



FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR **IN SUPPLY CHAINS**

2023 Report

Introduction

The Canadian government has introduced legislation aimed at fighting forced and child labour across the Canadian supply chain. [Bill S-211](#) requires Canadian private and public companies who meet various requirements to publish an annual report detailing their efforts to tackle forced and child labour in their supply chain. The following is IMCD Canada Limited's report covering the 2023 fiscal year.



Structure, activities and supply chains

Our structure and activities

IMCD Canada Limited is a privately held Canadian company incorporated under the Canadian Business Corporations Act and headquartered in Brampton, Ontario. Our ultimate parent company is IMCD N.V., located in Rotterdam, the Netherlands. IMCD N.V. was founded in 1995 and is listed on the Euronext Amsterdam stock exchange. IMCD is a global leader in the distribution and formulation of specialty chemicals and ingredients, providing solutions to its partners across a multitude of markets. We represent a range of suppliers in the Canadian market and the products we offer are both domestic and imported.

Our business groups are as follows, and are managed commercially at a global, regional and local level:

- **Advanced Materials**
- **Beauty & Personal Care**
- **Coatings & Construction**
- **Food & Nutrition**
- **Home Care and I&I**
- **Industrial Solutions**
- **Lubricants & Energy**
- **Pharmaceuticals**

IMCD prides itself on its technical expertise and IMCD Canada is pleased to be home to a Beauty & Personal Care laboratory, as well as a Food & Nutrition Technical Centre of Excellence. In addition to its technical development work and its core distribution activities, IMCD Canada also does some bulk liquid repacking and minor blending activities.

Much like our commercial structure, our Health, Safety, Environmental, Quality & Regulatory (HSEQR) group is also structured with a global, regional and local team. The HSEQR team has oversight to our Corporate governance, including our ESG standards and our Sustainability efforts. These initiatives include our efforts to combat forced and child labour across our supply chain.

Our supply chain

IMCD Canada considers itself an extension of its suppliers in the Canadian market and as such we take great care in selecting the partners we work with. In 2023 IMCD Canada handled more than 3,000 different products originating from 37 different countries and supplied by over 200 suppliers. Each new supplier is evaluated by our local HSEQR team, as is every new product we decide to offer to the Canadian market. At a global level, our HSEQR team must evaluate and approve any new manufacturer that any local IMCD entity wishes to work with. This two-level review and approval process ensures compliance with local country regulations as well as global IMCD standards. This process also ensures that the manufacturing entity of the products we handle is scrutinized, which is especially relevant in cases where resellers or other distributors are supplying products to IMCD Canada. A similar review and approval process is undertaken for any new third-party warehouse or logistic partner we decide to work with.



Policies and due diligence processes in relation to forced labour and child labour

IMCD has several policies in place to mitigate the risk of forced and child labour, and to ensure that awareness of this topic permeates the organization. This is present in both internal employee policies and external supply chain policies. The following are examples of the various policies currently in place at IMCD Canada:

IMCD Code of Conduct

Every year employees receive training on the IMCD code of conduct. This training requires an acknowledgement of the policy from each employee. Training is tracked by our Human Resources team. [The Code of Conduct](#) provides an overview of IMCD's core values and guiding principles, and is divided into the following sections:

- Working environment
- Compliance
- Ethical business practices
- Sustainability

Child and forced labour are specifically discussed in the Working Environment section of the Code, while underlying governance guidelines of ethics and compliance also shape the overall approach to combating these labour issues. The Code of Conduct outlines that IMCD neither engages in nor supports the use of forced labour, bonded or involuntary labour or child labour. IMCD therefore complies with the standards of the International Labour Organisation.

Ethics and Compliance

All IMCD Canada employees undergo yearly Ethics and Compliance training. IMCD also holds an annual global ethics and compliance week to remind employees of the commitments we have made in our Code of Conduct. Any ethics or compliance deviations, including any concerns about child or forced labour, can be reported anonymously via an [EthicsPoint hotline](#). Training on this hotline is included in the annual employee training.

Child Labour Policy

IMCD Canada has a child labour policy that is included in its employee handbook. This policy discusses IMCD's commitment to protecting individuals from the exploitations of illegal labour practices such as child labour, forced labour, slavery and human trafficking. All real or suspected instances of noncompliance with this policy must be reported to the Human Resources Department or through a confidential Ethics and Compliance Hotline available to all employees. A periodic reminder of this policy will be sent out to all employees starting in 2024 through the local IMCD Canada training program.

Hiring Practices

IMCD Canada's hiring practices mandates that the company not hire anyone that is considered a child or not legally authorized to work in Canada. The recruitment and selection process used by Human Resources outlines a series of steps that must be taken by our HR team including obtaining proof of age to ensure we are meeting the minimum legal age requirement. These steps are also available to all employees through the Recruitment and Selection policy included in the IMCD Canada Employee Handbook.



Policies and due diligence processes in relation to forced labour and child labour

Environmental, Social & Governance (ESG) Standards for Business Partners

IMCD N.V. has developed ESG standards to which we hold ourselves accountable, as well as our business partners. The [ESG](#) standards are global and used by all local IMCD countries, including IMCD Canada. This set of standards applies to all business partners in our supply chain, whether a legal entity or individual person, that provides goods or services to IMCD or its affiliates. We expect that our business partners ensure that its own agents and sub-contractors also comply with the requirements set forth in the standards. Over the last year we have been working with our logistics partners to acknowledge, sign and return the IMCD ESG document to ensure compliance.

Supplier Onboarding

As described in the previous section, new suppliers of products we want to distribute are evaluated at both a global and local levels. At a local level, IMCD Canada has developed a Principal certificate of social responsibility to onboard new product suppliers. This certificate covers topics related to Child Labour and Conflict Minerals. The expectation is that new product suppliers review and sign back the certificate. In 2024 we will review and address the suppliers who have not provided us with this signed certificate.

Dow Jones Risk and Compliance

IMCD uses the Dow Jones Risk and Compliance software to run daily checks on all of the names and addresses in its ERP system for hits on global watchlists (such as the Sanctions List), state-owned companies, adverse media, and locations. All new customers and suppliers are also searched with this software. Further, we can utilize a search function in the software to manually research entities, persons, or locations. This search feature is also used as part of IMCD's export control process. Any hits surfaced by the Dow Jones Risk and Compliance software is reviewed by IMCD's global HSEQR team with input from the local IMCD team.

EcoVadis Program

IMCD has a global commitment to making sustainability improvements within our own operations as well as those of our supplier partners. As a critical member of the country's supply chain, IMCD Canada's commitment to this mindset is a key driver for our business. To measure and evaluate our progress IMCD Canada has been part of the EcoVadis platform for more than five years. EcoVadis is a global third-party platform that assesses a businesses sustainability based on the following four pillars:

- Environment
- Labour and Human Rights
- Ethics
- Sustainable Procurement

IMCD Canada Limited has now achieved the EcoVadis Platinum rating for the past two years, putting us among the top 1% of more than 100,000 companies in 175 countries assessed worldwide. In an effort to cascade the programs in place at IMCD Canada we have been encouraging our supply chain partners to join and be rated by EcoVadis. By doing so, an impartial third party will review and evaluate their programs, including their labor and human rights practices.



Parts of the business and supply chains that carry a risk of forced labour or child labour being used and the steps taken to assess and manage that risk

Due to the broad nature of IMCD's business we have identified that the suppliers who manufacture and/or provide us the products we purchase have the highest level of potential labour risk in our supply chain. Over the course of 2023 IMCD Canada Limited has developed a risk assessment model to evaluate various levels of its supply chain related to the products we distribute. The below are the three supply chain links we have assessed based on 2023 purchase order product receipts:

- **Product vendors paid during the fiscal year**
- **Ultimate parent company of the manufacturer of the products we purchased during the fiscal year**
- **Country of origin of the products we purchased during the fiscal year**

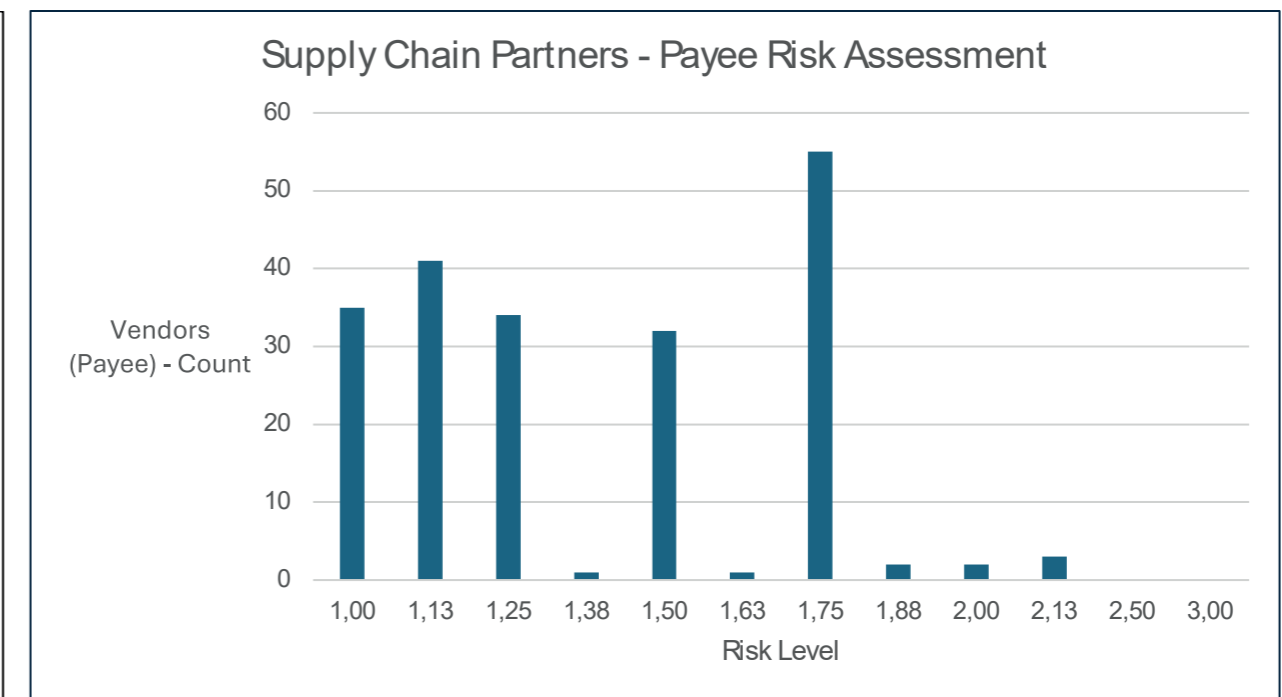
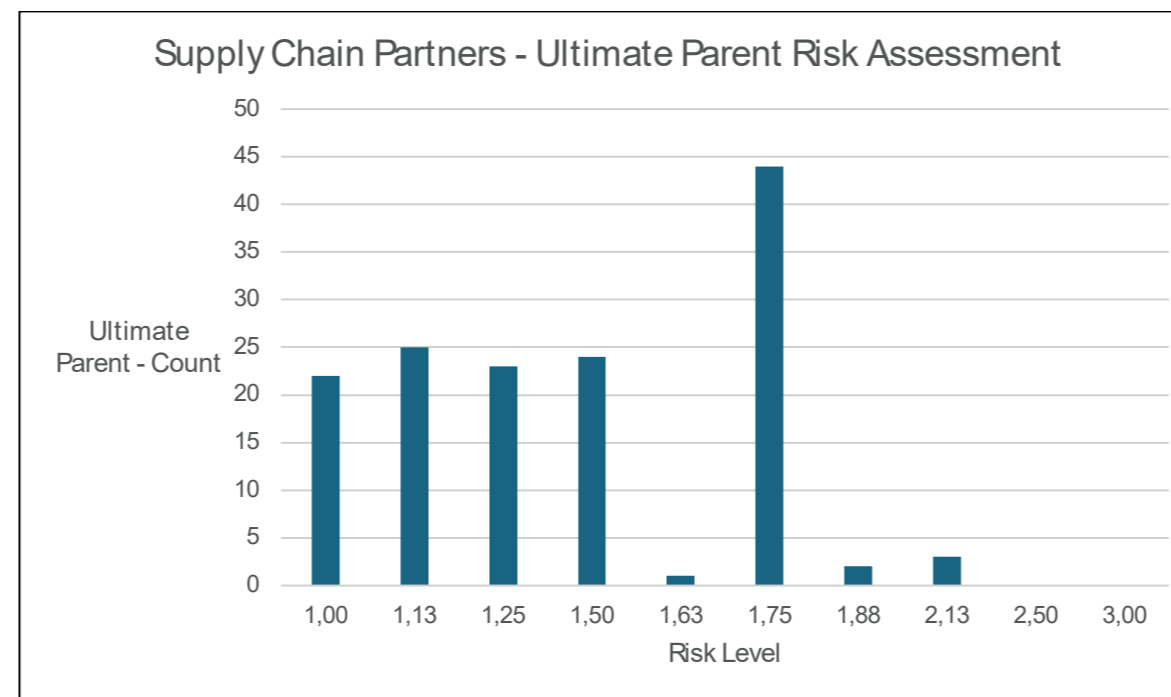
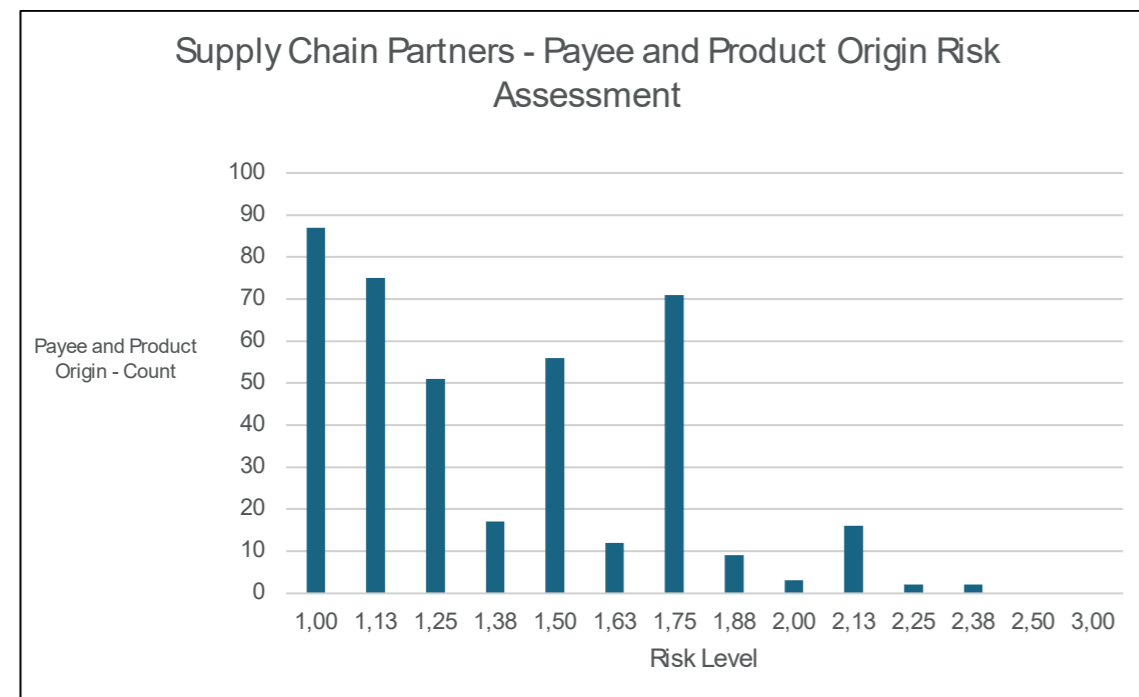
The risk assessment model evaluates and assigns a child and forced labour risk value using the following scale:

- 1. Low risk**
- 2. Medium risk**
- 3. High risk**

The risk factor is calculated by assigning a value to the country of the entity being assessed using a weighted average between the UNICEF Child Labour database and the EcoVadis country risk profile database. Each entity's EcoVadis rating, where available, is also included in the model. An average of the country and EcoVadis scores is then used to obtain the final risk score. Below are the results of this assessment for the three groups of entities referenced in paragraph 1 of this section.



Parts of the business and supply chains that carry a risk of forced labour or child labour being used and the steps taken to assess and manage that risk



As outlined in the charts above there were no entities identified as a level 3 (high risk) for child or forced labour, however there were a few cases where the rating was beyond 2 (medium risk). This indicates that activities for these entities are likely taking place in a country with a high-risk score from UNICEF and/or EcoVadis, or that the supplier does not have, has not shared or has received a low EcoVadis score. The product origin graph also identifies situations where a supplier resides in a low risk country, but is either manufacturing or obtaining products from a high risk country. The next step in this journey, to be completed in our upcoming fiscal year, will be to work with suppliers who have scored a 2 or greater on our risk assessment model and encourage them to either register with EcoVadis or sign our IMCD ESG document.

Measures taken to remediate any forced labour or child labour, and measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in activities and supply chains

IMCD Canada Limited's assessment programs discussed in this report have not identified cases of either child or forced labour present in its supply chain. As such, no remediation measures were needed in the 2023 fiscal year, nor were measures needed to remediate any loss of income to the families related to the elimination of forced or child labour. We will continue to assess the labour risks in our supply chain using our assessment model and address any situation that arises by working with our partners, wherever possible, to remedy future situations. The global reach of IMCD also allows IMCD Canada to leverage our IMCD sister companies in other parts of the world to assist with any labour related audits and visits, where needed.



Training provided to IMCD employees

Every new IMCD Canada employee undergoes training on the company policies outlined in the employee handbook, including our child and forced labour policy. Each employee signs off following the completion of their training and training records are maintained by our local Human Resources team. Yearly training is also conducted for all employees on the IMCD Code of Conduct, which includes a section on child and forced labour. Employees are also notified of our yearly EcoVadis rating, which includes a section on Labour & Human Rights. Finally, all employees are reminded that any ethics or compliance concerns, including any concerns about child or forced labour, can be reported anonymously via the [EthicsPoint hotline](#).

Training on this hotline is included in the new employee training, and reminders of the hotline are provided to all employees during our annual Ethics and Compliance Week events.



Assessing effectiveness in ensuring that forced labour and child labour are not being used in IMCD's business and supply chains

In 2023 our focus was to tighten and formalize the process used to evaluate and measure the labour risks of various links in our supply chain. While we have several programs in place as discussed in this report, we also rely on external parties wherever possible to assess the effectiveness of these programs. Two examples of such external parties are the Dow Jones Risk and Compliance program and EcoVadis.

The Dow Jones program allows us to see if we have missed any red flags during our supplier or product reviews at either the IMCD local or global levels. This service also ensures a constant reassessment is done in case something has changed from the original supplier review. We are pleased to report that we did not receive any hits in 2023 on the Dow Jones Risk program related to child or forced labour concerns for any of the IMCD Canada supply chain partners.

The second external program used to measure supply chain partners is EcoVadis. Our focus in 2023 has been to increase the number of supply chain and logistics partners registered with EcoVadis to allow us to evaluate their corporate governance, including their labour and human rights practices. Looking ahead to 2024 and beyond we will continue to encourage EcoVadis registration for supply chain partners to allow us to receive independent assessments of their labour risks.

Report approval and attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind IMCD Canada Limited.



Johann Milchram
Managing Director – IMCD Canada Limited

May 27, 2024

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