



Azelis

Communication on Progress 2019

To our stakeholders:

At Azelis, we fundamentally believe that it is not an option any longer to just continue doing what has always been done. No company operates in isolation, so we are very much aware of the climate change, depleting resources and an ever increasing global population. Being faced with all those changes simply does not leave any other option but to steer our activities towards sustainable solutions. It is an obligation to future generations to find a sustainable way on how we utilize the resources the world has to offer. Furthermore, we are convinced that operating a business in a sustainable way and a good economic performance can go hand-in-hand.

We started work on our Corporate Social Responsibility (CSR) program back in 2015, following on the ambitious and binding Paris Agreement on climate change. Furthermore, in 2015 the 2030 Agenda for Sustainable development was adopted by the UN, including the 17 SDGs and 169 targets. As a result, companies now have a strategic choice between being part of a well-planned transition or becoming subject to a more disruptive transition. Azelis has chosen to be among the companies that are planning a transition towards a sustainable business model, since “business as usual” is no longer an option.

Sustainability is not only important for climate change and social environment. It also has the potential to benefit the bottom line by addressing the supply chain risks in order to avoid operational disruption. Risk mitigation is what Azelis has set as a priority from the beginning, evaluating the operational and strategic risks or challenges for our company and turning them into new commercial opportunities benefiting society, thus creating shared value.

Contributing to selected SDGs, our CSR program is based on internationally recognized initiatives, like ISO 26000 and UN Global Compact. With (sustainable) innovation at the center of our business model, we have defined a set of indicators, including 26 KPIs, within the following pillars of our CSR program: Resources and environment, Labor and human rights, Fair business practices and Sustainable procurement.

At Azelis, we strongly believe that sustainability will become the standard - it will become a ‘must-have’, an integral and critical part of a license to operate, and hence not so much a differentiator any longer. We don’t drive our CSR efforts because we want to shine compared to our peers; we trust this is the right approach to business and that all players in the industry need to embrace it. We want everybody to be the best in class here.

Dr. Hans-Joachim Muller
Azelis Group Chief Executive Officer



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Description of our actions, commitments, and measurement of outcomes

Last year, Azelis group-wide CSR performance was recognized with the EcoVadis Gold rating, which placed Azelis in the top 1% distributors assessed by this organization and earned us an Advanced rating for our CSR engagement. We are currently undergoing next cycle of evaluation by EcoVadis and we expect our 2020 score early next year.

Obtaining the Gold rating confirms that our group-wide CSR performance is evolving and improving every year and that CSR is truly embedded throughout our processes and practices. This accolade is an appraisal of the group-wide efforts and commitments to install the same high standards for performance across all regions in which we operate. It is an important motivation to stay on this track and continue creating a positive impact on improving fair business practices, labor practices, environment and sustainable procurement globally and to set an example for others. With this recognition comes an expectation too - to keep this status in the years to come.

The EcoVadis overall score (0-100) reflects the quality of the company's CSR performance at the time of the assessment. To obtain the Gold rating, a company must score between 62 and 100. Azelis achieved 68 points in 2018, an 8-point increase in a year's time.

Through its commitments, Azelis is helping to achieve a better and more sustainable future. The UN Sustainable Development Goals (SDG) are integrated in our commitments and we have deployed a series of indicators to measure these commitments. Please see on the different areas below, how does Azelis contribute to address global challenges like inequality, climate, environmental degradation or prosperity through the UN SDG.

A. Human rights & labor practices

Azelis employs around 2,100 people across the world in more than 40 countries. We value highly competent, forward-looking talents with a passion for entrepreneurship.

Being an integrated international group, we provide an opportunity for professional growth and progress as Azelis too continues to grow and develop. We deeply care about our employees, putting in place mechanisms that allow us not only to recognize their talents and career aspirations, but also help them fulfil those aspirations and develop in their respective areas. We always encourage our employees to express their opinions, which in turn gives us the opportunity to act upon their feedback and continually improve the work atmosphere.

We are an equal opportunities employer, offering a great work environment, challenging career opportunities, professional training and competitive remuneration.

Our commitment to human rights & labor practices:

Enable our employees' development, promote their life balance and well-being, and ensure equal opportunities and diversity.



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Indicators:

1. Enable our employee development

Maintaining and developing a learning culture is a key success factor of the Azelis business. Therefore Azelis is committed to training and developing employees to their full potential. At Azelis learning is highly valued and every individual has a responsibility to manage their own learning. Azelis will furthermore encourage its employees to take ownership of their own development. Consequently, Azelis will ensure that appropriate procedures are put in place to plan, deliver and evaluate training and development activities.

In 2018, we launched the first edition of the Sales Academy across the EMEA region. The first session of the EMEA Sales Academy took place in Antwerp in July 2018. Since then 5 editions with 126 participants from 20 different countries have taken place.

The objective of the Sales Academy is threefold. Firstly, we want to support our sales team so they can achieve even better results for our customers. Additionally, the Sales Academy ensures a harmonized way of working based on our best practices and business ethics; and last but not least, we want to start forming a network of Azelis representatives across all countries and market segments.

As developing talent and succession planning are an important focus for Azelis Americas, particularly for the sales force as its largest group, Azelis Americas University (AAU) was established in 2019 to help meet this need. AAU is a new program that will recruit candidates for CASE (coatings, adhesives, sealants and elastomers) market segment from on-campus recruitment at a few selected universities such as Texas A&M, University of Georgia, University of Cincinnati, and University of Texas. Chosen candidates will move through the rotation program to learn about our company, products and business. The rotation program includes, for example, 3-6 months in a lab, a month or two working with a supply chain team, and some time working with an inside sales team. Participants will then shadow a few different technical sales representatives until being moved into their own territory. The effectiveness of this approach will be evaluated with a future goal of launching the program to all market segments in the Americas.

Our metrics:

- Total number of training hours attended by our employees across the Azelis group in 2018: 16,056.6 (+31% vs. 2017), i.e. 8.2 training hours per employee on average (+16.5% vs. 2017). The average number of training hours by employees who attended at least one training in 2018 grew from 9.9 hours to 12.3 hours (+25.2% vs. 2017).
- 68.45% of our employees followed at least 1 training in 2018 (-3% vs. 2017).
- The total number of employees recruited / promoted internally remained stable in 2018 vs. 2017: 88 promotions in 2018 vs. 91 in 2017. However, as the number of open positions increased significantly in 2018 (289 vacancies vs. 213 in 2017), the percentage of employees promoted internally decreased from 42.7% in 2017 to 31% in 2018. The ability of the internal pipeline to generate promotable talents cannot be expanded to keep the same pace of growth of open positions without compromising the quality of these talents, hence these figures must be viewed within the framework of a sustainable talent generation.
- One of the main drivers of satisfaction, motivation and loyalty is 'Learning & Development'. We measure the level of satisfaction & motivation every 2 years by means of group-wide employee satisfaction surveys: the last one - rolled out in 2018 - showed an increased engagement of 1% on a group level versus our previous rollout in 2016. The overall rating for the driver 'Learning & Development' was 75, which is a high score, certainly considering the fact that the external benchmark was 67 (i.e. +11.9%). We will measure progress again in the 2020 employee satisfaction survey which will be rolled out in quarter 2.



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2. Promote employee life balance and well-being

Azelis values the importance of a healthy work-life balance for its employees by respecting rest times and implementing flexible working schedules, offering Health Care Programs and rolling out initiatives to support and/or improve the wellbeing of its employees continuously, to name only some of the measures.

Our metrics:

- In the 2018 Employee Survey we added the following new, additional statement: “It is easy to combine a career and my personal life in my company” to the questions and statements dedicated to the driver “Working Conditions”. The aim was to integrate the results and the improvement actions related to this statement with our CSR Program. This question was measured for the first time in 2018 and was rated 70. Obviously we cannot benchmark the score against the previous rollout in 2016. However, 70 is a high average score (only 5 points away from being recognized as a high rating). The score of 70 is 2% higher than the overall rating of “Working Conditions” (i.e. 68) and on the same level as the overall rating of Satisfaction & Motivation across the Azelis Group (i.e. 70). Hence, a good score which offers room for improvement: the ambition of Azelis is to reach a score of at least 73 in the next survey which will be rolled out in 2020.
- Apart from having different working schedules in place, Azelis also has different special leave and time reduction schemes which allow our employees to spend more time with their children when needed.
- In terms of health and wellbeing, Azelis operates different Health Care Programs in more than 60% of its local companies across the world. Health Care Programs are offered in the following countries: Canada, US, Vietnam, Australia, New Zealand, Thailand, Malaysia, Singapore, Indonesia, India, China, Belgium, Netherlands, Croatia, France, UK, Turkey, Greece, Serbia, Norway, Poland, Spain, Italy, Switzerland, Denmark, Norway, etc.

3. Ensure equal opportunity and diversity

The Azelis group is committed to supporting the principle of equal opportunities and opposes all forms of unlawful or unfair discrimination on the grounds of race, color, nationality, ethnic origin, gender, sexual orientation, marital status, working time status, age, unrelated criminal convictions, religion or religious beliefs, political views and disability. Furthermore, Azelis attaches great value to and respects the diversity of its employees.

Our metrics:

- At year's end 2018 Azelis employed 1018.3 female FTE's, i.e. 51.73% of all Azelis staff (51.71% in 2017). The absolute number of female employees increased by 17.8% vs. 2017, which means that Azelis was able to keep the same ratio female employees to total employees in spite of a significant staff growth.
- 12 women are part of our senior management team (GMT), i.e. 24.5% of the total.
- Azelis deploys proactive measures to prevent discrimination during recruitment phase. All Azelis vacancies across the entire group are open for everyone to apply, for example regardless of their age. Hence, we recruit people of different age categories. In 2018 we hired 388.9 FTE's, of which 37 FTE's between 45 and 50 years, 43.9 FTE's between 50 and 60 years and 17.1 FTE's over 60 years. Hence, out of the 388.9 FTE's hired in 2018, 98 FTE's were over 45 years, i.e. 25.2% of all new hires.
- In 2018 we employed individuals of 59 different nationalities across 44 countries.
- Wage equality: At Azelis each employee is given fair access to available opportunities in terms of training, career development, promotion and remuneration. References to how Azelis promotes and implements wage equality can be found in our Code of Conduct and local Work Regulations/Employee Handbooks across the group. To measure the level of satisfaction & motivation as regards compensation and wage equality, we ask all our employees across the group to rate the statement “There are equal opportunities for everybody no matter who you are” under the Driver “Total Remuneration” in our biennial employee satisfaction survey. In 2018 this question was rated 70, a high average result, and an improvement versus the 2016 rollout of our employee satisfaction survey when it was rated 69 (+1%). In comparison with 2014, when this statement was rated 60 we



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have an overall improvement of +10%. We will measure progress again in the 2020 employee satisfaction survey which will be rolled out in quarter 2.



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B. Environment

Responsible Care and Responsible Distribution, the voluntary initiatives from the chemical industry worldwide aimed at the continuous improvement of health, safety and environment standards, have long become part of our daily work life.

Responsible Care and Responsible Distribution as well as our CSR strategy, together provide a comprehensive framework for all the efforts that Azelis makes throughout the entire supply chain and beyond.

As a company, we ensure that we provide a safe environment to work in and make sure all our employees are suitably trained. We regularly assess and continually improve our operating systems, distribution network and understanding of our products, with respect to their impact on the health and safety of our employees, customers and the general public.

We aim to surpass the legislative requirements, while being responsive to the concerns of our employees and the public. At Azelis we ensure that all our products are used, packaged, labelled, dispatched and disposed of in accordance with the local and governmental legislation.

Azelis proactively provides the necessary advice to all partners along the supply chain to help them ensure their safety and health, as well as the protection of environment.

This is stated in our Group CSR policy, where our commitments towards environment, UN Global Compact and Responsible Care/Distribution are explained. Azelis is working on action plans in order to achieve our targets for reducing the carbon footprint of our own operations.

It is our genuine belief that only innovation and sustainable business can offer long term partnerships with customers and suppliers, as well as considerable benefits to society. Azelis is investing in the development of a new generation of green formulations through the work done in laboratories, for example. Furthermore, we have a number of new initiatives to develop strategies that mitigate business risks as a consequence of climate change and social unrest. We believe this will not only generate new business, but that this is the only way to sustain existing business and the only responsible way of operating in any economy. It can only strengthen relationships with our business partners who are equally responsible and equally dedicated to preserving resources for future generations.

At Azelis we have considered 5 of the 12 principles of green chemistry that have an impact in our R&D activities and product innovation:

- 1 - Prevent waste or pollution
- 3 - Less hazardous synthesis
- 5 - Safer solvents and auxiliaries
- 7 - Use of renewable feedstock
- 10 - Design for degradation

We take into account those principles when we develop product formulations. Furthermore, we actively consider how our products benefit circular economy. Here are just a few sustainable formulations that our colleagues in laboratories have developed:

a) **Eco Balance Cleansing Tablet (Personal Care)**

A foaming cleanser that is water-free and requires minimal packaging, significantly reducing the carbon footprint. The consumer can use the product on-the-go or at home with equal ease.



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b) **Pea protein shake (Food & Health)**

A natural, dairy-free and hypoallergenic on-the-go shake, made with pea protein (i.e. plant based).

c) **Sustainable solvents (Homecare & Industrial Cleaning)**

Derived from natural resources such as glycerin, sustainable solvents are an alternative to the traditional solvents, that come from petrochemical components. We developed a Happy Care formulation - biodegradable, non-hazardous and sustainable solvents for different cleaning and degreasing activities - which was one of the finalists in the ESIG Solvents Award 2019 (link: <https://www.esig.org/solventsaward2019/>)

Our commitment to the environment (ref. Azelis CSR Policy - §7):

Make sustainable use of our resources and minimize the impact of our activities on the environment.

Through the following indicators, Azelis contributes to the following UN Sustainable Development Goals:

13 - Climate Action and

14 - Life below water.

Our environmental commitment is then translated into the following three objectives:

1. Reduce energy consumption while maximizing renewable energy sources.
2. Reduce waste while maximizing recycling.
3. Prevent environmental incidents.

The above objectives are measured through different indicators (KPI).

The measurement of these KPIs (together with the rest of CSR indicators) was initiated in 2018 (for the 2017 data); that was the launch of our first CSR collection indicators campaign. The year 2019 (for the 2018 data) has been the second year in which we have collected indicators - including the KPIs above.

We would like to emphasize that 2019 has only been the second year since this initiative was implemented (indicators collection campaign), so we have found some discrepancies vs what was reported in 2018; also accuracy in 2018 was not as good as it has been in 2019. Therefore we mostly refer to 2019 (2018 data) values and we compare against 2018 (2017) for high level data comparison.

1. Reduce energy consumption while maximizing renewable energy sources

Our metrics:

- Ratio of carbon emissions per employee (scope 1&2)

Our main sources of carbon emissions are use of electricity in our offices and fuel for transport. We are currently implementing programs in order to reduce the ratio of carbon emissions per employee and achieve our targets for 2019.

2. Reduce waste while maximizing recycling

Our metrics:

- Total waste per employee
- Ratio: weight of products sent to destruction (quarantine, out of specifications, damaged) vs. weight of products sold
- % of recycled waste



Azelis is working on action plans to reduce the waste that is produced as a result of our activity; for example, the paper used in the offices. We encourage employees to avoid unnecessary printing and hence reduce the consumption of paper. Used paper is collected and sent to recycling.

Furthermore, when products that are on stock in our warehouses can no longer be sold because of quality issues they are systematically sent to specialized waste management companies that can either recycle them or give them a second use.

3. Prevent environmental incidents

Our metrics:

- Number of environmental incidents in owned warehouses
- Number of environmental incidents in external warehouses
- Number of incidents during transport

Azelis gives utmost importance to the prevention of environmental incidents; therefore we have strong HSE procedures in place and emergency response system. Furthermore a group of owners, members, corporate officers and critical stakeholders, including the highest level of management, are involved in the development, communication and implementation of Responsible Care Programs, in order to reduce the number of environmental incidents. This year we are happy to confirm that there were no incidents.



C. Societal and economic (anti-corruption)

Great companies are judged by what they do, not by what they say. Azelis is respected as a company that not only delivers on our commitments to principals, customers and shareholders, but also adheres to the highest ethical standards in the conduct of our business.

The reputation of Azelis and the trust and confidence of our current and future customers, employees, principals and other stakeholders are crucial to the continued success of our business.

Our Code of Conduct reflects who we are and how we work. It is based on our beliefs and values, and encompasses our commitment to honesty, integrity, mutual respect and an open and diverse corporate culture. It furthermore provides ethical guidance in key areas of Azelis' operations and supports our endeavor to create a constructive and efficient working environment where people feel confident in raising concerns and seeking advice. Our Code of Conduct truly embodies "the way we Act at Azelis".

Our commitment to society and the economy:

Conduct our business in a responsible way.

Indicators:

% of employees being trained in CSR policy

During this year we have started training our employees on the CSR principles, with a special focus on Human Resources and HSE community. In 2019 we plan to roll out further our training program to everybody.

1. Sustainable procurement

Azelis has committed to the principles of sustainable procurement through a global charter for the evaluation of our supply chain. We have conducted an internal risk assessment and we will continue working with our suppliers and principals in order to make sure the principles of CSR are respected throughout the entire supply chain.

Azelis developed an online self-assessment questionnaire that is based on requirements and criteria that ensure the respect of environment and society. It is structured around the main pillars of our CSR program: Labor Practices, Environment, Fair Business Practices and Sustainable Procurement. We implemented this self-assessment questionnaire in 2019 in order to evaluate our suppliers against CSR principles. Every year, we will invite a set of selected principals/suppliers (based on risk assessment criteria) to fill in this questionnaire.

Specific internal training sessions on sustainability and CSR are organized frequently at local, regional and group level. We also use our company intranet (InterAct) to promote sustainability and our CSR program. Apart from the training sessions for members of the Azelis team, we also organize customer seminars (with our sales colleagues) on specific sustainability topics. As an example, our French team recently organized a personal care workshop that covered the topic "What is a responsible formulator?".

The original design of the Sales Academy includes a CSR presentation with the aim to introduce the concept of sustainability and EcoVadis to the newcomers and business managers.

Sessions of our Sales Academy routinely highlight business cases where sustainability is an integral part. We try to differentiate ourselves in the market by proactively promoting sustainable solutions that will solve current market



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challenges. The business case takes up to 50% of a typical agenda of the Sales Academy and so the message of differentiation through sustainable product innovation is thoroughly instilled in the mindset of our sales people and of course discussed during the different role plays in the exercise.

Since the introduction of our new brand promise “Innovation through formulation” earlier this year, we are working on upgrading our presentations to include this differentiated approach in our sales pitches. The first revised session will take place early next year.

Sustainable procurement concept is firmly embedded in the 3 pillars of our sales process: from finding customers to winning customers and ultimately retaining customers. They all reference innovation through formulation as well as sustainable products and procurement.

Through Sustainable Procurement, Azelis contributes to the following UN Sustainable Development Goals:

8 - Decent work and economic growth

12 - Responsible Consumption and production

15 - Life on land, and

17 - Partnerships for the goals.

Our metrics:

Assessment of principals/suppliers

- % of targeted principals/suppliers that have been assessed
- % of principals/suppliers who received the sustainable procurement policy

2. Fair operating practices

The Azelis group operates a robust global corporate compliance program, which includes the Code of Conduct as a base policy dealing with ethical business behavior and is supplemented with ancillary compliance policies, such as the Anti-Bribery & Fraud Prevention Policy, the Competition (EU) and Antitrust (US) Policies and the Export Control Policy.

All compliance policies are part of Azelis’ employee induction program and training sessions are foreseen for each policy as part of the implementation process. In addition, all employees are required to complete a mandatory annual on-line knowledge review of the Code of Conduct and ethical business behavior.

Any (alleged) violations of policies and procedures in relation to ethical business behavior are dealt with by the HR and Compliance Department (as the case may be). The reporting mechanism (including whistleblowing procedure) as well as a description of the process for investigating such (alleged) violations are set out in the Code of Conduct as well as the other specific compliance policies.

As a next step in further professionalizing its compliance framework, Azelis has decided to install a third-party whistleblowing solution called “SpeakUp”. This solution is aimed for reporters of alleged malpractices that find other reporting channels in the organization (as set out above) unsuitable. The Azelis SpeakUp line will offer a low barrier solution for an anonymous and secure exchange of information between reporters and trusted company professionals within Azelis and will be accessible for both Azelis employees as well as third parties. In this way, the “SpeakUp” culture in Azelis will be enhanced and trust will be restored. Apart from the reporting process, the SpeakUp solution also offers a full-blown Case Management System, which facilitates compliance case handling from start to end. The implementation process for the installation of the SpeakUp line has been initiated in September 2019 and it will be formally launched in Q1 2020.



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In terms of monitoring and audit, Azelis has introduced an In Control & Compliance Self-Assessment software tool, which facilitates an annual self-assessment by management of the effectiveness of a pre-defined set of internal controls, including compliance. These self-assessments occur at entity, regional (Americas, EMEA and Asia Pacific) and corporate level. As from November 2019, Azelis has also established an internal audit function and formally appointed an internal auditor, who will amongst others focus on auditing compliance with Azelis' compliance policies and procedures (including the Code of Conduct and the Anti-bribery & Fraud Prevention Policy).

In the event the Azelis group appoints a third party to act as its representative (e.g. sub-agent or sub-distributor), such third party representative is required to execute a compliance declaration in which it confirms compliance with the Azelis Code of Conduct and ancillary compliance policies and procedures.

Our metrics:

- a. Number of material breaches in ethical behavior policies (Code of Conduct): 1
- b. Number and percentage of active employees having participated in the annual on-line knowledge review on the Code of Conduct and ethical business behavior: 1988 or 98.22%
- c. Number and percentage of active employees having successfully completed the annual on-line knowledge review on the Code of Conduct and ethical business behavior: 1983 or 97.97%

3. Participate in the development of the society

Azelis participates in the development of society through the following indicators and the UN Sustainable Development Goals: 9 - Industry, innovation and infrastructure and 11 - Sustainable cities and communities.

Our metrics:

- o % of offices involved in social development actions (charity)

In 2018, the Azelis charity fund 'Because giving back matters' was set-up as a part of our CSR program. Ethical and responsible behavior towards our people, our processes and our planet are held at the heart of our organization. That's why we decided to create this fund, allowing us to give back, as a company and as a community. Azelis intends to donate approximately €20,000 to a charitable cause every year, chosen by Azelis employees. We've identified three important areas to choose from every year: environment, nutrition and education.

This year, Azelis employees chose environment as the area to donate to and from a vast number of employee suggestions for the charity the money was given to WWF (World Wildlife Fund).

WWF was selected because of their focus on the protection of endangered species, their renewable energy initiatives, their water resources management and much more. WWF does important conservation work in many different areas (climate, food, forests, fresh water, oceans and wildlife) and with this contribution, we hope to have a valuable impact on the continuation of their projects.

As we are increasingly focusing on CSR in everything we do, various teams in the company have chosen CSR-related activities as the theme for their team building events. Examples of it include, but are not limited to: beach cleaning in Port Dickson, Negeri Sembilan, Malaysia; cleaning of Tegal Wangi Beach in Bali, with an additional goal to promote marine life and wildlife health; education about protection of elephants and how to fertilize a banana tree, main food source for elephants, in Elephant Conservation Center in Khao-Yai, Thailand.

Some offices of Azelis have completely discontinued use of disposable plastic and others are working on it.



About Azelis

Azelis is a leading distributor of specialty chemicals and food ingredients present in over 40 countries across the globe with around 2,000 employees. Our knowledgeable teams of industry, market and technical experts are each dedicated to a specific market within Life Sciences and Industrial Chemicals. We offer a lateral value chain of complementary products to about 40,000 customers, creating a turnover of €1.94 billion (2018).

Throughout our extensive network of more than 60 application laboratories, our award-winning technical staff help customers develop formulations. We combine a global reach with a local focus to offer a reliable, integrated service to local customers and attractive business opportunities to principals. And we believe in building and nurturing solid, honest and transparent relationships with our people and partners.

Impact through ideas. Innovation through formulation.

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