional food item while maintaining the same taste. By helping the bakery create a healthier product, we gained new business for ourselves and new business for them.

As Azelis Group CFO how much importance do you attach to sustainability key performance indicators (KPIs)?

A great deal, as they are critical to what I do. Sustainability is part of the monthly performance review cycle, and all our financial controllers have sustainability KPIs as part of their annual objectives. When acquiring companies, we make sure to bring these companies towards higher reporting standards and we convert them to our ESG platform. I know those measurements are watched by investors, which is especially important for us as a public company.

We need to measure our sustainability performance so that we can make improvements and because anything that affects our reputation can impact on our bottom line. That is why we're moving to integrated financial and non-financial reporting to measure and report on our performance.

What is Azelis' strategy for further integrating sustainability with business development?

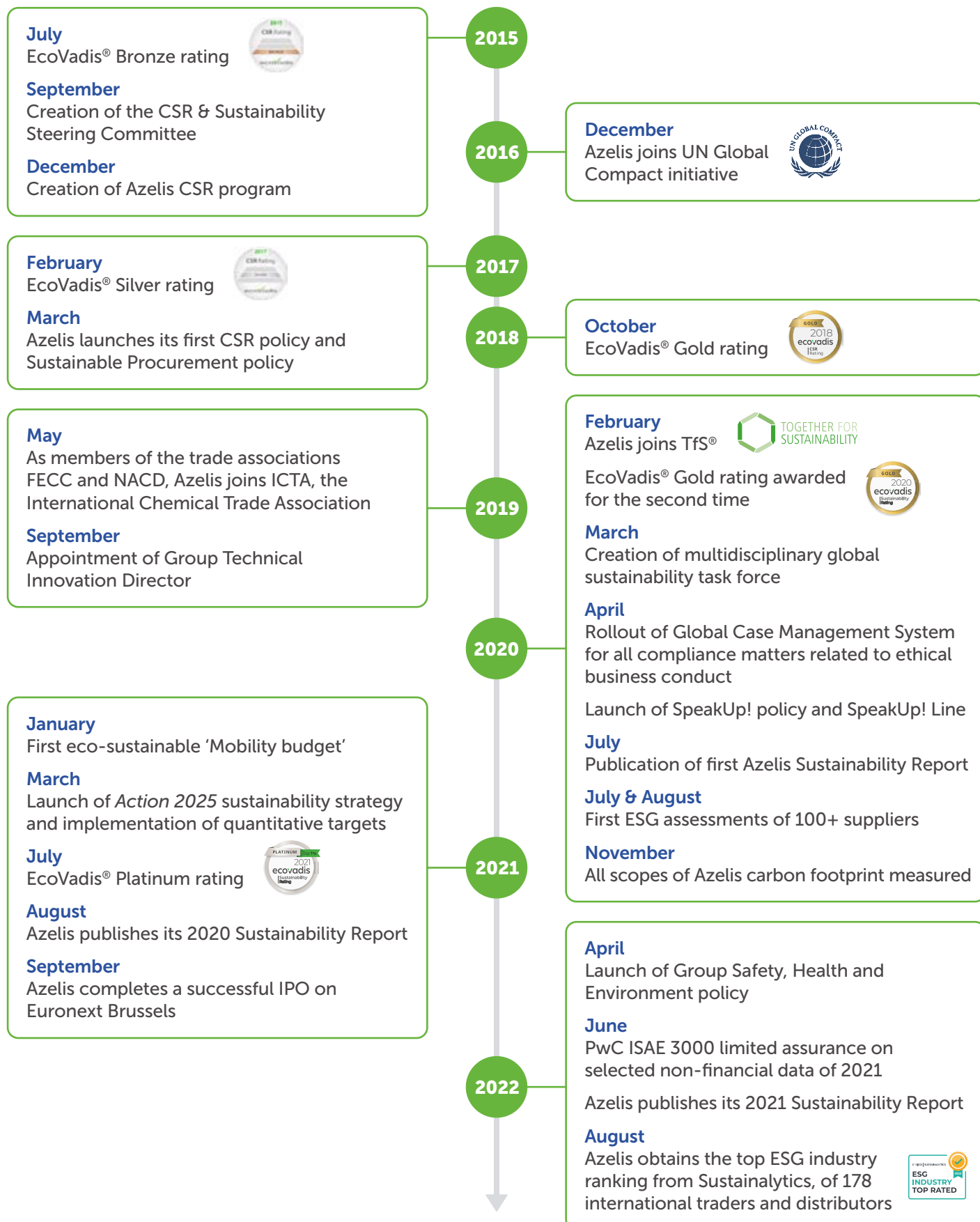
Sustainability, along with innovation and digitalization, is one of three key drivers for Azelis' growth strategy.

We will continue to increase our active dialogue with principals, customers, industry bodies and regulatory authorities concerning what constitutes a sustainable product or formulation as this evolves with industry best practice.

Our digital platforms enable us to anticipate trends in the life sciences and industrial chemicals sectors and ensure that product efficacy and sustainability go hand in hand, while also helping us engage with and inspire our principals and customers. I'm really enthusiastic about our e-Labs because they're a powerful digital touchpoint for customers who can remotely upload a formulation or get in touch with our technical experts. We want to communicate more to our stakeholders about our digital capabilities and our formulation platforms to maximize the potential for further commercialization and for our ideas to have a positive impact.

Sustainability highlights 2015-2022

Gathering momentum in sustainability



Our #1 industry ranking from Sustainalytics

In August 2022 the global ratings agency Sustainalytics awarded Azelis the highest environmental, social and governance (ESG) ranking in a peer list of 178 international traders and distributors.

In Sustainalytics' global universe, Azelis ranked 609 out of 14,448, putting us in the top 5th percentile of all the companies it assesses.

Based on a scoring system from zero (no risk) to 40+ (severe risk), we were awarded a tally of 12.4. Our score puts us firmly in the 'low risk' band of 10-20. Azelis received the lowest risk assessment rating in our industry.

Given that the Sustainalytics ratings evaluate a company's exposure to material and industry-specific ESG risks – as well as how well it manages them – we view the 2022 assessment results as welcome confirmation of our strong performance across a broad range of ESG metrics.

The ranking reflects the lowering of risk that has been achieved over the past few years through the implementation of new policies, controls and measurements, as well as the effort we have put into executing our strategy. It validates our rigorous approach to measuring our sustainability performance, while also serving as a further incentive to continue setting the pace on sustainability.



We're thrilled to receive the top ranking in our industry from Sustainalytics. It recognizes the effort that everyone at Azelis puts into executing our sustainability strategy and validates our rigorous approach to mitigating our risks. From a capital markets perspective, it facilitates easier benchmarking of our sustainability performance.

Pamela Antay, Senior Vice President,
Investor Relations



Ranked **#1** by
Sustainalytics
in a peer list of
178 international
distributors and
traders

Managing our risks and opportunities

Risk management is vital to the success of the Azelis business model as it helps to insulate the company from risks such as breaches of safety, health, environmental and quality (SHEQ) regulations, unscheduled interruptions and unexpected costs. Our robust risk management allows us to strengthen our performance, achieve our financial targets and advance towards our ESG ambitions.

2022 was the first full year in which our new integrated governance, risk and compliance tool was in operation. The new tool has allowed us to collect and share information on risk more efficiently while centralizing our risk management processes. These processes are based on our Enterprise Risk Management (ERM) framework, which is fully integrated with our strategy and operations.

Our governance of risk management

The Azelis Board of Directors plays a central role in the ERM process by assessing the financial and non-financial risks that we face and determining our risk appetite. This process is conducted with the participation of the Azelis Executive Committee (ExCom). Once identified, risks are assessed, and mitigation measures are agreed for priority risks.

The ExCom assigns responsibility to designated managers ('risk owners') to implement the agreed mitigations. During audit assignments, our internal audit team tests the effectiveness of the mitigation measures and reports its findings to the Audit Committee. This ensures objective monitoring that is independent from management. The internal audit team and external auditors discuss and share audit plans and results on a periodic basis. Audit Committee meetings include the option for presentations on key risk topics from our compliance, internal audit and data security teams.

Integrated reporting on our compliance and risk programs is reviewed every three months by our Group CEO, Dr Hans Joachim Müller, Group CFO, Thijs Bakker and Chief Compliance Officer Gerrit De Vos. The Chair of the Audit & Risk Committee, Tom Hallam, and our Group CFO act as sponsors for all matters relating to audit, data security and compliance.



Risk management is a fundamental feature of Azelis' business model that is vital to our business strategy, which integrates financial and sustainability objectives. Our Enterprise Risk Management (ERM) framework includes a global risk management approach, fully integrated with our strategy and operations. This, combined with internal control and internal audit, helps us to achieve both our financial and ESG targets.

Martin Kennedy, Head of Internal Audit

Risk management framework



The Azelis ERM process focuses on timely risk identification, systematic assessments, and adequate responses that are in line with the company's risk appetite. We integrate a broad array of risk factors into the ERM process, resulting in a comprehensive risk management approach that increases our effectiveness and efficiency and contributes to the sustainable growth of our business.

We follow the well-established COSO ERM framework in our risk assessment process. This defines essential risk components, outlines key principles and concepts, and provides clear direction and guidance for ERM. The aim of our ERM framework is to focus management's attention on the most important threats and opportunities we face. It also helps to establish the foundations for risk response and to make sure risk levels are managed within defined tolerance thresholds and without excessive controls that could result in Azelis missing opportunities for business growth.

Streamlining our risk oversight

To support our ERM framework, our customized governance risk and compliance platform creates efficiencies in our control self-assessment processes, risk management reporting and internal audit assignments.

The control self-assessment process takes place at a local entity level, allowing for a bottom-up approach so that potential risks and mitigation plans can be put in place on the ground. At group level we use ERM processes to apply a top-down approach to identifying and assessing any future global risks to the company that could be overlooked in a bottom-up evaluation.

Our risk assessment process in 2022

The Azelis risk register contains more than 100 risks, including those linked to sustainability.

In our current ERM cycle, management across all our regions was asked to score the 41 priority risks identified in the risk register in terms of impact and likelihood. In addition, internal audits were completed in Europe, the Middle East, Africa, the Americas and Asia Pacific. Results from both exercises were shared with the Audit Committee and recommendations for follow-up were made to ensure appropriate actions are taken. Although we update our risk register every three years, with the next due in 2023, we are able to add new risks to the register each year if needed.

In 2022, management of cybersecurity was ranked as our priority risk. Please see the section on Governance (page 95) in this report for how we address this.

A detailed assessment of our financial, strategic, operational, legal and compliance risks and risk mitigation is set out in the Annual Report published in March 2023, pages 95-99.

Our financial risks

We use an integrated Enterprise Resource Planning platform to streamline our procedures and operating models and promote operational excellence across the Azelis group. We are continuing to improve the effectiveness of this platform and regularly introduce enhancements to standardize our systems and processes. Our key financial risks are controlled by the Group Finance team in conjunction with local finance and business managers.

Our main non-financial risks

Risk assessment continues to play an important role in shaping our sustainability strategy. With reference to the requirements of the European Union Non-Financial Reporting Directive, we have identified the main non-financial risks arising from our activities using our ERM framework and sustainability materiality matrix. For detailed information about these risks, and how we mitigate them, please read the sections of this report on People, Products and Innovation, Governance and the Environment.

Action 2025



One vision for sustainability

Action 2025 – one vision for sustainability

Sustainability is a critical part of our value proposition, our identity, and our business model. Our sustainability strategy, *Action 2025*, sets out how we plan to generate sustainable value for our stakeholders and ensure that our operations have a positive impact on the environment and on communities around the world.

The strategy was launched in 2021 and commits us to achieving a series of ambitious targets by 2025 across four pillars: People, Products & Innovation, Governance, and Environment. We measure our progress on all four pillars of this strategy by using KPIs and other metrics. For the metrics, the Global Reporting Initiative (GRI) is used as a reference. Additionally, we keep the *Action 2025* targets and KPIs under ongoing review as our ambitions continue to grow.

We report on our sustainability performance on an annual basis as part of our *Action 2025* commitments.

Action 2025: key progress in 2022

- Reinforcement of our *Action 2025* strategy.
- Recognition as a sustainability leader via the #1 position in our industry in the Sustainalytics ratings.
- Limited assurance by PwC of more of our KPIs regarding our People, Products & Innovation, Governance and Environment ambitions.
- Alignment with investor and rating agency expectations on reporting with the publication of our 2021 Sustainability Report.
- Completion of ESG assessments of 75.2% of our total turnover in conjunction with Together for Sustainability® (objective 80% by 2025).
- Further progress towards integrated reporting with the appointment of a Group Sustainability Coordinator and a Regional Sustainability Coordinator for each of our three regions.



During 2022 we sharpened the focus of our sustainability strategy, *Action 2025*, to ensure that sustainability is an integral part of all our business processes so that everyone in the company follows a well-defined path forward. We aim to reduce the carbon footprint of our operations and to play a major role in helping our principals and customers achieve their sustainability objectives.

Maria J. Almenar Martin, Group Sustainability & Safety, Health, Environment and Quality (SHEQ) Director

Action 2025: our sustainability strategy

Our sustainability strategy, *Action 2025*, sets out our commitment to become the world's leading provider of sustainable solutions and services in the specialty chemicals and food ingredients distribution industry.

Action 2025 was developed on insights gained from in-depth interviews with our principals and customers, the results of our EcoVadis® assessment, input from Azelis business representatives, and the materiality assessment that we carried out in 2019 for our first Sustainability Report.

2022 has been the year where we have consolidated *Action 2025* and ensured that sustainability is an integral part of all our business processes and a pillar of our corporate strategy.

The four pillars of Action 2025

Our sustainability strategy is structured around four pillars: **People, Products and Innovation, Governance, and Environment**. *Action 2025* commits Azelis to achieving a series of ambitious targets by 2025 across all these areas.

For each of the four pillars of our strategy we have prioritized the UN SDGs (United Nations Sustainable Development Goals) to which we can best contribute through *Action 2025*.

Continuous progress

In 2021, Azelis obtained an EcoVadis® Platinum rating. We are the first global specialty chemicals and food ingredients distributor and innovation service provider to achieve this milestone, putting us in the top 1% of the 75,000+ companies assessed by EcoVadis®. This achievement inspires us to do even more to contribute to a safer, healthier, more sustainable future.

Azelis obtained #1 ESG industry ranking from Sustainalytics in 2022, among a peer list of 178 international traders and distributors, with a score of 12.4 (lowest risk). This places Azelis in the top 5th percentile of more than 14,500 companies rated by the firm worldwide.

Sustainalytics ESG ratings evaluate a company's exposure to material industry specific ESG risks and how well a company manages those risks and considers the group to be at low risk of experiencing material financial impact from ESG factors.



Photo: Austin Pirl, Azelis United States.

Our progress in 2022

The following table shows the progress that we made in 2022 towards our **Action 2025** targets. For more details about developments in 2022 in each of the four areas of our sustainability strategy, please read the sections of this report on People, Products & Innovation, Governance and Environment.

| Key Performance Indicator | 2022 | 2021 | 2020 | Target 2025 |
|--|--|--------------|--------------|----------------------|
| People | | | | |
| 1. Engagement score (Employee satisfaction survey) ¹ | 75 (B) ² | 74 | 74 | 77 ⁵ |
| 2. Loyalty score (Employee Satisfaction Survey) ¹ | 83 (B) ² | 82 | 82 | 85 ⁵ |
| 3. % of employees in the talent pools | 10.0% (B) ^{2,7} | 11.4% | 7.1% | >10% |
| 4. % line managers trained in diversity and inclusive leadership | 99.3% (B) ² | 98.9% | Not reported | 100% |
| 5. % senior management positions held by women | 31.8% (✓) ⁶ | 23.5% | 21.9% | 30% |
| 6. Score working conditions (Employee Satisfaction Survey) ¹ | 75 (B) ² | 74 | 74 | 76 ⁵ |
| 7. Workplace accidents with lost time | 6 | 6 | 2 | 0 |
| Products and Innovation | | | | |
| 8. Baseline of Sustainable products i.e. # Sustainable products in product portfolio | Ongoing | Ongoing | Not measured | To be agreed in 2023 |
| 9. % of revenue covered with ESG assessed suppliers ³ | 75.2% (B) ^{2,7} | 55.8% | 52% | 80% |
| Governance | | | | |
| 10. # Material breaches in laws and regulations | 0 (B) ² | 0 | 0 | 0 |
| 11. % Employees trained in ethical and fair business practices | 98.6% (B) ² | 98.9% | 99.4% | 100% |
| 12. # Material breaches of ethical and fair business practices policies | 5 (B) ² | 0 | 1 | 0 |
| 13. % sites with a crisis management and business continuity plans in place | To be reported in Sustainability Report 2023 | Not reported | Not reported | 100% |
| Environment | | | | |
| 14. Carbon intensity emissions, Scope 1 & 2 tCO ₂ e/mn€ sales | 3.48 LB / 3.36 MB (✓) ^{4,6} | 3.58 | 3.75 | 3.57 |
| 15. Waste generated in operations (t) | | | | |
| Total hazardous + non-hazardous (t) | 3,350.8 | 2,289.0 | 2,721.2 | To be agreed in 2023 |
| Hazardous (t) | 799.0 | 730.3 | 955.0 | To be agreed in 2023 |
| Non-hazardous (t) | 2,551.8 | 1,558.7 | 1,766.2 | To be agreed in 2023 |
| 16. # Environmental accidents | 2 | 0 | 0 | 0 |

1 The Employment Satisfaction Survey is conducted every 2 years. Consequently, the 2020 and 2021 values for Engagement Score, Loyalty Score and Working Conditions Score are equal.

2 (B) related to KPIs on which PwC has provided ISAE 3000 limited assurance.

3 EcoVadis® assessments and TFS® audits.

4 Updated methodology and emission factors have resulted in separate market-based (MB) and location based (LB) reporting for 2022. For comparison sake, we have calculated the 2022 figure following the methodology of 2021 (MB emissions are calculated when available, otherwise location-based emission factors are used (IEA, ADEME, DEFRA) to calculate the respective emissions). This amounts to 3.42. For more information, refer to the disclosure on methodology on Azelis KPIs in the Annexes to this Report.

5 This target was increased following a decision by the Azelis Executive Committee in 2022.

6 (✓) Refer to the Annual Report 2022 for the Auditor's opinion.

7 Values restated following the publication of the Annual report 2022 based upon internal validation.

The four pillars of *Action 2025*

Action 2025 aims to generate sustainable value for Azelis' stakeholders and ensure that our operations have a positive impact on the environment and on communities.

It focuses on our activities across four pillars comprising People, Products and Innovation, Governance, and Environment and commits us to meeting a range of challenging targets by 2025 in each of these areas.

In 2022 we reviewed our Sustainability policy and our Sustainable Sourcing policy and as a result included additional environmental commitments and expectations for our suppliers.



People

We aim to be a global employer of choice in our industry and this pillar of our sustainability strategy includes targets and KPIs for employee attraction, development and retention, diversity and inclusion, and working conditions.



Products and Innovation

We distribute sustainable, innovative specialty chemicals and food ingredients that minimize or eliminate the use and generation of hazardous substances while offering products that help reduce the environmental impact of our customers' businesses. Our membership of TfS® means that we have strong due diligence procedures in place, and through TfS® audits and EcoVadis® assessments we evaluate the risks in our supply chain and work with suppliers to help them implement improvements.



Governance

We will be fair in our business practices and have a robust compliance framework in place in order to ensure compliance with all laws and regulations, embedding trust and ethics in the foundation of our organization. With our strategy to establish strong crisis management and business continuity planning at all our sites, Azelis incorporates sound governance and fair business practices into the heart of its daily operations.



Environment

We are continually reducing our environmental impact and, under the environmental pillar of our sustainability strategy, we have committed to reduce our Scope 1 and Scope 2 carbon intensity as well as to work with our supply chain to reduce Scope 3 emissions. We will improve our waste management system and decrease the waste that we generate and so reduce pollution. We will further strengthen our operational procedures so as to continually reduce the number of environmental accidents in our operations. To help us achieve all of these objectives, we will develop closer partnerships with our principals and external service providers.

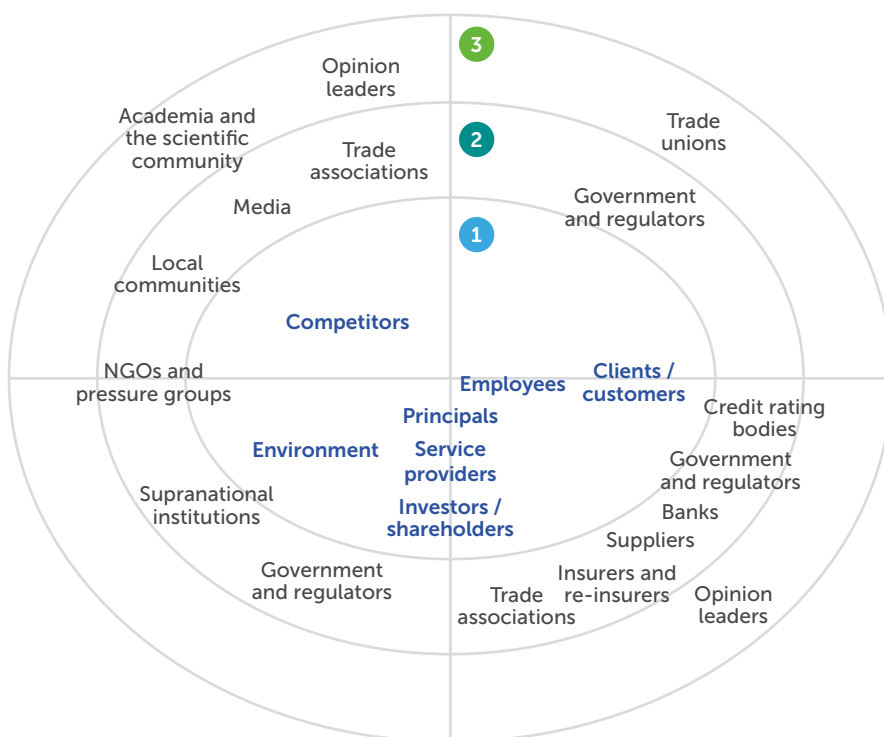


Engaging with our stakeholders

Our sustainability strategy is based on close and regular dialogue with our stakeholders, including employees, principals, customers, investors, public authorities, and trade associations. It is only with their help that we will be able to achieve our *Action 2025* targets.

4.26 (out of 5)
average satisfaction
rate **for principals** in
2022 (4.10 in 2020).

46.3%
Net Promoter Score
(measuring how likely
principals are to
recommend Azelis to
others; 20.1% in 2020).



**Graph represents
Azelis stakeholders:**

- 1** Major impact on Azelis
- 2** Moderate impact on Azelis
- 3** Minor impact on Azelis

Dialogue with employees

Every two years we run a global Employee Satisfaction Survey to gather employee views on topics such as working conditions, learning and development, and diversity and inclusion. The most recent survey was held in 2022 and we will hold the next in 2024. For more details of the 2022 results, please see the People section of this report (page 43).

Dialogue with principals

We work closely on a regular basis with our principals to help them increase their range of sustainable products by looking at how ingredients can be used in formulations. Every two years we also run surveys to gauge the opinion of our principals more formally. Our most recent survey was in 2022, with significant improvements that reflect our principals' growing trust in our business model.

Dialogue with customers

In 2022, we served more than 59,000 customers. We regularly test customer attitudes across the globe on a formal basis. Our last major survey was carried out in 2021 and we plan our next survey in 2023. Visiting our customers is the most frequent form of interaction. Much of our dialogue with customers is conducted on a more regular basis in our laboratories, e-Labs and customer portals. It is this more informal engagement that plays a major part in shaping our sustainability strategy and actions.

Relations with shareholders

We have established an investor relations department to serve as a conduit between Azelis and the financial markets following our listing as a publicly traded company in 2021. This department helps to address questions from investors on sustainability issues, which are increasingly a priority in the investment sector.

Industry partnerships

Azelis is a member of several international and national bodies that focus on sustainability in the chemicals sector, including the safe handling and use of chemicals within our industry.

We actively participate in key committees of many of these organizations and we are a committed supporter of the Responsible Care® (RC) or Responsible Distribution® (RD) programs developed by these associations. Responsible Care® (RC), the chemical industry's initiative to drive continual improvement in health and safety standards, provides an ethical framework towards safe chemicals management and performance excellence. Most of our entities are certified for RC or RD.

In 2020 we became a member of Together for Sustainability®, an alliance of companies dealing with chemicals that works to improve sustainability standards in the global supply chain.

Through our membership of the International Chemical Trade Association (ICTA) we are involved in a unique collaboration with other chemical distribution associations and companies to develop a global Responsible Distribution program focused on improving the safety, health, environment, security and sustainability of chemical supply chains. To drive this forward, we are members of ICTA's Responsible Distribution program working group which includes the National Association of Chemical Distributors in the USA (NACD), the UK Chemical Business Association (CBA), the German Distributors Association (VCH) and the Dutch Chemical Distributors Association (VHCP).

The main industry associations and initiatives that we belong to



Together for
Sustainability®
(TfS)



International
Chemical Trade
Association
(ICTA)



National
Association
of Chemical
Distributors
(USA) (NACD)



European
Association
of Chemical
Distributors
(FECC)

Our materiality matrix

Action 2025 is based on our materiality matrix which maps out the sustainability issues that are most important to our stakeholders and which pose the greatest potential risks – and opportunities – to our business.

Our initial materiality assessment was undertaken in 2019, with 127 potential topics identified by our Sustainability Steering Committee and assessed by internal and external stakeholders. We identified 21 topics following this process as being material to the business and therefore worthy of special focus in our *Action 2025* strategy.

Our next double materiality assessment will be carried out in 2023 to ensure that our approach is aligned with

the requirements of the EU Corporate Sustainability Reporting Directive (EU CSRD) adopted in November 2022. Our Sustainability Steering Committee carries out a review each year to make sure any emerging issues are not missed. It also maps the materiality assessment annually against the more general business risks and opportunities defined by our Enterprise Risk Management unit.

The Azelis materiality matrix



Our governance of sustainability

Sustainability is embedded into Azelis' corporate governance structure. On the Board of Directors, Dr. Alexandra Brand acts as sponsor for all matters relating to sustainability, while our ExCom drives implementation of our sustainability strategy, with members Dr. Hans Joachim Müller and Anna Bertona specifically focused on sustainability initiatives.

Our Sustainability Steering Committee is responsible for coordinating implementation of the strategy and developing sustainability policies and guidelines. The sustainability function within Azelis is headed by Maria J. Almenar Martin, Group Sustainability & Safety, Health, Environment and Quality (SHEQ) Director.

Members of our multidisciplinary global sustainability task force from all regions met regularly in 2022 to review our progress towards *Action 2025*, ensuring our sustainability strategy and objectives are aligned with the challenges and opportunities of our business.



For more information about the corporate governance of the Azelis group related to the Board and the Committees, please see our Annual Report 2022.

EU Taxonomy

The EU Taxonomy is a classification system that establishes a list of environmentally sustainable economic activities.

Eligibility

To be eligible, an economic activity should substantially contribute to at least one of the six environmental objectives of Taxonomy. However, only activities that contribute to the first two environmental objectives (Climate Change Mitigation and Adaptation) have been formally adopted so far.

Alignment

An eligible activity becomes taxonomy-aligned when it meets all the following three criteria:

1. Substantially contribute to one of the six economic activities in line with the Technical Screening Criteria (TSC).
2. Do-no-significant-harm (DNSH) in relation to the other environmental objectives.
3. Comply with Minimum social safeguards (MSS) as described in the Taxonomy Regulation.

Based on our activities as a global chemical distribution group, we have examined all Taxonomy-eligible economic activities that are listed in the Climate Delegated Act of the EU. The Climate Delegated Act focuses on those economic activities and sectors that have the greatest potential to achieve the objective of

climate change mitigation, i.e. the need to reduce the greenhouse gas emissions or to increase greenhouse gas removals and long-term carbon storage.

After a thorough review involving all relevant divisions and functions, we concluded that our core economic activities are not covered by the Climate Delegated Act and consequently are Taxonomy-non-eligible, therefore not Taxonomy-aligned. Therefore, the share of Taxonomy-eligible economic activities in our total turnover is 0% and consequently the related capital and operating expenditure are also 0%. The capital and operating expenditure to be reported should also include those that are related to the purchase of output from Taxonomy-aligned economic activities and certain individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions. As these expenditures are limited given the asset-light business model of Azelis, the proportion of Taxonomy-eligible capital expenditure equals 0%, and the proportion of Taxonomy-eligible operating expenditure equals 0%.

For more information, please refer to the Annexes of this Report for the disclosure on KPIs of non-financial undertakings as required by Annexes I and II of Commission Delegated Regulation (EU) 2021/2178 (pages 117-120).

Strengthening our sustainability reporting

As we move towards integrated reporting of our financial and non-financial performance, we are committed to ensuring that we collect comprehensive and consistent sustainability data from across our company that can be collated and analyzed to provide accurate sustainability reporting.

In pursuit of this ambition, in 2022 we created a new post of Group Sustainability Coordinator as well as a new Regional Sustainability Coordinator post in each of our three regions: EMEA, Asia Pacific and the Americas. Working closely together, they will establish a common global reporting system that provides data on a monthly basis.



Having joined Azelis at the end of 2022 and jumped straight into data collection and validation for the Americas region, it was great to see a strong foundation in the already established reporting process. Since sustainability covers a wide range of topics, I was immediately able to collaborate with various teams across each of our businesses. Everyone was always willing to help.

Hilary Fife, The Americas Sustainability Manager



The scale and ambition I have found at Azelis since joining the company have really vindicated my decision to move from a sales role into what I'm sure is going to be an impactful next few years in sustainability.

Steven Hughes, EMEA Sustainability Coordinator



Achieving sustainability goals entails transparent reporting and an evidence-based action plan. I work hand in hand with the local teams across the Asia Pacific region to ensure complete and accurate ESG disclosure. Through sustainability reporting, I am able to gain insights into our emission profile and tailor our strategy to reduce our carbon footprint.

Zhi Sian Wong, Asia Pacific Sustainability Coordinator



When I joined Azelis as Group Sustainability Coordinator in July 2022, I was impressed by the sustainability framework already in place. It was inspiring to feel that I had joined a company with sustainability as part of its core business strategy. I could feel from the very beginning that all departments are closely involved in the reporting processes and are eager to make improvements within all the pillars of Action 2025.

Pieter De Wint, Group Sustainability Coordinator

Our roadmap to integrated reporting

We are implementing integrated reporting across the organization to monitor our progress towards the ambitions of *Action 2025* and forthcoming regulatory requirements.

Under the sponsorship of our Chief Financial Officer, we now have internal integrated reporting of financial and non-financial data with monthly and quarterly reporting on KPIs related to People, Products & Innovation, Governance and Environment. This provides us with actionable insights about the areas where we are improving as well as those where we need to do better.

In a move to enhance the robustness of our sustainability reporting in 2022, we worked with our independent auditor, PwC, to obtain ISAE 3000 limited assurance of a number of our KPIs.

To date, these cover the percentage of women in senior leadership positions; our Scope 1 and 2 carbon emissions intensity; the scores of engagement, loyalty and working conditions measured by our employee satisfaction survey, the percentage of employees in our talent pool, the percentage of line managers trained in diversity & inclusion through our knowledge review; the percentage

of revenue covered with ESG assessed suppliers through our Together for Sustainability® membership; the number of material breaches of laws and regulations across any country in which we operate; the number of material breaches of ethical behavior policies, the number of employees passing our knowledge review, and the percentage of employees being trained in ethical behavior policies.

In the future we will seek to extend limited assurance to an even wider range of sustainability indicators within the scope of our sustainability strategy.

Company-wide data

Regional teams, in conjunction with our Regional Sustainability Coordinators, coordinate the collection of data at local level and then verify and validate the data before passing it up to our Group Sustainability Coordinator, who then carries out further verification and validation. These three layers of control help ensure the accuracy of all reported data. The data generated by our integrated reporting provides stakeholders such as ESG investors with a clear oversight about the rollout of *Action 2025*. For more information see page 125 of this Report and pages 194-195 of our Annual Report 2022.

Our route towards EU CSRD

Following the adoption of the EU CSRD (Corporate Sustainability Reporting Directive) in November 2022 by the European Parliament and the Council of the EU, there will be comprehensive environmental, social and governance (ESG) reporting requirements for companies and this information will need to be published in a dedicated section of company management reports in 2025 on the 2024 financial year.

Ahead of this deadline, Azelis has established a roadmap to secure compliance against the EU CSRD which includes adaptation of the reporting processes toward integrated reporting, external certification by auditors, updating our materiality assessment to incorporate the concept of “double materiality” i.e., financial and impact materiality, adoption of the mandatory European Sustainability Reporting Standards (ESRS) and realizing an impact assessment of climate change risks and disclosures.

On track for 2025

Our preparations for fully integrated public reporting continue and we will publish our first integrated financial and non-financial report in 2025 for financial year 2024, as required by the EU CSRD. Fully integrated public reporting will ensure that sustainability is an integral part of our business strategy and will entail our annual financial reporting and sustainability reporting being published together in a single document.

Our people

One united team



Photo:
Aurélien Gilot and Imen Zairi,
Azelis France.

Our people, our number one asset

Our people are our most important asset and the driving force behind our success. We focus on attracting talent, developing and retaining our employees, and fostering a diverse, inclusive and healthy workforce. This underlines our commitment to being an employer of choice in our industry.



Looking after our people is crucial both for our reputation and for our overall health as a company. If we have happy, motivated and loyal employees, the quality of everything we do is enhanced, leading to greater innovation, higher levels of commitment and better business results.

Jiayu Peh, Group HR Director

Key Performance Indicators and targets – People

| GRI | Key Performance Indicator ¹ | 2022 | 2021 | 2020 | 2025 Target |
|-------|---|---|---|--------------|-------------|
| | Engagement score (Employee Satisfaction Survey) | 75 (B) | 74* | 74 | 77** |
| | Loyalty score (Employee Satisfaction Survey) | 83 (B) | 82* | 82 | 85*** |
| | % employees in talent pools | 10.0% (B) | 11.4% | 7.1% | >10% |
| 405-1 | % line managers trained in diversity and inclusive leadership | 99.3% (part of our annual knowledge review) (B) | 98.9% (part of our annual knowledge review) | Not reported | 100% |
| 405-1 | Senior management positions held by women | 31.8% (✓) | 25.3% | 21.9% | 30% |
| | Working conditions score (Employee Satisfaction Survey) | 75 (B) | 74* | 74 | 76**** |
| 403-9 | Workplace accidents with lost time | 6 | 6 | 2 | 0 |
| | Average number of hours of training per employee***** | 15.9 | 13.5 | 12.2 | 24 |

(1) Please refer to the methodology section for definitions, explanations and assumptions.

(B) relates to KPIs on which PwC has provided ISAE 3000 limited assurance, see page 113 for our assurance report.

(✓) Refer to the Annual Report 2022 for the Auditor's opinion.

* The Employment Satisfaction Survey is executed every 2 years. Consequently, the 2020 and 2021 values for Engagement Score, Loyalty Score and Working Conditions Score are equal.

** This target was increased from 75 to 77 following a decision by the Azelis Executive Committee in 2022.

*** This target was increased from 75 to 85 following a decision by the Azelis Executive Committee in 2022.

**** This target was increased from 72 to 76 following a decision by the Azelis Executive Committee in 2022.

***** This KPI was created following a decision by the Azelis Executive Committee in 2022.

Our main risks

We have identified four main risks in relation to our people:

1 Developing human capital and succession planning

Issue: We need to ensure the development of all our employees and to offer them attractive career opportunities, creating an internal pool of talent. We want all our colleagues to consider Azelis to be the best place to work and to realize their professional ambitions.

Mitigation: We have extended and completed our performance and talent review processes – supported by our human capital management (HCM) system Workday® – with a robust annual succession planning review. We are investing in training to enhance the skills of employees in our talent pools as well as more widely across Azelis.

2 Attracting high-potential candidates and retaining talent

Issue: Our success depends on our ability to attract the best talent and to develop and retain our people. We need to ensure a strong external and internal talent pipeline, reducing the time-to-hire and voluntary attrition.

Mitigation: Our investments in improving working conditions and in learning are mitigating this risk. As a fast-growing company, we offer a wide range of opportunities for career advancement and always prioritize internal promotions. Over one third (34.6%) of the number of open positions in the period 2020 to 2022 has been filled by internal promotions. In addition, the remuneration of over 70% of our global workforce is guided by external benchmarks, making sure we are competitive. We have a dedicated talent acquisition specialist in the Americas and we plan to create a similar role in EMEA in 2023 to further improve our talent attraction effectiveness.

3 Strengthening our culture of accountability and performance

Issue: As Azelis grows it is important that we foster a performance-oriented culture where our people can take responsibility for their work, work independently and where entrepreneurship is supported.

Mitigation: We have linked our yearly performance reviews with talent and compensation reviews – via our state-of-the-art HCM system, Workday® – to track performance expectations and monitor accountability. Our pay-for-performance compensation practices complement this development to enhance the culture of performance across Azelis.

4 Ensuring the health and safety of our people

Issue: At Azelis it is crucial that there are no compromises when it comes to providing a healthy and safe work environment so that we can protect the safety and wellbeing of our employees.

Mitigation: The implementation of robust safety, health, environmental and quality (SHEQ) policies and processes has created a culture of safety. Our priority is protecting the health of our people and preventing safety hazards, accidents and other damage to the company that results from non-compliance with health and safety legislation.

Investing in the future of our people

We recognize that our people are fundamental to our performance and we are committed to investing in the continuous improvement of their competencies, providing them with opportunities to develop, and rewarding them fairly.

We intend to hire a Learning & Development Director in 2023 to plan, execute and drive L&D strategy for leaders, talents and employees and promote a culture of lifelong continuous learning throughout the organization. Our competitive pay and benefits, excellent working conditions and attractive career opportunities reflect the hard work we put into ensuring sure we are one of the most attractive employer brands in our industry.



Photo: From left to right – Sarah Van Alsenoy, Alison Williams and Meredith Wood, Azelis Corporate Services.

Our voluntary attrition rate increased slightly in 2022, up to 9.8% from 9.3% in 2021. We consider this to be a high rate, as our target is to have a voluntary attrition rate of 5% or lower. The 2022 increase was mainly due to more fluid post-Covid labor market conditions in the US, France, India, China and in six other countries. These 10 countries generated close to 70% of the voluntary attrition in 2022, allowing us to concentrate on our retention initiatives where they are needed. After peaking at the end of Q2 2022, however, the rolling voluntary attrition (rolling attrition of the last four quarters), recorded two consecutive decreases, which suggest that the post-pandemic 'great resignation' trend is subsiding, supported by our retention initiatives.

| | | |
|-------------------|-------|---|
| Q1 2020 - Q4 2020 | 7.20% | |
| Q2 2020 - Q1 2021 | 6.42% | ↓ |
| Q3 2020 - Q2 2021 | 7.33% | ↗ |
| Q4 2020 - Q3 2021 | 8.54% | ↗ |
| Q1 2021 - Q4 2021 | 9.32% | ↗ |
| Q2 2021 - Q1 2022 | 9.45% | ↗ |
| Q3 2021 - Q2 2022 | 9.95% | ↗ |
| Q4 2021 - Q3 2022 | 9.94% | ↓ |
| Q1 2022 - Q4 2022 | 9.79% | ↓ |

Nurturing leadership skills

Senior managers in the US met for a three-day Leadership Summit in 2022 led by an external certified executive coach. The summit allowed them to get together in person while receiving training on management best practices.

The Azelis Leadership Council, our employee-led leadership group in the US, launched a formal mentorship program for Azelis Americas in 2021 and, in 2022, began to accept internal online applications from all employees.



Photo: Azelis Americas 2022 Leadership Summit.

Introducing new joiners to Azelis

With 12 acquisitions in 2022, it was important to introduce our new employees to our value system so as to mitigate risks. We onboard employees of newly acquired companies into our human resources processes within a year of acquisition – with the exception of joint ventures, where the process can take slightly longer.

As from 2023 all new employees will complete mandatory online training on our Code of Conduct and its ancillary policies within three months of joining, via e-learning modules on Workday®.

At the same time, we ensure that new joiners are warmly welcomed and are able to experience and absorb the values and culture of Azelis through in-person contact, team events and formal meetings.

Sharing our corporate values and culture in Turkey

We launched a BEST OF program in 2022 with the aim of bringing together the best practices of companies acquired by Azelis Turkey. To build awareness of Azelis' corporate values, uplift people competences and drive transformation we ran a series of online workshops for employees which featured team exercises as well as contributions from individual employees.



583 people joined the company in 2022 as new employees



59.5% of new employees in 2022 are women



Onboarding new joiners

In 2022 Azelis in the Americas launched a revamped onboarding process for new employees that includes a welcome video from the regional CEO, Frank Bergonzi. The EMEA regional CEO Anna Bertona also welcomed newcomers in a similar video format, and in 2023 we will do the same in Asia Pacific with a video from regional CEO Sertaç Sürür.

In the Americas, all new employees respond to a survey after 30 days with the company and again after 90 days. These surveys consist of 19 questions covering different aspects of the employees' onboarding experience. All responses are sent to the appropriate managing director or division leader so that any necessary action can be taken.



Screenshot of Frank Bergonzi from the welcome video.

Driving growth through learning

Increasing investment in training and development is a strategic priority for Azelis that will help us meet our *Action 2025* targets and secure our status as the employer of choice in our industry.



2,650 employees had at least one training session (up from 2,455 in 2021)

15.9 hours

of training on average per employee (compared to 13.5 hrs in 2021)

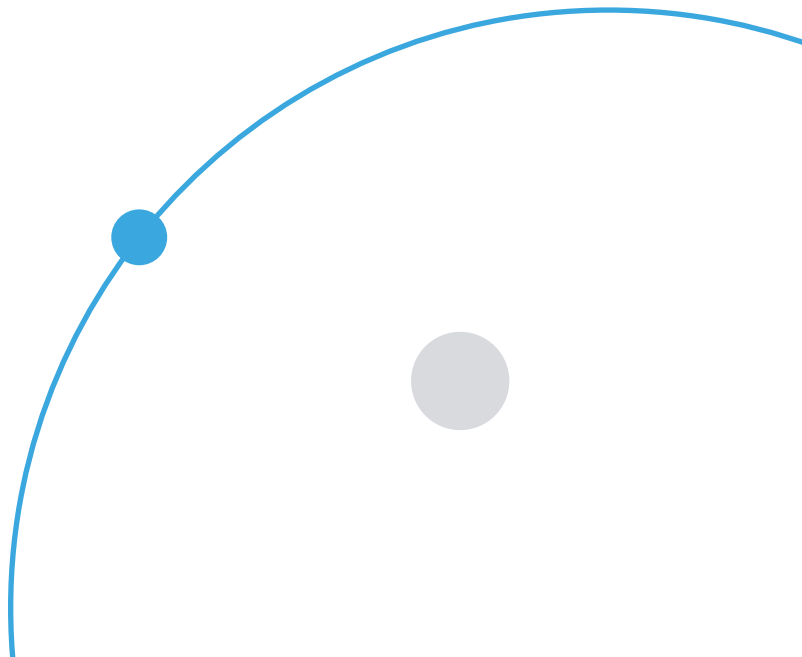
Our commitment to enhancing the skills and competencies of our people through easier access to learning and a wide range of learning opportunities was underscored in 2022 by the introduction of a new key performance indicator which sets a target of 24 hours of training per employee by 2025. At the end of 2022 the figure stood at 15.9.

The final learning module of our human capital management system Workday®, dedicated to learning, went live at the end of 2022. It will allow us to identify the training needs of our employees in a more structured manner and offer a catalog of online training courses, both external and internal, directly via Workday®. It also helps us to better track the development of our employees' skills and competencies and implement learning paths.

In 2022 a new training platform, ThinkZoom, was launched in the Americas region. It offers both compliance training courses as well as a wide array of development courses.

The art of negotiation in EMEA

In 2022, we partnered with a leading management consultancy specializing in negotiation and rolled out 24 workshops conducted in native languages for a duration of 2 days at different locations across the EMEA region. Each workshop hosted 12 participants. These workshops were aimed at customer-facing commercial employees with the purpose of driving profitability, increasing efficiency and improving sales skills. The workshops are designed around concrete business cases and participants' skills are assessed to identify improvement areas. This initiative will continue in 2023 for market segment directors, principal managers and other commercial roles.



Risk awareness and crane safety in New Zealand

To raise awareness of risk 'normalization', we introduced training programs and workshops in Auckland / New Zealand, during 2022. Employees were trained to identify a number of improvements to avoid risky or dangerous behaviors becoming normalized. These included monthly walkabouts and inspections by managers to engage with employees in the workplace and the introduction of a job safety analysis process for high-risk activities, such as working at height or in confined spaces.

The introduction of a gantry crane at our facility in New Zealand has reduced the risk of injuries by freeing employees from strenuous lifting. As the crane comes with its own potential risks, we have introduced compulsory health and safety training both for operators and for anyone working near it. The course now forms part of the NZQA level 3 manufacturing certificate which production staff are working towards achieving during 2023.



Azelis in
action

Protecting our people from inflation

During 2022 our employees experienced significant inflationary pressures, with some countries facing situations of hyper-inflation.

We responded to this extraordinary situation by reviewing salaries and awarding cost-of-living increases twice and in some cases on more than two occasions during the year. This initiative was received positively by employees and contributed to staff retention.

A photograph of a person wearing a yellow long-sleeved shirt, sitting at a desk. Their hands are visible; one hand is using a silver calculator, and the other is holding a stack of banknotes. The background is blurred, showing what appears to be a home or office setting. A large blue circle is overlaid on the right side of the image, containing the text 'Azelis in action'.

Azelis in
action

Raising the bar for employee satisfaction

Every two years we monitor the satisfaction levels of our employees in terms of engagement, loyalty and working conditions, using an anonymous and confidential employee survey carried out by an independent provider.

The results of our 2022 Employee Satisfaction Survey, which had an exceptionally high participation rate of 97%, met or exceeded our *Action 2025* targets in all three areas: our loyalty score of 83 surpassed the target of 75, our working conditions score of 75 surpassed the target of 72 and the satisfaction and motivation rate of 75 met our 2025 target. All scores of 75 and above are considered ‘high scores’ by Ennova™, the consultancy which carries out the survey independently on our

behalf. The higher the score, the better the result. We have raised the *Action 2025* targets for all these metrics as part of our ambition to make continued progress in this area and align ourselves with the best in class. We are going to benchmark ourselves against the Ennova™ “Global Employee & Leadership Index (GELx) Top in Class” scores which measure the performance of the top 25% of Ennova™ customers.

Employee Satisfaction Survey 2022

| | 2022 results | Previous 2025 target | New 2025 target |
|-----------------------------|------------------------|----------------------|-----------------|
| Loyalty | 83 (+1 vs. 2020 score) | 75 | 85 |
| Working conditions | 75 (+1 vs. 2020 score) | 72 | 76 |
| Satisfaction and motivation | 75 (+1 vs. 2020 score) | 75 | 77 |

We have analyzed detailed employee feedback from the 2022 survey on a country-by-country basis and have put in place improvement initiatives and action plans. In the wake of the 2022 survey, we have launched over 120 improvement actions with many more expected before the next survey in 2024. Over 30 of these focus on working conditions, emphasizing our commitment to this KPI of *Action 2025*.



Photo: Aurélien Gilot, Taha Lachaïc, Tiphaine Beau, Nlend Mayilla, Sophie Nourry and Basma Eziani, Azelis France.

One culture of accountability and performance

At Azelis, ambition, innovation and performance are encouraged and rewarded. Empowering our people and increasing their autonomy and accountability is an intrinsic part of our company's culture.

In 2022, 2,523 employees completed a yearly performance and talent review, which is designed to improve performance, skills and competencies and to support employee development. As our performance and talent review process takes place in the period November of the previous calendar year to February of the reference year, all employees are eligible to participate in this process. For detailed information about the exceptions, please see page 121 of the Methodology Section in this Report. Usually this process does not include employees who joined the company as a result of a merger or acquisition before the start of the review.

In 2022 we deployed two new functionalities of our Workday® human capital management system: talent pool assignment and succession planning. These functionalities allow us to consolidate the results of the performance and talent review processes, identify the employees with the best performance and potential ratings and assign them to one of the three talent pools we defined. This is followed up with succession planning which allows us to identify and develop new, potential leaders who can move into leadership and other business-critical roles when they become vacant.

The creation of a stronger link between our performance and talent review processes will help ensure we have a sustainable pipeline of high-performing talent to fill management roles across Azelis. It will also assist employees with their career planning and development, increasing their motivation and job satisfaction.

In 2022, 10.0% of employees were assigned to our talent pools. Our goal, as part of *Action 2025*, is to have at least 10% of our people in talent pools.



Photo: Senija Marendić and Martina Gaspic, Azelis Croatia.



2,523 employees
completed a
Performance review
(vs. 2,155 in 2021)

Creating career opportunities

We prioritize internal talent when positions become vacant. Our rapid growth enables us to offer a significant number of attractive career opportunities to our people. In 2022, 33.9% of our vacancies were filled by Azelis employees.

International mobility is commonplace and encouraged at Azelis as it promotes collaboration across borders while helping employees to learn about aspects of the business in different countries and to develop into well-rounded leaders.

Azelis also provides assessment and development centers for people we think are suitable for senior management roles in order to identify each person's strengths as well as areas for improvement.



10.0% of employees in talent pools (vs. 11.4% in 2021)

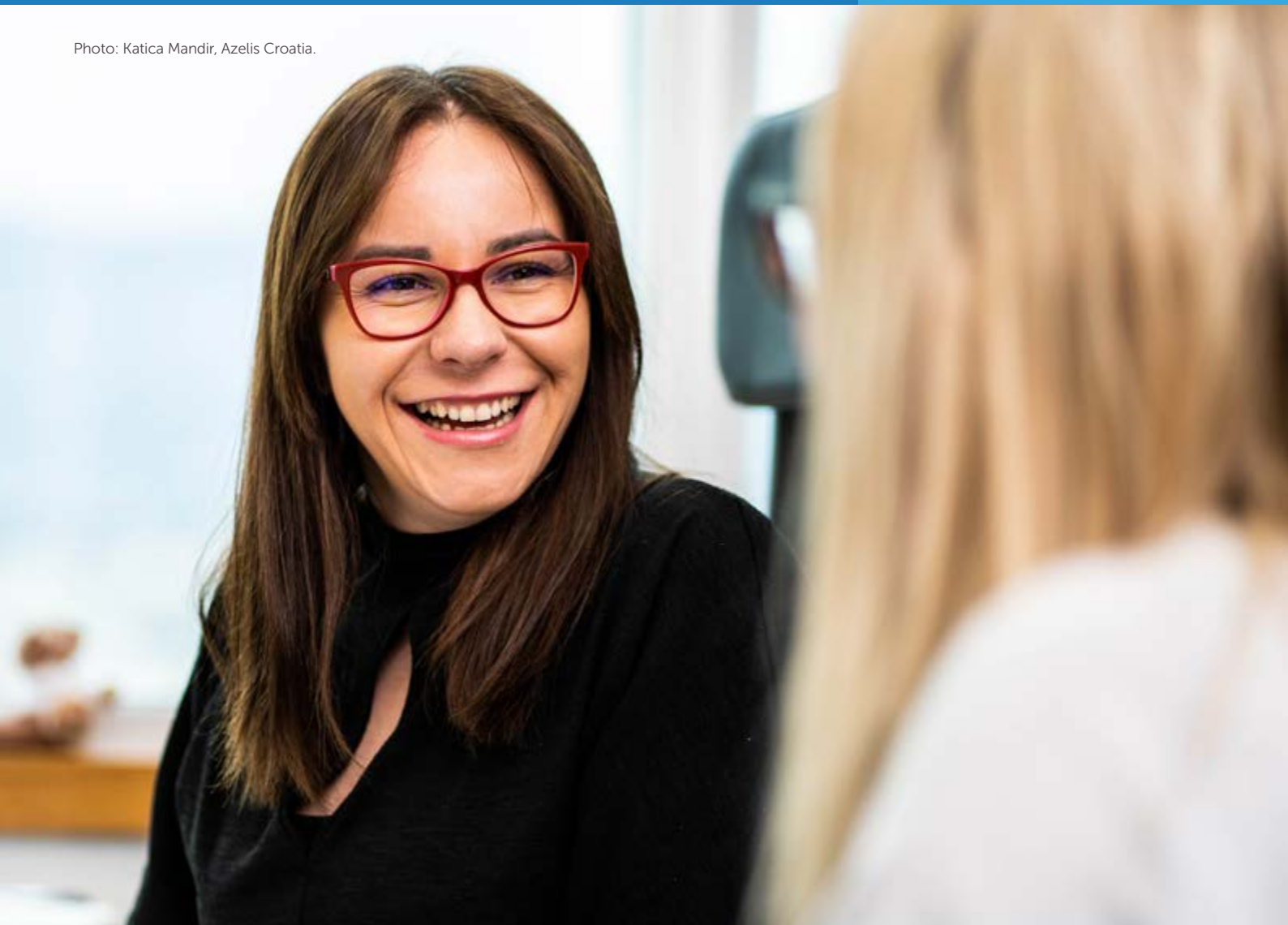
33.9% of all vacancies were filled by internal promotions (vs. 26.7% in 2021)



54.7% of all internal promotions were filled by women (vs. 64.8% in 2021)

59.5% of new hires were women

Photo: Katica Mandir, Azelis Croatia.



Talent mobility in action

We aim to find the most talented individuals within Azelis to fill our key roles at all levels within the organization.

Sertaç Sürür was appointed CEO & President Asia Pacific in September 2022 following the resignation of Laurent Nataf. Sertaç joined Azelis in 2015 in Istanbul as Managing Director Turkey before moving to Singapore. Priority was given to internal promotion when appointing Sertaç's successor in Turkey: Burcu Gezenen was promoted to the role of Managing Director Turkey following a career of 12 years at Azelis, most recently as Head of Industrial Chemicals in Turkey.



Sertaç Sürür



Burcu Gezenen

Another example of international talent mobility is Dennis Verhaert, our Group Mergers & Acquisition Director, who moved from Belgium to Colombia to take up the newly created role of CFO Latin America, effective September 2022. His role was taken up by Dimitri Van Soens, another internal appointment.



Dennis Verhaert



Dimitri Van Soens

Ali Chehab took up the role of Sales & Operations Procedures and Planning Specialist EMEA in July 2022 and moved to Belgium from Dubai where he had been working in the role of Supply & Demand Manager for the MEA (Middle East) region for almost 3 years.



Ali Chehab

Dipán Dalal, our new Asia Pacific Market Segment Director for Food & Nutrition, moved from his previous role as Business Director of Food & Nutrition at Azelis India, while Anne Berton was promoted to SHEQ & Projects Director for the region. Both bring years of experience to their roles, as well as a deep understanding of Azelis on many fronts.



Dipán Dalal



Anne Berton

Dr. Casey Parker Crockett was promoted from a Technical Development Specialist Agriculture & Environmental Solutions role to Operations Manager in 2022, managing operations and logistics for the Agriculture & Environmental Solutions group in the United States. In 2023 she joined the A&ES Sales team.



Dr. Casey Parker Crockett

Azelis in
action

Promoting diversity and inclusivity

Azelis operates with a workforce ratio of 53.4% women and 46.4% men. The proportion of women in our workforce has been consistently above 50% over the past five years and we have every intention to safeguard this balance as part of our *Action 2025* strategy.

Gender diversity in senior management

When it comes to the representation of women on our Board of Directors, there are two female directors out of a total of eight members of our Board.

In 2022, we increased the proportion of women on our senior management team to 31.8% from 23.5% in 2021 (from 16 out of 68 positions in 2021 to 27 out of 85 in 2022). This means we have now outperformed our *Action 2025* target of 30%. We recognize there is still much to be done and we are currently reviewing the target as part of our *Action 2025* strategy.

To track our progress on diversity, we monitor a series of indicators, including KPIs, related to nationality, gender and age.

Questions on diversity and inclusion form part of our annual knowledge review on ethics and compliance for employees. With the development of our learning module in Workday® now completed, in 2023 we will move towards offering new training options on diversity and inclusion for line managers. This is in line with our *Action 2025* target of training 100% of our line managers in diversity and inclusive leadership to minimize any form of bias.

53.4%
women

46.4%
men

0.2%
elected to not
self-identify gender

31.8%
senior management
positions held by women

99.3%
line managers trained in
diversity and inclusive
leadership

14.3%
employees aged under 30

28%
employees aged over 50+

Photo: Jalini Kirubananthan, Tiffany Cols, Alice Brau and Phung Nguyen, Azelis France.



One workforce, many cultures

We operate across five continents and 63 countries, with a global workforce that consists of 77 different nationalities. As the company grew in 2022, including through a number of acquisitions, our senior management team increased from 68 to 85 people representing different countries and many different cultures, ethnic origins and ages. A total of 30 nationalities are present in this team. Our corporate service center in Belgium, with colleagues from 20 different nationalities, fully embodies our international culture.



30 nationalities
represented in our
senior management
team



Championing diversity

In 2022 we launched a partnership in the US with the Diversity Jobs organization to post all our positions on a variety of online jobs boards that focus on recruiting people of color, women, veterans, older workers, individuals with disabilities and members of the LGBTQIA+ community. This has ensured that we are casting a wide net for potential job applicants.

In Turkey, Azelis takes part in the Turkish Women's International Network and the Million Women Mentor (MWM) program, of which we are founding supporters. MWM connects young women who have studied or completed Science, Technology and Engineering (STEM) qualifications with mentors in the same field to support them in their career journeys.

Photos: Azelis Turkey Human Resources Director, Çağla Tanrıverdi, and Food & Nutrition Sales Manager, Yusuf Mutlu, gave a talk to employees about their respective career milestones and their sources of inspiration.



Azelis in
action

Fair treatment for all

Our Code of Conduct and our Group Recruitment policy are unequivocal on this point: Azelis is opposed to all forms of discrimination. We are committed to supporting equal opportunities regardless of gender, sexual orientation, ethnic origin, age, religious beliefs or physical impairments. We will not tolerate discrimination or harassment in any shape or form.

We ensure we walk the talk on this topic with a proactive approach to preventing and tackling any form of discrimination and harassment. For us, this is an important driver of a successful, diverse and inclusive work environment.

Our annual knowledge review, mandatory for all employees, includes a focus on the prevention of discrimination and harassment. The review checks employees' understanding of Azelis' internal policies and procedures on ethical business conduct and compliance – including regulations to prevent discrimination and harassment.

Removing unconscious bias in recruitment

We use online psychometric assessment tests in our recruitment process to measure and benchmark applicants' skills, competencies and personality characteristics and to help eliminate conscious and unconscious bias. The tests are also designed to predict performance and we believe they help make our recruitment more reliable, fact-based and objective.

Our focus on anti-discrimination continues when a candidate is invited to join Azelis. We measure employee compensation against market benchmarks to avoid the risk of unconscious bias during the salary review process.



Photo: Katica Mandir, Martina Gaspic, Ivana Loncarek, Martina Petrak and Dino Pavleka, Azelis Croatia.

Providing parental leave and maternity support

Across the Asia Pacific region we have promoted a supportive culture for our working parents through various initiatives to help employees balance their work and family lives while also enhancing medical benefits for employees.

In Singapore, local regulations do not provide fully subsidized paid parental leave from the state for expatriate employees. To ensure that everyone at Azelis' office has the same benefits regardless of nationality, we introduced a parental leave initiative in 2022 to raise all expats to the same level as locals.

We also introduced more extensive medical insurance for our Singapore female employees that includes maternity coverage.

Azelis Korea introduced new measures during 2022 that will allow pregnant employees to reduce their working hours by two hours per day, helping them to lighten their workload and get ample rest. We also brought in infertility treatment leave, allowing women paid leave should they need to go through any related medical procedures.

A photograph of a woman with dark hair, wearing a light grey t-shirt, smiling warmly while holding a baby. The baby is wearing a white t-shirt. The background is softly blurred, showing what appears to be a home interior. A large blue circle is overlaid on the right side of the image, containing the text 'Azelis in action'.

Azelis in
action

Putting health and safety first

Our top priority is to provide a healthy and safe work environment for our people both because it is the right thing to do and because any harm to our people can cause business disruption, as well as reputational damage and higher costs.

The Azelis Code of Conduct includes a non-negotiable commitment to maintaining a safe working environment at all times. We strive to ensure safe and healthy conditions for all our employees and all stakeholders affected by our operations.

We regularly conduct health and safety risk assessments in our warehouses and manufacturing sites, as well as providing health and safety training both to employees and contractors and to subcontractors and visitors. We have implemented Responsible Care® or Responsible Distribution® management systems in all regions to manage health and safety risks.

How we aim to prevent accidents

Rolled out across Azelis in 2022, our Group Safety, Health and Environment (SHE) policy sets out a series of basic principles that must be followed in all our entities.

The policy is based on the International Chemical Trade Association's 14 Safety Golden Rules and provides an overview of aspects that require consideration at all sites and offices.

Our SHE policy covers a wide variety of safety considerations, including the importance of a safety-first culture and the requirement to report any accidents and near-misses, as well as the need for rigorous risk assessments, risk management processes and individual control measures. The policy also contains guidelines covering the use of equipment and machinery, chemical handling and storage, ergonomics, driving, and how to prevent slips, trips and falls.

In accordance with our SHE policy, all sites are required to have an emergency response plan and practice good housekeeping. They must also promote communication among employees to raise awareness about issues related to health and safety, and act on any constructive suggestions to improve our performance.

We also have a Group Loss Prevention Management System consisting of a series of rules for safety, implementation guidelines and training. These apply in all regions where we operate, with no exceptions.

At site level, our organizations perform risk evaluations of the processes and classify them based on risk exposure and consequences. The combination of risk and consequences determine how critical the process is and the need for the implementation of preventive and/or corrective measures.

In 2022, there were six lost time accidents reported. Our target under *Action 2025* is to reduce the number of workplace accidents with lost time to zero. Through our new Group SHE policy we aim to intensify awareness and training initiatives to achieve this objective.

In 2023, we plan to ensure all local sites have a clear common understanding of the definition and scope of workplace accidents with lost time. Our current regional procedures will be scaled up so that we have a global database that will help us to analyze accidents and record near misses.

Towards a healthy work-life balance

We believe that keeping our employees motivated, engaged and happy is not only good for business but part of our responsibility as a leading player in our industry.

Many of our offices have measures to encourage flexibility at work, to provide parental and childcare leave, and to create a healthy work-life balance. We also run local initiatives promoting a healthy lifestyle, such as sponsoring employee participation in sports events.

We offer healthcare plans in many of the countries in which we operate. These provide a range of benefits and are often contribution-free for our employees.

Hybrid working is here to stay

Our employees have the option of working remotely for up to 50% of their monthly working time.

Our Hybrid Work Guidelines provide tips on how to get the most out of remote working, including advice on maintaining security and wellbeing. The guidelines apply

to all full-time employees and contingent workers and to all part-time employees working at least eight days per month. Certain roles are not eligible for remote working, due to technological or security restraints, or because a physical presence is required on site. Each company in the group has rolled out its own local policy for hybrid working in compliance with the guidelines as well as with local laws and regulations.

Our 2022 Employee Satisfaction Survey, the first since the Hybrid Working Guidelines were released in 2021, revealed a high level of satisfaction (score of 85) with these new flexible work arrangements.



Pioneering first aid for mental health

During 2022 a dozen Azelis employees in the UK attended a pioneering mental health first aid course which showed them how to identify mental health issues – and how to help anyone who has a mental health condition. All attendees completed the course, which was delivered over four half-day sessions, and are now qualified mental health first aiders.

In addition, all UK line managers were trained in awareness of mental health to provide support for employees who find themselves in difficulties.



Azelis in
action

Using coffee to oil the wheels of hybrid working

Post-Covid, hybrid working has become the new normal for many even as more time spent working from home brings the possibility of isolation and limits opportunities for networking with colleagues.

In New Zealand, where 60% of our workforce now work from home for one or two days a week, we have addressed this issue by requiring all employees to work on site every Tuesday. On what we call 'Team Tuesdays' we try to promote team culture and collaboration by providing a free barista coffee service throughout the day.

While the caffeine boost is appreciated, the chance to have a drink with colleagues is even more beneficial as it provides an opportunity for interaction that might not be available for much of the rest of the week.



Azelis in
action

Photo: Andert Daels, Azelis Corporate Services.

Protecting human rights

We are committed to respecting the eight fundamental conventions of the International Labor Organization on child labor, forced labor, freedom of association, minimum legal wages, working and resting time, respect of diversity and rejection of discrimination.

Our Code of Conduct sets out the main principles which embody the "way we act at Azelis". One of these principles specifies that we oppose any form of exploitation of workers and child labor, and a special section of the code is dedicated to this. Our annual knowledge checks ensure that our employees are aware of the policies and procedures we have implemented to guarantee ethical business conduct and to comply with all legislation on labor rights and human rights.

Our Anti-slavery and Human Trafficking Statement, which is publicly available on our website, sets out the steps we take to prevent slavery and human trafficking, both within our business and in our extended supply chains. In all countries where we are active, we comply strictly with requirements on the minimum working age. We also guarantee labor rights to all our employees.

We provide a safe and retaliation-free environment for employees to report any concerns about suspected violations of human and labor rights through our whistleblowing SpeakUp! policy and SpeakUp! Line. For more information, please see our Governance section on page 91.

Our commitment to following the UN Global Compact's key pillars of Corporate Social Responsibility, which include human rights, is enshrined in our Corporate Social Responsibility policy.

Boosting *Because giving back matters*

In 2022 our Executive Committee decided to create a more structured framework for our charitable activities around the world to ensure that, in line with our company purpose, we touch the lives of people in ways that are both everyday and extraordinary.

We strive to have a positive impact on society and the communities in which we operate. Wherever we are, we encourage employees at all levels to work on a voluntary basis on charitable activities of their choice. To date, these have ranged from organizing river or ocean cleanups to helping to build schools and playgrounds.

Our charitable initiative, *Because giving back matters*, reflects the values that are important to everyone at Azelis. It brings Azelis employees closer together and supports internal team building while engaging them with the company's culture of making a positive difference.

A positive footprint around the world

We will launch a charitable fund in 2023 inspired by a successful tried and tested initiative, XCEL, which we run in the US and which has grown organically over the years. The goal is to support employee initiatives with logistical and financial help from the company as well as with time out from work for volunteering. The key priorities for the fund will be to encourage Azelis employees to regularly carry out charitable work in education, environment and nutrition.

Replicating the XCEL initiative, our global fund will take a bottom-up approach, with employees choosing which projects and charities to support.

The new structure will be overseen by our regional CEOs and coordinated by employee 'charity ambassadors' who will receive training and guidance. The Azelis group intends to be supportive but not interventionist.

The Executive Committee has also approved plans for granting all employees one day of paid time off per year to carry out charitable work in the areas of education, environment and nutrition.

Political and charitable donations

Azelis does not make any direct or indirect contributions to political parties, organizations or individuals engaged in politics. We only permit charitable contributions and sponsorships when internal information and approval requirements are respected and once due diligence has been performed.



Our charitable fund, *Because giving back matters*, aims to make a positive difference in line with Azelis' purpose and values. Through our charitable work in education, environment and nutrition, we aim to touch the lives of people in ways that are both everyday and extraordinary.

Anna Bertona, Azelis EMEA CEO & President and Azelis Executive Committee sustainability sponsor

BECAUSE
giving back matters
An Azelis charity fund

Cleaning up a mountainside in Lebanon

In Beirut / Lebanon a large group of Azelis volunteers ventured into the local countryside for a clean-up of a mountainside area that is littered with waste. After a hike up to the summit, the team recycled several bags of material and also planted a cedar tree, the national emblem of Lebanon.



Azelis in
action

Photo: Members of Azelis Lebanon, including Chris and Audrey Sacy who masterminded the mountain cleanup.

Keeping our neighborhood tidy

Thanks to an initiative from our commercial team in Azelis France, office employees volunteered to stage regular litter pick-ups in 2022, both in the immediate area around our office in Paris and a local public park. In small teams using litter clamps and bin bags, they are helping to keep the park and its surroundings tidy for the local community, while also recycling much of the material they collect.



Photo: Claire Marius, Aurélien Gilot, Sophie Thirion, Pierre Delobel, Béatrice Delassault, Basma Eziani and Emmanuel Linares.

Raising funds to alleviate poverty and homelessness in North America

Our Azelis team in East Stroudsburg, Pennsylvania / USA, has been supporting its local Salvation Army for many years and, during 2022, raised money for the organization through various events organized during a half-day allocated by the company for volunteering. The Salvation Army will use the donation for activities including housing assistance, a food bank and local crisis and disaster relief.

In Canada, employees at our Brampton office in Ontario teamed up in late 2022 to support their local food bank, Knights Table, helping with logistical organization and packing food for families in need.



Photo: Far left – Melissa Garrett, Azelis United States.

Volunteering for the vulnerable in Covid lockdowns

As China entered a severe period of lockdown in 2022, Azelis employees volunteered for the company's anti-epidemic community team to support isolated people in local neighborhoods.

Our team helped with the community organizing of nucleic acid testing and distribution of Covid-19 antigen rapid test kits, as well as acting as couriers to deliver supplies and prescription medicines to vulnerable people.



Azelis in
action

Stepping up for Ukrainian refugees

In 2022, at the request of many of our EMEA employees, we initiated a fundraising campaign for the people of Ukraine. We raised over €100,000 through various local initiatives over a six-month period for charitable organizations that work in the country to supply food and medication.

On a more personal scale, one of our employees, Iwona Makowska, took a refugee family from Ukraine into her home in Poznań / Poland for six months. Iwona and her husband arranged school places for the children and found a job for the mother. In Iwona's Azelis office, fellow employees gave donations for the family, ranging from food to clothing. Eventually the mother and her sons found a new flat and have been able to build a new life.

Elsewhere in Poland our employees Małgorzata Makówka and Radosław Krzewski also supported Ukrainian refugees in 2022 by travelling regularly to the Polish-Ukrainian border to provide free hot-dogs for those fleeing the country. In addition, Renata Bugiel has played an important role in ensuring the delivery of funds raised by Azelis to intended recipient locations.



Photo: Radosław Krzewski (yellow jacket left) and Małgorzata Makówka (yellow jacket right), Azelis Poland.

Our contribution to the UN Sustainable Development Goals

People

What we have done so far: selected examples of implemented initiatives

What we plan to do: selected examples of planned initiatives



We offer healthcare plans in many of the countries in which we operate.

We have introduced structural hybrid working across the group, allowing our people to work remotely up to 50% of the time.

Following the 2022 Employee Satisfaction Survey we are introducing improvement initiatives and action plans country-by-country to respond to employee feedback, with particular emphasis on working conditions.



In 2022, we launched a new training platform, ThinkZoom, in Americas. It offers both compliance training courses as well as a wide array of development courses.

We have expanded the scope and volume of online training opportunities for all employees through our human capital management system, Workday®. The learning module offers internally generated training as well as the possibility to access an external platform offering online courses.

The average number of training hours per employee per year increased by 94% in the period 2018 – 2022, from 8.2 to 15.9 hours. In 2022, we introduced a new KPI for the average number of training hours per employee per year with a 2025 target of 24 hours.

In 2023, we will consider providing each single employee the possibility to access an external training platform via our newly implemented learning module in our human capital management system, Workday®.

A Learning & Development Director will be hired in 2023 to plan, execute and drive L&D strategy for leaders, talents and employees and promote a culture of lifelong continuous learning throughout the organization.

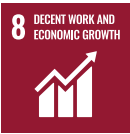


- Ratio of women to men in Azelis: 53.4% women vs. 46.4% men in 2022 (0.2% of our employees elected to not self-identify gender). This ratio has consistently been above 50% in the past five years.
- Percentage of women in senior management positions: 31.8%.
- Percentage of women promoted vs. total number of internal promotions: 54.6%.

- The Azelis Diversity & Inclusion policy will be rolled out in 2023.
- New training in diversity and inclusion will be rolled out in 2023 via our Workday® platform.
- Equal participation of women in training and professional education initiatives.
- Compensation benchmarks to cover 20 countries with the most employees and no less than 80% of our global workforce to minimize gender bias during the recruitment and salary review process.

People

What we have done so far:
selected examples of implemented initiatives



- Our organization is committed to ensuring that modern slavery does not take place within our business or supply chains. The Azelis Anti-slavery and Human Trafficking Statement sets out the steps that the Azelis group has taken.
- In addition, we have due diligence procedures in place for the evaluation of the CSR practices of our suppliers thanks to our Tfs® membership.

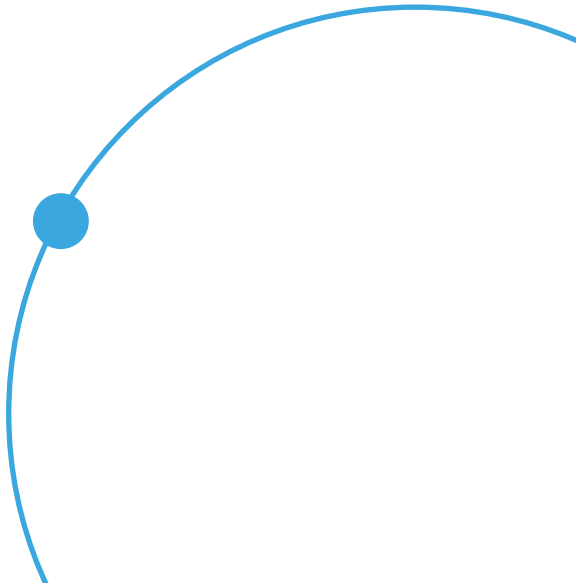


In 2022, Azelis contributed to local communities through a variety of charitable initiatives, making monetary and in-kind donations, as well as through sponsorships, to the non-profit sector.

What we plan to do:
selected examples of planned initiatives

- By 2025, 80% of our revenue will come from suppliers that have been assessed through the Tfs® framework, helping to avoid potential human rights abuses.

In 2023, we will begin to create a more structured framework for our charitable activity around the world. As part of this, we will launch a charitable fund that will be based around our existing XCEL charitable program in the US.



Products
& Innovation



One
innovative
culture

Innovation catalyst for sustainable products

Sustainability is one of the most important drivers of new growth in all segments of the markets we serve.

We aim to be a world leader in the distribution of sustainable, innovative and safe chemicals. Our 60+ application laboratories around the world, as well as 14 e-Labs, 105 customer portals and two regional Innovation Centers, enable us to work with our customers to develop new, more sustainable formulations for their products and help them to make progress on sustainability by responding to trends and growth opportunities. We report on our sustainability performance on an annual basis as part of our *Action 2025* commitments.



By supporting the sustainability aspirations of our principals and our customers, we help to create new, innovative products that address global environmental and social issues. In doing so we also fulfil our own goal of putting sustainability at the heart of our business strategy and growth.

Dr. Matthias Hofmann, Group Director Innovation & Technology Management

Key Performance Indicators and targets – Products and Innovation

| GRI | Key Performance Indicator | 2022 | 2021 | 2020 | 2025 Target |
|-----|--|-----------|---------|--------------|----------------------|
| | Baseline of sustainable products i.e. # sustainable products* in product portfolio** | ongoing | ongoing | Not measured | To be agreed in 2023 |
| | % of revenue covered with ESG assessed suppliers (assessment by EcoVadis® and TfS® Audits)** | 75.2% (B) | 55.8% | 52% | 80% |

(B) relates to KPIs on which PwC has provided ISAE 3000 limited assurance, see page 113 for our assurance report.

* A product is marked as sustainable in our systems when a certificate (RSPO, Cosmos, Bio, Organic, etc.), a company statement (natural ingredients, etc.) or any other company document substantiating the claim, is shared with us by our business partners. Our Group SHEQ support center then carries out a due diligence documentation check. Furthermore, we are closely monitoring regulatory developments at the EU level, particularly discussions around the concept of safe and sustainable design for chemicals, materials and products. This is part of the Chemical Sustainability Strategy of the European Commission. We are preparing our processes and systems for future criteria, and in 2022 we carried out an impact assessment.

** Please see the Methodology section of this report, page 123.

Our main risks

Our 2022 annual enterprise risk management process confirmed the following priority risks associated with Products and Innovation:

1 Product stewardship

Issue: In the jurisdictions in which we operate, our business is subject to a wide range of rapidly evolving regulatory requirements.

Mitigation: We have advanced product stewardship policies that reduce the risk of non-compliance with laws and regulations, as well as safety, health, environmental and quality standards. In addition, we have a network of regional officers and local managers who ensure compliance with product regulations and product certifications and have access to centralized IT systems that contain up-to-date regulatory information. Our corporate Safety, Health, Environment and Quality (SHEQ) team also monitors regulatory developments at a global level and audits regulatory compliance, based on the work of our Group SHEQ support center in Mumbai, which maintains all product information and documentation related to the safe use of products. In 2022, since sanctions and import and export controls were in place which affected the operations of some principals and customers in Russia, our EMEA operations evaluated the risk and decided, in the light of European Union sanctions, to cease all non-essential business in Russia (see page 92).

2 Quality management

Issue: To ensure we operate to the highest international quality standards, we need to have in place a quality management system that documents processes, procedures, and responsibilities for achieving quality policies and objectives.

Mitigation: In EMEA and Asia Pacific we operate to the international standard ISO 9001:2015, which specifies requirements for a quality management system and also helps organizations ensure they meet customer and other stakeholder needs within statutory and regulatory requirements related to a product or service. In the Americas, our operations in Canada and Mexico are also ISO 9001:2015 certified, and we plan to extend this certification to the US in 2023. Our quality management system is externally verified and audited by SGS, a leading certification company.

Azelis entities that distribute certain categories of products also have a range of other necessary certifications, including ISO 22000, Organic, Bio, Cosmos, FCA, GDP and GMP.

3 Staying ahead of the competition

Issue: In the fast-moving specialty chemicals sphere, it is important to stay ahead of the competition by identifying potential changes in the market. Key changes in the market include customers and principals streamlining distributor relationships, growing demand for value-added services, regulatory trends, trends towards sustainable formulations, and trends towards digitalization.

Mitigation: In order to deliver new customer and principal digital experiences at scale, we have a global digitalization program. Our marketing and sales teams are supported by real-time data that allows them to generate insights into customer needs, market trends, and steer the development and delivery of value-added services. Our insights offer our principals the possibility to identify new commercial and application development opportunities.

4 Supply chain ESG risks

Issue: Our complex supply chain means we source products from many countries. This exposes us to environmental, social and governance (ESG) risks such as natural resource depletion, human rights abuses and corruption. Other risks include pandemics and global supply chain disruption, as demonstrated by Covid-19 and the geopolitical situation following Russia's invasion of Ukraine. These issues can damage our reputation, operations and financial performance.







Mitigation: In order to manage ESG risks in our supply chain, we have a Sustainability policy and a Sustainable Sourcing policy, which were reviewed in 2022. Our membership of Together for Sustainability® also provides us with strong due diligence procedures and tools that minimize such risks. Please see page 80 for more information on our Sustainable Procurement policy.

Working with our stakeholders on sustainability







Azelis represents principals that are strongly committed to sustainability and has many customers with sustainability aspirations. We work with them to develop sustainable product formulations.

The following table provides an overview of our market segments and their main end-market characteristics.

Life Sciences

| Market | Categories | | Market characteristics |
|--|--|---|--|
|  Food & Nutrition | <ul style="list-style-type: none"> Bakery and sweet snacks Beverage Confectionary Dairy and non-dairy Flavors | <ul style="list-style-type: none"> Meat, fish, and poultry Meat substitutes Savory (sauces, soups, ready meals) Seasonings Special nutrition | <ul style="list-style-type: none"> Increased focus on health regulations Increasing demand for plant-based food Increased consumer demand for taste, health and sustainability (healthy indulgence/dairy and meat alternatives) |
|  Personal Care | <ul style="list-style-type: none"> Hair care Skin care Oral care Bath and shower | <ul style="list-style-type: none"> Sun care Decorative cosmetics Fragrance and ingredients | <ul style="list-style-type: none"> Personal Care market moving quickly to higher degree of sustainability Natural ingredients and conscious beauty (e.g. vegan) on the rise Smaller independent brands drive innovation |
|  Agricultural & Environmental Solutions | <ul style="list-style-type: none"> Crop protection Fertilizers Forestry Vegetation management Aquatic Weed control | <ul style="list-style-type: none"> Seed coating Vector control Fertilizer and biostimulants Fertilizer efficacy enhancers | <ul style="list-style-type: none"> Very technical industry Need for formulation work Focus on performance, health and environmental benefits |
|  Pharmaceuticals & Healthcare | <ul style="list-style-type: none"> Pharmaceutical excipients APIs Medical devices Nutraceutical actives and excipients | <ul style="list-style-type: none"> Veterinary medicine Wound care Biologicals and process aids | <ul style="list-style-type: none"> Highly regulated Products require iterations of development, testing and approvals NPD protected by long patent period to justify the investment Generics market growing faster than Branded NPD Increased focus on dietary supplements and food that provide medical or health benefits |
|  Home Care & Industrial Cleaning | <ul style="list-style-type: none"> Air care Automotive Fragrances Cleaning | <ul style="list-style-type: none"> Disinfection Laundry Animal care Surface maintenance | <ul style="list-style-type: none"> Increased regulation triggers new developments Strong focus on sustainability but market cost sensitive Biodegradability and renewable feedstocks important Trend for concentrates, refills and returnable packaging Fragmented |
|  Animal Nutrition | <ul style="list-style-type: none"> Monogastric Ruminant Pet Aqua | <ul style="list-style-type: none"> Equine Feed hygiene Feed preservation Biosecurity | <ul style="list-style-type: none"> Focused on sustainable food production Reduction of reliance on antibiotics Market driven by multinationals and local champions Regulated product and companies |

Industrial Chemicals

| Market | Categories | Market characteristics |
|--|---|---|
|  CASE | <ul style="list-style-type: none"> Coatings (paints and varnishes) Adhesives and sealants Elastomers Inks Building and construction | <ul style="list-style-type: none"> Price-driven end-markets and niche, specialty subsegments with product properties and features allowing differentiation and sophistication through formulation enhancements Gradual to slow, yet consistent trend supporting more sustainable offerings (water-based formulations and biobased feeds/green products) |
|  Advanced Materials & Additives | <ul style="list-style-type: none"> Rubber Plastic additives Flooring Wire and cables | <ul style="list-style-type: none"> Governed by regulations Green innovation (carbon footprint reduction, biodegradable plastics) Automotive trends to improved life-cycle, weight and cost efficiency Increased use of recycling and recycled materials Change in material requirements due to electrification of cars |
|  Lubricants & Metalworking Fluids | <ul style="list-style-type: none"> Additives Base oils Thickeners Amines Packages for automotive and industrial oils, VII, emulsifiers and surfactants | <ul style="list-style-type: none"> Very technical industry Large exposure to automotive and industrial manufacturing Innovation driven by emissions and efficiency regulations |
|  Electronics | <ul style="list-style-type: none"> High-purity metals Equipment and tooling Precursors for chemical deposition High-purity substrates SN100C® lead-free alloys for assembling industry | <ul style="list-style-type: none"> Focus on increasing performance Fragmented and regionally organized Very technical industries, requiring product and service specialists |
|  Essential & Fine Chemicals | <ul style="list-style-type: none"> Chemical synthesis De-icing Process aids | |
|  Textiles, Leather & Paper | <ul style="list-style-type: none"> Pulp and paper production Textile and leather production | <ul style="list-style-type: none"> Focus on increasing performance Fragmented and regionally organized Very technical industries, requiring product and service specialists |

Driving value creation with innovation

Our global network of application laboratories, e-Labs, customer portals and Innovation Centers ensures that our physical and digital resources are available to help customers develop sustainable products and ingredients that serve the needs of the market and of society in general. In doing so, we also drive value creation at Azelis. Here are some examples:



Personal Care

Water-free formulas

Cold processes for emulsions, which reduce energy consumption during production

'Ethical' beauty products that focus on vegan or natural ingredients and are animal-friendly (no animal testing)

Reformulations with added cost-advantage and increased interest for oil-free products



Home Care

Formulas aiming to reduce water content and focus on biosurfactants



Food & Nutrition

Plant-based foods such as vegan milk and cheese alternatives that have a lower carbon footprint than animal products

Reformulations with added cost-advantage, achieving lower costs without compromising quality (e.g. re-formulating to enhance Nutri-Scores™ and keep tasty food affordable)

Low-alcohol and alcohol-free drinks to cater for the increased concern about long-term health effects of alcohol consumption



CASE

Water-free formulas

Cold processes for emulsions, which reduce energy consumption during production

Adhesives and sealants made from alternatives to petroleum-derived chemicals

Coatings for packaging that reduce overall weight, saving on transportation emissions



Agricultural & Environmental Solutions

Environmentally-friendly bio-solvents derived from agricultural crops

Recognition of our award-winning products and innovation

2022 Ringier Technology Innovation Award for Food & Beverage in China for an omega-3 fish oil concentrate that provides health benefits as a food supplement.

2022 Ringier Technology Innovation Award for Personal Care in China for a titanium dioxide powder that demonstrates superior performance in conjunction with a variety of make-ups.

Bronze Sensory Bar award at in-cosmetics Global 2022 for Personal Care for our 'In and Out gummies', a new type of natural face mask developed using a sustainable production method and made from apricot and mulberry extracts.

Photo:
Sophie Thirion,
Azelis France.



Our state-of-the-art Innovation Centers

Our innovation and competence centers represent our purpose in action: innovation through formulation. By investing in these innovation hubs we aim to make a positive impact through science and our expertise, demonstrating the benefits we bring to our principals and customers.

Our physical Innovation Centers form part of Azelis' operations in our regions. They are equipped with advanced testing capabilities. At maturity, they will have at least three full-time staff members to serve specific individual market segments. Acting as a hub to support our regional network of application laboratories, our Innovation Centers also welcome customers and principals who visit for training, help with problem solving, as well as regular lab work.

In 2022 we opened an Innovation Center in Singapore which will serve the Asia Pacific region in the food and nutrition sector and connect market needs and process requirements with ingredient solutions. The Center is fully equipped to deliver ingredient support and formulation expertise, digitally or in person, making innovation accessible to all.

Our Innovation Center in Mexico, which was launched in 2021, became fully operational in 2022 to serve our growing business in the Americas and has a core capability in Advanced Materials & Additives. We also have smaller labs that focus on serving the following market segments in Mexico: CASE, Personal Care, Pharma & Health, and Food & Nutrition.

The construction of a third Center, in the US, was initiated during 2022 and will open in 2023. The US Center will specialize in coatings, adhesives, sealants, elastomers, inks, and building and construction products.

Technical know-how in our competence centers

In Europe, in addition to our many application labs, we launched our concept of competence centers in 2021. While smaller in scale than our Innovation Centers, each competence center has special capabilities to offer specialized technical capabilities covering large areas of Europe.

In 2022 we opened a Regional Competence Center dedicated to meat and meat alternatives in Poznań / Poland. This will help customers across Europe develop healthier and more efficient ways of adding flavor and color to meat, meat alternatives, fish, cheese and bakery products. We already work on plant-based alternatives to meat in many of our local application labs as we support customers to deliver new products suited to local tastes.

On the industrial side, we moved our lubricants and metal working fluids laboratory from Germany to Italy, where it will function as a crystallization point for technical growth and will become a Regional Competence Center for Industrial Applications in 2023.



Our Innovation Center in the US and our local application labs, coupled with our existing one in Mexico, will provide an unsurpassed level of service and technology to our customers in the Americas region, helping to deliver on our mission of 'Innovation through formulation'.

Dr. Jessica Silva, Director of Labs, Americas

Sharing knowledge through our customer portals

Our online customer portals provide high-quality technical information about the thousands of ingredients we work with, along with examples of how they have been used to create sustainable products. This helps customers to develop fresh lines of thinking in an informed way, which in turn grows our business.

In 2022 we made significant strides in increasing the number of customer portals globally from 50 in 2021 to 105, allowing us to provide insights to a wider customer base.

We also made improvements to the searchability of our portals, providing customers with an easier route to finding products that deliver sustainable benefits, including through search words such as 'vegan' and 'organic'.

In addition, we instigated an acceleration pilot to find out how we can accelerate customer adoption of our portals in three sample countries, Germany, Austria, and Switzerland. The initial lessons learned from the project, especially in terms of improving communication, have already increased the usage of portals in these territories.

The study also demonstrated that, once customers use them, they are impressed by their content. We will expand the project into other countries and regions in 2023.

Providing market insights via our principal portals

Our principal portals provide our strategic principals with market insights into the application of their products, as well as a real-time view of sales performance and opportunities. Our detailed information on key statistics and the relevance of emerging market trends help to inform the direction of their research towards market needs. We plan to roll out this service to more principals in 2023.

An expanding network of application laboratories

Alongside our increased digital offerings, we continued in 2022 to expand the number of physical laboratories available to customers by opening new application laboratories in Egypt (Food & Nutrition), India (Pharma), South Africa (Personal Care) and Spain (Personal Care).



60+ application labs



14 e-Labs in the Personal Care and Food & Nutrition and Home Care & Industrial Cleaning segments



105 customer portals in Agricultural & Environmental Solutions, Food & Nutrition, Home Care & Industrial Cleaning, Personal Care, Pharma & Healthcare, Textile & Leather, Lubricants & Metalworking Fluids, Advanced Materials & Additives, and Coatings, Adhesives, Sealants, and Elastomers (CASE).



The challenge of identifying sustainable products

Our long-term ambition is to increase the use of sustainable ingredients in the formulations we develop. For this reason it is important that we can measure the outcomes of sustainable ingredients used.

With a growing database and a continuously improving evaluation of raw materials, our formulation work towards more sustainable products is becoming increasingly effective.

During 2022 we continued our work to refine the criteria we use to categorize sustainable products in our portfolio. At present, we classify products as sustainable when relevant supporting documentation is available from suppliers – for instance through RSPO, Cosmos, Bio or Organic certification, or a company statement about the degree of natural and/or organic origin in the individual raw materials based on, for example, ISO 16128 guidelines

methodology. A due diligence documentation check is carried out on these credentials by our Group SHEQ support center.

We engaged with principals, customers and suppliers to discuss criteria that could form the baseline against which we will develop sustainable product objectives for 2025. This dialogue will continue in 2023. Taking into account evolving regulatory developments at the EU (such as REACH and the Chemicals Strategy for Sustainability) and global policies levels, we will consider a range of approaches to measuring the number of sustainable products in our portfolio.



Agricultural and
environmental
solutions

Harnessing bacteria for organic crop protection

Given the growing global concerns about potentially harmful effects of traditional pesticides, a customer in Italy approached us for help developing a crop protection product using micro-organisms instead of chemicals. We worked with them on a new formulation based around *bacillus thuringiensis*, a soil-dwelling bacterium that produces a toxin which is fatal to certain insects.

One challenge was to ensure that other ingredients in the product did not act against the bacterium to limit its activity – or even kill it. These other ingredients also had to be chosen carefully to ensure they worked in dry granule form and were compatible with organic farming.

Once we had helped the customer to make a small quantity of the right formulation in their own laboratory, we produced larger initial batches in our own lab. The end product has given the customer greater access to the organic farming market, where hazard-free crop protection products are much in demand. It will also be marketed to mainstream farmers who are increasingly looking for biological alternatives to traditional pesticides for their integrated pest management strategy.



Azelis in
action

CASE

Lessening reliance on imported epoxy emulsions

2022 saw continued supply chain disruption caused by the Covid-19 pandemic result in shortages of water-based emulsions of epoxy resins, which are used in various products, from adhesives to floor coatings and paints.

Our CASE lab in Wisconsin in the US was approached by several customers who wanted help to make their own epoxy emulsions instead of scouring the globe for those that were available. We were able to formulate emulsions of several types of liquid epoxy resins.

Crucially, the formulations can be mixed at ambient temperatures and with only moderate agitation, meaning that new emulsions can be made on small premises with typical lab mixers and without the need for temperature control or sophisticated high shear mixing equipment. This has helped to reduce our customers' reliance on more expensive imports, while cutting transportation costs – and carbon emissions – in the process.



Azelis in
action

Reducing water use in toothpaste manufacture

As water scarcity has become a crucial factor in many companies' sustainability considerations, toothpaste manufacturers, have begun to look at ways of cutting water use.

One way of doing this is to use less water in the actual toothpaste by replacing it with other substances that do the same job. In 2022, a customer in China asked us to investigate this idea with the proviso that any non-aqueous alternatives must be natural and environmentally friendly.

Our experiments found that two naturally occurring substances, xanthan gum and carrageenan gum, work very well in non-aqueous toothpaste. As we carry out further tests to establish the stability of viscosity of xanthan gum and carrageenan gum in different temperature and storage conditions, the potential water reduction benefits look promising.



Photo: Non-aqueous toothpaste.

Personal Care

Making high-factor sunscreens more user-friendly

Encouraging people to wear high-factor sunscreen is important, as most skin cancers are caused by too much exposure to ultraviolet light from the sun. Sunscreens with a high factor of 50+, however, are often unpopular with consumers because their chemical composition tends to make them heavy, greasy, and difficult to apply. They are also more slowly absorbed into the skin than lower factor creams.

In 2022 our Personal Care lab in Mexico, making use of a range of naturally occurring emollients, developed a new formulation for customers that allows them to produce invisible sunscreens with easier application, faster absorption, and a lighter feel on the skin.

When these come to the market, the hope is that their more user-friendly qualities will persuade consumers to switch to higher factor sunscreens and thereby help to reduce the incidence of skin cancer worldwide.



Food & Nutrition

Adding stability to low alcohol fruit wine

With fruit wine becoming increasingly popular in China, one of our customers approached us in 2022 for help with devising a new brand with natural ingredients and light alcoholic content.

The waxberry pulp they were using to make their low alcohol fruit wine was causing sedimentation. Our lab team experimented with adding citrus fiber which improved the appearance, taste and health claims of the product. The customer's waxberry fruit wine moreover has more stability with prolonged shelf life, and a better mouthfeel.



Azelis in
action

Food & Nutrition

Cutting emissions related to soft drink importation

In early 2022 one of our customers in Denmark sought our assistance in producing four types of soft drinks. At the time they were importing these from the United States, with significant carbon emissions resulting from transportation.

We put them in touch with a local company that could produce the drinks for them, and then worked with that company on formulations for three types of lemonade and one type of iced tea that were as near as possible to the drinks they had previously been importing.

All the drinks were on the Danish market by the middle of the year, and it has been agreed that Azelis will help on similar projects in the near future.

For more information about these product innovations, please explore our customer portal at explore.azelis.com



Sustainability in the supply chain

Our supply chain includes our principals/suppliers and our customers. Our principals produce specialty chemicals and food ingredients. These are the essential raw material ingredients for the formulations we work on with and for our customers who manufacture consumer products in the life sciences and industrial chemicals end markets.

In line with our aim to be the leading provider of sustainable solutions and services, Azelis works with our principals, customers and all other stakeholders to improve the performance of our own value chain and that of the specialty chemicals industry. A sustainable supply chain ensures everyone in our supply chain complies with laws and regulations as well as adhering to and supporting international principles for sustainable business conduct.

Azelis' Sustainable Procurement policy, which was reviewed in 2022, focuses on a range of issues, including environmental, people and governance commitments. We assess our principals and suppliers against the standards laid out in the policy which require them, among other things, to have environmental management systems in place, to be compliant with the eight fundamental conventions of the International Labor Organization, and to commit to providing a healthy and safe workplace environment.

 [Click here to view our commitment to sustainable sourcing.](#)

Assessing our principals/suppliers

When we select principals and suppliers, sustainability is an important criterion in our decision-making. As a member of Together for Sustainability® (TfS), we carry out EcoVadis® assessments and audits to evaluate our supply chain in areas such as the environment, labor practices and human rights.

Our due diligence procedure incorporates these assessments and helps us identify and prevent violations of human rights across our supplier operations – including on health and safety, working hours, freedom of association and child and forced labor. In addition, EcoVadis® assesses our suppliers' environmental certifications, such as ISO 14001 and Responsible Care®, enabling us to address environmental issues and risks in our supply chain.

If EcoVadis® assessments and TfS® audits find that corrective measures are needed for certain suppliers, we work with the principal/supplier to help them implement improvements and then monitor progress. In the extreme event that improvements are not made to our satisfaction, we terminate our business with the principal supplier.

In 2022 we invited 225 suppliers to an EcoVadis® assessment, of which 188 (83.6%) accepted our invitation, compared with 240 suppliers invited and an acceptance rate of 68% in 2021.

Our sustainability assessments of suppliers in 2022 covered 75.2% of our total 2022 revenue (compared with 55.8% in 2021), excluding that generated by newly acquired businesses. This means we are close to achieving our 2025 objective of 80% coverage of turnover assessed. This increase has been due in part to the appointment of sustainability coordinators in each region and at group level, a move that has helped with better monitoring, and follow-up with our suppliers. It has also been due to the training offered to suppliers via EcoVadis®, along with increased communication with suppliers about the advantages of assessments, and how they work.

An assessed supplier is defined as a supplier that was invited to an assessment, accepted our invitation, and by the end of the year had either had their scorecard published or was under evaluation. (Please see methodology section in this Report for more information).

From 2023 we will further prioritize which suppliers we invite for assessments based on risk assessment approach and spend. Those with scores that suggest they are medium-to-high risk will be assessed every year, while those with low risk will be assessed every three years.



75.2% ESG
assessed turnover

Sourcing sustainable palm oil

Palm oil and palm kernel oil are versatile raw materials for both food and non-food industries. While we do not produce palm oil or palm oil derivatives, Azelis is involved in their distribution across the life science and industrial chemicals markets.

As a responsible distributor we aim to source products with the least possible impact on the environment. By sourcing palm oil and palm kernel oil from sustainable plantations, we help prevent the destruction of high-value conservation forests, particularly in South-East Asia, while also protecting biodiversity and the livelihoods of local communities. We are guided by the Azelis Corporate Palm and Palm Kernel Oil Policy, which has been in operation since 2018.

 [Click here to view the policy.](#)

We are a member of the Roundtable on Sustainable Palm Oil (RSPO), a non-profit organization that develops global supply chain standards for sustainable palm oil. Our RSPO membership now includes more than 40 entities with distribution licenses in EMEA, the Americas and Asia Pacific, all of which are committed to producing, sourcing and/or using sustainable palm oil certified by RSPO and with guaranteed traceability. Azelis companies that offer palm oil or palm kernel oil products have RSPO traceability systems capable of guaranteeing the use of Palm Oil and Palm Kernel Oil from sustainable sources. Of the palm oil derivatives that we distribute, 82.2% are RSPO certified.



Food & Nutrition

Finding a responsible alternative to palm oil

While responsible sourcing is one way to reduce the negative environmental impact of palm oil production, another is to avoid using it altogether.

One of the biggest frozen food producers in Greece approached us for help in developing a pumpkin-ball raw energy snack without the use of palm oil to hold it together. In addition, to cater for the needs of people with allergies, the customer wanted the product to be made without gluten or soya.

Our solution was to use sodium alginate, extracted from brown seaweed, as a stabilizer, along with modified starch to give the pumpkin balls structure. The customer intends to launch this new product in their health food range.



Azelis in
action

Our contribution to the UN Sustainable Development Goals

Products and Innovation

What we have done so far: selected examples of implemented initiatives

What we plan to do: selected examples of planned initiatives



In cooperation with our principals, we are identifying the products that contribute to sustainability, for instance by reducing their carbon footprint, and we are promoting safer chemicals.

- Innovation through formulation: developing sustainable solutions and formulations in our network of laboratories.

- Establish sustainable products development targets for 2025.
- Further align with our principals to obtain information on the carbon footprint of the products we distribute.
- Further develop local application laboratories in every region we serve to assist local customers in achieving suitable local formulations. Shift to the use of less hazardous chemicals in new formulations developed in Azelis laboratories.



- Azelis operates more than 60 application laboratories.
- Following the launch of our first Innovation Center in 2021 in Mexico, we opened our second Innovation Center in Singapore in 2022.

Continue growing our network of application laboratories, and additionally establish advanced Innovation Centers to further strengthen the ability to give conceptual guidance of innovation potential across Azelis' laboratories network.



Through our network of SHEQ experts we monitor the international conventions and policies that affect product stewardship and the impact on the environment of our products. In addition, the reduction of waste and pollution forms part of our environmental commitments for 2025.

- The Azelis application laboratories work with principals and customers to develop formulations with more sustainable ingredients.
- *Action 2025*: target to reduce waste generation in our operations by 2025.
- Alignment with our principals to obtain sustainability information relating to their products.

- Increase the number of countries in which we operate application laboratories to support the needs of local customers. We will work with principals and customers to increase the use of sustainable chemicals in the formulations that our laboratories create.
- Improve our waste management systems to reduce waste generation at our sites.
- Develop innovative solutions that support the circular economy and reduce waste.
- Further align with our principals to obtain sustainability information about their products, for instance product carbon footprints (PCF) that impact our Scope 3 emissions and those of our customers.

Products and Innovation

What we have done so far: selected examples of implemented initiatives



- Azelis has developed many starting point formulations for our customers' products. These formulations help end-users to limit climate change and adapt to the effects of climate change.
- Azelis helps smaller customers to be aware of the many ingredients and formulation technologies that our suppliers have developed and that Azelis has advanced. Often a formulation must be modified to be useful under local conditions in different countries. For this purpose Azelis has already established application laboratories in 27 different countries.

What we plan to do: selected examples of planned initiatives

Increasingly promote the use of ingredients that our principals identify as sustainable.

We will preferentially use these ingredients in lab formulations that we develop for our customers.

- Increase communication with our customers regarding our ingredients and suggested formulations that can help to mitigate climate change. We will establish more customer portals and e-Labs so that customers can easily access this information. We are also improving communication within Azelis so that the know-how we develop in one country can be shared for the benefit of customers and end-users in other countries.



- We have developed partnerships with principals, customers, and associations (e.g. Together for Sustainability®) for the implementation of sustainability in our businesses.
- The 60+ Azelis application laboratories work in partnership with principals and customers to enable customers to produce useful and sustainable formulations by combining ingredients from many principals.
- Rollout of Azelis customer portals and e-Labs to help our customers access high quality information on sustainable products and innovations, and get access to our technical experts globally.

- Continue to develop and strengthen existing partnerships.
- Continue to roll out our customer portals globally and scale up the rollout of our e-Labs in five different market segments globally.

One governance strategy



Sound governance as the foundation of sustainability

Since we gained listed status in 2021 we have taken on new regulatory responsibilities, making our commitment to high standards of governance all the more important. We seek to continuously strengthen our corporate governance and improve our transparency, carrying out regular fitness checks to ensure our policies remain relevant and effective.

At Azelis sound governance means striving to ensure fairness in our business conduct and compliance with all laws and regulations. We put ethics at the heart of what we do so that we can remain a trusted, and therefore sustainable, business.



Sound governance is essential to our long-term focus on creating a sustainable business. We keep testing our internal rules and standards to be sure that they are fit for purpose and sufficiently robust for new risks and challenges ahead, including those that arise from newly acquired businesses and new territories in which we expand.

Gerrit De Vos, Group General Counsel and Chief Compliance Officer

Key Performance Indicators and targets – Governance

| GRI | Key Performance Indicator | 2022 | 2021 | 2020 | 2025 Target |
|-------|---|--|--------------|--------------|-------------|
| 419-1 | Number of material breaches in laws and regulations across any country in which we operate* | 0 (B) | 0 | 0 | 0 |
| 205-2 | Number of material breaches of ethical behavior policies** | 5 (B) | 0 | 1 | 0 |
| 205-3 | % of employees trained in ethical and fair business practices*** | 98.6%(B) | 98.9% | 99.4% | 100% |
| 205-4 | % of employees who passed the annual training on ethical behavior**** | 98.5% (B) | 98.8% | 99.3% | 100% |
| 413-1 | % of sites with crisis management and business continuity plans in place | To be reported in the Sustainability Report 2023 | Not reported | Not reported | 100% |

(B) relates to KPIs on which PwC has provided ISAE 3000 limited assurance, see page 113 for our assurance report.

* This KPI was adjusted in 2022 to apply to material breaches that result in a total aggregate liability, damage, loss, cost or expense of €500,000 or more. This new material financial threshold is considered proportionate for reporting purposes and is based on the size of any previous claims, Azelis' current turnover and growth trajectory.

** This KPI was refined in 2022, confirming that material breaches of ethical and fair business practices will be treated as those which have been reported and managed within Azelis' Case Management System and which have resulted in disciplinary action against the relevant employee.

*** This KPI is calculated on the basis of the number of individuals participating to the annual training on ethical behavior.

**** This is a new KPI created in 2023 and confirms the percentage of individuals who successfully pass the annual training on ethical behavior with a score of 70% or higher. Individuals who do not pass the training are expected to go through the different policies once more of their own accord.

Our main risks

Azelis is committed to acting in compliance with all applicable laws and regulations, as well as fair business practices. We have identified the following main risks associated with this commitment:

1 Rapidly growing regulatory framework

Issue: As a fast expanding and newly listed company, Azelis must comply with an ever-increasing number of regulations in areas ranging from disclosure and market abuse to export controls and sanctions.

Mitigation: We monitor regulatory changes in material areas of our business to ensure we remain fully compliant, investing in the necessary internal resources and tools to do so. We work with a panel of local and international advisors and counsels to help us navigate any changes in regulations.

2 Non-compliance with ethics and compliance policies

Issue: As we continue to grow through acquiring other companies, some of which are in countries particularly vulnerable to malpractices, we face exposure to the risk of unethical behavior and non-compliance with our policies.

Mitigation: We have developed a well-tested governance framework for internal control and compliance that involves many separate functions within Azelis. Our corporate legal and compliance office, internal audit department and regional legal counsels all strive to ensure full compliance with our ethical policies.

3 Increased exposure to bribery and fraud

Issue: Azelis' expansion into new jurisdictions brings with it the risk of greater exposure to bribery and fraud than in more developed markets.

Mitigation: To prevent malpractice we have a number of measures in place, including an anti-bribery and fraud prevention policy and regular in-depth training for all staff. Whenever we are looking to acquire a business, our due diligence process seeks to ensure that the target company adheres to high ethical standards and all relevant policies. Once the transaction is

signed/closed, our ethical values and policies are a focus point during the integration process, and we provide training on key policies for new employees.

4 Cybersecurity threats

Issue: The cybersecurity threat has developed in recent years with the increased use of ransomware by criminal gangs and malware by activists or disaffected groups. External attacks on a company's digital infrastructure can result in systems failure and business interruption, loss of data and unauthorized access to confidential and sensitive information.

Mitigation: We maintain a group-wide cybersecurity program led by a dedicated unit headed by our group information security & compliance officer. We have installed systems and infrastructure to protect against cybersecurity risks and these are frequently updated as new technology becomes available.

The Group Information Security & Compliance Officer is a permanent guest on the Audit Committee and IT, cybersecurity programs and their progress are discussed at each Board of Directors' Audit Committee.

5 Crisis management and business continuity planning

Issue: As a global business, Azelis has an extended supply chain and works across a significant number of locations around the world. This wide reach exposes the company to various risks of business interruption caused by external factors beyond our control (e.g. natural disasters, pandemics and armed conflicts).

Mitigation: Crisis management and the maintenance of business continuity are among our priority targets in *Action 2025*. In 2022 we agreed a program to develop local crisis management and business continuity plans for different categories of sites by 2025.

Code of Conduct – the cornerstone of our behavior

The Azelis Code of Conduct sets out the guiding principles for our interactions with our employees, shareholders, customers, principals, suppliers, communities and governments around the world. It aims to reflect our values and encompasses our commitment to honesty, integrity, mutual respect and an open and diverse corporate culture. Moreover, it provides ethical guidance in key areas of Azelis' operations.

Since it was first published in 2010, our Code of Conduct has been updated regularly and is now available in 23 languages. All employees are made aware of it and are requested to sign it at the start of their employment at Azelis. This ensures that employees throughout our organization fully understand our values and ethical principles and that our commitment to ethics and compliance is non-negotiable.

As from 2023, we have initiated a project to develop mandatory online training modules on our key compliance policies, including the Code of Conduct, via the learning management system in Workday®, our Human Capital Management system, for employees of recently acquired companies and newly hired employees.

The Code of Conduct creates value for our stakeholders and, in particular, for principals that share our commitment to compliance. The Code of Conduct as cornerstone of our compliance framework also gives us a competitive advantage, especially in these countries with a lower corruption perception index (transparency.org/en/cpi/2022).


 [Click here to see the full Code of Conduct.](#)

Photo: Apostolos Moustos, Azelis Greece – Christian Pflessner, Azelis Germany – Burcu Gezegen, Azelis Türkiye – József Fehér, Azelis Hungary.



3,356 employees completed the online knowledge review of ethics and compliance in 2022 (vs. 2,715 in 2021)

98.6% trained in ethical and fair business practices*

Our annual knowledge review on ethics

To maintain our strong culture of ethics and compliance, we place great emphasis on training our people.

In 2022 we organized our seventh mandatory annual review to test and refresh our employees' knowledge of our ethical principles (or so-called "knowledge review"). As part of this knowledge review, we require employees to respond to a series of ten compliance scenarios covering a range of issues set out in our Code of Conduct and ancillary policies. In 2022 the knowledge review included a question on our newly issued Dawn Raid policy for the first time.

In 2022, 98.6% of employees (3,356) completed the knowledge review, including those from our newly acquired businesses if registered in our HCM Workday®. The pass rate remained high with 98.5% compared to 98.8% in 2021.

A series of ethics policies covering topics such as anti-bribery and fraud prevention, export control, data protection, antitrust measures and a set of internal rules of procedure complement this year's knowledge review.



Azelis in
action

Photo: Kornelija Jaksic, Azelis Croatia.

* This number concerns both the employees who passed ($\geq 70\%$ score) and those who failed ($< 70\%$ score) the online knowledge review on ethical business behavior.

Meeting new responsibilities as a listed company

Following the listing of Azelis on Euronext Brussels in 2021, we are now a publicly traded company, with rules and obligations that put us in a relatively new regulatory landscape. In 2022 we successfully organized our first annual general meeting of shareholders and engaged in regular contacts with the Belgian regulator to, amongst other things, ensure adequate and compliant financial and non-financial reporting to our shareholders.

Our strong framework of corporate governance and compliance has enabled our team of experienced professionals to address the significant regulatory challenges that have arisen since going public. We have also enhanced our governance systems to reflect new requirements in areas such as market abuse and transparency.

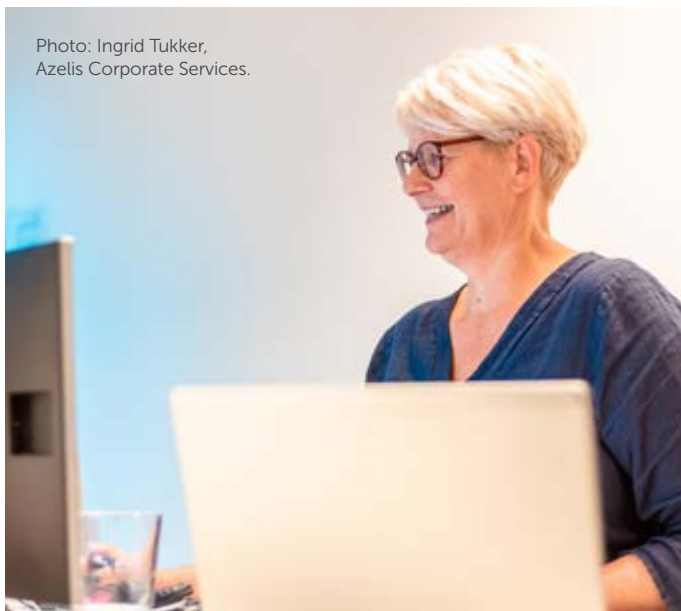


Photo: Ingrid Tukker,
Azelis Corporate Services.

Reviewing our procedures

It is critical for Azelis to have effective, accountable and transparent corporate governance at every level of our organization. In 2022 we carried out an extensive review of our internal rules of procedure (last updated in 2017), which provide an overarching policy on internal information and approval requirements prior to our commitment to any material action or transaction.

Our internal rules of procedure have far-reaching applications for many of our group policies, for example, anti-bribery, export control and procurement. As such, they play an important role as part of our commitment under UN Sustainable Development Goal 16 to substantially reduce corruption and bribery.

The review considered the fitness of our internal rules of procedure for their purpose, including in relation to financial and materiality thresholds and the role of the Board of Directors and Executive Committee, in light of our listed status and corporate governance code.

Implementing our Dawn Raid policy

Following the publication in 2021 of our Dawn Raid policy, we began to implement the policy in 2022 to ensure the robustness of our compliance program in line with our commitments to UN SDG 16. The policy sets out ten golden rules for employees to follow in the event of an unannounced on-site inspection by enforcement authorities to investigate possible infringements of laws and regulations. It emphasizes our commitment to full cooperation with any competent authority in their investigations. The policy's implementation was backed up with in-depth training during the year and a scenario on the application of our Dawn Raid policy was included in our annual knowledge review on ethical business behavior.

Fighting fraud, bribery and corruption

Our *Action 2025* strategy highlights the need to combat fraud, bribery and other forms of corruption as we expand our global presence through organic growth in new territories and acquisitions. Our due diligence and post-merger integration processes place a major emphasis on fighting fraud, bribery and corruption. By translating all key compliance policies and procedures into local languages and training employees of newly acquired businesses in our ethical standards, we ensure they fully understand our principles and commitments.

Within the framework of the Code of Conduct there is an anti-bribery and fraud prevention policy that focuses on:

- How to respond to and deal with a request for a bribe or facilitation payment
- Carrying out due diligence on associated persons (agents, service providers, etc.)
- Restrictions on receiving and giving gifts and hospitality
- Prohibiting political contributions and how to approve charitable contributions and sponsorships

For all joiners to the company in the Americas, EMEA and APAC, training in the anti-bribery and fraud prevention policy is an integral part of their induction. In 2023, this policy will undergo a thorough review to ensure it is fit for purpose and focuses on the appropriate issues.

SpeakUp!

As part of Azelis' robust compliance framework, our whistleblowing or SpeakUp! policy provides guidance on how to report malpractice. In addition, a third-party operated SpeakUp! Line, available online as well as via telephone, can be used anonymously by anyone who has dealings with the company. Employees, partners and other stakeholders can make confidential and secure reports of alleged malpractice at any time, in their native language.

In 2022, we received one report via Azelis' SpeakUp! line (B) (see below), the same number as in the SpeakUp! reports in 2021 and 2020. In total there were five cases in 2022 where material breaches of our ethical policies were established compared with no cases in 2021, which resulted in disciplinary action.

SpeakUp! cases

| Misconduct category | Country | 2022 | 2021 | 2020 |
|---------------------|---------|------|------|------|
| Corruption/ Bribery | Lebanon | | | 1 |
| Harassment | Kenya | 1 | | |
| Unfair dismissal | France | | 1 | |

Material breaches of Azelis policies in 2022

| Country | Misconduct category | Reporting method | Case status | Disciplinary action | Mitigating actions |
|---------|----------------------------|------------------|-------------|---------------------|-----------------------------------|
| Vietnam | Breach of company policies | Other | Closed | Warning letter | Policy/Process review Training |
| India | Fraud | E-mail | Closed | Dismissal | Policy/Process review Training |
| India | Harassment | E-mail | Closed | Dismissal | Training |
| Kenya | Fraud | Other | Closed | Dismissal | Policy/Process review Training |
| Ghana | Theft | E-mail | Closed | Formal complaint | Policy/Process review |

(B) relates to KPIs on which PwC has provided ISAE 3000 limited assurance, see page 113 for our assurance report.

Reinforced measures for screening third parties

Our focus on screening our customers and suppliers and implementing export controls on countries has been a consistent focus within Azelis' compliance program. This has become especially relevant with the armed conflict in Ukraine and imposition of sanctions against Russia.

Our business in Russia is immaterial compared to our total group revenue. Nonetheless in March 2022 the Azelis Board of Directors decided to cease all non-essential business in the country and to work only with businesses operating in essential areas – such as food and nutrition, pharmaceuticals and healthcare, agricultural and environmental solutions, and hygiene – that help to secure basic human needs. We continue to work closely with our principals in this respect.

We have again expanded our automated third-party screening capabilities both in terms of number of transactions as well as partners, which now also include performance of due diligence on their beneficial owners, management and any politically exposed persons who may be connected with them.

Professionalizing legal entity management

In 2022 we also launched a tool to streamline and digitalize the management of our legal entities across the globe. The tool will become functional in 2023 and assist us, amongst other things, in ensuring compliance with local corporate laws and regulations while our worldwide presence continues to increase.



Photo: Aurélie Denes and Anthony Pedro, Azelis France

Monitoring compliance

After more than a decade of developing a comprehensive compliance program, we now have a full set of robust policies in place.

Our corporate compliance program is managed at group level. Wherever we operate, regional legal counsels support the implementation of business ethics initiatives and help monitor compliance with the Code of Conduct and its ancillary policies.

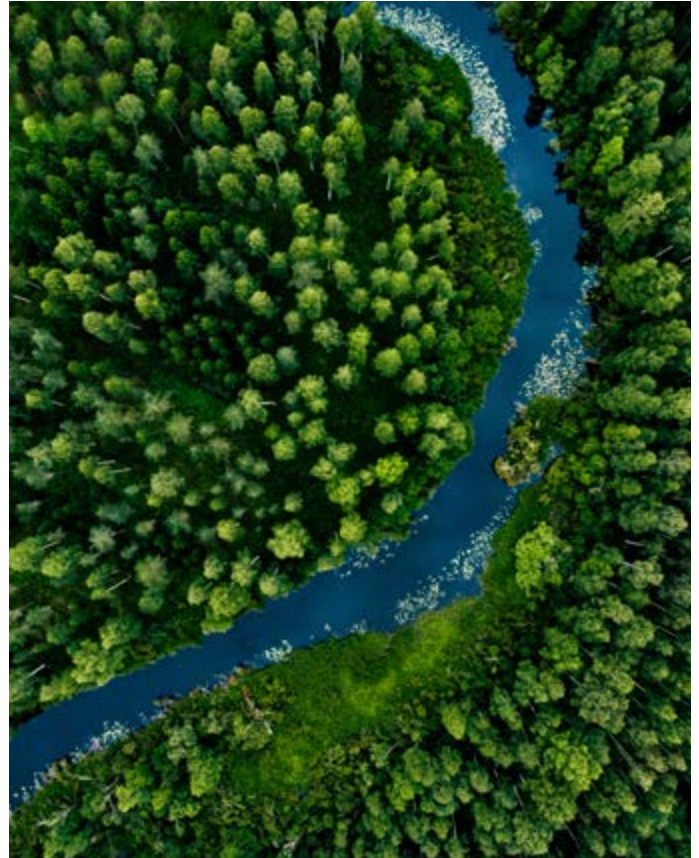
In addition, group and local HR teams also share responsibility with the compliance department for ensuring compliance with our Code of Conduct and ethical business principles. Regular and structural training remain a spearpoint in the implementation of these policies. Furthermore, the internal audit team works closely together with the compliance department and plays a pivotal role in making sure ethical business principles are adhered to across the company.

Tailoring continuity plans to local circumstances

Our business relies on extended supply chains and on facilities spread across the world, which means we are exposed to the risk of business interruption caused by various external factors, such as pandemics, natural disasters and armed conflicts. As a result, business continuity is a strategic priority of *Action 2025*, and we are committed to implementing crisis management and business continuity plans at all sites.

In 2022 we agreed on a program to develop plans for our different types of sites: offices, application labs, warehouses, manufacturing sites and a combination of these.

During 2023 we will trial our templates for business continuity and crisis management planning in a first set of the countries where we operate. Once the plans have been adjusted in line with Azelis' operational requirements and business model, they will be rolled out across all territories by 2025, and further adapted to the specific local and regional circumstances of each site.



Business continuity for customers in Ukraine

Our team in Kyiv has been determined to keep the Azelis food laboratory open to support customers looking for formulations that will help them replace ingredients that have become difficult to source during the war.

The laboratory is one of the few places in Ukraine where this kind of service can be delivered and is in constant demand, providing assistance testing out new raw materials, explaining the properties and characteristics of products, and recommending dosages, recipes and technical adjustments. We have stayed in close contact with our colleagues in Kyiv to ensure they remain safe and feel supported.



Azelis in
action

Working to reduce cybersecurity risks

Cybersecurity attacks and other threats to our IT infrastructure can cause IT systems issues and business interruption. Managing cybersecurity risks and data protection is a priority for Azelis as we move towards greater digitization and as we take on new entities through mergers and acquisitions.

Cybersecurity is a standard item for discussion at each meeting of our group-level Audit Committee and our ISO 27001 certification for information security management systems demonstrates that we are effective in protecting our data, minimizing risk exposure and fostering a culture of information security.

Azelis runs a group-wide cybersecurity program, Security@Azelis, designed to protect the confidentiality, integrity and availability of our data and IT systems, which is overseen by our Group Information Security & Compliance Officer. We use software that detects and then responds to any dangerous cyber activity on a 24/7 basis.

In 2022 we further mitigated our cybersecurity risks by completing the replacement of on-premises infrastructure with cloud alternatives. As most of the cloud systems we use are powered by renewable energy, our information storage is now 93% more energy-efficient and 98% more carbon-efficient than it was with on-premises solutions.

When we acquire new businesses, we delay integrating their systems into our own until we are satisfied they have been brought up to the security standards of the rest of the group.



We devote considerable effort to be prepared for and to counter cybersecurity risks. This means maintaining our security management standards in line with ISO 27001, continuing the consolidation of our ERP system to increase standardization in our digital landscape and embedding a cybersecurity culture across the company.

Christian Armstrong, Group Information Security & Compliance Officer



~80%

of the cloud systems we use are powered by renewable energy

Our contribution to the UN Sustainable Development Goals

Governance

What we have done so far:
selected examples of implemented initiatives

What we plan to do:
selected examples of planned initiatives



In 2022, Azelis contributed to local communities through a variety of charitable initiatives, making monetary and in-kind donations, as well as through sponsorships to the non-profit sector.

In 2023, we will create a more structured framework for our charitable activity around the world. As part of this, we will launch a charitable fund that will be based around our existing XCEL charitable program in the US.



In 2022 we began to implement our Dawn Raid policy in order to make Azelis' compliance program even more robust.

In response to global sanctions relating to the conflict in Ukraine, we ceased all non-essential business in Russia.

In 2023 we will carry out a detailed review of our Anti-Bribery and Fraud Prevention policy to ensure it is still fit for purpose.

Environment



One
environment,
one world

Tackling climate change and reducing waste

We are committed to continually reducing the environmental impact of our operations, particularly in our material areas of climate change and waste disposal.

On climate change we focus on improving energy efficiency and increasing the use of renewable energy in our own operations, while also engaging with principals and suppliers to help them reduce their own emissions and achieve their targets.

On waste management we are continuing with the complex task of establishing a reporting baseline on which to set meaningful targets.

We also place a strong focus on meeting our target of zero environmental accidents and ensuring that every business we acquire is brought into line with our environmental standards.



We are actively addressing the carbon footprint of Azelis' in-house operations and working with our principals, customers and logistics partners to see how we can help reduce their emissions. Our priority, along with increasing our own energy efficiency, is to engage with all stakeholders to help them find ways of decarbonizing.

David Miles, Corporate SHEQ Officer

Key Performance Indicators and targets – Environment

| GRI | Key Performance Indicator | 2022 | 2021 | 2020 | 2025 Target |
|-------|--|-------------------------|---------|---------|----------------------|
| 305-4 | Carbon intensity emissions, Scope 1 & 2 (tCO ₂ e/mn € sales)* | 3.48 LB / 3.36 MB** (✓) | 3.58 | 3.75 | 3.57 |
| 306-2 | Total waste generated (t) | 3,350.8 | 2,289.0 | 2,721.2 | To be agreed in 2023 |
| | Total hazardous (t) | 799.0 | 730.3 | 955.0 | To be agreed in 2023 |
| | Total non-hazardous (t) | 2,551.8 | 1,558.7 | 1,766.2 | To be agreed in 2023 |
| | # Environmental accidents | 2 | 0 | 0 | 0 |

(✓) Refer to the Annual Report 2022 for the Auditor's opinion.

* The reporting scope for carbon emissions and total sales is global (€3,536 million revenue in 2022, which does not include sales by newly acquired companies).

Updated methodology and emission factors have resulted in separate market-based and location-based reporting for 2022. For the sake of comparison, we have calculated the 2022 figure following the methodology of 2021 (market-based emissions are calculated when available, otherwise location-based emission factors are used (IEA, ADEME, DEFRA) to calculate the respective emissions.); Using the 2021 methodology, this amounts to 3.42.

** For 2022, Scope 2 emissions are calculated using market-based and location-based methods:

A market-based (MB) method reflects emissions from electricity that companies have purposefully chosen. A location-based (LB) method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).

Please see the Methodology section of this report, page 124.

Our main risks

We have identified two material environmental risks to our business:

1 Climate change

Issue: Extreme weather events and natural disasters caused by climate change have the potential to disrupt our business, while also having negative social consequences for communities around the world. In addition, the worldwide consensus on global warming requires us to reduce carbon emissions to avoid reputational damage. As stricter environmental regulations are put in place, including new EU rules on corporate sustainability reporting as well as climate-related financial disclosures in many jurisdictions, we need to ensure compliance or face financial penalties.

Mitigation: We work with our principals and customers to develop new innovative solutions that help the whole industry reduce climate change (i.e. formulating to reduce energy use, reduced water formulations, etc.).

2 Waste disposal

Issue: We work with chemicals and so any pollution incident can potentially be serious. If we do not make sure that the materials we work with and which need to be disposed of are treated in a secure manner, we risk prosecution, financial penalties, loss of business and damage to our reputation.

Mitigation: Our *Action 2025* program sets out a roadmap for us to take preventive measures as well as ensure we have a water-tight methodology and rigorous reporting processes in place. We are committed to the chemical industry's Responsible Care® and Responsible Distribution® programs, designed to ensure continuous improvement on health, safety and environmental issues connected to the use of chemicals. We align our environmental management strategy with these programs and most of our entities are also certified to one or both.

How we are reducing greenhouse gas emissions

The greatest contribution we can make in the fight against climate change is to reduce our greenhouse gas emissions. We monitor our Scope 1 and 2 emissions (which are largely under our operational control) on a monthly basis and our Scope 3 emissions (indirect emissions related to our upstream and downstream activities) every quarter.

Where possible, actual consumption data is used; where data is lacking, estimations are made. Please see the methodology section for more information.

In 2022 we took specific carbon mitigation measures to cut Scope 1 and 2 emissions such as installing solar panels, sourcing renewable energy wherever possible and implementing mobility budgets to promote alternatives to company cars for employees. At the same time, we have also begun engaging with our principals and suppliers to help reduce our Scope 3 emissions.

Exceeding our Scope 1 and 2 emissions target for 2025

In 2022 we reached the first of our Scope 1 and 2 carbon emissions targets three years early, reducing intensity by 28.2% on a 2019 baseline compared with our *Action 2025* target of 25%. With carbon intensity standing at 3.48/3.36 tCO₂e per mn€ of sales by the year end, we are well on the way to meeting our longer-range 2030 target of cutting intensity by 50% to 2.38 tCO₂e per mn€ of sales.

Our rapid progress has encouraged the Azelis Executive Committee to adopt the recommendation of our Sustainability Steering Committee and raise the bar on

our carbon reduction ambitions. We will create a new target on absolute emissions covering Scope 1 and 2 and we will also assess any additional commitments we need to make on Scope 3 emissions.

An ambitious new target poses challenges for Azelis as the large number of mergers and acquisitions we undertake significantly increases the size of our business – and our emissions – each year. We have therefore appointed an external consultant to help us devise a target that factors in annual growth through mergers and acquisitions. Once we have set this target in 2023, we will seek to have it verified and endorsed by the Science Based Targets initiative so that it is in line with the global target of limiting global temperature rises to 1.5C above pre-industrial levels by the end of the century.

Scopes 1 and 2 CO₂ emissions 2019-2022

| In tCO ₂ e | 2022 | 2021 | 2020 | 2019 |
|-----------------------|-----------|---------|---------|---------|
| Scope 1 | 7,072.42 | 6,661.4 | 5,658.3 | 6,465.7 |
| Scope 2 | 5,010.10 | 2,490.4 | 2,683.0 | 3,497.1 |
| Scopes 1 + 2 | 12,082.52 | 9,151.8 | 8,341.3 | 9,962.8 |

Updated methodology and emission factors have resulted in separate Scope 2 market-based (MB) and location-based (LB) reporting for 2022 as follows: 4,797.2 tCO₂e (MB) and 5,238.5 tCO₂e (LB).

Key Performance Indicators – Energy management and climate change carbon intensity targets (Scope 1 and Scope 2) for 2025 and 2030 with 2019 baseline

| GRI | Key Performance Indicator | Unit | 2022 carbon intensity | 2021 carbon intensity | 2020 carbon intensity | 2019 carbon intensity | Target 2025 (25% 2019) | Target 2030 (50% 2019) |
|-------|---|----------------------------|------------------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
| 305-4 | Ratio of CO ₂ emissions per € million of sales (Scope 1 & Scope 2) | tCO ₂ e/ mn€ | 3.48 LB / 3.36* MB (✓) | 3.58 | 3.75 | 4.76 | 3.57 | 2.38 |

Please note that references to carbon intensity relate to Scope 1 and Scope 2.

* The reporting scope for carbon emissions and total sales is global (€3,536 million revenue in 2022, which does not include sales by newly acquired companies).

Updated methodology and emission factors have resulted in separate market-based (MB) and location-based (LB) reporting for 2022. For the sake of comparison, we have calculated the 2022 figure following the methodology of 2021 (MB emissions are calculated when available, otherwise LB emission factors are used (IEA, ADEME, DEFRA) to calculate the respective emissions.); this amounts to 3.42.

Investing in climate change improvements

In 2022 we also committed to create a fund of €1.5 million to pay for climate change mitigation projects each year from 2023 onwards. This will help to reduce Scope 1 and 2 emissions in our laboratories, offices and other premises through measures such as the installation of more solar panels, further improvements in insulation and the purchase of more energy efficient equipment and lighting. We received bids for 2023 projects from each region in 2022; information about these projects will be provided in our Sustainability Report 2023.



In a separate move, in 2023 we will assess potential energy efficiency gains in buildings, including through reductions in the use of natural gas, heating oil and diesel fuel.

Increasing our use of renewable energy

While we do not have a target on sourcing renewable energy, we encourage all parts of our business to source renewable energy wherever this is possible.

Although reporting of renewable electricity consumption has been carried out within the EMEA region for 2021 and 2022, this has not been the case in the APAC and Americas where there is no reported sourcing of renewable energy.

In 2022, the absolute amount of renewable energy consumed in our EMEA regional operations increased (by 3.92%) as a result of greater activity in 2022 as well as the scope of our sustainability reporting which encompassed newly acquired companies in the region.

Globally the percentage of renewable electricity consumption of the Azelis Group decreased in 2022 following acquisitions in the Americas and in APAC.

Combined, these two entities accounted for 20% of Azelis' global total electricity consumption in 2022 (9,263,320 kWh). As they use 100% non-renewable electricity, this has negatively impacted our global percentage of renewable electricity consumption.

Reducing our carbon footprint via the cloud

Our investments in digitalization have allowed us to significantly reduce the carbon footprint of our IT operations.

In 2022 we completed the task of migrating all our IT systems away from traditional data centers and onto cloud-based infrastructure. Storing data with cloud providers such as Microsoft Azure and Google Cloud has reduced carbon intensity by 97% compared with traditional methods, although absolute emissions from this source have continued to rise due to company growth.

Investing in renewable energy sources

Solar

The replacement of 8,000 square meters of roofing with polysheet material at our St Mary's site and warehouse in New South Wales / Australia has led to much more natural light in the warehouse and allows large banks of lights to be turned off during the day.

In 2022 we also began wiring adjustments necessary to install LED lights and installed 288 solar panels on the warehouse roof. These will supply electricity for around 30% of our daily lighting and will save approximately 12 tonnes of greenhouse gas emissions each year.

Hydro

During 2022 Azelis Switzerland signed a contract with a renewable electricity provider for its office, starting in 2023, with no additional costs incurred.

Our new supplier provides 93% of our electricity from water turbines operating on the Sihl lake, 6km from our facilities, with the remainder generated by local solar panels.



Azelis in
action

Photo: St Mary, New South Wales, Australia.

Energy efficiency

Lighting upgrades to LEDs took place in our office in Sofia / Bulgaria as well as at our US distribution centers in Burlington, North Carolina, Phoenix, Arizona and Shreveport, Louisiana, and at our combined warehouse and office building in Garland, Texas. Altogether these improvements are expected to result in energy savings of more than 23,000 kWh a year across the four sites.

A rolling program to replace existing fluorescent lighting with more energy efficient LED alternatives in our Thailand office has so far delivered 1,064 kWh in annual electricity savings, or around half a metric ton of CO₂ equivalent in carbon emissions each year. In Vietnam, the rationalization of our main office space, from two floors to one, combined with a switch to LED lighting, is expected to deliver an annual 4,019 kg CO₂e reduction. This is despite the fact that the amount of office space has expanded.

In three cities in China, office rationalization has also produced significant carbon savings. In 2022 five offices were turned into one in Shanghai, four into one in Guangzhou and three into one in Hong Kong. Overall, this has resulted in an estimated 57% reduction in electricity use, equivalent to 2.61 tonnes of CO₂ a year.

Offsetting

Azelis Germany signed up to a leading delivery company's program for carbon neutral shipping of parcels, which is based on offsetting any emissions that arise from deliveries. An annual carbon offset certificate will report the amount of CO₂ equivalent offset through the program. Between April and December 2022, a total of 13.77 tonnes of CO₂ were offset in relation to our deliveries.



Azelis in
action

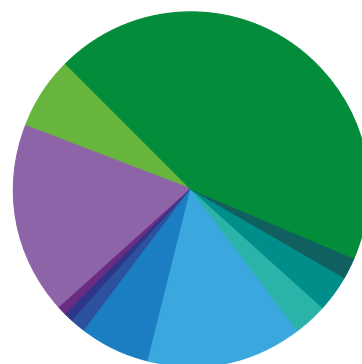
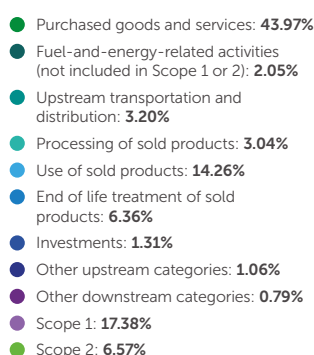
A greater focus on Scope 3 emissions

Over 99% of our greenhouse gas emissions are indirect i.e. happening in our organization's value chain but outside own operations (Scope 3). We measure Scope 3 emissions in line with the globally recognized Greenhouse Gas Protocol and this has shown us that 80% of our Scope 3 emissions are embedded in the goods and services we buy, as well as in end-of-life treatment for the products we help to produce.

Transportation accounts for 2% (2022) and we are working with logistics companies to reduce Scope 3 emissions in this area. In addition, we are engaging with employees to find ways of reducing business travel. Our Hybrid Working Guidelines (see page 53) are expected to continuously help in this direction.

Our membership of Together for Sustainability® (TfS) is helping the chemical industry to develop a harmonized approach to calculating the carbon footprint of chemical products. The TfS® guidelines will increase transparency across the supply chain. In 2023 TfS® will develop a tool that will help chemical companies to share their product carbon footprints.

Scope 3 Categories as % Total Scope 1+2+3 Emissions – Chemicals Sector



Source: Carbon Disclosure Project, 2022.

Scope 3 emissions (in tCO₂e)

| Category | 2022 | 2021 | 2020 |
|--|---------------------|---------------------|---------------------|
| 1. Purchased goods and services | 2,841,604.72 | 2,648,420.86 | 2,026,513.15 |
| 2. Capital goods | not reported | not reported | not reported |
| 3. Fuel- and Energy- related activities | 74,827.23 | 68,714.15 | 5,946.10 |
| 4. Upstream transport | 60,436.15 | 51,135.68 | 55,424.09 |
| 5. Waste generated in operations** | 9,130.74 | 8,384.79 | 7,590.00 |
| 6. Business Travel | 1,654.16 | 438.80 | 6,500.80 |
| 7. Employee Commuting** | 3,578.91 | 3,286.53 | 2,975.00 |
| 8. Upstream leased assets | N/A | N/A | N/A |
| 9. Downstream transport** | 22,606.56 | 20,759.70 | 18,791.89 |
| 10. Processing of sold products | 110,963.30 | 101,898.05 | 276,202.00 |
| 11. Use of sold products | 520,505.48 | 477,982.31 | not reported |
| 12. End-of-life sold products | 746,413.52 | 651,914.27 | 634,239.49 |
| 13. Downstream leased assets | N/A | N/A | N/A |
| 14. Franchises | N/A | N/A | N/A |
| 15. Investments | N/A | N/A | N/A |
| Total CO₂ emissions Scope 3* | 4,391,720.75 | 4,032,935.13 | 3,034,182.52 |

* Scope 3 carbon emissions reported for 2020 are based on a calculation performed by Schneider Electric using the online Quantis tool (<https://quantis-suite.com/Scope-3-Evaluator/>) - Scope 3 evaluator from the GHG protocol.

The emissions data reported this Sustainability Report, related to Scope 3 for 2021 and 2022, are calculated using own company ESG software.

Scope 3 emissions for 2021 have been recalculated in order to include Scope 3 categories 3, 5, 7, 10 and 11 that were not reported in our previous Sustainability Report 2021.

Calculations are based on the average percentage contribution of the Scope 3 categories, as it is reported in the 2023 status report of the chemicals sector published by the Science Based Targets initiative (SBTi). (<https://sciencebasedtargets.org/resources/files/SBTi-Chemical-Sector-Status-Report.pdf>). See figure above in the pie chart.

** Categories 5, 7 and 9 are based on the 2020 values (% of total contribution) calculated by Schneider Electric as they are currently not reported via our ESG reporting software, and there is no average % for the chemicals industry available in the report published by SBTi.

In 2023 we will work with a consultant to help us find the appropriate methodology to calculate the applicable Scope 3 categories based on the requirements of GHG protocol and the SBTi.

Sources: Scope 3 Evaluator (quantis-suite.com) / SBTi-Chemical-Sector-Status-Report.pdf (sciencebasedtargets.org)

Waste management

One of our most challenging tasks is calculating the exact amount of waste we generate and establishing a waste reporting baseline. In 2022 we increased efforts to improve the accuracy of the information we gather, and we will double-down on our efforts in 2023.

In Europe waste management companies generally provide detailed information on the tonnages and classification of waste they collect from us, as well as the proportion that goes to recycling. In most other parts of the world such information is less readily available and so we often rely on estimates of the amount of waste we generate outside of Europe.

In 2022 we decided to exclude offices from our data as they are not material, and instead to concentrate on waste generated by our laboratories, warehouses, operational centers and blending sites. This will make our calculations more accurate. Once we are satisfied that we have accurate data for these areas, we will establish a baseline figure on which to establish a more

focused waste reduction target, possibly focused on hazardous versus non-hazardous waste or the amount of waste diverted from landfill. For this reason, in 2022 we are reporting absolute values of waste management (hazardous vs non-hazardous in metric tonnes) instead of waste generated per employee that we reported in previous years.

The difficulties in waste data collection, however, do not prevent us from taking measures to reduce waste or to minimize the volumes of untreated waste sent to landfill. The data we can collect allows us to identify facilities that generate significant amounts of waste and to agree waste reduction actions at those sites.



Recycling shipping pallets and reducing paper use

In 2022, Azelis Canada entered into a partnership with an Ontario-based recycler of shipping materials to bring our damaged and used wooden shipping pallets back into use or recycle if necessary. The pallet recycling program contributed to a 14% reduction of waste disposed (approximately 2,700 kg of a total 18,500 kg of waste disposed) at our Summerlea distribution center in 2022.

A low-angle photograph of a tall stack of wooden shipping pallets, showing their grid-like structure. The pallets are light brown and appear to be made of wood. The background is a clear blue sky with some light clouds. A large, light blue circular graphic element is overlaid on the right side of the image, containing the text 'Azelis in action'.

Azelis in
action

Swiping away

Azelis China has made great strides in reducing paper use over the past few years and is determined to keep improving. Beginning in 2022, all employees must now use swipe cards to access photocopiers and printers, following the example of other Azelis locations such as Belgium. This encourages the careful use of paper and double-checking of print requests to ensure they have not been made in error, while allowing the business to identify where paper use is greatest. Azelis China cut paper use by 50% in 2022 compared with 2021 levels, and has reduced consumption by 86% since 2018.



Azelis in
action

Our environmental management standards

We aim to apply high standards of waste management in all our operations across the globe and we have long been committed to Responsible Care® (RC) or Responsible Distribution® (RD) programs, which are voluntary initiatives dedicated to the continuous improvement of Health, Safety and Environment (HSE) in the global chemical industry.

We align our environmental management strategy with the RC or RD programs sponsored by national associations to ensure that we use resources sustainably. Most of our entities are certified for RC or RD, except in those countries where no chemical distributor association exists, or where there is no RC or RD program available for chemical distributors.

Improving environmental performance in our acquisitions

Once we have acquired new businesses, we look at how we can help make improvements to their environmental performance as part of our post-merger program. Wherever countries have environmental or sustainability standards that are below those which we maintain within the Azelis group; we aim to bring newly acquired businesses up to our standards.

As a first step we integrate all new acquisitions into our internal reporting regime for environmental data. This often reveals issues that need immediate attention and allows us to identify areas for improvement. Thereafter we monitor the environmental impact of our acquisitions just as closely as their financial performance and ensure their environmental data is fully consolidated into our public reporting scope after 12 months.

Pollution and biodiversity

Our operations are not located in biodiverse areas and do not pose a material risk to biodiversity. Our materiality assessment has therefore concluded that in terms of pollution our impact on biodiversity is moderate. We are nevertheless committed to protecting biodiversity and helping to preserve the variety of life on Earth. We encourage our stakeholders in the value chain, including principals, customers and employees, to respect biodiversity at all times, including by sourcing products from sustainable sources.

Water

Although we are not a major consumer of water and water scarcity is not a major risk in our operations, we do measure our water consumption and monitor trends. According to our assessments, we do not have a significant impact on local ecosystems. Our water consumption is reported in the Appendix section on page 134 (ESG indicators).

Environmental accidents

At Azelis an environmental accident is an event that may cause harm, or potential harm, to the air, water, land, wildlife or local habitat. This could include anything from chemical spills to air pollution incidents to fly-tipping or chemicals going up in flames on our premises.

Our new Group Safety, Health and the Environment policy, drawn up in 2021, was approved by our Executive Committee in early 2022 and put into action across Azelis. The policy underscores our requirement that employees be mindful of the environment, reduce the use of natural resources, minimize waste generation, and comply with all waste management requirements.

Over the course of the year each of our regions incorporated the policy into their management systems. We are now developing a software system that will help employees register and track any accidents or near misses in a standardized manner, with any remedial action shared across the business so that lessons can be learned.

We record environmental accidents that occur in our owned warehouses, in external warehouses and during transportation. Regrettably, we had two environmental accidents in 2022 – at our Bell Ranch warehouse in the US and at our smoke ingredients facility in Denmark.

The Bell Ranch accident involved a spillage of around 500 gallons of a non-hazardous surfactant, Plantaren 200N UP, which was held in a stack of 34 plastic drums that fell to the ground. Although employees at the facility responded immediately to contain the spill, 50 gallons of material escaped the perimeter of the building. The incident was reported to the California Emergency Management Agency and, based on a third-party assessment, it was found that none of the material was released into the environment. All the surfactant was fully recovered, and the local Department of Public Works declared that no additional action needed to be taken.

After an internal review of the incident, we introduced a Warehouse Container Storage policy outlining a process for storing pallets and plastic drums, which will now be single stacked only. We also conducted a re-evaluation of the amount of spill containment response material needed at each of our warehouses, and our annual training at the Bell Ranch facility now includes hands-on drills and practical exercises on spill containment.

At our smoke ingredients facility in Denmark, a broken gasket led to a leak in a waste pipe. As soon as the leak was discovered, the pump controlling the pipe was switched off and a spill kit was laid out. However, by that time some waste liquid had reached a nearby river outlet. The authorities were notified and, after a visit to the site and surrounding area, determined that there was a low risk of impact to the environment, with no further action required. As a result of the incident, pipes made of stronger material have been installed. Neither incident resulted in any fines.

Accidents outside of our premises

Azelis uses the National Chemical Emergency Centre (NCEC) on a global basis as our first response emergency service provider. Through its Carechem 24 program it provides 24/7 coverage for any accidents involving Azelis products which occur outside our premises (for instance during the transportation of materials or in relation to products held in external warehouses). To date, we have not yet had to call NCEC for any incidents.

Our contribution to the UN Sustainable Development Goals

Environment

What we have done so far: selected examples of implemented initiatives



- Defined the strategy, methodology and approach for ongoing emissions reporting: Schneider Electric has supported Azelis in the identification of material emission sources across Scopes 1 & 2 and developed a process for measuring, monitoring and disclosing our carbon footprint. With this approach we measure our impact including emissions throughout the value chain, i.e. our direct and shared scopes of responsibility.
- We have set ambitious emissions reduction targets: carbon emission intensity reduction of 25% by 2025 and 50% by 2030 (Scope 1 & Scope 2) compared to baseline year 2019.



- We have reached our 2025 target of a 25% reduction in carbon emissions intensity compared to baseline year 2019 (Scope 1 & Scope 2) – see SDG 7 above. This means we are on track to meeting our longer-range 2030 target of cutting intensity by 50%.

What we plan to do: selected examples of planned initiatives

- Renewable energy sourcing plan for all our offices and sites.
- Decarbonization of our operations and supply chain by continuously improving energy efficiency, and developing partnerships with our principals to help reduce the carbon footprint of products, services and processes.
- Develop policies to achieve our 50% carbon emission intensity reduction target, including energy efficiency, improvements in our sites, actions in the car fleet and employee mobility.

We will:

- Create a target on absolute emissions covering Scope 1, 2 and 3 emissions, bringing us to the forefront of industry best practice and investor expectations.
- Continue investing on an annual basis in climate change mitigation projects in our own operations.
- Pilot an online tool that will collect more detailed emissions information from principals and suppliers.

We are also:

- Reducing the drivers of climate change by increasing energy efficiency and using renewable energy to reduce GHG emissions.
- Innovating to develop sustainable products and services which are less carbon-intensive or which enable carbon footprint reduction.
- Further developing capacity-building in our supply chain, including principals, customers and service providers.

Environment

What we have done so far: selected examples of implemented initiatives



- We identified climate change as a risk in our materiality matrix and have included it in the environmental pillar of *Action 2025*.
- Through *Action 2025*, we are promoting environmental awareness and capacity building among our employees.

What we plan to do: selected examples of planned initiatives

With our commitment to reduce our emissions we are reducing the impact of CO₂ on 'life below water'.

- Renewable energy sourcing plan for all our offices and sites.
- Decarbonization of our operations and supply chain by continuously improving energy efficiency, developing partnerships with our principals to help reduce the carbon footprint of products, services and processes.



- We have committed to and implemented responsible sourcing practices beyond compliance – applying environmental and social safeguards – for principals and products: by 2025, 80% of our revenue will come from assessed suppliers. In 2022 assessed suppliers represented 75.2% of the total revenue generated.
- Azelis has a group membership of RSPO which includes more than 40 entities with distribution licenses. in EMEA, the Americas and Asia Pacific. Additionally, our entities in the United Kingdom, Germany and Italy hold an RSPO certificate for repacking and relabeling.

- Further implementation of responsible sourcing actions through our membership of Together for Sustainability®.
- We will work on establishing waste management reduction targets for 2025.
- Foster product and technology innovation to optimize resource efficiency, reduce impacts on ecosystems and lower carbon emissions.
- Expand markets for responsible forest products and thereby support sustainable forest management, e.g. RSPO certified products.

Auditor's report





Independent Limited Assurance Report on the subject matter information of the Sustainability Report 2022 of Azelis Group NV

To the Board of Directors of Azelis Group NV

This report has been prepared in accordance with the terms of our engagement contract dated 13 October 2022 and addendum dated 22 February 2023 (the "Agreement"), whereby we have been engaged to issue an independent limited assurance report in connection with selected sustainability performance indicators, marked with a Greek small letter beta (β), in the Sustainability Report as of and for the year ended 31 December 2022 of Azelis Group NV and its subsidiaries (the "Report").

The Directors' responsibility

The Directors of Azelis Group NV ("the Company") are responsible for the preparation and presentation of the selection of sustainability KPIs for the year 2022, marked with a Greek small letter beta (β), included in the Report (the "Subject Matter Information"), in accordance with the criteria disclosed in the Report (the "Criteria").

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Criteria.



The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable engagement been performed. The selection of such procedures depends on our professional judgement, including the assessment of the risks of material misstatement of the Subject Matter Information in accordance with the Criteria. The scope of our work comprised the following procedures:

- assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information as of and for the year ended 31 December 2022 presented in the Report;
- conducting interviews with responsible officers;
- reviewing, on a limited test basis, relevant internal and external documentation;
- performing an analytical review of the data and trends in the information submitted for consolidation;
- considering the disclosure and presentation of the Subject Matter Information.

The scope of our work is limited to assurance over the Subject Matter Information for the year 2022. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Report.

Our independence and quality control

We have complied with the independence and other ethical requirements in the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (IESBA Code) together with the legal Belgian requirements in respect of the auditor independence, particularly in accordance with the rules set down in articles 12, 13, 14, 16, 20, 28 and 29 of the Belgian Act of 7 December 2016 organising the audit profession and its public oversight of registered auditors.

Our firm applies International Standard on Quality Control (ISQC)n°1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Related Services Engagements, and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information within your Report as of and for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the Criteria disclosed in the Report.



Other ESG related information

The other information comprises all of the ESG related information in the Report other than the Subject Matter Information and our assurance report. The directors are responsible for the other ESG related information. As explained above, our assurance conclusion does not extend to the other ESG related information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other ESG related information and, in doing so, consider whether the other ESG related information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

Other matter - restriction on use and distribution of our report

Our report is intended solely for the use of the Company, to whom it is addressed, in connection with their Report as of and for the year ended 31 December 2022 and should not be used for any other purpose. We do not accept or assume and deny any liability or duty of care to any other party to whom this report may be shown or into whose hands it may come.

Diegem, 5 May 2023

PwC Bedrijfsrevisoren BV/Reviseurs d'Entreprises SRL
represented by

Marc Daelman¹
Registered auditor

¹ Marc Daelman BV, member of the Board of Directors, represented by its permanent representative Marc Daelman



Our annexes

Annex I – EU Taxonomy: Definitions of Key Performance Indicators

The specification of Azelis' KPIs is determined in accordance with Annex I of the Art. 8 Delegated Act of the EU Taxonomy regulation. We determine the Taxonomy-eligible KPIs in accordance with the legal requirements and describe our accounting policy in this regard as follows:

Turnover KPI

The proportion of Taxonomy-eligible economic activities in our total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the net turnover (denominator). The denominator of the turnover KPI is based on our consolidated net turnover in accordance with IAS 1.82(a).

With regard to the numerator, we have not identified any Taxonomy-eligible activities as explained in the section Non-financial performance review in the Report of the Board of Directors in the Azelis 2022 Annual Report.

The consolidated net turnover can be reconciled to the line item 'revenue' in the Azelis consolidated income statement.

Capex KPI

The Capex KPI is defined as Taxonomy-eligible Capex (numerator) divided by our total Capex (denominator). With regard to the numerator, we refer to our explanations on the numerator below.

Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes additions to fixed assets (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). Additions resulting from business combinations are also included. Goodwill is not included in Capex as it is not defined as an intangible asset in accordance with IAS 38.

Our total Capex can be reconciled to our consolidated financial statements: Refer to notes 15 and 16 to the Azelis consolidated financial statements. They are the total of the movement types 'additions' and 'business combinations' for intangible assets, right-of-use assets and property, plant and equipment.

Opex KPI

The Opex KPI is defined as Taxonomy-eligible Opex (numerator) divided by our total Opex (denominator). With regard to the numerator, we refer to our explanations on the numerator below.

Total Opex consists of direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment. These costs are for the majority included in line item 'External services and other expenses' to the Azelis consolidated income statement.

Explanations on the numerator of the Capex KPI and Opex KPI

As Azelis has not identified Taxonomy-eligible economic activities, we do not record Capex/Opex related to assets or processes that are associated with Taxonomy-eligible economic activities in the numerator of the Capex KPI and the Opex. Furthermore, there are no Capex plans to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned or to expand a Taxonomy-aligned economic activity.

Only "category c" CapEx and OpEx can therefore qualify as Taxonomy-eligible, i.e. Capex/Opex related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling certain target activities (our non-eligible activities) to become low-carbon or to lead to greenhouse gas reductions (Sect. 1.1.2.2. (c) of Annex I to the Art. 8 Delegated Act). As the disclosure requirements for the 2022 financial year relate exclusively to Taxonomy-eligible Capex/Opex, we have assessed this category in terms of Taxonomy-eligibility as follows: we consider as Taxonomy-eligible, Capex/Opex related to this category when the purchased output/individual measure meets the description of its respective economic activity, e.g. The purchase of output from a Taxonomy-eligible economic activity. Azelis has identified the following activities in the Climate Delegated Act resulting in Capex/Opex which can be considered as individually Taxonomy-eligible purchased output/measures:

| Description of the individually Taxonomy-eligible purchased output/measure | Respective economic activity (Annex I to Climate Delegated Act) |
|---|---|
| Maintenance and repair of the energy efficiency equipment in our existing buildings | 7.3 Installation, maintenance and repair of energy efficiency equipment |

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

A. Taxonomy-eligible activities

| | |
|---|-----|
| Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1) | N/A |
|---|-----|

B. Taxonomy Non-eligible activities

| | | | |
|--|--|---|----|
| Turnover of Taxonomy-non-eligible activities (B) | | 0 | 0% |
| Total (A+B) | | 0 | 0% |

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering 2022

| Economic activities (1) | Code(s) (2) | Substantial contribution criteria | | | | | | | DNSH criteria ('Does not significantly harm') | | | | | | |
|--|----------------------------------|-----------------------------------|--|--|--|--|--|--|---|--|--|--|--|--|--|
| | Absolute turnover (3) | | | | | | | | | | | | | | |
| | Proportion of turnover (4) | | | | | | | | | | | | | | |
| | Climate change mitigation (5) | | | | | | | | | | | | | | |
| | Climate change adaptation (6) | | | | | | | | | | | | | | |
| | Water and marine resources (7) | | | | | | | | | | | | | | |
| | Circular economy (8) | | | | | | | | | | | | | | |
| | Pollution (9) | | | | | | | | | | | | | | |
| | Biodiversity and ecosystems (10) | | | | | | | | | | | | | | |
| | Climate change mitigation (11) | | | | | | | | | | | | | | |
| Climate change adaptation (12) | | | | | | | | | | | | | | | |
| Water and marine resources (13) | | | | | | | | | | | | | | | |
| Circular economy (14) | | | | | | | | | | | | | | | |
| Pollution (15) | | | | | | | | | | | | | | | |
| Biodiversity and ecosystems (16) | | | | | | | | | | | | | | | |
| Minimum safeguards (17) | | | | | | | | | | | | | | | |
| Taxonomy-aligned proportion of OpEx, year N (18) | | | | | | | | | | | | | | | |
| Taxonomy-aligned proportion of OpEx, year N-1 (19) | | | | | | | | | | | | | | | |
| Category (enabling activity or) (20) | | | | | | | | | | | | | | | |
| Category (transitional activity) (21)) | | | | | | | | | | | | | | | |

A. Taxonomy-eligible activities

| | | |
|---|--|-----|
| OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | N/A |
| OpEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2) | | N/A |
| Total (A.1 + A.2) | | N/A |

B. Taxonomy Non-eligible activities

| | | |
|---|----------|-----------|
| OpEx of Taxonomy- non-eligible activities (B) | 0 | 0% |
| Total (A+B) | 0 | 0% |

Annex III - Methodology

People

Employee Satisfaction Survey score

Since 2014, Azelis has systematically monitored the degree of engagement, motivation and loyalty of its employees using an anonymous Employee Satisfaction Survey rolled out biennially. An independent third-party provider manages the survey to guarantee full employee confidentiality.

The 2022 questionnaire consisted of 55 questions / statements, of which:

- 36 were core questions / statements (common to all surveys conducted by the independent third-party provider we have partnered with)
- 19 were customized questions / statements

The answers given to these 55 questions / statements generate the scores we use to track our employees' degree of engagement, motivation and loyalty.

In addition to these, 7 further questions / statements are related to two Azelis-specific themes: the leadership skills of local management and the management of the Covid-19 pandemic.

Finally, 1 open-ended question rounds off the survey: employees can share their thoughts and inputs on all matters they believe to have an impact on satisfaction and motivation at work. These 7 questions / statements and the open-ended question are not taken into account to generate the scores we use to track our employees' degree of engagement, motivation and loyalty.

In particular, the engagement score is determined by the answers to 47 statements and questions, related to the eight drivers of engagement and to 4 specific engagement statements and questions. The loyalty score is determined by the engagement results and by the answers given to 4 specific loyalty statements and questions. The score for working conditions comes from the responses to nine statements and questions.

The scores generated by the survey are measured against an external benchmark, the "Global Employee & Leadership Index" (GELx). This index is provided by the company managing the survey. The higher the score, the better the result.

All employees registered in our Human Capital Management system Workday® when the survey preparation process begins, usually six to eight weeks prior to survey go-live, are invited to participate in the survey. This also includes employees of the companies acquired by Azelis in the year in which the survey takes place if they are registered in our HCM. Exceptions include:

- Employees serving notice
- Employees on long-term leave (paid or unpaid leave)
- Employees on annual leave or sick leave
- Employees hired in the two months prior to the survey go-live

Percentage of employees in the company talent pools

The number of employees is defined as all employees with a full or part-time contract, a permanent or fixed-term contract, or an apprenticeship contract at the end of the reporting period. Contingent workers and interns are not included.

Talents are company employees who have been assigned to three groups (talent pools) depending on their performance, track record and potential, i.e. degree of readiness to grow by at least one level within the relevant organization. Short-term readiness is measured as 0 to 12 months, mid-term readiness as 12 to 24 months and long-term readiness as longer than 24 months.

The talent identification process takes place with annual frequency, is supported by our Human Capital Management system Workday® and constitutes the final step of our annual performance and talent review processes. In 2022 it took place in the period March to May following the results of the performance and talent review. The talent identification process involved multiple review rounds starting with local managing directors and HR representatives, followed by regional HR directors and regional CEO's. The list of identified talents was then submitted to the Executive Committee for final review and validation. The ExCom review and validation took place in July 2022.

We measured the talent pool ratio – i.e., the number of talents against the company headcount – at the end of the talent identification process in May 2022 and at year's end, considering the organic evolution of both numbers. Organic evolution is defined as follows:

- The talent pool members who left the company in the period June to December 2022 are deducted from the number of talents at the end of May;
- Headcount is calculated taking into account new hires and leavers in the period June to December 2022 excluding the impact of our M&A activities in this period.

Percentage of line managers trained in diversity and inclusive leadership

The number of line managers is defined as all employees having people management responsibility (i.e., at least one direct report) regardless of their level in the organization. Training is defined as the annual online knowledge review which covers topics such as ethical business behavior, Azelis policies, diversity & inclusion and others. All line managers registered in our Human Capital Management system Workday® at the time when the training preparation process starts, participate in this mandatory training.

This includes the line managers of companies acquired by Azelis in the year in which the knowledge review takes place if registered in our HCM except in the case they could not be properly trained in Azelis values, policies and procedures prior to the start of the knowledge review. Other exceptions include:

- Employees serving notice
- Employees on long-term leave (paid or unpaid leave)
- Employees on annual leave or sick leave

Percentage of senior management positions held by women

Senior managers are defined as all employees who belong to the group GMT (General Management Team) because of their position / role.

The eligible roles in 2022 were:

- Members of the Executive Committee
- Regional COOs and CFOs
- Regional Director / (S)VP of: Operations (Americas) / Business Development / Commercial Excellence / HR / Legal / SHEQ / Marketing
- All roles holding country / country cluster P&L responsibility (e.g. Managing Director, General Manager, Country Manager, etc.) if country / country cluster sales > €30 million.
- Corporate functional heads
- Market Segment Directors APAC / EMEA if MS Sales > €50 million.
- Group Principal Managers: only roles holding global principal responsibility
- Other strategically significant roles upon invitation of the Executive Committee

Eligible roles due to M&A (transactions closed) in the reference year are not included.

Due to the rapid increase of roles potentially belonging to the GMT, generated by organic growth and acquisitions made in recent years, financial thresholds were introduced in 2021 and reviewed in 2022. These thresholds refer to the fact that as of 2021, the eligibility criteria of two categories of GMT members include a minimum turnover responsibility, defined as follows:

1. €15 million sales for roles holding country / country cluster P&L responsibility (e.g., Managing Director, General Manager, Country Manager, etc.). This minimum turnover responsibility was raised to €30 million sales in 2022;
2. €50 million sales for Market Segment Directors APAC and EMEA. This minimum turnover responsibility did not change in 2022.

These changes were necessary to streamline the number of senior managers reporting directly or indirectly to the ExCom, thus safeguarding the operational effectiveness of the senior management team.

The percentage of women in the senior management team increased to 31.8% in 2022, an increase of 8.3% vs. 2021. This increase is mainly due to hirings and internal

promotions, changes to the organizational structure following acquisitions, and the new roles flagged as strategically significant by the Executive Committee. The review of the financial thresholds above contributed to an increase of 1% vs. 2021.

Azelis will continue to adapt the GMT eligibility criteria to maintain the size of the senior management team aligned with the evolving needs of the business.

Number of workplace accidents with lost time

An accident at work is defined as a discrete occurrence in the course of work which leads to physical or mental harm. The data is collected, for the entire workforce, for accidents at work resulting in an absence of three or more days. Accidents occurring during business trips are counted as workplace accidents and are included in this indicator, but accidents resulting from commuting to work and work-related illnesses are not.

Other indicators

For the People KPI, the number of employees is defined as all employees at the end of the reporting period with a full or part-time contract, a permanent or fixed-term contract, a work/study contract or an apprenticeship contract. Contingent workers and interns are not included.

These figures do not include the employees of the companies acquired in Q4 of the reporting period. All People KPIs, including – but not limited to – the ones listed in this section, are referred to this scope, unless otherwise stated.

Number of training hours per employee

At Azelis, training refers to the following:

- classroom training and remote training;
- all types of vocational, job-related training, e.g. product and technical training, sales training, etc.;
- any other training such as IT, languages and managerial skills;
- any educational, study and exam leave paid for by the company; and
- any external training and education attended and paid for – totally or partially – by the company.

Training does not include on-the-job training delivered by employees within the company.

Percentage of internal promotions vs. open job positions

Internal promotions include employees taking over a position of greater responsibility within the company. This indicator is the ratio of the total number of internal promotions during the reporting period compared to the number of vacancies for jobs/ positions during the reporting period.

General Management Team

The General Management Team is the Azelis group's senior management team. Please refer to the definition of the People KPI "Percentage of senior management positions held by women" for details.

Products and innovation

Revenue covered with ESG assessed suppliers

Definitions

- **TfS®:** Azelis has been a member of Together for Sustainability® since 2020, which delivers the de facto global standard for environmental, social and governance performance of chemical supply chains. TfS® provides strong and independent due diligence procedures using ESG assessments and audits in the supply chain and evaluates suppliers against CSR principles, including social issues and environmental and governance practices. It provides the necessary shared infrastructure to conduct assessments and audits, resulting in supply security, resilience, and proactive management of reputational and regulatory risks. TfS® members are chemical companies representing a global annual turnover of over €600 billion (November 2022) and a global spend of more than €400 billion in the chemical industry.
- **ESG assessment:** For an ESG assessment, a supplier must complete an online EcoVadis® questionnaire, providing supporting information on their environmental, social, ethical and supply chain practices. Since its founding in 2007, EcoVadis® has become the world's largest and most trusted provider of business sustainability ratings, creating a global network of more than 100,000+ rated companies across several industries. The EcoVadis® assessment methodology is built on international standards including the GRI, the UN Global Compact, Responsible Care® principles and ISO26000. Evaluation criteria include policies, actions, and results. Documentary evidence is required, and third-party certifications are considered. External experts (EcoVadis®) review, evaluate and supplement this with a "360° watch" and assessments are conducted entirely online, remaining valid for one year. Aside from suppliers with a valid assessment, suppliers still completing the questionnaire or under evaluation by EcoVadis® are considered to be in scope for the indicator.
- **ESG Audit:** A TfS®-approved external auditor conducts the ESG audit and can cover a single or combined business location of the selected supplier, such as a production site or warehouse. On-site employee interviews and inspections are included. Sustainability performance is verified against a defined set of audit criteria on management, environment, health & safety, labor & human rights, and governance issues. Audits are valid for three years. Accepted alternatives to a TfS® audit are SQAS, SMETA or PSCI audits conducted in the last 24 months before sharing the audit report with Azelis and TfS®.
- **ESG assessed Supplier:** An ESG assessed supplier is defined as a supplier that has a valid ESG audit (see above) in the TfS® audit pool or has been invited to an ESG assessment (see above) by TfS® partner EcoVadis® during 2022 and by the end of 2022, the supplier is completing the questionnaire, their scorecard has been published or is under evaluation by EcoVadis®.

• Revenue and KPI definition:

KPI definition: The revenue generated by suppliers with a valid ESG audit in the TfS® pool or ESG assessment via EcoVadis® and with a valid scorecard, including those being assessed, as a percentage of the total organic revenue generated by Azelis in the year excluding M&A contributions.

This includes suppliers with an expired scorecard that have received an invite for renewal generated by Azelis in the year, excluding M&A contributions.

Revenue and M&A exclusions for KPI calculation:

Revenue generated by 2021 share deals is integrated into the KPI from 12 months after their acquisition. If an acquisition occurred during the last five days of a month, the entity is integrated starting from the subsequent month after the first anniversary of their consolidation. Share deals of 2022 are out of scope for this reporting cycle. €573 million revenue from acquired companies in 2021 and 2022 has been excluded from the 2022 revenues for KPI calculation. Asset deals from 2022 are directly integrated into the sustainability reporting after acquisition, amounting to less than 1% of our total 2022 sales. For more information please refer to note 7 to the consolidated financial statements in the Azelis Annual Report 2022, and note 7 to the consolidated financial statements of the Annual Report 2021.

Methodology

The reporting process of the KPI 'Revenue covered with ESG assessed suppliers' includes the following steps for ESG assessments and audits:

1. A list of suppliers is prepared to include in the yearly ESG assessments and audits (in addition to the suppliers added during earlier campaigns) based on risk and revenue. This is the basis for the invitation and completion of ESG audits and assessments during 2022.
2. At the end of the year (December 31), an external team from EcoVadis® independently extracts a list of suppliers included in the Azelis network together with the assessment status. A complete list of valid ESG audits in the TfS® pool is provided through the TfS® Office. This audit list includes audits conducted at the request of Azelis and audits of Azelis' suppliers at the request of other TfS® members.
3. Generated global revenue is linked to every supplier in the assessment and audit lists to calculate the 'revenue covered by ESG assessed suppliers' indicator on an annual level, according to the indicator's revenue scope definition (see above).
4. Internal validation and consolidation at group level is done based on analysis and verification of the consistency and accuracy of the data. A third-party auditor audits the final consolidation of the indicator annually.
5. Once the data is validated, Azelis discloses the indicator and KPI that are published in the Annual Report and Sustainability Report.

Sustainable products

A product is marked as sustainable in our systems when a certificate (RSPO, Cosmos, Bio, Organic, etc.), a company statement (natural ingredients, etc.) or any other company document substantiating the claim, is shared with us by our business partners. Our Group SHEQ support center then carries out a due diligence documentation check.

Governance

Number of material breaches of laws and regulations in any country in which we operate

This indicator refers to the number of reported breaches of applicable laws and regulations in any country in which Azelis operates which resulted in a total aggregate liability, damage, loss, cost or expense of €500 thousand or more. Such breaches are reported by local management to their designated regional legal counsel and subsequently consolidated by the corporate legal office as part of the group-wide quarterly reporting cycle concerning litigations and material liabilities.

Percentage of employees trained in ethical behavior policies (code of conduct, anti-bribery, etc.)

This indicator relates to the ratio of the number of employees who have completed and either passed ($\geq 70\%$ score) or failed ($< 70\%$ score) the annual online knowledge review about the Code of Conduct and ethical business behavior as a proportion of the number of employees who were invited to participate in this review. The following employees are considered for calculating this KPI: all employees at the end of the reporting period with a full or part-time contract, a permanent or fixed-term contract, a work/study contract, or a training contract.

Outsourced staff, agency workers and interns are excluded.

Number of material breaches of ethical behavior policies

This indicator refers to the number of breaches of policies and procedures related to Azelis' ethics and fair business practices, which have been reported within Azelis' "Case Management System" and resulted in disciplinary action by Azelis against the relevant director, officer, employee or consultant. For the aforesaid KPI, "disciplinary action" includes, among other things, a formal warning letter and suspension or termination of a mandate, employment, or service relationship and/or termination of mandate, employment, or service contract (for cause or otherwise). These policies include the Code of Conduct, SpeakUp! Policy, Anti-Bribery and Fraud Prevention Policy, Competition and Antitrust Policies, Export Control Policy, Data Protection Policy and the Internal Rules of Procedure. For small cases (< 1000 EUR impact), in which a common agreement was found with the concerned individual involved in the breach, a formal escalation within the CMS tool is not required.

Percentage of Azelis sites that have effective crisis management and business continuity plans in place

This indicator has been defined as part of *Action 2025* and will be used from 2023. It assesses whether a crisis management and business continuity plan is in place for each site where Azelis operates.

Environment

Reporting scope for environmental KPIs (carbon emissions + waste)

The scope of our non-financial reporting covers all entities - offices and operational sites (warehouses, production sites and laboratories) that are at least 50%-operated by Azelis - in all the countries where we are present. Carbon emissions and waste reporting exclude M&A contributions (same scope definition as for revenue covered with ESG assessed suppliers). Data is collected at a local level, and fully third-party operations are not included within the reporting scope.

The only exclusion for waste reporting in 2022 are offices, as based on Azelis' business activities office waste is not material compared to waste generated in operational sites. Besides waste reporting for operational sites, products disposed of as waste are also included in the waste indicator's scope. The total waste and the subdivision in hazardous and non-hazardous waste are reported.

To report the carbon intensity indicator, revenue is based on the total organic revenue generated by Azelis in the year, excluding M&A contributions, which is the same definition as for revenue covered with ESG-assessed suppliers. The reporting scope for total sales is global (€3,536 million revenue in 2022).

Countries in scope for the 2022 reporting cycle can be found in note 26.4 to the consolidated financial statements in the Azelis Annual Report 2022. Colombia, Costa Rica, Dominican Republic, Guatemala and Peru are not included in the scope.

Reporting period for environmental KPIs (carbon emissions + waste)

The reporting frequency for Azelis is monthly, and external disclosure of non-financial indicators is done annually. For all the information reported, the reporting covers the period from January 1, 2022 until December 31, 2022. Entities acquired during 2021 (share deals) and 2022 (asset deals) could have a shorter reporting period, depending on the closure date (see section above).

Reporting process for environmental KPIs (carbon emissions + waste)

To collect the non-financial indicators, Azelis uses dedicated online ESG software.

Azelis has defined a reporting protocol which specifies the scope of reporting, the list of indicators, the definitions of all indicators, the calculation methodology, the sources of information, and the supporting documentation needed. The protocol serves as a guideline for all the contributors to our non-financial reporting.

Methodology

1. The regional SHEQ team and regional Sustainability Coordinators (Americas, APAC and EMEA) coordinate the collection of data at local level and following the planning of the annual campaign by the Group SHEQ & Sustainability Director. Global coordination of the reporting campaign is performed by the Group Sustainability Coordinator.
2. Data from Scope 1 and Scope 2 data is reported on a monthly basis. Waste data for operational sites is reported monthly, and products disposed as waste are reported quarterly.
3. Analysis and verification of the data's consistency and accuracy leads to the data's validation by the local and regional teams from Finance, SHEQ and Sustainability. Final validation takes place on group level.
4. Global turnover data according to the carbon intensity indicator's definition are extracted directly from the financial system at annual level. Scope 1 and 2 emission data and waste data are used to calculate the carbon intensity and waste indicators on an annual level.
5. After final internal validation and consolidation at group level, the carbon intensity is audited by a third-party auditor annually.
6. Azelis discloses the indicators and KPIs published in the Annual Report and Sustainability Report.

Definitions carbon intensity (Scope 1 and 2)

KPI definition: (Scopes 1 and 2) per € million sales.

The reporting scope for carbon emissions and total sales is global (€3,536 million revenue in 2022) according to a 12-month onboarding rule;

- Emissions and revenue generated by 2021 share deals are integrated in the KPI as from 12 months after their acquisition. If an acquisition occurred during the last 5 days of a month, the entity is integrated starting from the subsequent month after the first anniversary of their consolidation (€260 million revenue from acquired companies in 2021 has been excluded from the 2022 revenues for KPI calculation).
- Emissions and revenue generated by 2022 share deals are out of scope for this reporting cycle. €313 million revenue from acquired companies in 2022 have been excluded from the 2022 revenues for KPI calculation.
- Emissions and revenue from 2022 asset deals are directly integrated in the sustainability reporting after acquisition. These sales in 2022 amount to less than 1% of our total 2022 sales.

For more information, please refer to note 7 to the consolidated financial statements in the Annual Reports of 2021 and 2022.

In the context of carbon intensity calculation, the CO₂ emissions of Azelis are categorized into two scopes: Scope 1 (direct emissions) and Scope 2 (indirect emissions).

Azelis follows the recommendations of the "GHG protocol" to measure and manage GHG emissions.

Scope 1 emissions are emissions from sources owned or controlled by Azelis directly. Activity data and emissions include on-site stationary combustion of fossil-fuel-burning equipment (e.g., heating boilers) or process-based emissions (e.g., back-up electricity generators) and natural gas. Emissions from company-owned or leased vehicles are also included, as Azelis is responsible for their fuel consumption. Due to the inclusion of Coseal Gunsan (M&A onboarding process; see above) in the sustainability reporting cycle of 2022, we started measuring the consumption of steam in 2022 as this is the only Azelis site that uses steam for industrial processing. We also improved the reporting process for district heating in 2022. This is now reported in addition to other energy sources (district heating was reported previously under natural gas consumption for heating).

Scope 2 emissions are emissions associated with the consumption of purchased electricity. Activity data and emissions include the purchase of electric power, steam, heating and cooling from the local utility.

Refrigerant emissions and other fugitive emissions (e.g., from fire extinguishers) are excluded from the scope as they are not material.

Fully third-party operations (i.e., fully externally operated warehouses) are not included within the reporting scope.

Actual consumption data has been used to calculate the respective emissions, where possible.

Estimations have been made on the consumption amounts where data was lacking:

- Based on actual data of a prior reporting year, extrapolated to 2022;
- Based on monetary amounts, converted into estimated consumption amounts based on an average market price and/or provided invoice cost rate;
- Based on property value and/or surface area for offices; and
- Based on contractual terms (e.g., maximum leasing company car mileage per year).

External databases are used to retrieve the latest available version of emission factors (IEA 2022, ADEME Base Carbone V15.1, DEFRA 2022, US EPA 2022).

Because of more detailed geographic emission factors, as defined in the EPA's "Emissions & Generation Resource Integrated Database" (¹), improved Scope 2 location-based emission factors are implemented in the USA, compared to 2021 reporting.

For the 2021 reporting cycle, one average location-based emission factor was used for the USA. Location-based emission factors used in 2022 differ from the average emission factor used for the USA in the 2021 reporting cycle. This difference varies between -2% and +89%, depending on the eGRID subregion:

| eGRID Subregion | Location Based (kgCO ₂ e/kWh) 2022 reporting cycle | Location Based (kgCO ₂ e/kWh) 2021 reporting cycle | 2022 vs 2021 |
|-----------------|---|---|--------------|
| USA - AZMN | 0.84661 | 0.522 | +62% |
| USA - CAMX | 0.513455 | 0.522 | -2% |
| USA - ERCT | 0.8186 | 0.522 | +57% |
| USA - FRCC | 0.835079 | 0.522 | +60% |
| USA - NEWE | 0.52823 | 0.522 | +1% |
| USA - RFCW | 0.984977 | 0.522 | +89% |
| USA - SPSO | 0.931756 | 0.522 | +78% |
| USA - SRMV | 0.740359 | 0.522 | +42% |
| USA - SRSO | 0.860179 | 0.522 | +65% |
| USA - SRVC | 0.62311 | 0.522 | +9% |
| USA - RFCE | 0.652458 | 0.522 | +25% |

For 2022, Scope 2 emissions are calculated market-based and location-based:

1. Definition as used in the 2021 Sustainability Report:

CO₂ emission from electricity consumption (tCO₂e) = renewable electricity consumption (kWh) x 0 (tCO₂e/kWh) + non-renewable electricity consumption (kWh) x location based emission factor (tCO₂e/kWh)

2. Location-based definition: CO₂ emission from electricity consumption (tCO₂e) = total electricity consumption (kWh) x location-based emission factor (tCO₂e/kWh)

3. Market-based definition: CO₂ emission from electricity consumption (tCO₂e) = renewable electricity consumption (kWh) x 0 (tCO₂e/kWh) + non-renewable electricity consumption (kWh) x market-based residual mix emission factor (tCO₂e/kWh)

Scope 1 and Scope 2 data is collected using online ESG software. The emissions data reported in the 2022 Sustainability Report related to Scope 1 and Scope 2 are the results of the ESG software calculations.

Origin of reported data (Scopes 1, 2 and 3): actuals vs estimates

| | 2022 | 2021 |
|---|--|--|
| Scope 1 (% actuals) | 74 | 73 |
| Scope 2 (% actuals) | 66 | 68 |
| Scope 3 – business travel (% actuals) | 60 | 83 |
| Scope 3 – upstream transport (% CO ₂ emissions provided by transportation company) | Air Transport: 0 Road transport: 8 Rail transport: 0 Sea transport: 0 | Air Transport: 0 Road transport: 9 Rail transport: 0 Sea transport: 0 |
| Scope 3 – Purchased goods and services (% actuals) | 100 | 100 |
| Scope 3 – end-of-life sold products (% actuals) | 100 | 100 |

74% of Scope 1 and 66% of Scope 2 emissions are based on actual data for the reporting year 2022. For Scope 3 calculations, the percentage of the results based on actual data is 60% for business travel (plane and train combined). Carbon emissions generated by (upstream) product transportation (air, road, rail, sea) are based on a model using the cost of transport (100% actual invoicing data). We only received a part of our road transport CO₂ emission data directly from the transport companies, which accounted for 8% of our total road transport carbon emissions in 2022. Carbon emissions linked to 'purchased goods and services' and 'end-of-life treatment of sold products' are calculated based on a model originated from actual data (100%).

The necessary procedures are in place in order to increase the percentage of emissions data calculated based on actual data, and reduce estimations. We are using monthly and quarterly reporting cycles performed by local contributors and validators, which enables us to continuously track and improve data accuracy. In addition to this, we onboarded three Regional Sustainability Coordinators and a Group Sustainability Coordinator in 2022. Monthly internal checks are performed at local, regional and group level. These three layers of control help ensure the accuracy of all reported data. To improve the percentage of actuals for Scope 3 emissions caused by business travel, we are working to improve the reporting process based on the reports we receive from our travel agencies.

Definitions Waste (tonnes)

KPI definition: Waste (total, hazardous, non-hazardous (tonnes)).

Azelis follows the recommendations of the GRI to report waste management indicators. Due to improved reporting processes and resource availability, by hiring of three Regional Sustainability Coordinators in 2022, we were able to identify reporting mistakes in the total waste amount reported during previous years for warehouses (2020), production sites (2020) and product waste (2020, 2021). The reported values are corrected and updated in the 2022 sustainability report¹.

Hazardous waste possesses any of the characteristics contained in Annex III of the Basel Convention that is considered to be hazardous by national legislation. Hazardous characteristics are: explosive, flammable liquids, flammable solids, substances or wastes liable to spontaneous combustion, substances or wastes which, in contact with water emit flammable gases, oxidizing, organic peroxides, poisonous, infectious substances, corrosives, liberation of toxic gases in contact with air or water, toxic and ecotoxic. This includes both disposed and recycled hazardous waste, according to GRI306.

Non-hazardous waste is all other waste, sorted or not. This could be, but is not limited to, glass, paper, plastics, and cardboard. This includes both disposed and recycled non-hazardous waste, according to GRI306.

Reporting for products disposed of as waste includes products (expired, contaminated, damaged, ...) that have been disposed of and written off ERP systems. Products sold to a customer with an extended shelf life or free of charge are excluded.

Actual data has been used, where possible.

Estimations have been made on the consumption amounts, where data was lacking:

- Based on the number and/or volume of containers;
- Based on actual data of a prior reporting year, extrapolated to 2022;
- Based on monetary amounts, converted into estimated waste amounts based on a provided invoice cost rate;
- Based on property value and/or surface area; and
- Based on contractual terms (e.g., renting contract).

Environmental accidents

An environmental accident is an event that may cause harm or potential harm to air, water, land, wildlife, or local habitat. For instance, air pollution, black smoke, chemical spill, oil spill, fly-tipping, waste issues, sewage leaks, fires on chemical products, etc.

Main contributors to the environmental indicators (local level):

Regarding the environmental indicators (CO2 emissions and waste) we observed differences between the countries that have (semi-)manufacturing activities or operate own warehouses vs. the entities that do not have such activities in their scope in the reported values. USA, Australia, New Zealand, South Korea and Denmark have higher reported values for one or both of the indicators compared to the rest of the countries in scope.

In terms of overall contribution to the CO2 emissions indicator, the percentage contribution of those countries to the total reported Group value (2022) is listed below:

- USA: Scope 1 (25%), Scope 2 LB (54%), Scope 2 MB (59%)
- Australia: Scope 1 (13%), Scope 2 LB (8%), Scope 2 MB (9%)
- New Zealand: Scope 1 (11%)
- Denmark: Scope 2 LB (8%)

Similarly and for total waste reported, the percentage contribution to the total reported Group value is listed below:

- USA: 25%
- South Korea: 20%
- Denmark: 13%

Regarding the People and Governance indicators, no reportable differences have been observed in the 2022 reported results from local and regional operations.

¹ Please refer to the KPI table in Annex II of this Sustainability Report.

¹ eGRID is a comprehensive source of data from EPA's Clean Air Markets Division on the environmental characteristics of almost all electric power generated in the United States. The eGRID map can be found on https://egrid2020_subregion_map.png (3300x2519) (epa.gov).

List of references

- Emission Factors for Greenhouse Gas Inventories (epa.gov)
- egrid2020_subregion_map.png (3300x2519) (epa.gov)
- Emissions & Generation Resource Integrated Database (eGRID) | US EPA
- gri-306-waste-2020.pdf (globalreporting.org)
- How we do it - TFS® Initiative (tfs-initiative.com)
- Procurement and Supply Chain Risk Management Software | EcoVadis®

Annex IV – ESG indicators and other tables

| Key Performance Indicator | 2022 | 2021 | 2020 | Target 2025 |
|--|--|--------------|--------------|----------------------|
| People | | | | |
| 1. Engagement score (Employee satisfaction survey) ¹ | 75 (B) ² | 74 | 74 | 77 ⁵ |
| 2. Loyalty score (Employee Satisfaction Survey) ¹ | 83 (B) ² | 82 | 82 | 85 ⁵ |
| 3. % of employees in the talent pools | 10.0% (B) ^{2,7} | 11.4% | 7.1% | >10% |
| 4. % line managers trained in diversity and inclusive leadership | 99.3% (B) ² | 98.9% | Not reported | 100% |
| 5. % senior management positions held by women | 31.8% (✓) ⁶ | 23.5% | 21.9% | 30% |
| 6. Score working conditions (Employee Satisfaction Survey) ¹ | 75 (B) ² | 74 | 74 | 76 ⁵ |
| 7. Workplace accidents with lost time | 6 | 6 | 2 | 0 |
| Products and Innovation | | | | |
| 8. Baseline of Sustainable products i.e. # Sustainable products in product portfolio | Ongoing | Ongoing | Not measured | To be agreed in 2023 |
| 9. % of revenue covered with ESG assessed suppliers ³ | 75.2% (B) ^{2,7} | 55.8% | 52% | 80% |
| Governance | | | | |
| 10. # Material breaches in laws and regulations | 0 (B) ² | 0 | 0 | 0 |
| 11. % Employees trained in ethical and fair business practices | 98.6% (B) ² | 98.9% | 99.4% | 100% |
| 12. # Material breaches of ethical and fair business practices policies | 5 (B) ² | 0 | 1 | 0 |
| 13. % sites with a crisis management and business continuity plans in place | To be reported in Sustainability Report 2023 | Not reported | Not reported | 100% |
| Environment | | | | |
| 14. Carbon intensity emissions, Scope 1 & 2 tCO ₂ e/mn€ sales | 3.48 LB / 3.36 MB (✓) ^{4,6} | 3.58 | 3.75 | 3.57 |
| 15. Waste generated in operations (t) | | | | |
| Total hazardous + non-hazardous (t) | 3,350.8 | 2,289.0 | 2,721.2 | To be agreed in 2023 |
| Hazardous (t) | 799.0 | 730.3 | 955.0 | To be agreed in 2023 |
| Non-hazardous (t) | 2,551.8 | 1,558.7 | 1,766.2 | To be agreed in 2023 |
| 16. # Environmental accidents | 2 | 0 | 0 | 0 |

1 The Employment Satisfaction Survey is conducted every 2 years. Consequently, the 2020 and 2021 values for Engagement Score, Loyalty Score and Working Conditions Score are equal.

2 (B) related to KPIs on which PwC has provided ISAE 3000 limited assurance.

3 EcoVadis® assessments and TFS® audits.

4 Updated methodology and emission factors have resulted in separate market-based (MB) and location based (LB) reporting for 2022. For comparison sake, we have calculated the 2022 figure following the methodology of 2021 (MB emissions are calculated when available, otherwise location-based emission factors are used (IEA, ADEME, DEFRA) to calculate the respective emissions). This amounts to 3.42. For more information, refer to the disclosure on methodology on Azelis KPIs in the Annexes to this Report.

5 This target was increased following a decision by the Azelis Executive Committee in 2022.

6 (✓) Refer to the Annual Report 2022 for the Auditor's opinion.

7 Values restated following the publication of the Annual report 2022 based upon internal validation.

People

| GRI | Indicators | Unit | 2022 | 2021 | 2020 |
|--------------------|--|------------|----------|---------|---------|
| Social performance | | | | | |
| 2-30 | % of employees covered by collective bargaining agreements | % | 22.3 | 24.3 | 26.0 |
| Contracts | | | | | |
| 2-7 401-1 | Total number of employees (FTE) on 31st December | FTE | 3,617.7* | 2,995.4 | 2,439.5 |
| 2-7 401-1 | Total number of employees (FTE) on 31st December – Americas | FTE | 961.5 | 772.4 | 586.6 |
| 2-7 401-1 | Total number of employees (FTE) on 31st December – Asia-Pacific | FTE | 916.5 | 660.8 | 451.2 |
| 2-7 401-1 | Total number of employees (FTE) on 31st December - EMEA | FTE | 1,739.7 | 1,562.2 | 1,401.7 |
| 2-7 401-1 | Total headcount on 31st December | Head-count | 3,656 | 3,040 | 2,513 |
| 2-7 401-1 | Total average headcount in the period from 1st January to 31st December | Head-count | 3,462.8 | 2,600.5 | N/A |
| 2-7 | Total number of male employees (FTE) on permanent contracts and employment at-will on 31st December | FTE | 1,571.8 | 1,361.3 | 1,088 |
| 2-7 | Total number of female employees (FTE) on permanent contracts and employment at-will on 31st December | FTE | 1,776.5 | 1,475.1 | 1,223.2 |
| 2-7 | Total number of employees (FTE) on permanent contracts and employment at-will on 31st December – elected to not self-identify gender | FTE | 7 | 5 | N/A |
| 2-7 | Total number of employees (FTE) on permanent contracts and employment at-will on 31st December | FTE | 3,355.3 | 2,841.4 | 2,311.2 |
| 2-7 | Total number of male employees (FTE) on temporary / fixed term contracts on 31st December | FTE | 107.9 | 66 | 53.7 |
| 2-7 | Total number of female employees (FTE) on temporary / fixed term contracts on 31st December | FTE | 154.7 | 87.1 | 74.6 |
| 2-7 | Total number of employees (FTE) on temporary / fixed term contracts on 31st December - elected to not self-identify gender | FTE | 0 | 1 | N/A |
| 2-7 | Total number of employees (FTE) on temporary / fixed term contracts on 31st December | FTE | 262.6 | 154.1 | 128.3 |
| 2-7 | Total number of employees (FTE) on permanent contracts and employment at-will on 31st December - elected to not self-identify gender | FTE | 7 | 5 | N/A |
| 2-7 | Total number of employees (FTE) on permanent contracts and employment at-will on 31st December | FTE | 3,355.3 | 2,841.4 | 2,311.2 |

* Number of employees (FTE) recorded in our Human Capital Management system Workday® on 31/12/2022. This figure does not include the employees of the companies acquired in the fourth quarter of the reporting period. Please refer to page 122 ('Other indicators') of this report for details.

| GRI | Indicators | Unit | 2022 | 2021 | 2020 |
|---------------------------|--|------------|---------|---------|---------|
| Gender | | | | | |
| 405-1 | Number of male employees (FTE) on 31st December | FTE | 1,679.7 | 1,427.3 | 1,141.7 |
| 405-1 | Number of female employees (FTE) on 31st December | FTE | 1,931.2 | 1,562.2 | 1,297.8 |
| 405-1 | Number of employees (FTE) on 31st December – elected to not self-identify gender | FTE | 7 | 6 | N/A |
| 405-1 | % of female employees (FTE) on total number of employees (FTE) on 31st December | % | 53.4 | 52.2 | 53.2 |
| 405-1 | % of male employees (FTE) on total number of employees (FTE) on 31st December | % | 46.4 | 47.6 | 46.8 |
| 405-1 | % of employees (FTE) on total number of employees (FTE) on 31st December – elected to not self-identify gender | % | 0.2 | 0.2 | N/A |
| Age | | | | | |
| 405-1 | % of employees (FTE) between 20 and 29 years of age on 31st December | % | 14.3 | 13.6 | 11.4 |
| 405-1 | % of employees (FTE) between 30 and 39 years of age on 31st December | % | 30.5 | 29.7 | 27.7 |
| 405-1 | % of employees (FTE) between 40 and 49 years of age on 31st December | % | 27.2 | 28.0 | 28.2 |
| 405-1 | % of employees (FTE) between 50 and 59 years of age on 31st December | % | 20.2 | 21.1 | 24 |
| 405-1 | % of employees (FTE) 60 years of age and above on 31st December | % | 7.8 | 7.7 | 8.8 |
| Hiring | | | | | |
| 401-1 | Total number of employees hired during the reporting period | Head-count | 583 | 575 | 252 |
| 401-1 | Total number of female employees hired during the reporting period | Head-count | 347 | 288 | N/A |
| 401-1 | Total number of male employees hired during the reporting period | Head-count | 234 | 283 | N/A |
| 401-1 | Total number of employees hired during the reporting period – elected to not self-identify gender | Head-count | 2 | 4 | N/A |
| Internal promotion | | | | | |
| 404-3 | Total number of female employees promoted during the reporting period | Head-count | 143 | 105 | 82 |
| 404-3 | Total number of male employees promoted during the reporting period | Head-count | 119 | 57 | 72 |
| 404-3 | Total number of internal promotions during the reporting period | Head-count | 262 | 162 | 154 |
| 404-3 | Number of vacancies / open positions during the reporting period | Number | 774 | 607 | 292 |
| 404-3 | % of internal promotions vs. vacancies / open positions during the reporting period | % | 33.9 | 26.7 | 53.1 |

| GRI | Indicators | Unit | 2022 | 2021 | 2020 |
|---|---|------------|--------|----------|--------|
| Training | | | | | |
| 404-1 | Number of employees who have attended at least 1 training during the reporting period | Head-count | 2,650 | 2,455 | 1,732 |
| 404-1 | Total number of training hours attended by employees during the reporting period | Hours | 58,124 | 40,955.8 | 30,222 |
| 404-1 | Average number of training hours by company employee during the reporting period | Hours/FTE | 15.9 | 13.5 | 12.2 |
| Departures and attrition | | | | | |
| 401-1 | Number of voluntary departures of employees during the reporting period | Head-count | 339 | 241 | 150 |
| 401-1 | Number of involuntary departures of employees during the reporting period | Head-count | 105 | 76 | 70 |
| 401-1 | Voluntary attrition | % | 9.8 | 9.3 | 7.2 |
| Annual appraisal | | | | | |
| 404-3 | Number of employees who have completed the Performance Review process during the reporting period | Head-count | 2,523 | 2,155 | 2,060 |
| | Total headcount on 1st October of previous year (Eligibility cut-off date for performance review) | Head-count | 2,996 | 2,422 | 2,084 |
| 404-3 | % of eligible employees who have completed the Performance Review process | % | 84.2 | 89.0 | 98.8 |
| Vacation | | | | | |
| 401-2 | % of vacation days taken at year end vs. holiday entitlement | % | 70.4 | 70.1 | 91.6 |
| Origin | | | | | |
| 405-1 | Number of nationalities on 31st December | Number | 77 | 71 | 65 |
| Occupational injury and accident | | | | | |
| 403-9 | Number of workplace accidents with no lost time | Number | 39 | 32 | 32 |
| 403-9 | Number of workplace accidents with lost time | Number | 6 | 6 | 2 |
| 403-9 | Total number of lost days due to workplace accidents | Number | 199 | 160 | 42.5 |
| 403-9 | Workplace accident frequency rate | % | 0.95 | 1.32 | 0.43 |
| 403-9 | Workplace accident severity rate | % | 0.03 | 0.04 | 0.01 |
| 403-9 | Rate of sickness | % | 1.15 | 1.17 | 1.2 |

Governance

| GRI | Indicators | Unit | 2022 | 2021 | 2020 |
|-----------------|---|--------|------|-------|-------|
| Business ethics | | | | | |
| | Number of employees who have completed the annual on-line knowledge review on the Code of Conduct and ethical business behavior | Number | 3356 | 2,715 | 2,303 |
| 205-2 | Number of employees having passed the annual on-line knowledge review on the Code of Conduct and ethical business behavior | Number | 3354 | 2,714 | 2,299 |
| 205-2 | % of employees who have passed the annual on-line knowledge review on the Code of Conduct and ethical business behavior | % | 98.5 | 98.8 | 99.3 |
| | Number of material breaches in ethical behavior policies | Number | 5 | 0 | 1 |
| Cybersecurity | | | | | |
| | % of sites* covered with the Azelis ISO 27001 (information security management system) certification | % | 100 | 100 | 70 |

* 2022 M&A activity excluded

Environment

| GRI | Indicators | Unit | 2022 | 2021 | 2020 |
|---------------------------|--|----------------------------|-------------------|--------------|--------------|
| General environment | | | | | |
| | Number of environmental incidents in own premises | unit | 2 | 0 | 0 |
| | Number of environmental incidents at subcontracted parties | unit | 0 | 0 | 0 |
| Energy consumption | | | | | |
| GRI 302-1 | Consumption of non-renewable electricity | kWh | 8,389,827.53 | 5,900,010.25 | 6,197,022.71 |
| GRI 302-1 | Consumption of renewable electricity (according to contracts) | kWh | 873,493.00 | 840,603.87 | 1,417,297 |
| GRI 302-1 | Total electricity consumption | kWh | 9,263,320.32 | 6,740,614.12 | 7,614,319.71 |
| GRI 302-1 | Consumption of natural gas for buildings | kWh_PCS | 7,784,494. | 8,795,417.09 | 9,050,366.4 |
| GRI 302-1 | Consumption of heating oil for buildings | m ³ | 46.13 | 83.03 | 17.11 |
| GRI 302-1 | Consumption of coal for buildings | kg | – | – | – |
| GRI 302-1 | Consumption of LPG oil for buildings | m ³ | – | – | – |
| GRI 302-1 | Consumption of petrol for buildings | m ³ | – | – | – |
| GRI 302-1 | Consumption of diesel for buildings | m ³ | 14.75 | 12.74 | – |
| GRI 302-1 | Consumption of district heating Note: District heating reported separately from other energy sources (see methodology section for more information). | kWh | 24,193.14 | – | – |
| GRI 302-1 | Consumption of steam Note: New disclosure in 2022 due to the inclusion of Coseal Gunsan (see methodology section for more information). | kWh | 407,552 | – | – |
| GRI 302-1 | Consumption of other energy | kWh | 24,470 | – | – |
| GRI 302-2 | Quantity of petrol used for vehicles (cars, trucks, owned fleet, leasing cars...) | m ³ | 853.18 | 621.91 | 669.56 |
| GRI 302-2 | Quantity of diesel used for vehicles (cars, trucks, owned fleet, leasing cars...) | m ³ | 623.25 | 665.9 | 876.75 |
| GRI 302-2 | Quantity of LPG used for vehicles (cars, trucks, owned fleet, leasing cars...) | m ³ | 375.22 | 346.47 | 23.9 |
| CO ₂ emissions | | | | | |
| GRI 305-1 | Total CO ₂ emissions Scope 1 | tCO ₂ e | 7,072.42 | 6,661.44 | 6,681.11 |
| GRI 305-2 | Total CO ₂ emissions Scope 2 (method Sustainability Report 2021) | tCO ₂ e | 5,010.06 | 2,490.39 | 2,943.25 |
| GRI 305-2 | Total CO ₂ emissions Scope 2 (LB) | tCO ₂ e | 5,238.47 | – | – |
| GRI 305-2 | Total CO ₂ emissions Scope 2 (MB) | tCO ₂ e | 4,797.21 | – | – |
| GRI 305-3 | Total CO ₂ emissions Scope 3 (business travel + upstream & downstream transport + purchase of goods/chemicals + end of life treatment of sold products) | tCO ₂ e | 4,391,720.75 | 4,032,935.13 | 3,034,182. |
| GRI 305-4 | CO ₂ emission intensity | tCO ₂ e/ mn€ | 3.48 LB / 3.36 MB | 3.58 | 3.75 |

| GRI | Indicators | Unit | 2022 | 2021 | 2020 |
|--|--|----------------|--|-----------|-----------|
| Paper | | | | | |
| | Weight of total paper purchased (for internal & external use) | t | 42.98 | 39.32 | 39.03 |
| | % of recycled or certified paper purchased | % | 28.16 | 35.9 | 42.32 |
| Waste | | | | | |
| Note: Waste management disclosures previously reported, have been reviewed (see methodology section for more information). | | | | | |
| Offices | | | | | |
| GRI 306-2 | Weight of generated waste (hazardous & non hazardous) (Office) | t | not measured (see methodology section) | 36.83 | 30.34 |
| Operationnal sites | | | | | |
| Own warehouses | | | | | |
| GRI 306-2 | Weight of generated waste (hazardous & non hazardous) (Own warehouses) | t | 711.26 | 681.65 | 659.38 |
| GRI 306-2 | Weight of hazardous waste (Own warehouses) | t | 14.43 | 1.43 | 0 |
| GRI 306-2 | Weight of non hazardous waste (Own warehouses) | t | 696.83 | 680.22 | 659.38 |
| Laboratories | | | | | |
| GRI 306-2 | Weight of generated waste (hazardous & non hazardous) (labs) | t | 7.38 | 4.97 | 3.51 |
| GRI 306-2 | Weight of hazardous waste (labs) | t | 0.43 | 0 | 0 |
| GRI 306-2 | Weight of non hazardous waste (labs) | t | 6.95 | 4.59 | 3.5 |
| Production sites | | | | | |
| GRI 306-2 | Weight of generated waste (hazardous & non hazardous) (Production sites) | t | 1,471.68 | 616.96 | 790.24 |
| GRI 306-2 | Weight of hazardous waste (Production sites) | t | 530.96 | 421.45 | 571.3 |
| GRI 306-2 | Weight of non hazardous waste (Production sites) | t | 940.72 | 195.51 | 218.94 |
| Products disposed as waste | | | | | |
| GRI 306-2 | Weight of products disposed as waste (hazardous & non hazardous) | t | 1,160.48 | 985.44 | 1,268.09 |
| GRI 306-2 | Weight of hazardous products disposed as waste | t | 253.2 | 307.02 | 383.7 |
| GRI 306-2 | Weight of non-hazardous products disposed as waste | t | 907.28 | 678.42 | 884.4 |
| Total Waste | | | | | |
| GRI 306-2 | Total waste generated | t | 3,350.8 | 2,289.02 | 2,721.22 |
| GRI 306-2 | Total waste generated (hazardous and non-hazardous) | t | 799.03 | 730.28 | 955.01 |
| GRI 306-2 | Total waste generated (non-hazardous) | t | 2,551.8 | 1,558.74 | 1,766.21 |
| Water | | | | | |
| GRI 303-1 | Quantity of water used | m ³ | 81,931.95 | 46,179.43 | 64,683.04 |

Glossary

| | | | |
|--------------|--|----------------|--|
| ACs | Assessment and Development Centers | M&A | Mergers and Acquisitions |
| ADEME | French Environment and Energy Management Agency | MB | Market-based |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission | NCEC | National Chemical Emergency Centre |
| CRM | Customer Relationship Management | NPD | New Product Development |
| CSA | Control Self-Assessment | PCF | Product Carbon Footprint |
| CSR | Corporate Social Responsibility | PEPs | Politically Exposed Persons |
| DEFRA | U.K. Department for Environment, Food & Rural Affairs | PIM | Product Information Management |
| EAP | Employee Assistance Program | PwC | PricewaterhouseCoopers, independent auditor |
| EPA | U.S. Environmental Protection Agency | QMS | Quality Management System |
| ERM | Enterprise Risk Management | RC | Responsible Care® |
| ESG | Environment, Social and Governance | RD | Responsible Distribution® |
| ESS | Employee Satisfaction Survey | R&D | Research and Development |
| GHG | Greenhouse Gas | REC | Renewable Energy Certificates |
| GLPMS | Group Loss Prevention Management System | RSPO | Roundtable on Sustainable Palm Oil |
| GRC | Governance Risk and Compliance | SASB | Sustainability Accounting Standards Board |
| GRI | Global Reporting Initiative | SBTi | Science Based Target initiative |
| HCM | Human Capital Management | SDGs | United Nations Sustainable Development Goals |
| HSE | Health, Safety and Environment | SHEQ | Safety, Health, Environment and Quality |
| ICTA | International Chemical Trade Association | TfS | Together for Sustainability® |
| IEA | International Energy Agency | | |
| ILO | International Labor Organization | | |
| IPO | Initial Public Offering | | |
| ISO | International Organization for Standardization | | |
| KPI | Key Performance Indicator | | |
| LB | Location-based | | |
| LTIP | Long-Term Incentive Plan | | |
| LVC | Lateral Value Chain | | |



To find out more

The Azelis Sustainability Report 2022 is available in English and Dutch.

Azelis would like to thank its stakeholders for their contributions to this Sustainability Report.

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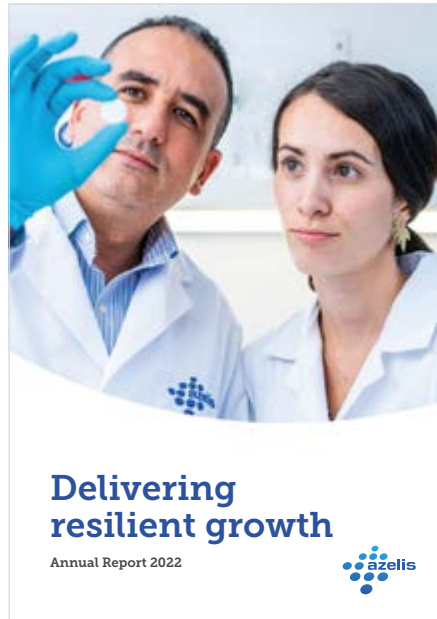
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