Sustainability Report 2016

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1. MESSAGE FROM THE CEO


Miguel Mantas, CEO

Welcome to ***allnex***'s inaugural sustainability report. While allnex has always been focused on providing the highest quality resins, the last few years we have also focused very hard on transforming our identity, formalizing our vision, and sharpening our values. Sustainability is a key part of our continued success and a commitment to our stakeholders.

We reap a number of benefits from our sustainability efforts – reducing risk; cost savings from resource efficiency; engaging employees; building our brand; and giving customers the confidence to choose us over our competitors every time.

As the leading industrial coating resins company, we embrace the responsibility of transparently communicating the sustainability risks and opportunities we face, as well as our progress on managing these. Communicating with our employees is paramount – our team is the heart of our success, and it's critical that we all understand the importance of sustainability at allnex and know how each of us contributes. Communicating with our external stakeholders and customers is also important. The environmental, social, and governance aspects of sustainability are increasingly being considered in investment and purchase decisions. Our core values have long influenced our achievements in this area and we're proud to tell our stories to a wider audience.

Our team is proud of our many successes in 2016, which include successful integration efforts (following the decision to combine Allnex and Nuplex) and robust health and safety performance. Furthermore, we have continued our efforts to use energy more efficiently, to increase the amount of renewable and recycled content in our products, to reduce waste and to engage with our local communities.

This first sustainability report includes performance metrics and case studies for several areas of our program. We're already measuring key performance indicators for the most relevant and manageable aspects of our business, but we won't stop there. We recognize that performance must be incentivized via clear targets in order to achieve both business and societal goals. As the leading coating resins supplier, we make sure our targets are aligned with global and sector expectations, and continually evaluate our priorities and actions to achieve the best results with limited resources.

We are in the process of developing sustainability metrics for the new allnex. The results in this report reflect global allnex operations except where information was not fully available. Integrating new sites into the allnex organization will continue to be a main challenge in 2017. We anticipate continued growth and increased market share as we harvest the fruits of our business strategy, and that will inevitably include more manufacturing activities. Our sustainability program will need to be flexible to account for this growth and consistent enough to enable comparisons over time.

2. ABOUT ALLNEX

allnex is a leading global producer of coating resins and additives for architectural, industrial, protective, automotive, and special purpose coatings and inks. We also offer a range of crosslinkers for use on wood, metal, plastic, and other surfaces. We have 4,000 employees across 35 manufacturing facilities and 23 research and technology support centers located in 26 countries. Our Corporate Center is in Frankfurt, Germany.

In September 2016, legacy Allnex and legacy Nuplex were combined into the new ***allnex*** that is able to draw on expertise from both companies going forward.

2.1 Vision, Mission & Core Values

allnex's vision is to be recognized as the global leader in industrial coating resins. Our mission: to listen to our customers and exceed their expectations; to lead in innovation, quality and reliability; and to create value in all that we do.

allnex's Core Values are: Safety, Compliance, Diversity, Integrity, Value Creation and Teaming/Collaboration.

Safety

Our first priority is safety. Protecting our employees from injury and illness provides a foundation for all other activities.

Compliance

We strive to comply with all relevant regulations in each of the countries where we operate, including rules relating to safety, health and the environment (SHE).

Diversity

A basic requirement of innovation is questioning boundaries and assumptions. Embedding this into our processes requires a diversity of backgrounds and experiences.

Integrity

Having integrity means being honest, transparent and respectful. We embrace good business practices, which includes sustainability, and we expect all our employees to adhere to a code of conduct which enables them to navigate challenging situations.

Value Creation

Providing value to our stakeholders is our business imperative. Value includes providing quality products to our customers and returns for our investors, as well as contributing to the communities in which we operate.

Teaming/Collaboration

Teaming and collaboration are important for delivering continuous improvement. We use collaborative techniques within our organization, and also for engaging with upstream and downstream partners to create mutually beneficial solutions.

2.2 Material Topics

In order to identify topics that should be addressed in the framework of our sustainability strategy, we used the Sustainability Accounting Standards Board (SASB) guidance on chemical sector topics (RT0101)[1]. This guidance was published in March 2015 and applies to companies which transform organic and inorganic feedstocks into a variety of other products with applications in industry, pharmaceuticals, agriculture, housing, vehicles, and end consumers. SASB identifies the following topics as relevant to the chemicals industry:

- Safety & environmental stewardship of chemicals
- Health, safety, and emergency management
- Energy & feedstock emissions
- Greenhouse gas emissions
- Air quality
- Hazardous waste management
- Water management
- Product design for use-phase efficiency
- Political spending

Our corporate headquarters and much of our operations are located in Europe, so in addition to SASB we referenced the European Union's recent Directive on 'disclosure of non-financial and diversity information by certain large undertakings and groups non-financial reporting' (2014/95/EU)[2], even though allnex is not currently subject to this directive. The Directive requires certain companies to disclose their policies in relation to human rights, anti-corruption, diversity, employee relations, and associated risks.

We then used the SASB and EU directive guidance to identify the corresponding topic areas from the widely-used Global Reporting Initiative (GRI) Standards[3]. The GRI guidance provided us with detailed direction on what information is relevant for each topic area so that we could collate and distil the most pertinent information into our sustainability report.

1 Sustainability Accounting Standards Board. Chemicals Sustainability Accounting Standard. RT0101. March 2015 Provisional Standard. http://www.sasb.org/wp-content/uploads/2015/03/RT0101_Chemical_Standard2.pdf (accessed 27 February 2017)

2 European Union. Directive 2014/95/EU. http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095 (accessed 27 February 2017)

3 Global Reporting Initiative. Sustainability Reporting Standards 2016. https://www.globalreporting.org/standards/gri-standards-download-center/ (accessed 27 February 2017)

The following table briefly summarizes our role and areas of influence on each of the following topics in our report:

Topics Summary		
Energy The production of high quality resins and additives requires energy input. We are responsible for managing energy in our operations.	**Water** We need water as a material input, for process cooling, and to ensure the wellbeing of our employees. It's up to us to use and conserve this vital resource responsibly.	**Materials** We innovate our formulations and processes to use greener and less harmful ingredients, and work toward being as materially efficient as possible.
Waste We strive to reduce the amount of waste generated by our production processes, and we also aim to maximize the reuse and/or recycling of waste materials.	**Emissions** We aim to protect the environment by capturing and/or reducing emissions to the atmosphere, from both on-site combustion and chemical reactions.	**Community engagement** We are proud of the positive contributions that allnex and our employees make to the economic and social life of the areas in which we work, and we seek to build and maintain good relationships with local communities.
Environmental Compliance We are committed to ensuring full compliance with relevant environmental regulations in each of the countries where allnex operates.	**Health & Safety** Employees are the heart of allnex. Their health and safety is paramount and prevention of injuries and exposure is embedded in our policies and processes.	**Diversity & Respect** In allnex, we are convinced that the diversity of our workforce is an asset. We treat one another with dignity and respect, and we actively oppose all forms of discrimination.
Public Policy & Anti-Corruption As a responsible company, allnex contributes constructively to dialogues between industry representatives and policy-makers at all levels.	**Supply Chain** Much of the life-cycle environmental footprint of our products lies outside our direct control, so we use relationships and collaboration to influence those impacts.	**Our Products and their use** Our high-quality resins and additives improve the performance and enhance the effectiveness of our customers' products, thereby benefitting the end-users.

3. OUR GOALS

Goals are an inherent part of allnex's competitive and results-oriented culture. We have safety, health, and environmental goals as noted below. Going forward with the new allnex, we will closely examine our tracking mechanisms and systems related to the material topics we've identified, determine current performance, and enhance our sustainability program with targets for future achievement.

Performance metrics for the new allnex include the following:

Metric	**Performance in 2016**
Recordable injury rate (per 200,000 labor hours)	0.77*
Releases to environment (greater than one pound / 454g)	10*
Permit excursions	6*
Serious process safety incidents	zero*
** Aggregated data for the whole year covering both legacy companies (Allnex and Nuplex)*	

4. RESPONSIBLY LEADING THE WAY

This part of the report describes our performance and next steps for continued improvement related to each of the material topics we identified. This performance builds on the Silver recognition level EcoVadis® granted to Allnex in 2016 which reflected our performance in 2015 (prior to the combination of Allnex and Nuplex in September 2016).

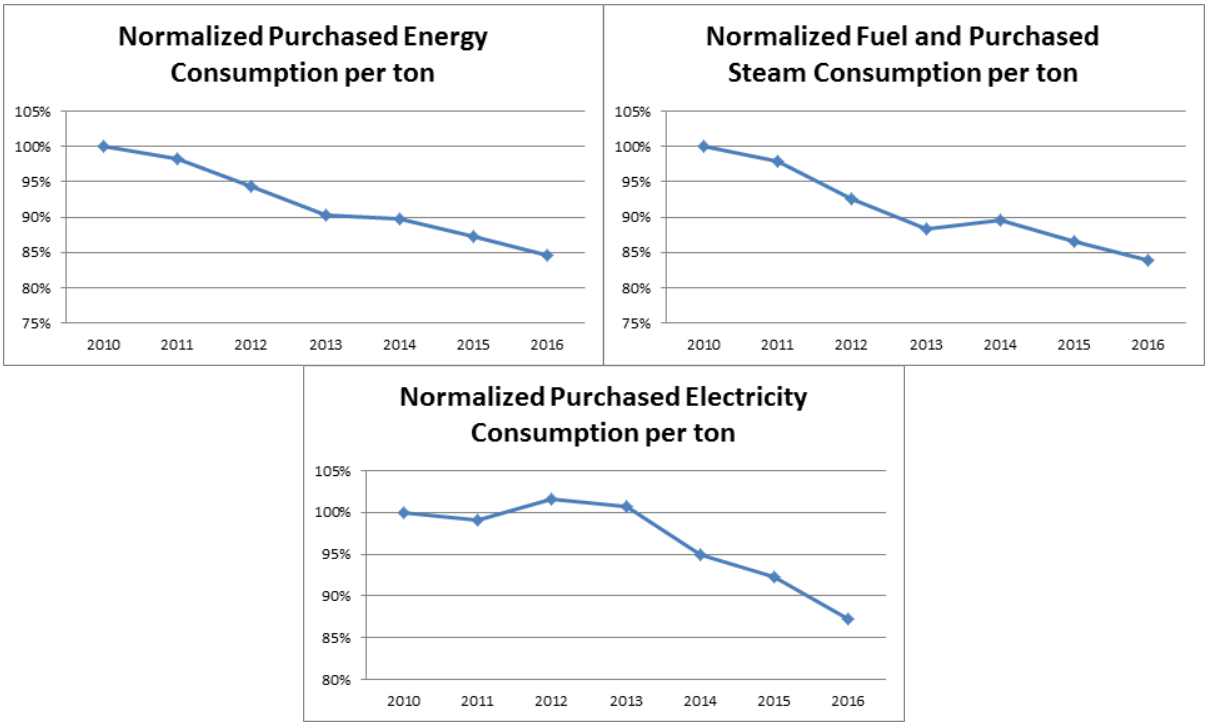
4.1 Energy

We use a variety of energy forms in our operations. We consume electricity from the grid, we combust natural gas, fuel oil, and diesel fuel on-site and we purchase steam from neighboring operations. Energy is a critical input to making high-quality products. We understand that non-renewable fuels deplete natural resources and cause pollution, so we continuously strive for more efficient use of energy in our operations.

Energy Facts

- Total Energy Consumed: 4.1 million gigajoules
- Total Electricity Consumed: 0.75 million gigajoules
- % of Energy from Grid Electricity: 18%
- Total Fuel Consumed (non-renewable): 2.9 million gigajoules
- Total Steam Consumed: 0.6 million gigajoules
- Energy data includes 31 manufacturing sites.

For the third consecutive year, we have achieved more output per unit of energy than the year before, and have achieved over 15% reduction in energy per unit production since 2010. We used 1.28 megawatt hours of energy per metric ton of production in 2016.



* Baseline year (2010) performance normalized to 100

Within the new allnex we now have five sites with ISO 50001 (Energy management) certification: Bitterfeld, Drogenbos, Hamburg, Lillestrøm and Romano d'Ezzelino. We are examining the energy management systems at these facilities in order to learn and adapt smart energy management practices to our other facilities.

CHP Generator in Romano d'Ezzelino

A Combined Heat & Power (CHP) generator was installed at the allnex production plant in Romano d'Ezzelino (Italy) during 2015, in order to reduce energy costs and improve environmental performance. The generator produces around 90% of the electricity consumed by the plant, while the thermal energy is used to produce steam.

High Temperature Reactor in Wacol

A new 20T high temperature reactor was installed at the allnex production plant in Wacol, Australia, during the first quarter of 2016. By using this more efficient reactor, the Wacol site expects to consume less natural gas than before, leading to a reduction in CO_2 emissions of up to 640 tons per year.

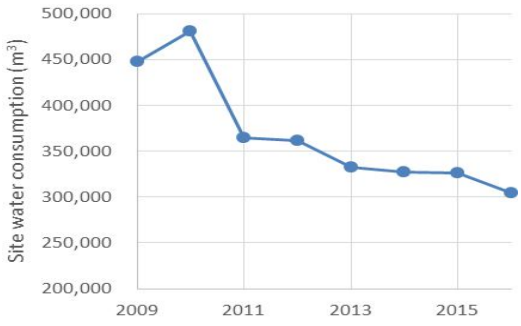
Energy management and conservation requires continuous management and improvement. Going forward allnex will systematically examine energy use at our facilities and develop a strategic plan for energy management and efficiency improvements.

4.2 Water consumption

Water is a vital resource to all life on our planet. Continued quality and availability of water is essential to our operations as well as the communities in which we operate. We have begun an evaluation of water risk at our sites using the World Resources Institute Aqueduct tool to identify which sites may have the highest water risk. Initial results show that two of our sites are in areas with medium to high overall water risk. We will investigate the site details to determine the issues behind that rating and how to manage specific risks.

Water-use reduction in Drogenbos

An example of proactive water-use reduction: allnex's manufacturing site in Drogenbos, Belgium has reduced total annual water consumption by 37% since 2010.



In 2016, allnex consumed 4.9 million cubic meters of water from various sources. Going forward, we will attempt to map the water source type(s) at each facility in order to better understand our water footprint and devise a water management approach that recognizes facility conditions.

4.3 Materials

The highest quality resins require the highest quality raw materials. Many of our customers are intent on delivering greener products to the marketplace, and we've responded to support their efforts with high quality solutions. Our research & development team uses the principles of green chemistry to improve products. We continually strive to increase the percentage of renewable, recycled, and non-harmful feedstocks in our products as well as to increase the breadth of products in which these materials are used.

Renewable Raw Materials	Removing Chemicals of Concern	Recycled Materials
allnex offers a range of resins containing renewable raw materials - such as seed oils, starch, straw, and wood - to replace traditional fossil fuel feedstocks. Examples of products include: EBECRYL® UV/EB curable resins. RESYDROL® alkyd resins. DUROXYN® epoxy ester resins. DAOTAN® epoxy ester resins. BECKOPOX® epoxy dispersions. ADDITOL® additives and defoamers. SETAL® resins.	allnex supplies a variety of products that are free of chemicals of concern, including tin-free, bisphenol A-free, toluene-free, solvent-free, formaldehyde-free, nonylphenol-free, lead-free and phthalate-free. Examples of products include: CYMEL® NF crosslinking resins. EBECRYL® UV/EB curable resins. UCECOAT® UV curable resins. SETATHANE® resins.	The availability of recycled polyethylene terephthalate (PET) continues to grow and we increasingly use this sustainable resource as a feedstock for our products. For example, our CRYLCOAT® polyester resin products contain recycled PET. We will continue to challenge our research & development team to find ways to enhance the level of recycled content into our products.

4.4 Waste

In line with the material efficiency principles of green chemistry, we aim to reduce waste in our processes as much as possible. Our first focus is on source reduction.

After source reduction, we strive to divert waste from landfill. This includes recycling programs at our facilities. We are working toward more consistent measurement of waste and recycling amounts at our facilities so that we can understand our baseline and identify targeted areas for improvement going forward.

Recycling Pays

The allnex production plant in North Augusta, South Carolina (USA) recently accomplished a feat of diverting more than 10,000 metric tons of materials from landfill, thereby saving allnex $15 million in reduced material purchases and disposal costs.

None of our incidents in 2016 had significant environmental impacts, thanks to our equipment, processes and procedures. We have strict procedures in place to avoid spills at our facilities. When spills do occur, we record them and monitor our response to enhance continuous improvement processes. allnex has a very strict tracking mechanism so that each environmental incident is recorded and analyzed. Despite our best efforts, we recorded 10 incidents where one pound (454 g) or more of substance was accidentally released to the environment. 21 incidents occurred where 200 kg or more of substance was released to containment. Adequate emergency procedures prevented further harm in all cases.

As releases may potentially occur onsite, during transport or at a customer facility, we have dedicated emergency response procedures and people available 24 hours a day, 7 days a week to receive calls about product spills and to provide information on corrective actions for any possible type of spill.

Australia Sites Focus on Diversion

Several allnex facilities in Australia have recently started a focused effort to increase recycling and divert waste from landfill. From July 2016 through March 2017, the facilities diverted nearly 64% of waste from landfill.

4.5 Emissions

allnex uses a variety of emissions control technologies to minimize air emissions from our facilities. Our facilities combust a variety of fossil fuels resulting in emissions of greenhouse gases, sulfur oxides, and nitrogen oxides. As we've decreased our energy intensity over time, our fuel-related air emissions have similarly declined. We track our fuel consumption and emissions at all of our facilities.

Our Lillestrøm (Norway) manufacturing facility achieved ISO 50001 certification in 2014 and subsequently reduced energy consumption by 6,720 MWh, which corresponds to a reduction of 605 metric tons CO_2.

Emissions Facts

Emission	2016 Total (metric tons)	Intensity (kilograms per metric ton product)
Greenhouse gases Scope 1 (CO2e)	163,203	380
Greenhouse gases Scope 2 (CO2e)	175,259	
Sulfur oxides	34	0.04
Nitrogen oxides	172	0.22
Volatile organic compounds/hazardous air pollutants	336	0.44

Regenerative Thermal Oxidizer at allnex plant in Fengxian, China

We have initiated a variety of technological solutions to reduce volatile organic compound emissions. In 2016, allnex invested in improved abatement equipment at four facilities – Fengxian (China), Hamburg (Germany), Rayong (Thailand), and Wacol (Australia). Furthermore, additional offgas abatement projects have been initiated at our production plants in Foshan (China), Suzhou (China) and Silvertown (UK) (to be completed in 2017-2018).

The abatement equipment in Wacol is just one part of a series of upgrades to the high temperature plant. The plant has installed a state of the art reactor, incinerator, and oil heater. To increase energy efficiency, the waste heat from the incinerator is fed into the oil heater. The plant expects significant natural gas savings equating to a reduction of approximately 640 metric tons CO_2 per year.

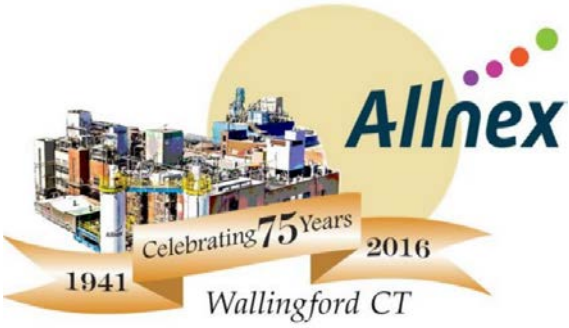
4.6 Community Engagement

Our positive relationship with the communities in which we operate is a vital part of our continuing success as a company. Each allnex plant continuously strives to operate responsibly and make a positive contribution to the local community.

Mangrove planting in Thailand

Employees from the allnex site in Rayong, Thailand planted mangroves at Park Prasae to restore natural wildlife. This is just one example of many projects undertaken by the Rayong staff. In recognition of its efforts, the Industrial Estate Authority of Thailand has awarded allnex Rayong the Green Star Award for nine consecutive years and the Gold Star Award for four consecutive years. Input from the community is a key part of identifying award recipients.

Engaging the Wallingford Community



As our Wallingford, Connecticut site celebrated 75 years of operations in 2016, the plant initiated a Community Advisory Board (CAB) with board members from the local community. Meeting bimonthly, board members will learn more about allnex and will be invited to suggest opportunities for further community collaboration. Their responsibilities will include serving as a community liaison link, attending and actively engaging in meetings, and advising allnex on opportunities to strengthen community involvement.

Botany raises funds for cancer research

The Botany site has once again hosted their annual 'Biggest Morning Tea' to help raise much needed funds to support people living with cancer as well as fund vital cancer research. Employees have donated items that were auctioned either publicly or through a silent auction on the day. The generosity and involvement of everyone was tremendous and the end result was a record amount of money raised totalling $AU 9042.

STEM Summer Camp in Langley

allnex staff in Langley, South Carolina, participated in Aiken Technical College's Manufacturing Summer Camp Initiative for high school students with special needs. The focus of the program is on science, technology, engineering, and math (STEM) careers. allnex staff instructed the students on general plant operations, roles and responsibilities of personnel throughout operations, the importance of safety, and the basics of chemical reactions.

Christmas for Children in Riga

The Riga, Latvia facility made Christmas extra special for local children by hosting a party with workshops, refreshments, custom presents, and an appearance by Santa Claus. The party had an added benefit of enhancing cooperation and teamwork among the different departments at the facility.

Drogenbos Runs to Stop Cancer

Ten employees from the allnex plant in Drogenbos took time out to raise money for the Flemish League against Cancer by running the Brussels 20km race, the biggest running event in Belgium.

MAGIC Happens in Alpharetta

The allnex Alpharetta, Georgia facility hosts the local 'Mentoring a Girl in Construction' (MAGIC) program. MAGIC is a free one-week day camp that gives high school girls an opportunity to learn about careers in the construction industry. allnex employees teach a ten-hour OSHA training course on recognizing, avoiding, abating, and preventing safety and health hazards in the workplace.

Helping Underprivileged Children

Colleagues at the allnex facility in Kalamazoo, Michigan, organized a drive to donate 12 backpacks full of camping necessities so that local underprivileged children could participate in a summer camp. The Family and Children Services Organization's 'Pack a Child for Camp' program sponsors one hundred local underprivileged children to participate in summer camps.

Job orientation for Girls and Boys

In April 2016, the allnex site at Bitterfeld-Wolfen in Germany participated in a job-orientation program for students. The Girls' and Boys' Day is an annual event that takes place throughout Germany. In this context, 11 girls and 1 boy visited Bitterfeld to learn about the job of a Chemical Technician.

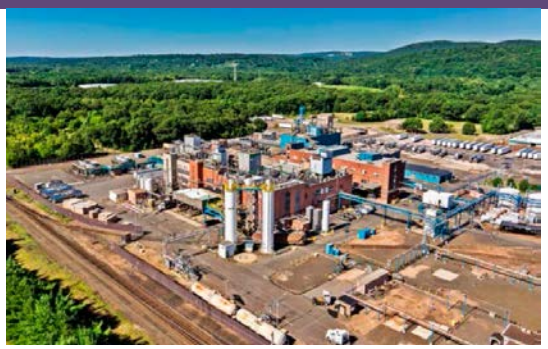
In addition to the examples of community engagement mentioned above, allnex systematically tracks potential environmental aspects and impacts on local communities, resulting in a scorecard for each site. The scorecard includes an evaluation of distance to nearest residential areas, urban areas, industrial area, water body, railway, highway, and airport, and rates each location for various potential inbound and outbound exposure types. This scorecard helps us to target our performance improvement efforts.

4.7 Environmental Compliance

The prerequisite to our successful sustainability program is world-class management of our compliance activities by allnex's outstanding safety, health, and environment (SHE) team. Our global SHE policy reiterates our commitment to the environment which we recognize as an essential element of being the leading coating resins company.

Twenty seven of our facilities have environmental managements systems certified to ISO 14001. In addition, allnex has implemented a global SHE Management System (SHE MS) which incorporates manufacturing, laboratories, headquarters, and support functions. We conduct internal audits, monitor findings, and evaluate solutions via a centralized best practice corrective action register. The Global SHE Management System is facilitating the new allnex through integrated SHE action plans, standards and incident reporting.

Emission Reductions in Wallingford



The allnex plant in Wallingford (Connecticut, USA) completed federal and state environmental compliance audits in 2016, achieving outstanding ratings on both after extensive plant tour and paperwork investigation. The federal audit confirmed that emissions from the site were reduced by 78% since 2012, validating allnex's efforts for continuous improvement.

Our internal scorecard contains a number of metrics tracked monthly to monitor performance, take corrective action for safety and compliance matters, and focus on continuous improvement at our facilities. We are identifying root causes of environmental challenges in order to prevent them and achieve zero violations and permit excursions in the future.

4.8 Health & Safety

Employees are the heart of allnex. Their health and safety is paramount and prevention of injuries and exposure is embedded in our policies and processes.

Twenty one of our manufacturing facilities have occupational health and safety managements systems certified to OHSAS 18001. allnex recordable injury rates are among the best-in-class as demonstrated by companies in the American Chemistry Council's Responsible Care® program[4], and two-thirds less than the chemical industry average. While any injuries are a problem and we strive for zero, comparisons to our peers help gauge our progress in safety performance.

Safety Facts – allnex 2016

Zero fatalities.
Zero serious process safety incidents.
30 recordable injuries (employees).
8 recordable injuries (contractors).
Recordable Injury Rate (number of injuries per 200,000 working hours)
= 0.77 (allnex employees only)
= 0.86 (employees & contractors)

[4] American Chemistry Council. Responsible Care® Safety. https://responsiblecare.americanchemistry.com/Performance-Results/Safety/ (accessed 1 May 2017)

Our main challenges are chemical contact and exposure during product transfers, incidents from routine and non-routine activities, and slip, trip and fall hazards. We are implementing several programs such as standard basic safety rules, focus on contractors, job safety assessments, safe work practices, personal protective equipment, and promoting a culture of safety.

8000 Days without injury in Shimonoseki

In June 2016, the allnex plant in Shimonoseki, Japan celebrated an amazing achievement – 8000 days with zero injuries. That's nearly 22 years! The facility's "All Hands on Board" policy encourages all employees to take an active role in keep the plant clean and neat every day, and includes frequent examination and training of employees in operational techniques.

SOHELP program in Malaysia

Employees at the allnex (former Nuplex) site in Melaka, Malaysia, participated in a program called SOHELP (Systematic Occupational Health Enhancement Level Programme), supported by the Department of Safety and Health of Malaysia. By participating in this program, the Melaka site hopes to raise awareness of Health and Safety issues, leading to improved working conditions with fewer incidents.

Basic Safety Rules for All

In our continuing efforts to promote a culture of safety, we recently developed 10 Basic Safety Rules and 10 Basic Safety Rules for Leaders. These rules are being rolled out to all facilities accompanied by training.

allnex has also developed the Chemical Exposure Risk Assessment (CERA) methodology to prevent long term exposures through mitigation at the source. Recognized by regulators around the world as a best-in-class method, we are implementing CERA globally. Because action items resulting from CERA can take up to five years to be implemented, we expect to achieve and showcase beneficial outcomes to our team in the future.

4.9 Diversity & Respect

In allnex, we are convinced that the diversity of our workforce is an asset; we believe that bringing fresh ideas, perspectives and experiences, which support our values, will continue to enhance our performance and service to our customer. Diversity means a workforce reflective of different cultures, nationalities, genders, generations, ethnic groups, abilities, social backgrounds and all the other unique differences that make each of us individuals. We utilize an equal opportunity employment policy to guide our hiring process in facilitating diversity. The asset of diversity will help us thrive.

We believe all employees should be afforded a workplace environment that allows them to reach their full potential. We have an anti-discrimination policy and require employee training to ensure the work environment is free of discrimination based on race, color, religion, sex, national origin, age, marital status, physical or mental disability, veteran status, gender identity or sexual orientation in any form, including but not limited to sexual harassment or other harassment. We must treat each other and anyone we interact with on behalf of allnex with respect and dignity. We are expected to treat all our colleagues, including non-employees with whom we work, with fairness and dignity.

4.10 Public Policy & Anti-Corruption

allnex supports responsible regulation and legislation related to our industry and products. We are members of trade associations, such as the American Coatings Association, which pursue policies that improve the standing and reputation of the coatings industry on our behalf. Our Code of Conduct prohibits allnex funds from going to political parties, committees, or candidates.

We also have strict anti-corruption policies by which all team members must abide. We compete fairly for business with the quality and price of our innovative products. Accordingly, the direct or indirect payment or offer or promise of payment of bribes, kickbacks or corrupt payments of any kind to government or private sector customers, government regulators and authorities, vendors or any third parties are strictly prohibited by our Code of Conduct. Such payments are illegal under the laws of almost every country where we do business regardless of whether such payments are being made within or outside those countries. We maintain detailed and accurate books and records and a system of internal controls that ensures accountability for all shareholder assets. “Off the books” payments and any fraudulent accounting practices or knowing falsification of our books and records to cover up any improper payment are also prohibited.

4.11 Supply Chain

Having a global supply chain requires us to engage in constructive relationships with our suppliers no matter the distance. We have approximately 1,000 direct suppliers in 33 countries and an additional 1,500 – 2,000 indirect suppliers in 55 countries.

For example, we survey our suppliers with a set of questions related to corporate social responsibility in order to verify compliance with our own requirements regarding social issues such as the use of conflict minerals, child labor, and human rights.

We aim to promote more efficient and cost effective transportation of inbound materials and outbound products by working with a third party logistics company to increase our use of rail in Europe where it's available and cost effective. We're also working to increase our use of rail in the USA, displacing more expensive and polluting road transportation. Reducing transport also means being closer to our customers. To this end, we are investing capital to build local manufacturing operations in the United States, China, Brazil, and Thailand.

To the extent that we use tin, tungsten, tantalum, and gold in our products and processes, we routinely survey our suppliers using the Conflict Free Sourcing Initiative procedures and templates to better understand the risk of conflict minerals in our supply chain.

allnex is proud to help local education through involvement in multiple apprenticeship programs as a commitment to the future. We do not employ minors if work for us would negatively affect or preclude compulsory schooling, and we do not give work to minors if it is likely to harm their health, safety or development. Furthermore, we expect suppliers and contractors with whom we do business to share similar values.

We expect our suppliers will not engage in, or deal with suppliers who engage in, human trafficking. We will react to evidence of human trafficking in our supply chain as slavery and human trafficking are not acceptable and will not be tolerated.

4.12 Our Products and their use

allnex produces a very wide variety of resin types and is the leading producer of industrial coating resins globally. Our main business areas are: Liquid Resins and Additives (LRA), Radcure (Radiation-curable resins), Crosslinkers (including amino-based and phenolics) and Powder Coating Resins (PCR). Our products are used by other companies as key ingredients which enhance performance and resource-efficiency in their own products. Our ingredients are used to make resource-efficient products such as high albedo and long-lasting paints and coatings, solvent-free coatings, and powder and UV-curable coatings.

In the LRA area, allnex produces waterborne and solventborne resins for various applications including decorative coatings. We are a major supplier of composite resins and gelcoats, we produce a broad line of products for the construction industry, and we are an important supplier of additives to the coatings and petrochemical defoamer industry.

As a consequence of our diverse technology and business base, allnex offers an extensive array of compliance options for our customers. If a customer wants to move away from a high-VOC solventborne system, we can offer high-solids solutions. If a customer wishes to reduce VOC levels or simply prefers a waterborne solution, we offer a wide array of waterborne resin options. In case waterborne solutions are not suitable, we can provide powder coating options which are entirely VOC-free and solvent-free. If reducing energy consumption is a priority then we offer lower temperature curing amino resins or UV-curing resins. By informing our customers about all our products and making them aware of the advantages of different technologies, we believe that we are helping to shift the global paints and coatings industry towards more sustainable, environmentally-friendly and user-friendly systems.

We continue to invest heavily in further improving and expanding our product offering through research and development (R&D) activities, which take place at 23 different sites around the world. The majority of projects currently being developed by our R&D teams are related to new technologies which promise to provide enhanced Safety, Health and Environment (SHE) performance, notably in terms of reduced VOC-content and/or energy consumption.

Waterborne Resins Reduce VOCs in China

China produces 2-3 million shipping containers annually. Each container uses 80-100 kg of coating, which has traditionally been solvent-based. This makes container production one of the largest sources of volatile organic compounds (VOCs) in China. allnex has been perfecting waterborne container coating technology without VOCs since 2004. We produce key waterborne epoxy dispersions and hardeners in our China facilities and are poised to take advantage of new regulations which mandate the use of waterborne coatings on containers by 2017. Our solutions are a key component to the expected drastic reduction in VOCs by the container production industry.

We have ongoing programs to scan the market for new, sustainable raw material options. We intend to stay ahead of the market in this area, ensuring that the best solutions are available to our customers at competitive prices.

allnex sees tremendous potential in developing new technologies as well as improving on existing technologies, specifically for reducing VOC-content, energy consumption and/or toxicity aspects of coatings. Bio-sourcing and enhanced environmental performance are of paramount importance, for both our R&D and Marketing strategies. Recent developments in our product range exemplify our focus on these areas.

Acure™, one of our most novel technologies developed to date, delivers on multiple aspects of the above-mentioned criteria as it allows our customers to avoid using materials with poor SHE-profiles such as isocyanate and tin. Additionally, Acure's™ inherently fast curing profile provides end-users with high potential to reduce online curing energy demand while also facilitating the formulation of lower VOC coating systems.

Our line of Beckopox® waterborne epoxy resins and hardeners exemplifies another technological breakthrough. The demand for waterborne primer systems which behave more like solventborne systems in terms of metal adhesion, corrosion and robustness has

increased in China, partly as a result of more stringent regulations relating to VOCs. It is satisfying for allnex and our customers to know that we've played an important role in helping to reduce VOC emissions in China.

Our range of Powder Coating Resins are entirely VOC-free. Within the PCR area, we also offer a range of chemistries which allow curing at low temperatures, thereby offering both energy savings and the possibility to coat thermally-sensitive substrates. Our Uvecoat® range of UV-curable powder coating resins are designed for coating substrates such as MDF and plastic. Additionally, we offer thermal curing Crylcoat® resins which are also suitable for coating MDF.

We are currently pursuing further advances in low temperature technology, by working to develop ultra-low bake systems suitable for any substrate and application, whether internal or external. In this regard, we have established R&D programs dedicated to reducing cure temperatures and enabling energy savings through conventional and new cross-linking chemistry.

Other advances we are working on could also contribute to indirectly enhancing the overall environmental and energy performance of paints and coatings during their use. For example, improving the durability of a coating will mean that it lasts for a longer amount of time, thereby reducing the frequency of repainting, which over time will lead to lower levels of VOC emissions and energy use. Or, to give another example, if a coating is formulated to pick-up less dirt then it means that cleaning can be less frequent and less intensive, which will also lead to energy savings over time.

The health and safety of our customers' employees and consumers are as important as those of our own. We provide our customers with Safety Data Sheets that comply with the Globally Harmonized System of Classification and Labeling of Chemicals (GHS), and we address all other requirements in terms of product handling, shipping and labeling, in accordance with the relevant legislation and regulatory framework in each country. We also provide our customers with specific advice and guidance on how to safely handle our products, personal protection, exposure mitigation and exposure management.

Furthermore, we support our customers and other downstream users in ensuring the safety and the compliance of their formulations or articles in specific end-use applications (such as food packaging, toys or electronic devices) by providing them with detailed and up-to-date information on the composition and characteristics of our products.

5. GRI REFERENCE

This inaugural sustainability report was guided by the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016. This material references Disclosures 102-1 through 102-7, 102-14, 102-16, 102-18, 102-46 through 102-51, and 102-53 through 102-55 from GRI 102: General Disclosures 2016; Disclosures 103-1 through 103-3 from GRI 103: Management Approach 2016; Disclosures 305-1, 305-2, and 305-7 from GRI 305: Emissions 2016; and Disclosures 306-2 through 306-4 from GRI 306: Effluents and Waste 2016.