



# Our Journey to a More Sustainable Future

2021 Sustainability Report



# A Message From Our Leaders

## Andy Tometich, CEO & President

In August 2021, Quaker Houghton launched a new sustainability strategy and aspirational goals to help us create social, environmental, and economic progress. By uniting our people, expertise, and resources, we will deliver contributions that result in a better, safer world and make a positive difference in the lives and organizations we touch. This report highlights areas of progress against our 2030 sustainability goals.

### Sustainability Goals and Disclosure

Our sustainability goals focus on the material topics where we believe we can have the greatest impact. They also closely align to the United Nations Sustainable Development Goals. In 2021, we continued to increase the transparency of our data and aligned our report to the global frameworks created by SASB (Sustainability Accounting Standards Board), GRI (Global Reporting Initiative), and the TCFD (Taskforce for Climate-related Financial Disclosure).

### Resilience in a Challenging Environment

This year served as a reminder, once again, of the importance of keeping a resilient, sustainable organization. Backed by Quaker Houghton's expertise and solutions, more than 15,000 global customers were able to produce essential goods such as steel and aluminum products for end markets like transportation, energy, and packaging. As the world continued to confront COVID-19, we saw significant disruption to global supply chains, challenges with raw material availability, and higher-than-expected cost escalation. Still, our dedicated team continued to not only keep our customers' operations running but helped them run in a more sustainable way. Quaker Houghton's QH FLUIDCARE™ and commercial teams helped our customers lead innovative and sustainable improvements that reduce their total operating costs. As part of our customer intimate strategy, we worked alongside our customers to not only find and deliver projects that supported safe work environments, and reduced waste, energy, water usage, and chemical consumption, but also improved their operational processes and tool life. We're proud to have earned several customer awards in 2021 recognizing initiatives that helped them run more sustainably.

### Catalyzing Progress

Parallel to helping our customers, we advanced our own sustainability priorities despite a challenging environment. We invested in software to better manage global sustainability and climate data and added headcount to our sustainability function. In the later part of 2021, we launched four cross-functional teams who are responsible for driving progress towards the goals and milestones we've set. Sustainability committees at the executive and board level have oversight of their progress.

In December 2021, Quaker Houghton was honored to be named one of America's Most Responsible Companies by Newsweek. The list evaluates companies on key corporate responsibility indicators and performance in the environmental, social, and corporate governance areas, and the award reaffirms that we are on the right path forward.

Our journey is just beginning, and there is still more work to do for us to achieve our 2030 goals. We'll continue to invest in sustainability to continuously improve our operations, reduce our environmental footprint, enhance workplace health and safety, and support our colleagues and the communities where we live and work. The committed efforts of our global colleagues have enabled us to work through unprecedented pressures and highlights the power of our global scale. The future at Quaker Houghton is bright, and together, we're committed to delivering sustainable value for our customers, shareholders, and communities.



Andy Tometich  
Chief Executive Officer and President

## Joseph Berquist, Executive Vice President, Chief Strategy Officer, Managing Director – Global Specialty Businesses

Our commitment to operating responsibly and ethically has always been ingrained in who we are and what we stand for as an organization. Managing societal, environmental, and economic issues in a way that supports the prosperity of future generations isn't just the right thing to do, it's vital to our company's growth, transformation, and success. Building on this commitment, in 2022 we will transition corporate sustainability oversight into our strategy organization to further align our holistic sustainability strategy with the company's key business and growth initiatives.

Further embedding sustainability into corporate and business strategies will help ensure our progress is meaningful, builds competitive advantage, and supports our customers in their own journeys. I'm excited by our global team's progress and am confident that with sustainability firmly integrated into our global strategy, we will continue to deliver innovation that contributes to positive change and progress.



Joseph Berquist

Executive Vice President, Chief Strategy Officer, Managing Director – Global Specialty Businesses



Andy Tometich

Joseph Berquist

# Our Vision

**Social. Environmental. Economic Progress.**

Through uniting our people, expertise, and resources, we will deliver contributions that result in a better, safer world and make a positive difference in the lives and organizations we touch.

## Our Strategy



**Innovating Together for a Better Tomorrow**



**Protecting Our Planet**



**Empowering Our Colleagues and Communities**



**Sourcing Our Materials Responsibly**

## Our Journey

2019

- ✓ Completed a five-year legacy initiative to reduce energy, waste, water, and wastewater globally
- ✓ Quaker Chemical and Houghton International combined to create Quaker Houghton
- ✓ Established our Sustainability team

2020

- ✓ Established Sustainability Committees at the Board and Executive levels
- ✓ Determined to align disclosure with GRI, SASB, and TCFD
- ✓ Completed a comprehensive materiality analysis

2021

- ✓ Introduced our carbon neutral and net zero goals
- ✓ Launched comprehensive short- and long-term sustainability goals
- ✓ Formed project teams to drive progress against goals

2030

- Finalize 10 year aspirational journey



## Health and Safety

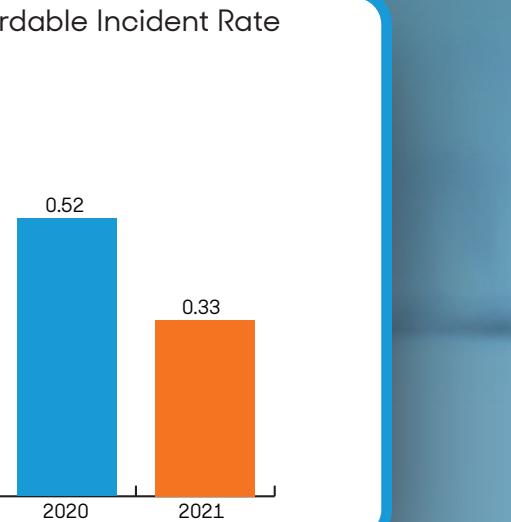
### 2030 Goals - Empowering Our Colleagues and Communities

Achieve zero serious\* injury recordables, as well as zero recordable incidents with > 5 days lost workdays at 98% of Quaker Houghton and customer locations

\*Each year; work-related injuries or illnesses that result in > 90 lost workdays

### Our Progress

Thanks to the commitment of our colleagues to advance a strong safety culture, Quaker Houghton achieved zero serious injury recordables. We exceeded our 2021 Total Recordable Incident Rate (TRIR) goal, finishing the year at 0.33. This is well below the average TRIR of medium-sized companies in the American Chemistry Council, which was 0.72 in 2020. By focusing on prevention and leading safety indicators, we surpassed our goal for hazard identification by 20%. At locations with more than one recordable or significant near misses, we held Safety Stand-Downs to engage site leadership and employees. We also launched a global Stop Work Authority program that empowers all colleagues to stop any work activity, anytime, if they deem it unsafe.



### 2022 Goals

- Continue to lower our TRIR
- Finalize a global EHS policy manual
- Introduce safety day/week in all 3 regions
- Align global incident management systems on a new EHS and quality platform



## Community Engagement

### 2030 Goals – Empowering Our Colleagues and Communities

- Work together to reach 250,000 cumulative hours of volunteering
- Invest our time and resources to conduct impactful projects in all of our communities

## Our Progress

Quaker Houghton is building a global ideology around volunteerism and philanthropy to guide how our colleagues cultivate community engagement where they live and work. Our employees are empowered to volunteer with company paid time off in their local communities. For example, in 2021, hundreds of colleagues around the world volunteered, committed to lessening their personal environmental impact, or shared an innovative idea to help us reduce waste, water, or energy at our sites as part of a global Earth Day initiative. We then worked with a non-profit to plant a tree on behalf of each person who participated.

## Employee Spotlight



*I feel fortunate to work for a company like Quaker Houghton that gives me the chance to volunteer in the local community, while also building better relationships with my colleagues. As a woman in STEM, I am inspired to use my time to further the education of future scientists through hands-on experiences.*

**Megan Griendling, Analytical Chemist II**  
**Empowering Our Colleagues and Communities Champion**

## 2022 Goals

- Establish corporate volunteerism and philanthropy construct per region based on a global playbook
- Identify platform(s) to track global volunteerism



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## Diversity & Inclusion

### 2030 Goals - Empowering Our Colleagues and Communities

- Increase female representation globally and in management to 25-27%
- Increase ethnic diversity in the U.S. to 25- 27%

\*We define management as people managers and/or employees without direct reports but leading a function or annual processes

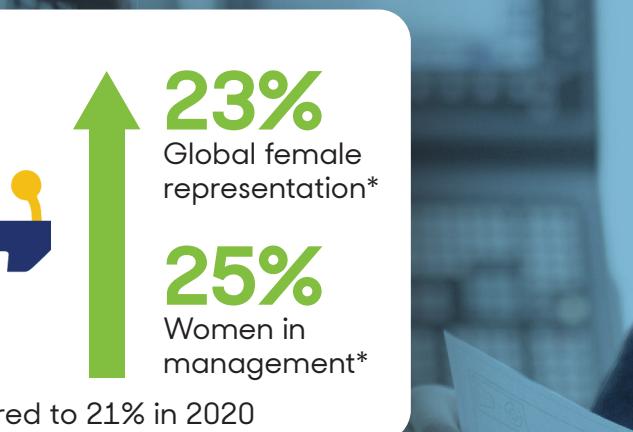
### Our Progress

As a core value, we embrace diversity, and we're continuing to build an organization that is inclusive, equitable, and diverse. Our journey is just beginning, and we're proud of the progress we've made in this space. In 2021, we achieved higher female representation globally and in management faster than expected. Our success can be attributed to a targeted global strategy, as well as a leveling project to standardize roles and titles companywide. We will continue to build on this progress even after our 2030 targets are met. Further highlights from the year include:

- Conducted targeted equity reviews while we continued to monitor our pay position against the external market
- Incorporated D&I questions into our 2021 global engagement survey to baseline the sentiment of our colleagues on our inclusiveness and acceptance
- Launched two signature employee training programs on effective communications and navigating difficult discussions
- Incorporated demographic data from Brazil into our data set
- Celebrated International Women's Day globally

### 2022 Goals

- Communicate diversity metrics and ensure all team leaders understand how to work toward them
- Establish baseline measure for ethnic diversity in the US
- Increase female representation globally by 1%
- Establish a Diversity and Inclusion Council

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## Colleague Engagement

### 2030 Goals – Empowering Our Colleagues and Communities

- Achieve engagement scores greater than our industry peers
- Provide career enhancement programming to 100% of our colleagues

### Our Progress

As we all continued to manage through pandemic challenges, we emphasized the importance of employee wellbeing. Globally, we launched a blended work arrangement that combines remote work and time in the office to support work-life balance and flexibility. In 2021 we also introduced a global wellbeing vision with four pillars focused on physical, mental, financial, and community health. In EMEA, this initiative expanded into a regional wellbeing champion network to drive local engagement. We also:

- Achieved 84% participation rate in our 2021 global engagement survey
- Earned notable workplace recognition awards in two countries:
  - Super Company in Mexico by Expansion Group and TOP Companies
  - Great Place to Work in India by the Great Place to Work Institute

### Employee Spotlight



*I am proud that India was certified as a Great Place To Work based on the metrics of trust, camaraderie, and pride in workplace. It is a matter of great pride and an accomplishment to cherish and nurture. I am excited to continue this growth and empower our colleagues and communities as a team champion.*

**Kishore Roy, Head of HR - India**

**Empowering Our Colleagues and Communities Champion**





## Product Footprint

### 2030 Goals – Innovating Together for a Better Tomorrow

- Achieve 100% of finished goods in our portfolio not classified\* as confirmed Carcinogenic, Mutagenic, or Reprotoxic (CMR) hazards
- Reduce our use of fossil-based raw materials by 30%

\*GHS Category 1A & B

### Our Progress

Approximately 95% of Quaker Houghton's product solutions fall below classification norms for CMR substances. In 2021, we established global baselines as we continue to minimize hazards in our product portfolio. In EMEA, we reduced Category 1 CMR hazards by 14% at 4 sites. Globally, we initiated several projects to eliminate boron and boric acid in product formulations. We also completed the global implementation of state-of-the-art product stewardship software to house product classification data, manage chemical compliance, and keep pace with complex, ever-changing chemical regulations. As we work to transition our solutions to support a low carbon economy, 6% of the base oils used in our products came from re-refined or recycled sources. We continued to engage key suppliers to establish alternative raw materials with lower carbon footprint.

### 2022 Goals

- Implement global green chemistry guidelines
- Create product transition roadmaps

### Employee Spotlight



One exciting thing about reducing CMRs is the opportunity to try different chemistries and unique ideas to replace hazardous materials. There is so much cool science in the literature that has yet to find a practical application! Finding an environmentally conscious way to use it would be rewarding.

**George Oh, Ph.D., Senior Chemist**

*Innovating Together for a Better Tomorrow Champion*

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## Customer Waste

2030 Goals - Innovating Together for a Better Tomorrow

Eliminate 45,000 metric tons of waste at QH FLUIDCARE™ partner locations

### Our Progress

Every year, our QH FLUIDCARE™ and commercial teams help customers lead innovative and sustainable technical solutions that reduce total cost of ownership and emissions through waste elimination or avoidance in their operations. In 2021, we earned several customer awards in recognizing projects that lower waste volume, including an environmental award for helping a customer reduce 50,000 liters of chemicals per year. Further highlights include:

- Achieved 592 metric tons of waste avoidance annually at a customer site
- Eradicated 440 gallons of oily waste disposal for a customer with our QH FLUID INTELLIGENCE™ solution, which allowed them to reuse oil and water in their manufacturing process
- Invested in new technologies via strategic acquisitions. This technology helped some customers achieve 90% less wastewater and product consumption

### 2022 Goals

- Establish a platform to track global waste elimination / removal projects at QH FLUIDCARE™ customer sites



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## Greenhouse Gas Emissions

### 2030 Goals – Protecting Our Planet

- Achieve carbon neutrality in our global operations\*
- Set science-based targets to achieve net zero greenhouse gas (GHG) emissions across our value chain by 2050

\*Scope 1 & 2 emissions in wholly owned or operated manufacturing, lab, and office locations.

## Our Progress

In 2021, we continued operational improvements to lower direct emissions in our global operations. We transitioned four additional sites to renewable energy power, and introduced changes into our manufacturing processes to improve efficiency. Further examples of progress as we work to achieve carbon neutrality include:

- Continued site environmental footprint consolidation exercises
- Revised our company fleet policy in EMEA and Asia Pacific to include high efficiency and electric vehicles
- Replaced end-of-life capital equipment with energy efficient models
- Upgraded to LED lights at several locations
- Replaced equipment like steam traps and coils



### 65 kg

Scope 1 & 2 emission per ton produced (compared to 73 kg in 2020)



### 35,000 tons

Scope 1 & Scope 2 CO<sub>2</sub>e (compared to 33,000 in 2020 – due to increased production)

## 2022 Goals

- Conduct a TCFD readiness assessment
- Launch site sustainability champions to drive local reduction efforts
- Begin enterprise climate change impact assessment
- Increase the number of sites powered by renewable / zero carbon emissions

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## Environmental Footprint

### 2030 Goals – Protecting Our Planet

Reduce waste to landfill, hazardous waste, and water per ton produced by 20% each\*

\*In wholly owned or operated manufacturing, lab, and office locations compared to 2021 baseline for water and hazardous waste, and 2022 baseline for waste to landfill

### Our Progress

With supply chain and raw material challenges, as well as workforce shortages related to the pandemic, we focused on supplying our customers in their essential operations. This meant we didn't create as much progress as intended. Still, reducing our product waste is an ongoing focus. For example, we completed several projects in North America to avoid waste by reworking product that had fallen out of specification.

### 2022 Goals

- Establish a waste-to-landfill baseline measure
- Launch site sustainability champions to drive local reduction efforts
- Create a global project and knowledge-sharing platform

### Employee Spotlight



In Mexico, we recycled at least 85% of generated waste in 2021. I'm proud of our achievements, and I'm excited to build the foundations and global initiatives to make our processes more sustainable and empower a culture of respect and care for our planet.

Raúl Peña Longoria, EHS Manager & Product Stewardship  
Protecting Our Planet Champion

**469 kg**  
Water\* per ton produced compared to 515 kg in 2020  
\*not used in product



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## Supply Chain Management

### 2030 Goals – Sourcing Our Materials Responsibly

Achieve 75% of total direct spend with suppliers that exceed our sustainability performance threshold

#### Our Progress

Our Supplier Code of Conduct sets forth standards based on the Ten Principles of the UN Global Compact and the global Responsible Care® initiative. In 2021, we launched a new database to track Supplier Code of Conduct approvals and renewals. We also identified and began contract negotiations with a third-party sustainability assessment provider.

#### Employee Spotlight



*I am excited to be part a team that ensures we source our materials responsibly. It provides a path to strengthen global cooperation and pursue environmental security. We are one global team, moving forward together to build a better future for all mankind.*

**Guoli Li, Chemist II**

**Sourcing Our Materials Responsibly Champion**

#### 2022 Goals

- Launch awareness training on human rights concerns in the supply chain
- Launch a third-party sustainability assessment platform
- Communicate expectations with suppliers
- Increase the percentage of direct suppliers above \$100K spend who commit to Quaker Houghton's new [Supplier Code of Conduct](#)
- Source fully segregated Palm Oil for 30% of our global supply



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## For the complete Sustainability Data Set please see [quakerhoughton.com/sustainability](http://quakerhoughton.com/sustainability)

MATERIAL TOPIC	REF.	DESCRIPTION	DATA LOCATION/ RESPONSE
Company Information	GRI 102-18	Governance structure	<p>Established in 2020, the Board Sustainability Committee has specific responsibility to assist the Board, including other committees of the Board as applicable, in its assessment, evaluation, and oversight of the company's Sustainability programs and initiatives pertaining to the company's business, operations, and employees. For more information regarding Quaker Houghton's Board Committees please see our <a href="#">corporate governance page</a></p>
Company Information	GRI 102-40	List of Stakeholder groups	<p>In 2019, Quaker Houghton integrated sustainability management into the Executive Leadership Team (ELT), our highest operational leadership group. Although the ELT has ultimate responsibility for the adoption and success of the company's sustainability strategy, they have delegated more routine oversight to the Executive Sustainability Committee (ESC).</p> <p>Investors, Customers, Suppliers, Leadership Team, and Colleagues</p> <ul style="list-style-type: none"> <li>• Global gender representation: 77% Male, 23% Female</li> <li>• Global age representation: Under 30: 13%, 30 - 50 years old:58%, Over 50 years old:29%</li> <li>• We anticipate expanding the data available in 2022 and will be able to provide a breakdown by employee category at that time.</li> <li>• Board of Directors gender representation: 83% Male, 17% Female</li> <li>• Board of Directors age representation: Under 30: 0%, 30-50 years old: 0%, Over 50 years old:100%</li> <li>• Women in management for 2021: 25% (Includes people managers and/or employees without direct reports but leading a function or annual processes)</li> </ul>
Embracing Diversity and Inclusion	GRI 405-1	Diversity of governance bodies and employees	<p>Our TRIR (Total Recordable Incident Rate) for direct employees is 0.33.</p> <p>0 fatalities occurred in 2021 for employees and contractors while covered under our occupational health and safety management system.</p>
Empowering Our Colleagues to Live Safe	SASB RT-CH-320a.1	Workforce Health & Safety- TRIR	<p>349 ML is the total water consumption from all categories, we do not currently track the breakdown of sources.</p>
Managing Our Water Responsibly	GRI 303-3	Water Withdrawal	<p>23,000 metric tons of CO<sub>2</sub> equivalent which was higher than 2020 due to increased production. The following gases are included in our calculations: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, CO<sub>2</sub>e.</p>
Reducing Our Direct Emissions	GRI 305-1	Direct (Scope 1) GHG emissions	<p>12,000 metric tons of CO<sub>2</sub> equivalent which was higher due to increased production.</p>
Reducing Our Direct Emissions	GRI 305-2	Indirect (Scope 2) GHG emissions	

## Forward Looking Statement

Within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements, including statements regarding the potential effects of the COVID-19 pandemic on the Company's business, results of operations, or financial condition and expectations regarding our liquidity position and our continued compliance with the terms of the Company's credit facility on our current expectations about future events. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, intentions, financial condition, results of operations, future performance, and business, including but not limited to the potential benefits of the Combination, the impacts on our business as a result of the COVID-19 pandemic and any projected global economic rebound or anticipated positive results due to Company actions taken in response to the pandemic, and our current and future results and plans and statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or similar expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in such statements. A major risk is that demand for the Company's products and services is largely derived from the demand for its customers' products, which subjects the Company to uncertainties related to downturns in a customer's business and unanticipated customer production shutdowns. Other major risks and uncertainties include, but are not limited to, the primary and secondary impacts of the COVID-19 pandemic, including actions taken in response to the pandemic by various governments, which could exacerbate some or all of the other risks and uncertainties faced by the Company, including the potential for significant increases in raw material costs, supply chain disruptions, customer financial stability,

worldwide economic and political conditions, foreign currency fluctuations, significant changes in applicable tax rates and regulations, future terrorist attacks and other acts of violence. Furthermore, the Company is subject to the same business cycles as those experienced by steel, automobile, aircraft, industrial equipment, and durable goods manufacturers. The ultimate impact of COVID-19 on our business will depend on, among other things, the extent, duration and strength of the resurgence of the pandemic, the severity of the disease and the number of people infected with the virus, the continued uncertainty regarding widespread availability of a vaccine, the effects on the economy by the pandemic, including the resulting market volatility, and by the measures taken by governmental authorities and other third parties restricting day-to-day life and business operations and the length of time that such measures remain in place, and governmental programs implemented to assist businesses impacted by the COVID-19 pandemic. Other factors could also adversely affect us, including those related to the Combination and other acquisitions and the integration of the combined company as well as other acquired businesses. Our forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its operations that are subject to change based on various important factors, some of which are beyond our control. These risks, uncertainties, and possible inaccurate assumptions relevant to our business could cause our actual results to differ materially from expected and historical results. For more information regarding these risks and uncertainties as well as certain additional risks that we face, refer to the Risk Factors section, which appears in Item 1A of our Quarterly Report on Form 10-Q for the period ended September 30, 2020, as well as in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2019, and in our other reports filed from time to time with the Securities and Exchange Commission.

# Forward Together™

**Quaker Houghton Global Headquarters**  
901 E. Hector Street  
Conshohocken, PA 19428-2380  
U.S.A.  
+1.610.832.4000

**Quaker Houghton Sales Europe BV**  
Industrieweg 7  
1422 AH Uithoorn  
The Netherlands  
T:+31.0.297.544644

**Quaker Houghton Investment  
Management (Shanghai) Co.,**  
7th Floor, Building 3, No. 715 Yingshun Road,  
Qingpu District, Shanghai, China 201799  
T:+86.21.3979.2000 | F:+86.21.5979.2171

[quakerhoughton.com/sustainability](http://quakerhoughton.com/sustainability) | [sustainability@quakerhoughton.com](mailto:sustainability@quakerhoughton.com)

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