



**UNITED NATIONS GLOBAL COMPACT
COMMUNICATION ON PROGRESS**

Period Financial Year October 2018 - September 2019 (FY 2019)

1. Statement of continued support by the Chief Executive Officer

Dear Archroma* Stakeholders,

I am pleased to confirm that Archroma continues to support the Ten Principles of the United Nations Global Compact on human rights, labor, environment and anti-corruption. We are committed to continue to deepen the embedding of the United Nations Global Compact and its principles into the strategy, culture and day-to-day operations of our company.

Our conviction, to continuously challenge the status quo in the deep belief that we can make our industry sustainable, together with our Code of Conduct and our Sustainability Policy is fully aligned with the Ten Principles of the United Nations Global Compact.

In this Communication on Progress, we are laying out how Archroma has contributed to the United Nation Global Compact in the areas of human rights, labor, environment and anti-corruption.

For a more detailed information, I am referring to our primary communications channels.

Sincerely yours,

A handwritten signature in dark ink, appearing to be "Alexander Wessels", written over a horizontal line.

Alexander Wessels, CEO

(* Archroma Management LLC and all of its subsidiaries, affiliates, and joint ventures is collectively known as "Archroma").



2. Description of actions

Archroma has contributed to the United Nation Global Compact in the areas of human rights, labor, environment and anti-corruption.

In April 2019, Archroma was evaluated by EcoVadis, an external organization assessing the corporate social responsibility (CSR) performance of companies on a global basis. The assessment covers all ten United Nations Global Compact principles within four distinct areas of environment, social, ethics and the supply chain. The scores are benchmarked against the scores of industry sector peers who are assessed using the same platform. The EcoVadis scorecard covers 150 purchasing categories and 21 CSR criteria.

For the second year, Archroma has received the EcoVadis “silver” rating, ranked in the 84th percentile, and above average in all four themes in comparison to our industry sector peers, and represents a “Moderate” performance level. This evidences a structured and proactive CSR approach, Engagements/policies and tangible actions on major issues, and basic reporting on actions or Key Performance Indicators.

Using the assessment report, a number of corrective action plans have been determined in order to increase our overall score in FY2020, with the target to achieve “Gold” status.

Human Rights Principles

Archroma fully supports and complies with the 1948 United Nations Universal Declaration of Human Rights. Archroma does not undertake any business with any country or regime with known human rights abuses. Archroma fully supports and complies with United States Sanctions Laws and the European Union Restrictive Measures and regulations.

Archroma operates in many countries worldwide and, as such, has an extremely diverse workforce. Archroma recognizes the dignity, privacy and personal rights of all individuals, working together with various ethnic backgrounds, cultures, religions, ages, disabilities, races, sexual Identity, worldview and gender. Archroma does not tolerate discrimination against anyone based on these characteristics or any other comparable offensive behavior.

Archroma does not tolerate any acts of harassment or bullying, whether done by an employee or non-employee, in any form, including physical actions, verbal or written remarks or visual depictions, or any unwelcoming behavior that has the purpose or effect of creating an intimidating, hostile or offensive work environment.

Archroma has implemented a binding Code of Conduct for all vendors, their employees and subcontractors, to follow when conducting business with or on behalf of Archroma.

Archroma is a signatory of the International Council of Chemical Associations Responsible Care® Global Charter. Responsible Care is a commitment to an ethic of safe chemicals management and performance excellence in the chemical industry. It enhances public



confidence and trust in the industry's dedication to safely manage chemicals throughout their lifecycle, while ensuring that chemistry contributes to improving living standards, enhancing our quality of life and protecting the environment.

Implementation

Culture - Archroma has implemented cultural pillars that guide the organization to foster trust and sustainable relationships with all our stakeholders. These pillars are: 'Accountability for Performance', 'Customer & Market Focus', 'Teamwork & Collaboration', and 'Speed & Simplicity' (ACTS). Archroma continually reinforces these work culture pillars within the organization. Each aspect of the culture pillars is integrated within each employee's job specification and forms a part of the annual performance appraisal. The ACTS culture pillars are the foundation for Archroma's policies.

Code of conduct - A Code of Conduct for employees, signed by the Chief Executive Officer and publicly available, setting out the binding rules and guidelines to the employees and officers of Archroma. This enables employees to rely on the Code as a navigation guide, and one another's good judgement, to uphold a high standard of integrity for the individual and Archroma. All employees conduct e-training on the Archroma Code of Conduct, followed by a questionnaire requiring 80% pass rate. In addition, each employee is required to give a personal commitment to meeting the Code of Conduct.

Supplier's code of conduct - A Supplier's Code of Conduct, signed by the Chief Procurement Officer and the General Counsel, which is publicly available, setting out a binding code of conduct and expectations for suppliers to:

- Act and operate with integrity and in compliance with all applicable laws and regulations;
- Share Archroma's commitment to ethical business practices, human rights, labor standards, anti-corruption;
- Not to allow modern slavery and child labor.

Whistleblower policy - A whistleblower policy, signed by the Chief Executive Officer, to enable employees feel secure to seek advice, raise concerns and have confidence that reports are handled in a professional and transparent way.

Archroma has set up a Compliance Committee and a Compliance Officer holding regular meetings and responsible for investigating any potential violations in a professional and consistent manner, while safeguarding fundamental legal principles such as confidentiality, fairness and objectivity.

Training policy - Archroma training policy, signed by the Chief Executive Officer. Archroma recognizes that employee development and training is an integral part of the organization's strategic intent so that all employees are performing their individual jobs effectively and prepare for future challenges to ensure that the organization meets its purpose sustainably. The policy is designed to support and help Archroma employees and their line managers develop themselves and their teams. It is a joint responsibility in development and training by individual employees, supervisors/management and Archroma, and is integrated within each employee's job specification and forms a part of the annual performance appraisal.



Measurement of outcome

CSR evaluation – As mentioned above, Archroma has received a “silver” rating by EcoVadis, scoring as “Moderate” for Labor Practices & Human Rights, and Fair Business Practices.

ACTS Culture, Code of Conduct– All employees are trained to the ACTS culture and Code of Conduct as part of the Archroma onboarding process for all new employees. Annual appraisals are providing a feedback on coherence and adherence to Archroma’s cultural values.

Training – Training needs are assessed as part of the annual performance evaluation cycle conducted for all employees. Archroma provides company-wide training programs for nominated employees in line with their job, function and needs. In the reported period, Archroma continues to run a ‘Commercial Excellence’ program among its commercial sales team, and the ‘Operation Excellence’ program in its production plants, designed to run until the end of FY 2020.

Labor Principles

Labor rights and diversity - Archroma fully supports and complies with the 1989 United Nations Convention of the Rights of the Child and the 1998 International Labor Organization Declaration on Fundamental Principles and Rights at Work. Archroma does not undertake any business with company that uses forced or child labor.

Archroma recognizes the dignity, privacy and personal rights of all individuals; working together with various ethnic backgrounds, cultures, religions, ages, disabilities, races, sexual identity, worldview and gender. Archroma does not tolerate discrimination against anyone based on these characteristics or any other comparable offensive behavior. These principles extend to all employment decisions including recruiting, training, evaluation, promotion and reward.

Archroma also recognizes the freedom of association, and the right to collective representation and bargaining.

Health & Safety - Safety comes first at Archroma. Archroma is 100% committed to providing a safe workspace for all its employees in every single country, unit or facility in which we are working; safety matters.

Archroma operates 25 specialty chemical production sites in 17 countries worldwide in 2019. Archroma operates to BS OHSAS 18001 : 2007 for all manufacturing sites for occupational health and safety management systems.

In addition to this, as safety is a priority, Archroma has defined 12 ‘Life Saving Rules’ as the foundation for safe ways of behavior for all employees, irrespective of their position within



the company, or sub-contractors working in any country, unit or facility. The Life Saving Rules extend to employee behavior at all times.

Safety issues have a priority within Archroma and constant attention is paid to safety in a number of policies, regulations and activities to ensure employees, visitors and other third-parties are aware and complying to the 12 'Life Saving Rules'. These policies, regulations and activities include, but are not limited to:

- Company and site employee induction;
- Visitor registration;
- In-house workshops, seminars and other training events;
- Annual activities on the International Safety Day;
- A safety topic as the initial item on all meeting agendas.

All relevant staff are provided with, and trained to use, suitable personal protection equipment (PPE). This is required to be worn whether for operating within Archroma facilities or in third party facilities (for example on-site visits to customer's manufacturing facilities).

Implementation

Employment contract - A contract of employment clearly states terms and conditions of employment including remuneration, amount of paid leave. Company benefits, performance measurement processes, grievance and disciplinary procedures are communicated to each employee.

Safety monitoring - Both the lost time accident rates (LTAR) and the overall incident rates (OIR) are measured and monitored throughout the company, for reporting purposes these are combined into an overall total reportable injury rate (TRR). In addition, the employees are encouraged to report "near miss" potential accidents. All of these categories allow incident analysis by the site safety committees with improvement actions to prevent re-occurrence.

Measurement of outcome

CSR evaluation - As mentioned above, Archroma has received a "silver" rating by EcoVadis, scoring as "confirmed engagement" for Labor Practices & Human Rights.

Safety Day - The annual Safety Day was held on April 26, 2019, all employees were encouraged to submit feedback to provide safety observations, proposals to improve health and personal goals to reduce negative environmental impacts. Approximately 2000 employees submitted feedback.

TRR Safety Performance - During the previous reporting period, Archroma achieved TRR of 0.23, well below the target of 0.4 for FY2019. The lost time accident rate was reduced to 0.03, with no reported lost time accidents in the last quarter of FY2019. This is well below the industry standard for our sector.



Environmental Principles

Archroma manufactures specialty chemical solutions for three distinct business units/ value chains; 'Brand & Performance Textile Specialties', 'Packaging & Paper Specialties', and 'Coatings, Adhesives & Sealants'. Archroma has the opportunity to have a positive influence upon the environmental performance in two primary areas: In the manufacture of the specialty chemical and in the application of the technology downstream in the value chain.

Archroma operates 25 chemical production sites in 17 countries worldwide in 2019. Archroma has an integrated management system dedicated to environmental processes and procedures, accredited to SN EN ISO 14001: 2015, for all manufacturing sites to help achieve:

- An enhancement of environmental performance;
- The fulfilment of compliance obligations;
- The achievement of environmental objectives.

Archroma has a Global Head of Safety, Health and Environment, as well as a Safety and Environment Officer at each of its manufacturing plant.

Implementation

Archroma launched a professional environmental and sustainability assessment program for its suppliers supported by EcoVadis, at the end of FY 2018. In order to prioritize the approach, Archroma assessed suppliers selected from India and China, where we have identified the highest potential risk to CSR standards. Archroma also engaged with the Institute of Public and Environmental Affairs (IPE), a Chinese environmental public welfare organization in order to supplement the vendor data received from EcoVadis, and to broaden the reach to those vendors not covered by the EcoVadis scope. As a result of these sources of information, Archroma vendor audits and other intelligence received from the markets, Archroma has developed the Archroma Sustainable Sourcing Rating (ASSR) system which has been applied across all direct spend vendors globally. Using this system we are able to categorize our vendors into appropriate risk categories, and develop resultant action plans to mitigate supply risk.

During FY2019 Archroma has completely revised its Environmental targets in order to be able to monitor our performance in line with external reporting protocols. As a result of internal and external stakeholder engagement, material topics were identified, prioritized according to stakeholder and business needs, and specific targets identified for each of the topics.

Alignment with the Global Reporting Initiative (GRI) for sustainability reporting, the World Resource institute (WRI) for detailed water mapping and the Greenhouse Gas Protocol to determine standards for, and resultant reporting of, carbon dioxide equivalent (CO₂e) emission data.

These targets have been derived for short term (FY2020) and for a 5-year period from the established baseline in FY2018 to FY2023.

Archroma FY2023 Environmental Targets (vs Baseline FY2018)

External Environmental Impacts

- Carbon Neutral in Scope 1 & 2 GHG emissions



- 40% reduction of water abstraction in water stress areas (WRI)
- No hazardous waste to landfill

Internal Resource Efficiency Impacts

- 15% reduction in energy used per ton produced
- 10% reduction in water used per ton produced
- 20% reduction in solid waste per ton produced

External “Extended Value Chain” Impacts

- 35% of total sales derived from sustainable resource-efficient systems

Archroma FY2018 Environmental Baseline

External Environmental Impacts

- GHG Emissions 100 Ktons CO₂e
- 1.3 million m³ water abstracted in water stress areas
- 328 tons hazardous waste to landfill

Internal Resource Efficiency Impacts

- 2.82 GJ energy used per ton produced
- 18.5 m³ water used per ton produced
- 37 kg solid waste per ton produced

External “Extended Value Chain” Impacts

- 16% of total sales derived from sustainable resource-efficient systems

Measurement of outcome

Measurement data at the time of reporting was not available for FY2019. Archroma is currently monitoring the progress on its sustainability goals and will report on target achievement in the next Communication on Progress.

Archroma FY2020 Environmental Targets

External Environmental Impacts

- 2% reduction in Scope 1 & 2 GHG emissions
- Setup Scope 3 baseline and monitoring
- 2% reduction of water abstraction in water stress areas (WRI)
- 20% reduction in hazardous waste to landfill

Internal Resource Efficiency Impacts

- 6% reduction in energy used per ton produced
- 4% reduction in water used per ton produced
- 11% reduction in solid waste per ton produced

External “Extended Value Chain” Impacts

- 20% of total sales derived from sustainable resource-efficient systems



Anti-Corruption Principles

Archroma's publically available Code of Conduct demonstrates the company's commitment against any kind of corruption.

Archroma strictly prohibits all forms of corruption and any business conduct that could create the appearance of improper influence. Archroma is subject to numerous laws, both U.S. and non-U.S. that prohibit bribery in every kind of commercial setting. These principles are summarized in three rules:

- No bribery under any circumstance;
- Do not accept or offer kickbacks, even if moderate in value;
- Third parties hired by Archroma are subject to these above principles.

Archroma has a whistleblowing policy that allows the anonymous reporting of any suspicious situation of violations of our Code of Conduct or the law.

It is a duty and responsibility of all employees and associated persons to take whatever reasonable steps are necessary to ensure compliance with this policy. According to the company's Code of Conduct and Whistleblower Policy, employees shall immediately disclose to the company any knowledge or suspicion of plans to offer, promise or give a bribe or to request, agree to receive or accept a bribe in connection with the business of the company.

The investigation of potential compliance violations is conducted in a professional and consistent manner, while safeguarding fundamental legal principles such as confidentiality, fairness and objectivity.

Implementation

Regular internal audits are performed. The audit plan is based, in addition to other elements, on the Corruption Perception Index, that is published annually by Transparency International.

Any breach of the Code of Conduct is reported to the Compliance Committee, investigated and if necessary prosecuted according to the company's disciplinary procedure and/or criminal action, should the case apply.

Measurement of outcome

Archroma has not been involved in any legal cases, rulings, or other events related to corruption or bribery.
