



2023/2024

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT



Implementation of ESG

The concept of ESG – Environmental, Social and Governance monitoring and reporting – has gained in importance among European companies over the past few years, aligning with the changing regulatory landscape of the EU. Holland Colours, too, has aligned itself with this change. ESG represents an evolution from Corporate Social Responsibility (CSR) commitments, something that Holland Colours has always been strongly committed to. As a result, while the ESG terminology is new, some of the principles it covers are already built into Holland Colours' ESG strategy.

Sustainability is an integral part of our value creation goals. Also, technology is at the core of our business and many of our products. Because of this, we use technology and data to drive innovation, with an emphasis on developing solutions that contribute to a more sustainable industry while also safeguarding the environment. This idea extends across our products, operations and our broader role as a corporate citizen. Consequently, ESG is pivotal within our strategic framework, while collaboration, connectivity and co-creation form the bedrock of our approach. Today, we are working to further integrate previous CSR efforts that align with the new ESG principles. This involves taking concrete steps to formalize our approach. In 2023/2024, we made further progress towards building ESG factors into our internal frameworks, setting up governance structures, renewing our double materiality analysis to align with compliance requirements, and further developing our processes for internal evaluation and external communications related to ESG.

IMPORTANCE OF ESG IN CORPORATE STRATEGY

Holland Colours recognizes that robust ESG implementation goes beyond compliance requirements; it is a strategic imperative. By aligning with ESG principles, we seek to enhance our reputation, attract socially conscious stakeholders and mitigate risks associated with environmental and social challenges. This approach not only aligns with global sustainability trends but also strengthens our position as a responsible corporate citizen capable of navigating the evolving expectations of investors, customers and regulatory bodies.

COMPLIANCE WITH CSRD REGULATIONS

The Corporate Sustainability Reporting Directive (CSRD) is a mandatory reporting scheme from the European Union that covers reporting on sustainability. Under the CSRD, Holland Colours is required to disclose its sustainability performance from 2025, as per the specified criteria. Even though Holland Colours is only obliged to report in line with the CSRD from 2025, we have already initiated efforts to implement ESG processes in-line with the new guidelines. This will help us to gradually integrate the requirements into our strategy and operations, plus it underscores our commitment to and focus on sustainability. Moving early will also help us to demonstrate our sustainability improvements in our future annual sustainability reports.

ESG Governance: Program structure

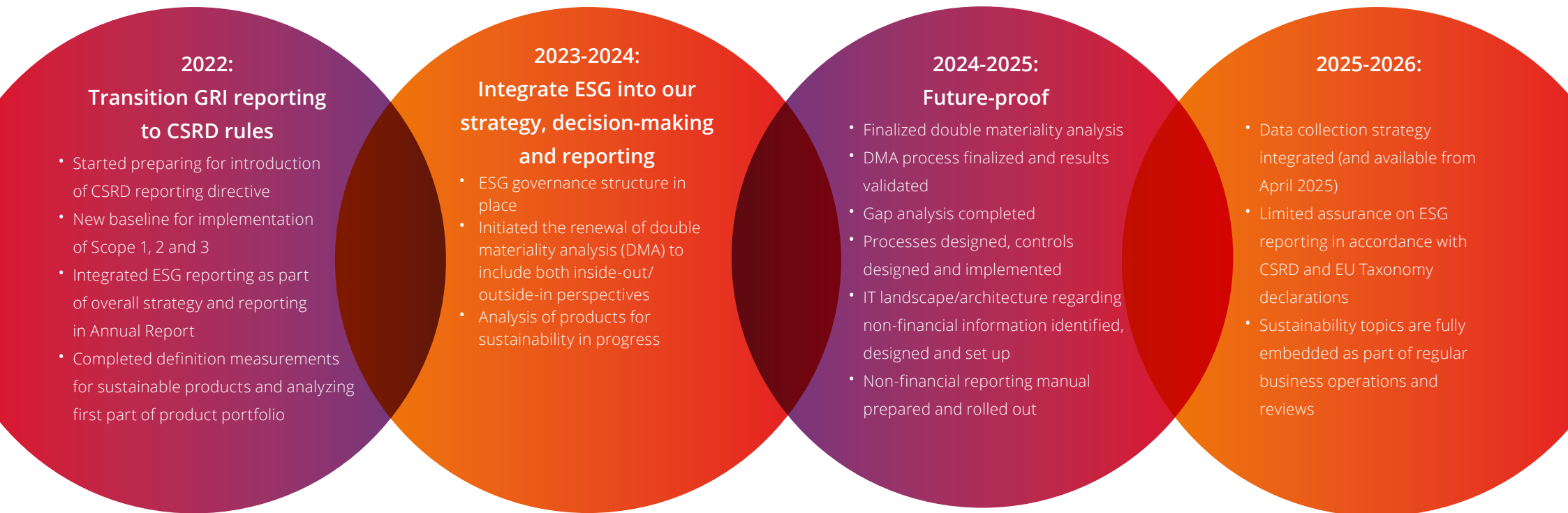
Faced with switching from CSR to ESRS reporting under the CSRD, Holland Colours has reorganized the program structure last year to meet our sustainability goals.

Today, the ESG initiative operates through an array of targeted programs, each led by a program owner. These programs are the engines that drive our sustainability initiatives, ensuring that our ESG goals are not just aspirations but are also supported by actionable plans with tangible outcomes. Communication and reporting are integral to this organizational structure.



ESG ROADMAP 2022-2026

In 2023/2024, we took a further step by setting up a dedicated organizational structure and assigning key roles and responsibilities for the various aspects of ESG. This further emphasizes our commitment to integrating sustainability across the company. We also renewed our materiality assessment to follow the 'double materiality' approach outlined by the CSRD and put the process in place. Integrating CSRD and its ESRS requirements into the company is a step-by-step process. Below is the roadmap we are following.



Safety

Ensuring the safety and well-being of our employees remains Holland Colours' utmost commitment. Our primary focus is on fostering a work environment free of accidents. We emphasize continuous training and the empowerment for our staff to promptly report incidents, accidents and near misses. Through proactive learning and process enhancements, we strive for excellence in our operations.

Accordingly, we have defined four safety categories:

- An L1 accident is a lost-time injury;
- An L2 accident is one that requires external medical treatment (rather than first aid), or which leads to restricted duties for the person involved;
- An L3 incident is one that requires first aid or involves damage to material or in which smoke or fire are involved;
- An L4 incident which relates to a near miss.

THE SAFETY CULTURE LADDER

We introduced the Safety Culture Ladder program in 2020/2021 and have continued to strive to improve it since. Our primary goal with this program is to achieve zero accidents. This initiative aims to instill a cultural shift towards safety by encouraging the active participation of every employee in identifying and mitigating potential risks. It transcends mere compliance with regulations.

The Safety Culture Ladder seeks to cultivate an active safety mindset within the organization, emphasizing both adherence to protocols and a vigilant approach to hazard recognition. It revolves around fostering a safety-centric attitude, behavior and ethos. Regular discussions on safety, openness to reporting unsafe conditions, and effective communication channels are paramount. The Safety Culture Ladder was developed for the construction sector. Given the different working environments, our goal is to reach step four of the ladder: Proactive.

SAFETY PERFORMANCE IN 2023/2024

We did better in managing safety in 2023/2024. Measurements from our internal system for monitoring safety improvement actions indicated that we made progress compared to the previous year. An external expert who audited the site in Apeldoorn, placed it at level 3 with some aspects approaching level 4 on the safety ladder. However, this has not yet fed through to our overall safety performance at the Group level. In addition, the number of near-miss reports went up again. This can be seen as positive because it indicates that there is a greater general awareness around safety.

Every division had an active internal safety audit team in 2023/2024. There is more focus on prevention, through reporting near misses, and more focus on anticipation versus reacting. The Board of Management and local leadership continued to signal the importance of safety.

The number of Lost Time Injuries (L1) in 2023/2024 was zero. This is an important milestone. Unfortunately, L2 incidents went up, but the number of L3 incidents was lower versus the previous year. The increase in near-miss incidents (L4) reporting is a positive trend as it helps the organization to proactively address risky situations. We continue to increase our safety efforts to ensure a safe workplace.

Safety	2023/2024	2022/2023
L1 : Lost time	0	1
L2 : Restricted Duty / Medical Treatment	5	2
L3 : First Aid, Material or Fire	45	55
L4 : Near miss	544	401

SAFETY CULTURE LADDER

5

Progressive

Safety is a standard part of contractors' operational processes as well, and safety is ingrained in the thinking and behavior of all employees.

4

Proactive

Safety is a top priority and is treated proactively within the company's operations. Along with structural investments in raising safety awareness, employees are encouraged to raise unsafe behavior with each other.

3

Calculating

The company pays attention to health and safety and has clear safety rules, but safety is seen mostly as a senior management task.

2

Reactive

The company generally only tightens safety after something has gone wrong and employees do not generally feel responsible for their own or their colleagues' safety.

1

Pathological

The company's attitude is that it doesn't have accidents so doesn't need to invest in safety.



Aiming for zero accidents

We are totally committed to fostering a safe and healthy workplace environment and striving for a zero-accident culture. Through ongoing training initiatives and the creation of suitable conditions, we empower each individual to perform at their best daily. Central to this is to encourage everyone to report not just accidents and incidents, but also near misses. Near misses represent potential hazards that, although they haven't resulted in accidents, could have. By reporting near misses, we enhance our preventive measures, ultimately reducing the occurrence of incidents and accidents.

Sustainability

Holland Colours' mission is to contribute to the development of a sustainable industry. This involves collaborating as 'co-design partners' to develop solutions that align with our clients' ESG objectives. Our ESG framework guides our approach to key sustainability areas. It helps us to evaluate decisions concerning products, processes, personnel and technology. It also influences the collective impact of each member of Holland Colours, from significant decisions to everyday choices. And it supports community outreach across our divisions in the US, Asia and Europe.

On the technology side, our pigment encapsulation technology has sustainability built into its formulation as it uses renewable resources. This puts us in a strong position to meet our clients' growing sustainability demands. They increasingly seek sustainable solutions for their products, necessitating renewable, recyclable, or circular materials. This shift is particularly evident in packaging colorants and additives, but also in building and construction, coating, sealant and adhesive applications. Meeting sustainability and circular economy demands will be crucial for Holland Colours' ongoing success.

Sustainability at Holland Colours covers our processes, our products and our people

FOCUS AREAS AND THE LINK BETWEEN OUR SDG GOALS AND ESG

Our sustainability programs focus on three main areas: our process, our products and our people. Our ESG efforts in these areas derive from a selection of the United Nations Sustainability Development Goals (SDGs). Of the 17 SDGs, we selected seven that are most relevant to Holland Colours internally, to our clients, to brand owners and to our value chain partners. They are SDG numbers:



3. Good health and well-being;



7. Affordable and clean energy;



8. Decent work and economic growth;



9. Innovation and infrastructure;



12. Responsible production and consumption;



13. Climate action; and



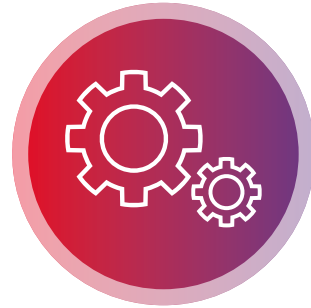
17. Partnership for the goals.

FOCUS AREAS

WE ENVISION A **COLORFUL** WORLD IN WHICH WE ARE THE **WINNING SUSTAINABLE SOLUTION**



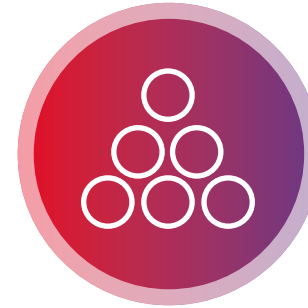
Based on the selected SDGs, we defined three focus areas:



Our Processes

We service our customers with products that are produced regionally, and we design our processes to support the sustainable use of energy and raw materials.

By 2030, we will have reduced the CO₂ impact of our operational activities by 50% versus 2015.



Our Products

Together with our customers and partners, we co-create sustainable solutions and develop products that enable recycling, the reduction of food waste and the reduction of energy consumption.

We will structurally increase our annual investment in innovation. By 2030, 90% of our revenue will be based on products that contribute to sustainability.



Our People

We protect the safety, health and welfare of HCA employees and offer development opportunities to all. Given our geographical spread, we consider it important to employ nationally.

We invest at least 2% per year of our personnel expenses in responsible care for our employees. This investment is used to deliver training, for individual and team development and/or as time that can be spent on local social aid activities.

SUSTAINABILITY AND PROCESS

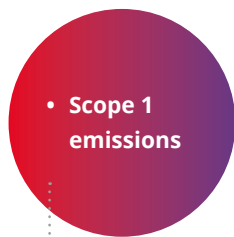
Regarding the sustainability of our processes, our main focus has been on our GHG emissions. We are dedicated to minimizing our carbon footprint and effectively managing greenhouse gas emissions across all three scopes.

From the categories that apply to us, Scope 2 emissions continue to represent the largest share of our gate-to-gate carbon footprint. In comparison with 2022/2023, our emissions across all three Scopes have decreased. For Scope 1, the primary reason for the decrease was a reduction in the direct combustion of fuels during production in Europe and America. Scope 2 emissions decreased, continuing the trend observed in the previous year, mainly due to an overall decrease in market-based electricity usage in all three HCA divisions (EMEIA, Americas, Asia). In Scope 3, waste (including waste treatment) and employee commuting by car are the main contributors to GHG emissions from the categories included in the analysis.

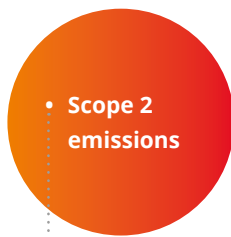
In 2023/2024, we continued with the new carbon footprint analysis based on the newly adopted Greenhouse gas Protocol guidelines. An external audit was carried out to determine the most suitable emission factors. In Scope 3, waste is one of the two most significant factors contributing to our overall carbon footprint. Accordingly, we will continue to focus on reducing our waste and discussing possible improvements with our suppliers to lower our emissions. Employee commuting by car is also a focus, and we are working with employees to promote sustainable travel to address this issue as well.

Explanation of used methodology

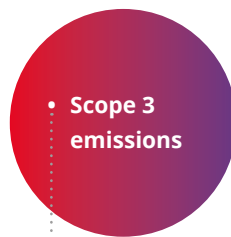
The Greenhouse Gas Protocol has emerged as the predominant greenhouse gas accounting standard worldwide, offering a more comprehensive and transparent framework for reporting. Holland Colours has embraced the GHG protocol standard, starting from the financial year 2022/2023, and the previously used GRI-based calculations are no longer in use. Under the new methodology, Scope 1 and Scope 2 emissions have been calculated in accordance with the Protocol.



arise directly from sources that Holland Colours owns or controls itself, such as manufacturing processes, equipment and company owned transportation.



are indirect emissions from the electricity we purchase.



are the most comprehensive and complex of the three scopes. They include all indirect emissions that are not covered by Scope 2. This encompasses a wide range of activities, including the emissions from business travel, our employees' commuting, waste generation and water usage. The last three of those – travel emissions, waste and water usage – have been added to our Scope 3 CO₂ calculations. They were not included in the GRI calculations and therefore not included in the overall reporting in the previous years.

Holland Colours has chosen to include scopes 1, 2 (fully) and scope 3 (limited categories) in its GHG accounting. In this annual report, emissions from scope 1 and 2, and scope 3 categories 5, 6 and 7 are disclosed.

Calculating Scope 3 emissions is the most complex challenge. Under our current methodology, we have excluded upstream categories 1 (product packaging and purchased materials) and 4 (upstream transport) from Scope 3 calculations to maintain consistency. Category 2 – capital goods – has been excluded because the indirect emissions from the capital goods used by Holland Colours over the lifetime of their use are considered stable and to have limited significance in the company's overall emissions. Categories 3 (fuel and energy-related activities not included in Scope 1 or 2) and 8 (upstream leased assets) are excluded because they do not apply to Holland Colours' activities or assets. Downstream categories are excluded because of the difficulty of gathering accurate data about them. The Greenhouse Gas Protocol divides an organization's impact into three scopes, each defining CO₂ emissions as follows. We have also highlighted the Scope 3 categories we have included in our emissions.

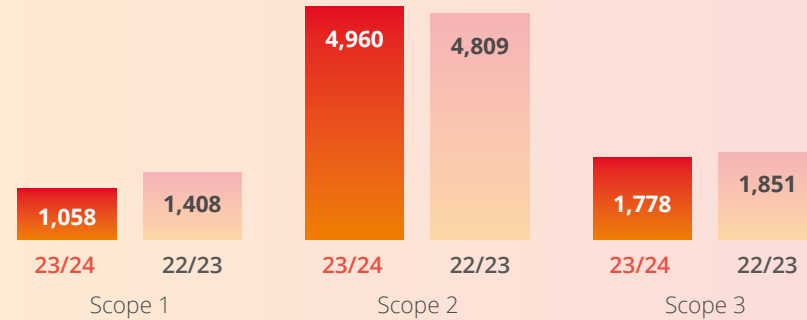
Through in-depth reporting on all three scopes, we can comprehensively assess, manage and mitigate our carbon footprint. Our strategies to curb emissions span all scopes, encompassing investments in renewable energy and collaboration with suppliers to enhance sustainability practices. Additionally, we involve our employees in promoting sustainable behaviors and provide training to reduce carbon footprints both in the workplace and at home. Embracing a new analytical approach, we remain committed to reducing our emissions. We aim to continually monitor and report progress in our mission to minimize our carbon footprint.

As per the GHG protocol methodology, the emission per kg of the product decreased from 760g CO₂equiv/kg to 756g CO₂equiv/kg. Despite an 8% reduction in total gas and electricity consumption per kg, we saw an increase in total scope 1 and 2 emissions per kg of material produced. The main reasons for this increase were an overall reduction in kg

RESULTS

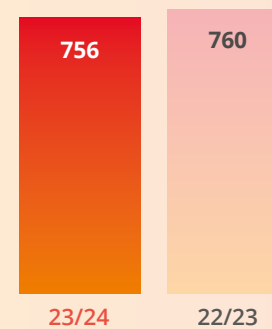
Emissions per scope

CO₂ equiv-t



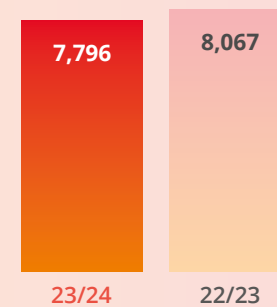
Emissions per kg product

CO₂ equiv-g



Total emissions

CO₂ equiv-g in metric tons



produced and a change in the electrical energy supply mix. This led to a higher CO₂ emission factor for electricity compared to 2022/2023. The overall CO₂-equivalent impact of the organization fell by 3.4%.

The energy mix for electricity

The energy mix differs per region and per energy supplier. Broadly, the mix consists of 'gray' fossil-based energy (mainly coal and natural gas), nuclear, hydro-electric energy and other 'green' renewable sources (wind, solar and bio-based). In the past year, we elevated the share of green energy in the Netherlands to 51.9%. However, higher emission factors associated with certain renewable energy sources led to a detrimental effect on emissions within scope 2. We will continue to improve our energy mix further in the future.

SUSTAINABILITY AND PRODUCT

Sustainability has evolved from a mere add-on to a driving force for innovation in our industry. The materials market is undergoing a profound transformation, shifting from reliance on fossil fuels to embracing sustainable alternatives, and from single-use consumerism to prioritizing reuse and full circularity. Factors such as logistics, economies of scale, raw material availability and geopolitical dynamics further contribute to this trend, which is integral to our ongoing strategic review.

In 2023/2024, we went further in assessing the sustainability of products. We did so based on an enhanced understanding of our position in the transition towards more sustainable materials, and by gaining deeper insights into our clients' sustainability needs. We actively engaged with our suppliers to understand their product development processes and emphasized the importance of considering sustainability impacts. Furthermore, we have made further progress on assessing the sustainability performance of our product portfolio. This assessment is based on our definition of sustainable products as being those that meet specific sustainability criteria while demonstrating performance that is comparable with alternatives.

At Holland Colours, we have defined a sustainable product as follows:

- it enables our customer to have a lower cradle-to-gate CO₂/kg equivalent impact in material usage versus the main alternative solution in a specific application subsegment; or
- it enables our customer to have a lower CO₂/kg equivalent impact in their production versus the main alternative solution; or
- it supports the increased recycling of materials.

Sustainable product assessment – our methodology

For each product subsegment, we take the main competitive product as being the alternative. The assessment looks at three criteria covering the life cycle of the customer product. Our product is considered (more) sustainable if the assessment of total CO₂ impact across the three criteria is less than that of the competitor benchmark. If it is equal, it is not sustainable.

Our three criteria are below. The evaluation is done from a customer perspective:

Criteria 1 – Assessment based on total CO₂ impact of the customer formulation

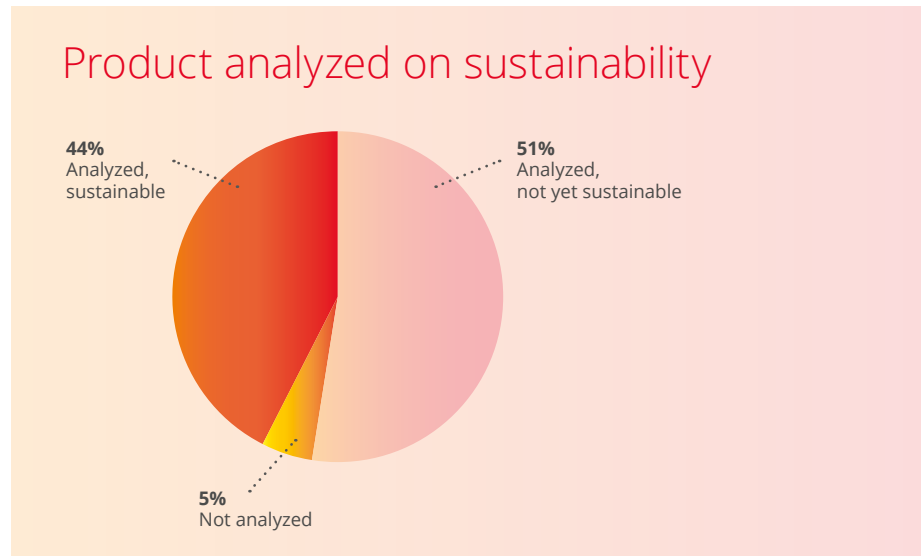
The CO₂ value/kg of the formulation with the Holland Colours' product is compared against the formulation using the competitive benchmark product. Key comparison parameters are raw materials for concentrate production used; percentage of biobased material with lower CO₂ impact; changes in customer product materials (e.g. lower use of concentrates); the concentrate production process (electricity/gas/heating/number of steps) and waste generated during concentrate production.

Criteria 2 – CO₂ impact of the customer production process

Comparison of CO₂/kg generated during the production process at the customer using Holland Colours' product against using the competitive benchmark product. Key comparison parameters are efficiency, energy usage/heating required, number of production steps and customer waste generated.

Criteria 3 – Impact on recycling of customer product

The recyclability of the customer product containing Holland Colours' product is compared against the recyclability of the customer product made with the competitive benchmark product. Key parameters for comparison are the effect on the sorting, separation and recycling process.



Last year, an analysis of the first series of products concluded that some 20% of our product portfolio can be defined as being sustainable. This year, based on further assessments, 95% of our product portfolio has been analyzed, with 44% having been defined as sustainable. This result is primarily due to criteria 1: the product used and, specifically, the use of natural or biobased carrier materials that, on average, lowered the environmental impact. The largest contribution in our cradle-to-gate analyses came from the Scope 3 raw material impact.

We will use the learnings and results from these assessments to improve our methods and to align with customers on their expectations. Also, we will undertake improvement initiatives to increase the % of sustainable product in our portfolio. We will structurally increase our annual investment in the innovation of sustainable products. By 2030, our ambition is to have 90% of our revenue be based on products that contribute to sustainability.

SUSTAINABILITY AND PEOPLE

Faced with an increasingly complex world, we are building a more unified, resilient and flexible organization. The aim is to improve our commercial strength, efficiency and synergy as a company. In 2023/2024, we redesigned our organization to prepare us to capture the benefits of our updated strategy goals.

As well as changing the organizational structure, we are building on our competencies. Doing so will enable us to learn and act faster as an organization and for each of us to be more proactive. We continuously train our people and work to create the right conditions for each of us to give our best every day. As well as skills-based training (the knowledge needed to do a specific job or operation), we are increasingly looking at supporting wider personal development based on competencies training (knowledge and behaviors that enable someone to be more widely successful within Holland Colours). We also believe in maintaining a culture in which providing and collecting feedback is normal.

Our ambition is to reinvest at least 2% per year of our personnel expenses in our employees. This is used to stimulate their development, deliver training, to support individual and team development and/or as time that can be spent on local charity and volunteering activities. Every division has allocated 2% of their budget for People Development. This 2% can be assigned as follows:

1. Learning & Development: 80%.
2. Well-being & Health: 10%.
3. Local charity and volunteering activities: 10%.

Together, all these measures help us to achieve our other overriding people goal: to appeal to the next generation of Holland Colours talent. We need to attract people who, increasingly, see self-development and personal growth as key criteria when choosing an employer.

Learning & Development

In 2023/2024, we extended our Better Together Dialogue to the full organization in Americas and EMEIA. In Asia, we are using the Better Together Dialogue at management level. With the Better Together Dialogue, we are creating and maintaining a continuous learning and development organization that delivers higher performance and utilizes our talent.

Each dialogue starts with a person's individual learning path in relation to the strategy of Holland Colours. Every individual creates their personal development plan. This comprises their strengths, how the organization can benefit from these and what they can do to achieve their personal ambitions, including the next step and how Holland Colours can support them in this. Every employee owns their personal development, and Holland Colours supports their development through on-the-job learning, options to join projects and initiatives, and by providing feedback and internal and external training. In this way, we help each other to focus and grow as an organization and as an individual.

In 2023/2024, the total spend for training and development amounted to 66% of the total budget.

Well-being & Health

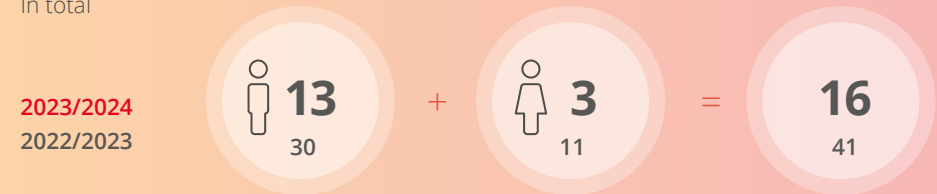
All our regions took part in well-being, charity and volunteering activities in 2023/2024. Here are some of the highlights.

EMEIA

In the Netherlands, we extended the opportunities around sustainable employability. Since January 2023, and as part of the Sustainable Employability Policy, every employee now receives a budget that they can use to improve or extend their skills and

New hires by gender

In total



Diversity & Equal Opportunities

In %



* Board of Management and Senior Management

competencies. Initially, the primary focus was on the online learning platform. This enables every employee to learn new things in a variety of fields. In 2023/2024, we extended the budget options to include sports activities and well-being. In addition, our Apeldoorn location organized a Vitality week, in September, with the main goal being to encourage connection and collaboration among colleagues through challenging sports and other activities, and healthy food. The annual Sustainable Employability Interview between employee and manager also featured again.

On the volunteering front, we organized a volunteer day in June involving employees of our Apeldoorn location. Forming groups, employees could choose one of five activities: sightseeing with elderly people, frying hamburgers for drugs addicts living in special shelters, community gardening for a retirement home or sports with refugees. The day proved popular with colleagues and the community.

As part of our push into employee branding, and to connect with teenagers in Apeldoorn, we joined several external inspiration days for young people in the area. We also joined a "Working in Technical Environments" Inspiration Day for kids aged 12-15. The idea was to enable them to learn more about technology and production. And together with the local unemployment office and other social agencies, we supported an organized a tour for people without jobs, the idea being to make it easier for them to get back into work.

Our location in Szolnok, Hungary, donated to three local activities: to disabled children in secondary school, to the Szolnok Street Music Festival, held in the middle of June, and to Szolnok Folklore Dance Club.

Americas

Our people in Americas continued to offer financial support to the Laundry Days and Diaper Project as well as several other local non-profit organizations. They also resumed volunteer participation in the Laundry Days and Diaper Project packing/distributions events.

Asia

Our location in Surabaya, Indonesia celebrated HCA Anniversary and donated basic groceries, such as rice, cooking oil, sugar, fresh milk and instant noodles, to the 50 local communities in neighboring Sidoarjo. Our employees in Jakarta went to an orphanage to donate groceries and other supplies.

Health

As the health of our employees is important to us, we try to facilitate preventive checkups for our employees.

A Preventive Medical check was organized for people at our Apeldoorn location. This runs every two years, and this time 79 employees participated. Lifestyle, perceived health and psychosocial workload are examined, and various tests carried out. Based on the results, a list was made of the positive points that we saw:

- All groups scored better than the benchmark on perceived health in general, mental health, financial, vitality and emotional health (horizontal role limitation);
- All groups scored better than the benchmark on the relaxation component;
- In the area of psychosocial workload, stress, tension and burnout, the score was better than the benchmark across all groups.

Points requiring attention also emerged, one being the need to continue to focus on promoting a healthy lifestyle. This is now being addressed by the Sustainable Employability working group.

At Szolnok, Hungary, all colleagues were offered an ultrasonography checkup. Around 80% of the employees took up the offer. In addition, the annual checkup by a gynecologist for women was organized once again.

In Americas, we held our Annual Employee Health Fair. Here, employees and their spouses/partners can meet with health care providers and local non-profit organizations.

Separately, employees were offered an influenza vaccination.

In Asia, we organized a Medical Check Up in April 2024. This was postponed from March because of Ramadhan. Employees who use computers were also able to get eye tests while those who need them were given personalized safety glasses.

Trainings

The Apeldoorn location offered a number of competence and skill-specific trainings in 2023/2024. These included one on how to reduce employee absence through illness, how to improve employability, a project management course for the Technology group and a Dutch course for non-Dutch colleagues. There was also a workshop about safety awareness, for leaders, and the annual safety trainings, which this time focused on first aid and operating a fork-lift truck.

In Szolnok, there was leadership training for the local leadership team, Lean training for production and color design laboratory, training in logistics and English lessons. The first aid course was held in December.

In Americas, we conducted leadership training through Purdue MEP and Dale Carnegie, a Lean course for some of our Operations team (the remainder will have this in 2024/2025) and a refresher training for ISO Internal Auditor. The Safety Manager became a certified First Aid 'Train the Trainer' and then hosted a First Aid course for interested colleagues, and another colleague was supported in working toward a Circular Economy in Plastics certification. The Jan & Truus de Heer Scholarship was also awarded to support a dependent of an HCA employee to pursue a postsecondary education.

Asia organized a large number of trainings, including Fire Fighting Refreshment, Effective Communication, 7 Habits, Handling Complaints, Occupational Safety and Health, First Aid, 5S Theory and Practice, 5S Technical Guidance, Disaster Mitigation, Leadership for Management Team, Manage Team Effectively, Coaching for Manager and Employee Assessment.



Together we make the difference!



FIND OUT MORE

Contact our sales people about purchasing quantities and deliveries or our technical experts for questions about our technology and its implementation:

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