2022
Annual Report

Key Financial Figures at a Glance

Consolidated Income Statement

		2022	2021	Change in %	Change in % (fx adj.)
Sales	EUR m	19,429.3	14,382.5	35.1	27.7
Operating gross profit	EUR m	4,319.0	3,379.0	27.8	20.3
Operating EBITDA	EUR m	1,808.6	1,344.6	34.5	26.7
Operating EBITDA / operating gross profit	%	41.9	39.8		
Operating EBITA	EUR m	1,511.7	1,081.9	39.7	31.5
Operating EBITA / operating gross profit	%	35.0	32.0		
Profit after tax	EUR m	902.5	461.4	95.6	
Basic earnings per share	EUR	5.74	2.90		
Diluted earnings per share	EUR	5.74	2.89		

Consolidated Balance Sheet

		Dec. 31, 2022	Dec. 31, 2021
Total assets	EUR m	11,373.0	10,195.5
Equity	EUR m	4,802.7	3,995.3
Working capital	EUR m	2,588.6	2,109.8
Net financial liabilities	EUR m	2,049.7	2,070.3

Consolidated Cash Flow

		2022	2021
Net cash provided by operating activities	EUR m	956.7	388.6
Payments to acquire intangible assets and property, plant and equipment	EUR m	–267.2	–199.3
Free cash flow	EUR m	1,005.1	439.5

Key Data on the Brenntag Shares

		2022	2021
Share price	EUR	59.72	79.58
No. of shares (unweighted)		154,500,000	154,500,000
Market capitalization	EUR m	9,227	12,295
Free float	%	100.00	100.00

Company Profile

Brenntag is the global market leader in chemicals and ingredients distribution. The company holds a central role in connecting customers and suppliers of the chemical industry. With its two global divisions Brenntag Essentials and Brenntag Specialties the company provides a full-line portfolio of industrial and specialty chemicals and ingredients as well as tailor-made application, marketing and supply chain solutions, technical and formulation support, comprehensive regulatory know-how and digital solutions for a wide range of industries.

Brenntag operates a global network of about 600 locations in 72 countries. With its global workforce of more than 17,500 employees Brenntag generated sales of EUR 19,4 billion in 2022.

Letter from the CEO

"Brenntag delivered another outstanding performance in 2022, achieving record results. Global presence, a comprehensive portfolio of products and services, and strong supplier relationships are the pillars of our resilience and capabilities."

Dear ladies and gentlemen, dear shareholders,

Your Brenntag delivered another outstanding performance in 2022, achieving record results. The basis for this is our business model, which remains highly resilient even and especially in an extremely difficult macroeconomic environment with a war ongoing in Europe. A war which, until a little more than a year ago, we considered unthinkable and which throws into question many of the supposed certainties and assumptions on which we base our business activities. We, the Board of Management, strongly condemn Russia's invasion of Ukraine and the continuing war. We were quick to take the necessary steps after the war started and wound down our business in and with Russia and Belarus. For another year, particularly heavy demands were placed on society, industry and Brenntag, too. The effects were diverse and clearly felt. The sharp rise in energy costs as a result of the war led to substantial changes in supply and demand, especially in Europe. Numerous manufacturers had to cut back production or – at least temporarily – stop it completely. Chemical base materials were in short supply, while others were only available at increased prices. On top of this, there were further lockdowns in China as a result of the COVID-19 pandemic, which once again resulted in bottlenecks at ports and a shortage of containers. We repeatedly faced disrupted supply chains and the flow of supplies had to be rethought.

Thanks to our robust business model and our global presence, however, we were able to supply our customers to the usual standard of reliability. Reliability that is due especially to the untiring efforts and outstanding performance of our employees around the globe. Their expertise and commitment enabled Brenntag to act quickly, find creative solutions and overcome the challenges. I would like to most sincerely thank all our employees for that.

Our comprehensive transformation program "Project Brenntag" also made a significant contribution to our success in financial year 2022. We worked consistently to implement our numerous initiatives and can say with some degree of pride that we achieved and even exceeded our ambitious goals a year earlier than planned. By the end of 2022, the program had generated EUR 249 million in additional annual operating EBITDA, exceeding the original target of EUR 220 million for financial year 2023.

Global presence, a comprehensive portfolio of products and services, and strong supplier relationships are the pillars of our resilience and capabilities. They are also reflected in our 2022 financial figures. Last year, Brenntag lifted sales by 27.7% to just over EUR 19.43 billion and generated operating gross profit of around EUR 4.32 billion, an increase of 20.3%. Our operating EBITDA rose by 26.7% to just over EUR 1.81 billion.

Our two divisions, Brenntag Specialties and Brenntag Essentials, both contributed to this remarkable success by delivering an excellent performance and mostly organic growth. As forecasted, Brenntag Specialties grew at a stronger rate. Operating gross profit rose by 24.8% to around EUR 1.68 billion. Operating EBITDA was up by 32.1% to just under EUR 780 million. Brenntag Essentials also showed a strong performance across all regions. Operating gross profit grew by 17.7% year on year to around EUR 2.61 billion. The division generated operating EBITDA of around EUR 1.15 billion, an increase of 27.6%.

Brenntag has its sights set firmly on further growth and last November presented the “Strategy to Win” with that aim in mind. Our new growth strategy, including ambitious medium-term targets for 2026, is the next phase of our company’s transformation and builds consistently on the foundations laid by “Project Brenntag” and the achievements to date. The strategy involves individual growth plans for Brenntag Specialties and Brenntag Essentials. Applying these divisional strategies and leveraging our company’s global footprint and fundamental strengths, we will further develop the differentiated profiles of our two divisions and propel their growth above the market growth rate.

Our “Strategy to Win” also sets out a clear program for the company’s digital, data-driven transformation. We see Digital.Data.Excellence (DiDEX) as a key growth driver for our Group. We will drive efficiency at all levels of our organization and develop Brenntag into a data- and technology-driven business that uses its wealth of data to develop new business opportunities and smart, innovative solutions and thus generate further growth. We are evolving into an agile, flexible and, ultimately, the preferred business partner in the chemical and ingredients distribution ecosystem.

Brenntag has the ambition and the skills to shape the future of our industry. This vision is what drives us. It is also expressed in our new global branding, which we presented together with the “Strategy to Win” in November 2022. Strategy, vision and brand – together, they are a clear signal to our business partners, shareholders and employees that we forge ahead as global market leader, assuming responsibility, setting standards and further distancing ourselves from our competitors.

We are pleased that our strategic growth plan and the new brand have also received very good feedback from you, our shareholders. Your reassurance that we are on the right track boosts and motivates us and all our employees.

Industry leadership is also our aspiration when it comes to sustainability: ESG is a top priority in our activities and an essential part of our growth strategy. As global market leader, we have undertaken to promote a sustainable future. In publishing our “Future Sustainable Brenntag” strategy and vision in April 2022, we set ourselves an ambitious ESG agenda. This includes achieving net-zero emissions by 2045, increasing the extent to which we use sustainability criteria to steer our product portfolio and driving sustainability in our supply chains.

Workplace safety and the health of our global workforce of over 17,500 employees are of paramount importance to us. Our aim by 2030 is to achieve an accident rate (Total Recordable Injury Rate (TRIR)) of less than 2.0 and prevent serious accidents completely. In order to achieve this, we stepped up our efforts last year through a series of new internal campaigns to promote safety and raise awareness. I am very pleased that the measures are paying off: The TRIR, which still stood at 3.1 in 2021, dropped to 2.7 in the reporting period.

In order to achieve our ambitious growth targets, Brenntag has always focused on growth through acquisitions, too. The global chemical distribution market remains highly fragmented and offers us numerous opportunities for consolidation. Last year, we invested EUR 184 million in acquisitions in important focus industries and growth markets. Our strong financial profile, which we continued to work on in 2022, puts the company in a comfortable position in terms of financing and gives us sufficient scope for further acquisitions that create value. As part of the “Strategy to Win”, we have therefore also increased the range for strategic M&A investments to between EUR 400 and 500 million a year. We remain committed to our principles: We are a very disciplined acquirer, have set ourselves strict hurdles and concentrate on maximizing value creation.

We are equally reliable in our dividend policy. Since its stock market listing in 2010, Brenntag has always increased the dividend it pays, and will build on that again for the twelfth year in succession. At the General Shareholders' Meeting, we will propose that a dividend of EUR 2.00 per share be paid for financial year 2022. This dividend will afford you, Brenntag's shareholders, an appropriate and attractive share in our company's tremendous success.

Reliability, stability and innovation are the values that guide our actions. Last year, we demonstrated once again that we have the ability to adapt to volatile market conditions. Brenntag is resilient and able to grow even in this environment. Maintaining this resilience remains an ongoing task – for 2023 as well. We anticipate that we will be working in a difficult operating environment again. General geopolitical, macroeconomic and operating conditions will remain challenging. Nevertheless, we expect the situation to gradually return to normal in the course of the year. Against this background, we expect the Brenntag Group's operating EBITA[1] for 2023 as a whole to be between EUR 1,300 million and EUR 1,500 million, equivalent to operating EBITDA of between EUR 1,600 million and EUR 1,800 million.

Dear shareholders, we would like to thank you for your loyalty and your trust. These will continue to be what motivates us to make Brenntag an even more valuable company.

Essen, March 7, 2023

Dr. Christian Kohlpaintner

Chief Executive Officer

1) As of 2023, operating EBITA will be the Brenntag Group's key performance indicator.

1 To our Shareholders

9 —— 48

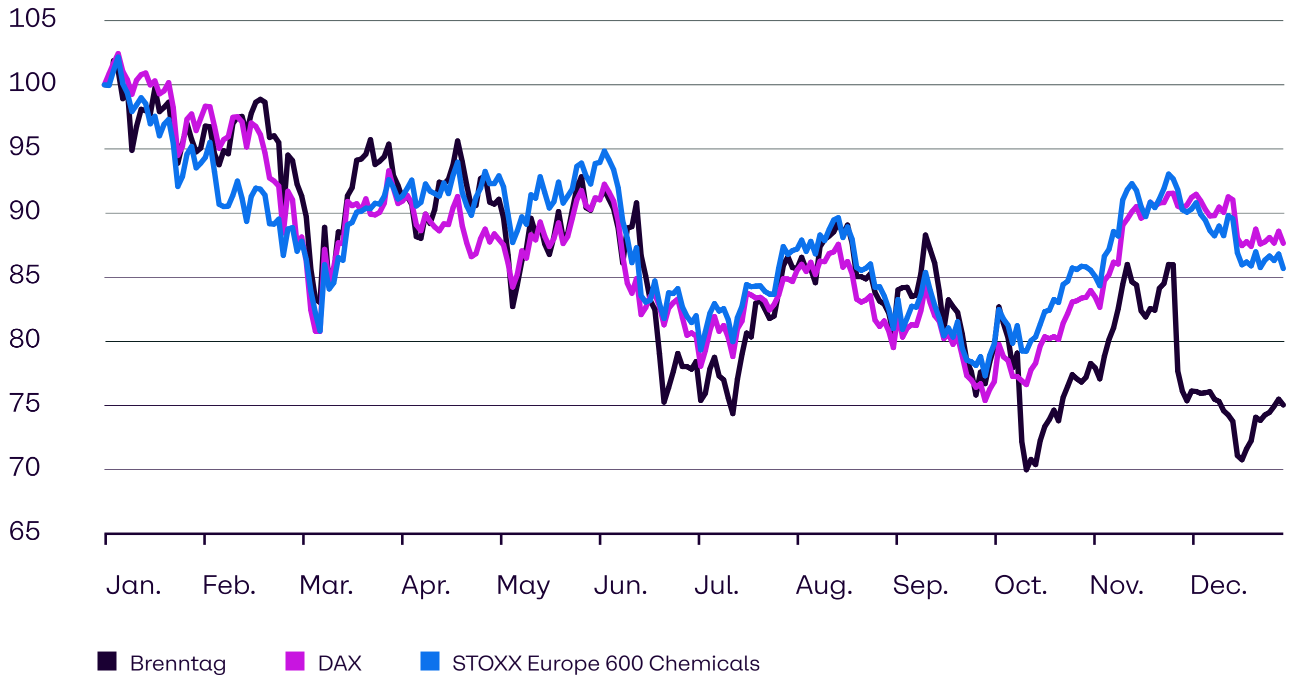
Brenntag on the Stock Market

Geopolitical uncertainties, the difficult macroeconomic environment and the ongoing problems with the COVID-19 pandemic, especially in China, had a significant impact on global capital markets in 2022. The rise in commodity and energy prices exacerbated by the war in Ukraine, together with substantial cost increases on the procurement side and in personnel expenses, acted as an additional drag on the business sector and, in Europe especially, led to a sharp decline in business activity.

Moreover, the increasingly restrictive monetary policy of national and supranational central banks caused the general economic development to weaken, followed by deep turmoil on the global capital markets. Overall, equity markets responded to this large number of headwinds by marking down prices significantly and ended calendar year 2022 on sharp losses in the double-digit percentage range.

The deteriorating, recessionary conditions also impacted on Germany's leading index, the DAX, and resulted – unsurprisingly – in a negative annual performance. The DAX closed calendar year 2022 at 13,924 points, a loss of 12.4%. In the course of the year, the index failed to regain the annual high of 16,272 points attained on January 5, 2022 and on September 29, 2022 reached its annual low at 11,976 points.

Very early on, Brenntag has put in place a global crisis management system to protect the health and safety of its workforce and business partners, and in the course of the pandemic continually modified this system in line with local developments in the various regions of the world. As part of our responsibility as an employer, we implemented strict and forward-looking safety and hygiene measures at all sites. In accordance with the statutory options, the General Shareholders' Meeting in 2022 was held as a purely virtual event.



1.01 Brenntag share price performance (Indexed)

Brenntag share price performance

Global developments also impacted on Brenntag SE shares. In a difficult macroeconomic environment and amid a high level of economic uncertainty, Brenntag shares fell by 25% (23.4% including the dividend payment) over the course of the year.

The Brenntag Group's operating profit performance in calendar year 2022 was more than offset by general market developments and expectations. In both the Brenntag Essentials division and the Brenntag Specialties division, the company was able to increase its operating EBITDA by a clear margin. In the context of the “Project Brenntag” transformation program, Brenntag SE achieved some major successes and secured the expected contributions to earnings a year earlier than originally planned. The new corporate strategy, which was presented at the Capital Markets Day 2022 in London, was well received by capital markets participants. The “Strategy to Win” envisages a doubling of the annual M&A spend to around EUR 400 to 500 million, differentiated strategies for both Brenntag Essentials and Brenntag Specialties divisions, and the integration of Digital.Data.Excellence (DiDEX) as a growth driver.

Brenntag shares marked their annual high at EUR 81.08 on January 4, 2022 and failed to regain this level during the course of the year in an environment of falling equity markets. Brenntag SE shares found their annual low on October 12 at EUR 55.70, at almost the same time as our benchmark indices reached their lows.

In particular, the strong rises in commodity and energy prices in the context of the Ukraine war led to increased price pressure and higher stock volatility. Many chemical manufacturers saw their business performance decline and this was reflected in partly sharp price declines on the capital markets. Brenntag SE shares were also affected by these trends in the general industry environment and likewise dropped over the course of the year, despite the good operating performance.

An additional cause of buyer reluctance among investors was Brenntag SE’s announcement in November 2022 that it was in preliminary takeover talks of a larger distribution competitor. At the end of 2022, the shares closed at EUR 59.72. In January 2023, Brenntag SE ended the early talks regarding a potential takeover. Brenntag shares have since made a noticeable recovery.

Reference data on the Brenntag shares

As at December 31, 2022, the subscribed capital of Brenntag SE totaled EUR 154.5 million. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

Since going public in 2010, Brenntag shares have been listed in Deutsche Börse AG's Prime Standard segment. Since June 2010, Brenntag shares had been part of the MDAX, the second-largest German share index. Since September 2021, Brenntag SE has been listed on the DAX.

With a market capitalization of EUR 9,137 million at the end of 2022, Brenntag shares ranked 32nd among all listed companies in Germany, according to the Deutsche Börse AG criteria.

Brenntag shares are included in major international indices such as selected MSCI indices and the STOXX Europe 600, which tracks the performance of the 600 largest companies from 17 European countries, as well as in various sector indices such as the STOXX Europe 600 Chemicals. In addition, Brenntag shares are included in various sustainability indices such as the DAX 50 ESG and the DAX ESG Target Index.

	Dec. 31, 2022	Dec. 31, 2021
Number of shares	154,500,000	154,500,000
WKN	A1DAHH	A1DAHH
ISIN	DE000A1DAHH0	DE000A1DAHH0
Trading symbol	BNR	BNR
Market segments	Regulated Market / Prime Standard	Regulated Market / Prime Standard
Trading venues	Xetra and all German regional exchanges	Xetra and all German regional exchanges
Selected indices	DAX, MSCI, Stoxx Europe 600, STOXX Europe 600 Chemicals, DAX 50 ESG, DAX ESG Target	

1.02 Key data on the shares

Brenntag in dialogue with the capital market

Our Investor Relations activities aim to deliver a fair and transparent communication policy that provides equal treatment to all stakeholders. Through openness and transparency, we aspire to increase awareness of our company as an attractive investment and further develop Brenntag's standing on the capital market. We communicate our company's business performance and strategy continuously, promptly and reliably. This further strengthens investors' confidence in Brenntag and helps to ensure that our shares are adequately valued on the capital market.

In 2022, we again attached significant importance to personal contact with capital market participants. The Board of Management and the Investor Relations team were in constant dialog with investors and analysts worldwide. Capital market activities were further expanded. We discussed the company's business performance in detail in numerous meetings at international roadshows or investor conferences and at the General Shareholders' Meeting.

The Investor Relations team made use of a variety of formats to communicate with investors, both virtually and in person. The corporate governance roadshow in February 2022 is worthy of note. In the course of this multi-day roadshow, Doreen Nowotne, Chair of the Supervisory Board of Brenntag SE, answered questions about the composition of the Board of Management and the Supervisory Board, the independence of the Supervisory Board members, the Board of Management remuneration system and the role of ESG within Brenntag SE together with the Head of Corporate Investor Relations.

In February 2023, the company conducted a further roadshow on corporate governance. Here, the Chair of the Supervisory Board of Brenntag SE, Doreen Nowotne, and Richard Ridinger, Member of the Supervisory Board, presented changes to the Board of Management remuneration system in the context of the new corporate strategy as well as human resources and succession planning on the Supervisory Board, among other things.

In November 2022, the management of Brenntag SE presented the new Group strategy, "Strategy to Win", at the Capital Markets Day 2022 in London. You can find a video recording of the event on our website in the section Investor Relations. In addition to the above-mentioned activities, the Board of Management and the Investor Relations team regularly provided institutional investors, analysts and retail investors with information on Brenntag SE in numerous discussions.

This year, we will continue to present the company at numerous roadshows and capital market events. You will find the latest list of dates in our financial calendar in the Investor Relations Section of the Brenntag website at www.brenntag.com/financial_calendar.

Shareholder structure

As at February 28, 2023, notification had been received from the following shareholders under Section 33 of the German Securities Trading Act (WpHG) that their share of the voting rights exceeded the 3% or 5% threshold:

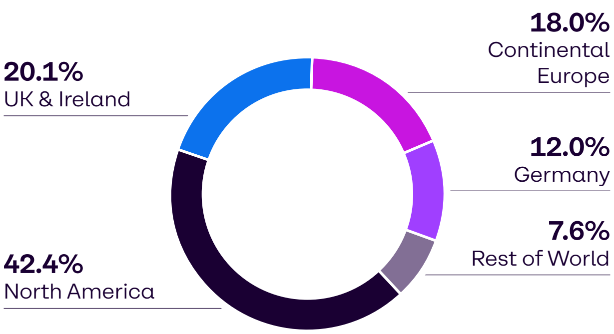
Shareholder	Interest in %	Date of notification
BlackRock, Inc.	>5	Feb. 06. 2023
The Capital Group Companies, Inc.	>5	Jun. 15, 2022
Ameriprise Financial, Inc.	>3	Feb. 21. 2023
Flossbach von Storch AG	>3	Dec. 22, 2022
Wellington Management Group	>3	Dec. 19, 2022
GIC Private Limited	>3	Dec. 15, 2022
EuroPacific Growth Fund	>3	Nov. 29, 2022
Kühne Holding AG[1]	>3	May 18, 2022
Burgundy Asset Management[2]	>3	Oct. 16 ,2018

1.03 Shareholder structure

[1] Details of person subject to the notification obligation: Klaus-Michael Kühne
[2] Details of person subject to the notification obligation: Hugh Anthony Arrell

All voting rights notifications are published on the company's website at www.brenntag.com/voting_rights_announcements.

At the time of reporting, 100% of Brenntag shares were held in free float as defined by Deutsche Börse. Based on the data collected most recently (December 31, 2022), more than 93% of the identified shares are held by institutional investors and organizations.



1.04 Shareholdings of institutional investors by region[1]

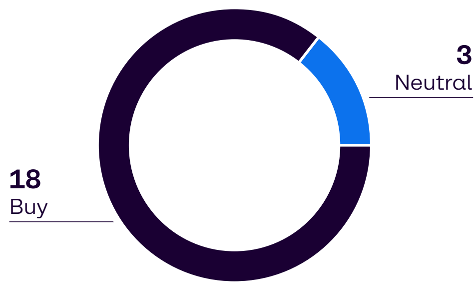
[1] Data collected as at December 31, 2022; Source: Nasdaq

Directors' dealings

In financial year 2022, 14 transactions were reported in directors' dealings notifications (managers' transactions). These can be viewed at any time on the Brenntag website at www.brenntag.com/managerstransactions.

Analysts' opinions

Brenntag is continuously monitored and rated by a large number of international financial analysts. Currently (as at: February 28, 2023), 22 banks regularly publish research reports on our company's latest performance and issue recommendations. Eighteen analysts have a buy recommendation and three have a hold recommendation on the Brenntag shares. There is no sell recommendation at the present time. One analyst firm is currently reorganizing their coverage and does not issue a recommendation or price target for the Brenntag shares. Many analysts value Brenntag highly as a growth stock with strong cash flow generation. Furthermore, following the successful implementation of "Project Brenntag", they see additional potential in the implementation of the next phase of the company's transformation, Brenntag's "Strategy to Win". As at February 20, 2023, the average share price target was EUR 87.14.



1.05 Analysts' opinions

Analysts covering Brenntag SE

- Baader Helvea
- Bank of America
- Bankhaus Metzler
- Barclays
- Berenberg Bank
- Citigroup
- Credit Suisse
- Deutsche Bank
- DZ Bank
- Exane BNP Paribas
- Goldman Sachs
- HSBC
- J. P. Morgan Cazenove
- Jefferies
- Kepler Cheuvreux
- LBBW
- Morgan Stanley
- Oddo BHF
- Societe Generale
- Stifel
- UBS
- Warburg Research

Up-to-date information on this can be found on our website at www.brenntag.com/analysts_opinions.

Creditor Relations

Brenntag has an extremely strong, long-term financial profile. We have a capital structure that enables the Group to cover its potential financing requirements at all times, including in a difficult capital market environment. This gives us a high degree of security, independence and financial flexibility. The most important component in the financing structure of Brenntag SE is the Group-wide syndicated loan agreement. In addition, two bonds and a promissory note transaction are currently outstanding with very favorable terms, underscoring Brenntag SE's high credit standing.

This strong credit profile maintained by Brenntag is reflected in investment grade ratings from the two international rating agencies Standard & Poor's and Moody's. Standard & Poor's assigns a "BBB" rating (outlook: positive). Standard & Poor's last raised the outlook from "stable" to "positive" in September 2021. Moody's last raised Brenntag SE's rating to "Baa2" (outlook: stable) in March 2021. Previously, Moody's had assigned Brenntag a "Baa3" rating (outlook: positive).

In August 2022, Brenntag issued promissory notes totaling around EUR 640 million. The promissory notes comprise a total of seven tranches with tenors of three, five and seven years and carrying both fixed and floating interest rates. Alongside euro-denominated tranches totaling EUR 390 million, the company also issued US dollar-denominated tranches totaling USD 250 million. The transaction marks the company's first promissory note issue. The cash inflow from the transaction will be used to generally fund the Brenntag Group's business development. Brenntag's promissory note placement in financial year 2022 confirmed its outstanding market access in a challenging capital market environment, optimized the currency mix and maturity profile of its liabilities, and thus bolstered its solid financing.

		Bond 2025	Bond 2029
Issuer		Brenntag Finance B.V.	Brenntag Finance B.V.
Listing		Luxembourg stock exchange	Luxembourg stock exchange
ISIN		XS1689523840	XS2394063437
Aggregate principal amount	EUR m	600	500
Denomination	EUR	1,000	100,000
Minimum transferrable amount	EUR	100,000	100,000
Coupon	%	1.125	0.500
Interest payment	annual	27 Sep.	6 Oct.
Maturity		Sep. 27, 2025	Oct. 6, 2029

1.06 Key data on the bonds of the Brenntag Group

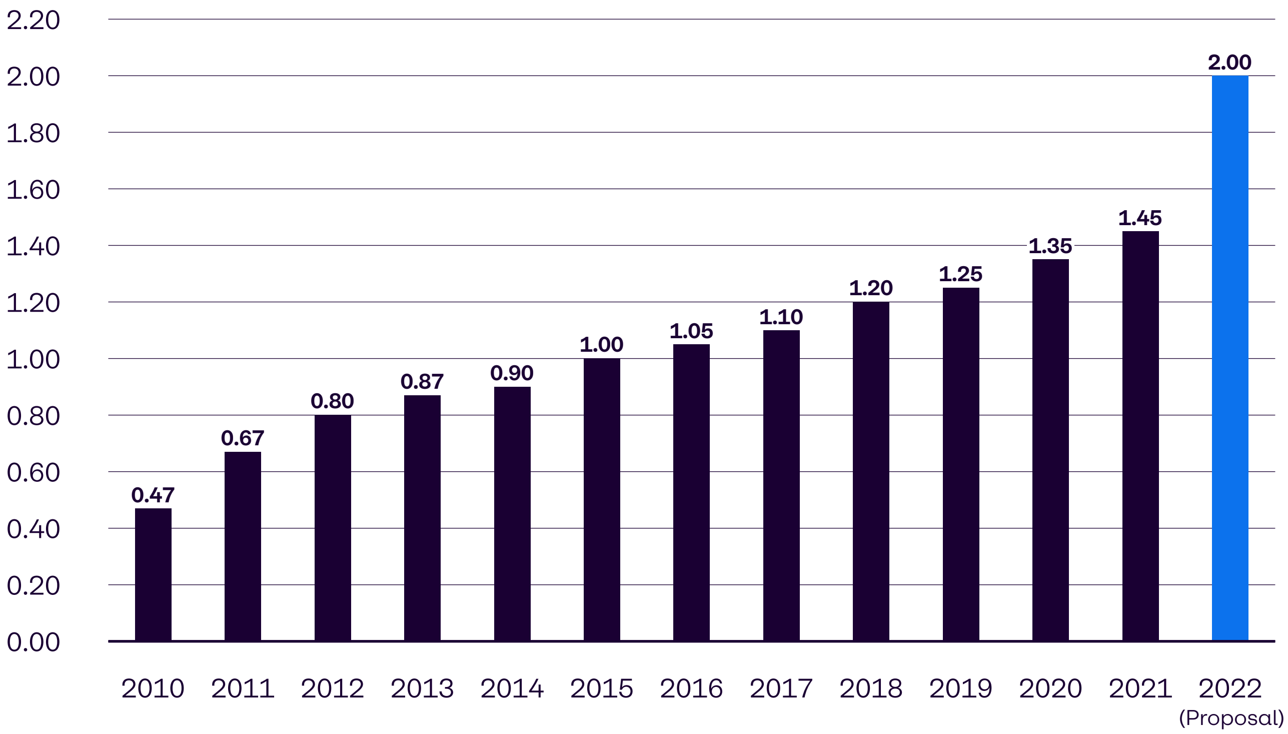
General shareholders' meeting

The virtual, ordinary General Shareholders' Meeting of Brenntag SE was held in Essen on June 9, 2022. With attendance at around 80%, the shareholders were very well represented. The General Shareholders' Meeting confirmed all resolutions proposed by the Board of Management and the Supervisory Board with a large majority in each case. At the General Shareholders' Meeting, shareholders reelected Mr. Wijnand P. Donkers and Mr. Ulrich M. Harnacke as members of the Supervisory Board. Shareholders also passed resolutions on various capital transactions, such as creating the authorization for a share buyback program and an authorization to issue a bond with warrants. The proposal to pay a dividend of EUR 1.45 per share was approved, representing a 7.0% increase compared with the previous year.

Attractive dividend proposal for 2022

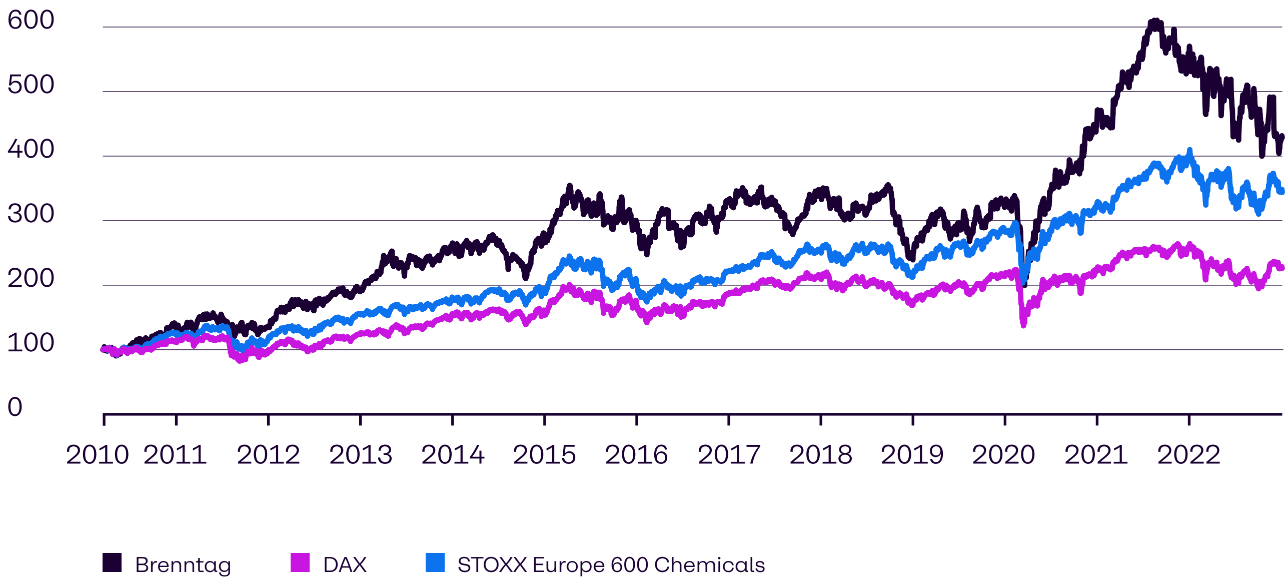
Since going public in 2010, the company has paid its shareholders a higher dividend each year. Since the stock market flotation in 2010, the average annual dividend increase of the Brenntag share, including the current dividend proposal, has been 12.8% per annum, meaning that the absolute dividend has increased by 325.5% overall.

Brenntag intends to increase the dividend for its shareholders for financial year 2022, too. The Board of Management and the Supervisory Board will recommend to shareholders at the General Shareholders' Meeting in June 2023 a dividend payment of EUR 2.00 per share. Subject to its approval at the General Shareholders' Meeting, this will be the twelfth consecutive dividend increase since the stock market flotation in 2010. The payout ratio on the basis of the consolidated profit after tax attributable to shareholders of Brenntag SE would therefore be 35%. With this payout ratio, which is in line with capital market communications, we are allowing shareholders to participate in the company's extraordinarily positive earnings and cash flow development.



1.07 Dividend performance

Historical performance



1.08 Historical performance[1] of Brenntag shares compared with the DAX (Mar. 29, 2010 to Dec. 31, 2022)

[1] Share price performance including dividends

in %	1 year	3 years	5 years	10 years
Brenntag shares [1]	– 23.4	9.6	4.9	8.4
DAX	– 12.3	1.7	1.5	6.2
STOXX Europe 600 Chemicals	– 14.3	6.1	6.5	8.4

1.09 Average annual performance of Brenntag shares and relevant benchmark indices in percent

[1] Received dividends reinvested. Due to rounding, the absolute totals may differ.

	Dec. 31, 2022	Dec. 31, 2021
No. of shares	154,500,000	154,500,000
Dividend (in EUR)	2.00[6]	1.45
Dividend yield (in %)[1]	3.30	1.80
Payout ratio (in %)	35.00	50.00
Earnings per share (in EUR)[2]	5.74	2.90
Book value per share (in EUR)[3]	30.80	25.30
XETRA closing price (in EUR)	59.72	79.58
XETRA high (in EUR)	81.08	86.80
XETRA low (in EUR)	55.70	64.26
XETRA average price (in EUR)	68.21	76.83
Average daily trading volumes XETRA and Frankfurt		
Shares	444,560	314,019
EUR k	30,267,458	24,087,647
Market capitalization (in EUR m)[4]	9,227	12,295
Price-earnings ratio[5]	10.40	27.40

1.10 Key data on the Brenntag shares

[1] Dividend / closing price x 100.
[2] Profit attributable to shareholders of Brenntag SE / number of shares.
[3] Equity attributable to shareholders of Brenntag SE / number of shares.
[4] Market capitalization at year-end.
[5] Closing price / earnings per share.
[6] As per the proposal for the appropriation of profit presented by the Board of Management and the Supervisory Board, subject to approval at the General Shareholders' Meeting on June 15, 2023.

Service for shareholders

You can find comprehensive information on Brenntag SE and the Brenntag shares on the Investor Relations website. In addition to financial reports and presentations, it also contains all the key dates on the financial calendar. The conference calls on the quarterly and annual financial statements are recorded and offered in audio format. Shareholders and interested parties can register by e-mail to be placed on the investor mailing list. The Investor Relations team would also be happy to help you in person.

Telephone: +49 (0) 201 6496 2100
Fax: +49 (0) 201 6496 2003
E-mail: IR@brenntag.de
Web: www.brenntag.com/investor_relations

Report of the Supervisory Board

Dear ladies and gentlemen, dear shareholders,

In the 2022 reporting period, Brenntag made clear progress in implementing the transformation initiated in 2020, while at the same time successfully overcoming the operational challenges arising from macroeconomic conditions.

At the end of 2022 – that is, a year earlier than planned – Brenntag was able to announce that the goals of "Project Brenntag", the first chapter in our transformation, had already been achieved and even exceeded. The two global divisions Brenntag Specialties and Brenntag Essentials were thus fully established, providing the basis for the next phase of the company's transformation, which it initiated in November by adopting the "Strategy to Win". The focus is now primarily on strengthening the two divisions' market position and developing the business model into a data- and technology-driven one.

The war in Ukraine has not only brought endless suffering to millions of people; it has also led to severe geopolitical, energy policy and economic turmoil. The resulting scarcity of transport capacity, product shortages and high inflation have impacted significantly on business operations. In these times, our business partners value Brenntag's reliability and delivery capability, which we demonstrated once again thanks to our unrivaled global position and the dedicated efforts of the entire organization. On behalf of the entire Supervisory Board, I would like to say a big thank-you to all Brenntag employees for their outstanding performance during the past financial year.

Cooperation between the Board of Management and Supervisory Board

Due to the large number of projects and challenges, the Board of Management and the Supervisory Board worked together very closely in the reporting period. The Supervisory Board of Brenntag SE performed the duties assigned to it by law, by the company's Articles of Association and by its rules of procedure with the utmost diligence. The members of the Supervisory Board regularly advised the Board of Management in its management of the company and monitored its activities. The Board of Management provided the Supervisory Board with timely and comprehensive information on all issues of relevance to the company.

The points of focus here included the review and monitoring of the development and implementation status of the transformation, i.e. in particular the progress in implementing "Project Brenntag" and the development of the "Strategy to Win", the further development of the corporate culture and the sustainability strategy, including their embedding in operating activities, the capital allocation strategy and specific acquisition projects. Other recurring topics on the agenda at the Supervisory Board meetings in the financial year 2022 included the exceptional macroeconomic challenges due to the war in Ukraine, the strains on global supply chains and the associated substantial price increases. Moreover, the Supervisory Board regularly turned its attention to global site and process safety and advised the Board of Management on the further development of safety standards, particularly with regard to accident prevention. The Supervisory Board was also kept up to date on the risk position, including risk management, deviations from plan and compliance matters.

The Supervisory Board had ample opportunity to address in depth, examine, discuss and consult on the reports from and resolutions proposed by the Board of Management. In doing so, the Supervisory Board always satisfied itself that at any time the company was managed in an effective, proper and lawful manner. In addition, the Supervisory Board was directly involved in all decisions of fundamental importance to the company at an early stage and discussed those decisions with the Board of Management in detail.

The Supervisory Board held five ordinary meetings in the 2022 reporting period, one of which took place virtually. In addition, three extraordinary meetings were held, two of them in the form of video conferences and one in person. Despite the large number of Supervisory Board meetings, we achieved the highest possible attendance rate of 100% at the ordinary and extraordinary Supervisory Board meetings. Mr. Ridinger was excused for being absent from one meeting of the Audit Committee, so the overall attendance rate at the committee meetings was 99%.

On five matters, the Supervisory Board took decisions by circular resolution. Those decisions concerned personnel matters, the 2021 remuneration report, the convening of the General Shareholders' Meeting on June 9, 2022, the continued development of the business responsibility plan and the engagement of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, as auditor for the combined separate non-financial report for 2022.

The following table contains a detailed overview of the Supervisory Board members' attendance at Supervisory Board and committee meetings:

Name	Ordinary Supervisory Board meetings	Extraordinary Supervisory Board meetings	Meetings of the Audit Committee	Meetings of the Presiding and Nomination Committee	Meetings of the Transformation and Sustainability Committee
Doreen Nowotne	5/5	3/3	–	12/12	9/9
Dr. Andreas Rittstieg	5/5	3/3	–	12/12	–
Stefanie Berlinger	5/5	3/3	8/8	–	–
Wijnand P. Donkers	5/5	3/3	–	12/12	9/9
Ulrich M. Harnacke	5/5	3/3	8/8	–	–
Richard Ridinger	5/5	3/3	7/8	–	9/9

1.11 Meeting attendance in 2022

The members of the Board of Management participated in the Supervisory Board meetings. However, the Supervisory Board also met regularly without the Board of Management. In the reporting period, the Supervisory Board also consulted a total of seven times, usually in connection with a Supervisory Board meeting, without the Board of Management in attendance.

The members of the Supervisory Board were also available to advise the Board of Management between the meetings and placed particular emphasis on intense dialog. Thus, in 2022, two recluse meetings were held in physical form, where the Board of Management and the Supervisory Board spent two days consulting on and discussing matters relating to the company's strategic development in greater depth. In addition, there was regular interaction on current topics between the Chair of the Supervisory Board and the Chair of the Board of Management. With regard to strategy development, other members of the Supervisory Board also coordinated individually with the Board of Management on specific issues. Due to the intensive cooperation, the Supervisory Board was able to consult with the Board of Management on the company's future strategic direction and to decide on business transactions and measures presented by the Board of Management and requiring the Supervisory Board's approval.

In order to perform its duties efficiently, the Supervisory Board has established various committees that prepare for discussions and resolutions on the Supervisory Board or can adopt resolutions themselves. Further information on the duties of the Supervisory Board can be found in the section "Working Practices of the Board of Management and Supervisory Board as well as the Composition and Working Practices of their Committees" in the Corporate Governance Statement. For information on the topics and resolutions, please refer to the following section, "Topics Addressed in the Supervisory Board Meetings".

Topics addressed in the Supervisory Board meetings

On March 8, 2022, the Supervisory Board held its first ordinary meeting. The focus of this meeting was on the 2021 consolidated financial statements of Brenntag SE, on which both the Board of Management and the appointed auditors, PwC, reported in detail. The Audit Committee informed the Supervisory Board about its review and discussion of the consolidated and annual financial statements. After reviewing the documents and determining that there were no objections to be raised, the Supervisory Board approved the consolidated financial statements of Brenntag SE for the financial year 2021 and the annual financial statements of Brenntag SE, which were thus adopted. This was followed by a detailed report on general market conditions, strategy development and selected compliance matters. The Supervisory Board also dealt with the further development of global site and process safety and the development of the Digital.Data.Excellence initiative. With regard to sustainability, the Board of Management presented the ESG targets achieved in 2021. It also put forward the specific ESG targets for 2022 and the newly developed medium- and long-term sustainability strategy, including further medium- and long-term ESG targets. Finally, there was also in-depth discussion of the implications of the war in Ukraine. In this context, the Supervisory Board and the Board of Management discussed Brenntag's business in Russia and possible consequences. In addition, a crisis team was set up to monitor the situation. The Supervisory Board supported the Board of Management's decision to suspend all imports and exports to and from Russia and Belarus in an orderly manner and to discontinue and wind up business operations in Russia until further notice.

At its second ordinary meeting, held in the form of a video conference on April 22, 2022, the Supervisory Board turned its attention to the combined separate non-financial report. The Audit Committee and the appointed auditors, PwC, Düsseldorf, presented and explained the results of their limited assurance engagement on the combined separate non-financial report. The Supervisory Board followed the Audit Committee's recommendation and approved the combined separate non-financial report.

The Supervisory Board held its third ordinary meeting on June 9, 2022 after the ordinary General Shareholders' Meeting. The Board of Management provided information on the current status of business and reported in particular on the effects of the war in Ukraine on Brenntag's business performance. In addition, the Board of Management presented the results of a global safety and process analysis across all sites and discussed the next steps with the Supervisory Board. The meeting also focused on discussion and approval of a project to support the Digital.Data.Excellence strategy, which entails investments in Brenntag's IT systems and programs aimed at improving digital capacities and capabilities. Furthermore, the Board of Management informed the Supervisory Board about the progress on IT security in a comprehensive report. The Supervisory Board also discussed projects related to mergers & acquisitions and the development status of the growth strategies for the Brenntag Specialties and Brenntag Essentials divisions. The Board of Management reported on the status of the sustainability strategy's development and discussed the planned internal carbon management program with the Supervisory Board. Finally, the Board of Management provided information on risk management and compliance matters.

At its fourth ordinary meeting on September 7, 2022, the Supervisory Board dealt once again with the development of the "Strategy to Win". One focus of discussion was the corporate culture that had been developed and the associated requirements for the profile of skills and expertise for Brenntag managers. Furthermore, the Supervisory Board advised the Board of Management on the further differentiation of the divisional strategies. The Supervisory Board learned about current business performance and approved a multi-year partnership with Salesforce to enable Brenntag to offer its customers and suppliers an effortless, data-driven and personalized user experience and thus fundamentally improve collaboration with customers and suppliers. Finally, on the topic of mergers & acquisitions, the Supervisory Board addressed strategic questions related to a possible acquisition in respect of synergy- and evaluation-related issues.

At a total of three extraordinary meetings on October 18, 2022, October 27, 2022 and November 14, 2022, one of which was held in person, the Board of Management presented various potential acquisition projects to the Supervisory Board. In particular, discussions at these three extraordinary meetings covered matters relating to strategic direction, integration and effects of the possible downturn in the macroeconomic environment on the evaluation and financing of the potential acquisition projects. In addition at the extraordinary meetings on October 18, 2022 and October 27, 2022, the developed "Strategy to Win" was presented by the Board of Management and discussed in depth with the Supervisory Board. At the meeting on October 27, 2022, the Supervisory Board approved the acquisition of all shares in Globe Chemical LLC based in Odessa, Texas, USA, from Gravity Oilfield Services LLC. At the same meeting, the Supervisory Board also approved the takeover of the Life Science and Coatings business of Australian specialty distributor Ravenswood.

At the fifth and final ordinary meeting of the reporting period on December 13, 2022, the Board of Management informed the Supervisory Board about the next steps to implement the adopted "Strategy to Win". Besides the Board of Management's presentation on the third-quarter results of the Brenntag Specialties and Brenntag Essentials divisions, another focal point of the meeting was the 2023 budget planning, which the Supervisory Board approved after consulting with the Board of Management in depth and discussing the trend in economic conditions. The Board of Management also presented the non-financial objectives for 2023, which were likewise approved by the Supervisory Board. This was followed by status reports on accident statistics and accident prevention. In addition, Global Human Resources presented information on succession planning and talent development. The Supervisory Board discussed the steps in the selection procedure, the outcome of the procedure and the Audit Committee's recommendation of a statutory auditor and group auditor, and decided to propose at the 2023 General Shareholders' Meeting that Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, be elected as statutory auditor and group auditor for the financial year 2023. The Supervisory Board also decided on the updated versions of the rules of procedure for the Supervisory Board, the Board of Management and the Audit Committee, and also amended the rules of procedure for the Transformation and Sustainability Committee so as to reflect the latest changes to the recommendations of the German Corporate Governance Code and the progress in developing the corporate strategy. In this context, the Transformation Committee was renamed Transformation and Sustainability Committee so as to reflect the shift in the focus of its activities. Finally, the Supervisory Board decided on the annual declaration of conformity with the German Corporate Governance Code.

Supervisory Board Committee activities

In the financial year 2022, the Supervisory Board had a total of three committees: the Audit Committee, the Presiding and Nomination Committee, and the Transformation and Sustainability Committee. Their respective chairs reported on the current work of the committees in the Supervisory Board meetings.

The Audit Committee, composed of Mr. Ulrich M. Harnacke (Chair), Ms. Stefanie Berlinger and Mr. Richard Ridinger in the reporting period, held a total of eight meetings. Four meetings were held in person and four meetings virtually. The composition of the Audit Committee meets the latest requirements and recommendations regarding the financial expertise of the committee members under the German Stock Corporation Act and the German Corporate Governance Code, as Mr. Ulrich M. Harnacke has expertise in financial statement auditing and special knowledge and experience in the application of accounting principles and internal control and risk management systems. Ms. Stefanie Berlinger likewise has appropriate expertise in financial statement auditing.

Key topics addressed by the Audit Committee included the preparations for the audit of the annual financial statements, the consolidated financial statements, the management report and the Group management report as well as the proposal for the appropriation of profit and the review of the quarterly financial statements, the half-year report and the quarterly statement. The statutory auditor reported to the Audit Committee without undue delay on all findings and issues arising in the course of the statutory audit that were of importance to the duties of the Supervisory Board. In addition, the statutory auditor provided notification or noted in the audit report that it had not identified any facts while performing the statutory audit that would result in a (further) deviation from the declaration of conformity with the German Corporate Governance Code submitted by the Board of Management and the Supervisory Board. Bearing in mind the recommendations of the German Corporate Governance Code, the Supervisory Board has set out these principles in the Audit Committee rules of procedure and in particular stipulated that the Audit Committee conduct a regular assessment of the statutory audit. At its meetings, the Audit Committee dealt extensively with the switch from regional to divisional reporting in connection with the transformation project “Project Brenntag”.

The Audit Committee also gave detailed attention to the work and findings of Internal Audit, the effectiveness of the internal control system and the risk management system, and the further development of the compliance management system. Further topics covered at the meetings included the review of the combined separate non-financial report for the financial year 2021. In addition, the Audit Committee consulted with the Board of Management and the relevant department on the future structure of the combined separate non-financial report. Following the election of PwC as statutory auditor at the General Shareholders’ Meeting in the reporting period and its statement to the Audit Committee that there are no circumstances that would call into question its impartiality, the Audit Committee assured itself of the auditors’ required independence and issued the audit engagement. There was also regular interaction between the Audit Committee – in particular the Chair – and the auditors outside of the meetings.

In the reporting period, the Audit Committee put the audit of the annual financial statements of Brenntag SE, the consolidated financial statements and the combined management report for the financial year 2023 out to public tender in accordance with the EU provisions reforming statutory audit, doing so a year earlier than required by law. On the initiative of the Chair of the Audit Committee, a working group was established to select the statutory auditor. The working group ensured that the tender procedure was carried out in a fair, transparent and non-discriminatory manner in accordance with Article 16 of the EU Regulation. Following a careful review of the proposals submitted and presentations from the teams from the audit firms submitting proposals, including in Brenntag SE’s principal finance departments abroad, the Audit Committee decided to recommend to the Supervisory Board that it propose at the 2023 General Shareholders' Meeting that Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, be elected as statutory auditor and group auditor for the financial year 2023.

The Presiding and Nomination Committee was composed of the Chair of the Supervisory Board, Ms. Doreen Nowotne, as well as Dr. Andreas Rittstieg and Mr. Wijnand P. Donkers. In the reporting period, the Committee met a total of twelve times. Three meetings were held in person and nine meetings virtually. In particular, the Presiding and Nomination Committee dealt with personnel matters, short-term and long-term succession planning on the Board of Management, the preparations for Supervisory Board resolutions on the definition of the variable remuneration for the Board of Management and the review of the remuneration system for the Board of Management.

Another main focus was the succession planning of the Supervisory Board, the review of the Supervisory Board's profile of skills and expertise, and the preparations for the Supervisory Board's proposals for the election of Supervisory Board members for the General Shareholders' Meeting in 2022 and 2023. In this context, the Committee was supported by an external adviser. In selecting possible candidates, the Presiding and Nomination Committee gave particular consideration to the targets adopted by the Supervisory Board for its composition, including the profile of skills and expertise and the diversity policy for the Supervisory Board.

The Transformation and Sustainability Committee, composed of Ms. Doreen Nowotne (Chair), Mr. Wijnand P. Donkers and Mr. Richard Ridinger in the reporting period, held a total of nine meetings. Six meetings were held in person and three meetings virtually. In addition to the meetings, four informal video conferences took place with the Board of Management in connection with potential acquisition projects. At the meetings in the reporting period, the Committee dealt in detail with the implementation of "Project Brenntag", for which the company was able to announce at the end of the reporting period that the goals had been successfully achieved ahead of schedule. In the second half of the reporting period especially, the Committee's focus shifted to the development and preparation of the subsequent strategy project. In this context, the committee dealt with the continued development of the two divisions' strategic direction, digitalization and the development of an ambitious sustainability strategy by establishing new and ambitious medium- and long-term targets, and prepared the relevant topics and resolutions for the Supervisory Board meetings. In December 2022, the Committee was renamed the "Transformation and Sustainability Committee". In future, it will allocate more time and attention to discussing and monitoring the implementation of the company's sustainability strategy.

German Corporate Governance Code

In connection with the further transformation and implementation of Brenntag's new corporate culture, the Supervisory Board of Brenntag SE regularly discussed the requirements and principles of reliable and sustainable corporate governance and their implementation within the company. On December 13, 2022, the Supervisory Board decided on new rules of procedure for the Board of Management, the Supervisory Board and its committees so as to reflect the changes resulting from the new version of the German Corporate Governance Code. On December 13, 2022, the Supervisory Board and the Board of Management jointly submitted a new declaration of conformity, which appears both on Brenntag's website under Corporate Governance Code and in the corporate governance statement.

Good corporate governance also includes regularly assessing how effectively the Supervisory Board as a whole and its committees perform their duties. The Supervisory Board continuously assesses the effectiveness with which the duties of the Supervisory Board and its committees are performed. The assessment usually comprises multiple steps and starts, for example, by establishing the points of focus, such as the frequency, organization and structuring of meetings and committees, the scope and nature of the information provided, communication within the Supervisory Board and with the committees, and cooperation between the Board of Management and the Supervisory Board. The efficiency review usually finishes by specifying objectives and setting out a schedule and multiple follow-up meetings for a regular joint review of the objectives and individual feedback. An external adviser monitors and assists with the assessment from time to time. Building on the last detailed efficiency review in 2021, the Supervisory Board scrutinized the continued effectiveness of its activities in the second half of 2022. Particular emphasis was placed on examining the long-term implementation and maintenance of the objectives set, also bearing in mind the current and changing requirements on the Supervisory Board and the committees. The Supervisory Board thus fulfilled its intention from 2021 to conduct a more regular review on an annual basis so as to continually assess and improve the effectiveness of its work. The next self-assessment is scheduled for 2023.

Brenntag SE aims to be as transparent as possible in communicating with the capital market. As Chair of the Supervisory Board, I am authorized under section 5.4 (1) of the Supervisory Board's rules of procedure to discuss Supervisory Board-specific issues with investors, provided this is in the company's interests and in compliance with the applicable laws. Regular dialog with shareholders and potential investors is of great importance to us. As Chair of the Supervisory Board, I fulfilled this responsibility in particular at a multi-day corporate governance roadshow in February 2022. The discussions covered topics such as the composition of the Board of Management and the status and further development of ESG within Brenntag SE. I notified the Supervisory Board of all the main topics covered in those discussions and kept the Chief Executive Officer fully informed.

In accordance with the German Corporate Governance Code, the Supervisory Board informs the General Shareholders' Meeting of any conflicts of interest that have arisen among Supervisory Board members. The members of the Board of Management and the Supervisory Board are required to report any conflicts of interest to me as Chair of the Supervisory Board without undue delay. No such conflicts of interest were disclosed in the entire reporting period and we can once again confirm our belief that all members of the Supervisory Board can be regarded as independent of the company.

In the reporting period, the members of the Supervisory Board undertook training and professional development measures appropriate to their duties on the Board to enable them to best carry out their activities on the Supervisory Board. Training and development measures included participation in specific events for Supervisory Board members by the leading audit firms as well as other conferences and professional events, for example on relevant regulatory changes. The points of focus spanned corporate governance, sustainability, financial and non-financial reporting, compliance and risk management. As well as attending training events, the members of the Supervisory Board were actively involved in associations and networks such as the German Audit Committee Network, Financial Experts Association e.V., Deutsche Schutzvereinigung für Wertpapierbesitz, the Applied Governance Circle and the Audit Committee Institute. In accordance with the law and the recommendation of the German Corporate Governance Code, Brenntag SE bore the cost of all Supervisory Board training measures to the extent that these provided Brenntag-specific knowledge. Brenntag also assisted the members of the Supervisory Board in organizing suitable trainings, such as a workshop on current regulatory changes around ESG in August 2022. In addition, new members of the Supervisory Board receive selectively compiled information materials before taking up their position to enable them to prepare for their activities. Further information on corporate governance at Brenntag can be found in the Corporate Governance Statement.

Review and adoption of the annual financial statements, approval of the consolidated financial statements, proposal for the appropriation of profit

The annual financial statements of Brenntag SE for the year ended December 31, 2022 and the combined Group management report and management report of Brenntag SE were prepared by the Board of Management in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), and the consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRSs) as adopted in the EU and the supplementary provisions of the German Commercial Code applicable pursuant to Section 315e HGB. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, the auditors elected by the General Shareholders' Meeting and appointed by the Supervisory Board, audited and issued an unqualified auditors' report on the annual financial statements of Brenntag SE, the combined Group management report and management report of Brenntag SE, and the consolidated financial statements.

The annual financial statements of Brenntag SE, the consolidated financial statements and the combined Group management report and management report of Brenntag SE as well as the auditors' audit reports were available to all members of the relevant body in good time ahead of the Audit Committee meeting on February 28, 2023 and the Supervisory Board meeting on March 7, 2023. The financial statement documents were discussed in detail on the Audit Committee and on the Supervisory Board, in both cases in the presence of the auditors, who gave a report. Following the preliminary review by the Audit Committee and the final result of the Supervisory Board's own review during its meeting on March 7, 2023, there were no objections to be raised. The Supervisory Board endorses the findings of the audit and approved the above-mentioned financial statements prepared by the Board of Management. The annual financial statements were thus adopted on March 7, 2023. The Supervisory Board endorsed the Board of Management's proposal to use the distributable profit to pay a dividend of EUR 2.00 per dividend-bearing no-par value share.

Brenntag SE is required to prepare a combined separate non-financial report for the financial year 2022. By way of a circular resolution passed on December 21, 2022, the Supervisory Board instructed PwC to perform a limited assurance engagement on the non-financial reporting. All Supervisory Board members received the combined separate non-financial Group report ("NfR") and PwC's practitioner's report on the limited assurance engagement on the non-financial reporting ("Practitioner's Report") at an early stage. The NfR and PwC's Practitioner's Report were discussed in detail by the Audit Committee. The auditors from PwC took part in these discussions and presented and explained the results of their review. On the basis of its own review of the NfR, the Supervisory Board passed a resolution on March 7, 2023 not to raise any objections to the NfR or the Practitioner's Report and to approve the findings of PwC's review.

Composition of the Board of Management and Supervisory Board

There were no changes in the composition of the Supervisory Board of Brenntag SE in the 2022 reporting period. We are delighted that Mr. Wijnand P. Donkers and Mr. Ulrich M. Harnacke were reelected. I have been Chair of the Supervisory Board since June 10, 2020 and intend to retain this position until the end of my current mandate. Mr. Richard Ridinger then intends to stand for the position of Chair of the Supervisory Board.

There was one change in the composition of the Board of Management in the reporting period. With effect from April 1, 2022, the Supervisory Board appointed Dr. Kristin Neumann to the Board of Management of Brenntag SE. She took up the position of Group Chief Financial Officer. Dr. Kristin Neumann has many years' experience at global companies. In her role, she is responsible for Accounting, Controlling, Investor Relations, Legal, Shared Services, Tax, Treasury and Insurance. Dr. Kristin Neumann succeeds Mr. Georg Müller, who, with effect from February 2, 2022, stepped down as Chief Financial Officer by mutual agreement. Dr. Christian Kohlpaintner is still Chief Executive Officer on the five-member Board. Besides Mr. Ewout van Jarwaarde, who holds the position of Chief Transformation Officer on the Board of Management, the Board members also include Mr. Steven Terwindt, who leads the Brenntag Essentials division. Mr. Henri Nejade, who was responsible for the Brenntag Specialties division in the reporting period, has decided not to extend his service agreement with Brenntag when it ends on June 30, 2023. The Supervisory Board would like to sincerely thank Mr. Henri Nejade for his notable contribution to Brenntag's success and wish him all the best for his personal and professional future. As of April 1, 2023, Mr. Michael Friede will take over the position of Brenntag Specialties Chief Operating Officer. We are pleased to have attracted to Brenntag an executive with international experience and profound market knowledge.

Thanks to the outstanding efforts and considerable dedication of our employees, we were able to master the economic challenges in the reporting period, while at the same time taking a significant step forward on our transformation journey. On behalf of the entire Supervisory Board, I would like to sincerely thank all Brenntag employees, the Global Leadership Team and the entire Board of Management for this exceptional achievement.

On behalf of the Supervisory Board

Doreen Nowotne

Chair
Essen, March 2023

Corporate Governance Statement

Brenntag has always attached great importance to good corporate governance. As a globally operating DAX40-listed company, we are particularly aware of our responsibility and our obligations in this area. The Board of Management and Supervisory Board jointly issue the corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB) and report on the principles of responsible corporate governance at Brenntag, each being responsible for the parts of the report that relate to them. In accordance with Principle 23 of the German Corporate Governance Code in its current version of April 27, 2022, the corporate governance statement is the central instrument of corporate governance reporting.

Corporate Governance

Commitment to responsible corporate governance

As in previous years, in this reporting year the Board of Management and the Supervisory Board thoroughly examined corporate governance and the requirements of the German Corporate Governance Code ("GCGC"). On the basis of these deliberations, they issued, on December 13, 2022, the following declaration of conformity with the recommendations of the GCGC of December 16, 2019 and of April 27, 2022:

"Declaration by the Board of Management and the Supervisory Board of Brenntag SE in accordance with Article 9 para. 1 lit. c) ii) SE-VO in conjunction with section 161 of the German Stock Corporation Act (Aktiengesetz)

The Board of Management and the Supervisory Board of Brenntag SE are obliged to resolve a Declaration of Conformity in accordance with Article 9 para. 1 lit. c) ii) SE-VO in conjunction with Section 161 of the German Stock Corporate Act (Aktiengesetz). The last Declaration of Conformity has been resolved on December 14, 2021. As of this time, the German Corporate Governance Code in the version dated March 20, 2020 ("GCGC 2020") was still in place. On June 27, 2022, a new version of the German Corporate Governance dated April 28, 2022, has entered into force ("GCGC 2022").

The Board of Management and the Supervisory Board hereby declare that since their last Declaration of Conformity as of December 14, 2021, Brenntag has complied with the recommendations of GCGC 2020 with the exception of the recommendation in number C.4 GCGC 2020. The exception is declared for the following reasons:

With regard to the Supervisory Board's Chair Doreen Nowotne, there is a deviation from the recommendation in C.4 GCGC 2020. Ms. Nowotne holds positions at two non-group companies, one of which is listed, and one is non-listed. She is also Chair of the Supervisory Board at a further non-group company. With her position as Chair of the Supervisory Board of Brenntag SE, her total number of seats in accordance with the GCGC's counting method amounts to six. Therefore, a deviation from C.4 GCGC 2020 is hereby declared. In any case, the Supervisory Board has ascertained that Ms. Nowotne has sufficient time available to discharge her duties.

Furthermore, the Board of Management and the Supervisory Board hereby declare that Brenntag complies and plans to continue to comply with the recommendations of GCGC 2022, with the exception of the recommendation in number C.4 GCGC 2022 as described above."

Explanations of the deviations from the recommendations of the German Corporate Governance Code

As in the previous year, Brenntag declares a deviation from the recommendation C.4 GCGC 2020 and C.4 GCGC 2022 respectively with regard to the number of Supervisory Board positions of Doreen Nowotne. According to C.4 GCGC 2020, a Supervisory Board member should not hold more than five supervisory board mandates in non-Group, listed companies or comparable functions, with an appointment as chair being counted twice. In addition to her office at Brenntag, the Chair of the Supervisory Board, Doreen Nowotne, is currently a member of the supervisory board of one other non-Group listed company, one other non-Group, non-listed company and the supervisory board chair of a non-Group, non-listed company. Together with her position as Supervisory Board Chair, she therefore has a total of six mandates according to the GCGC 2020 counting method. The Supervisory Board is convinced that, despite her other mandates, Ms. Nowotne has sufficient time available to discharge her duties at Brenntag and, thanks to her many years of experience, both at Brenntag and as a business consultant, is extraordinarily well-suited to the position of Supervisory Board Chair.

Declaration on the suggestions made in the GCGC

Brenntag complies with all suggestions made in the GCGC 2022.

Brenntag publishes an overview of implementation of the GCGC's suggestions on its corporate website at Corporate Governance Code | Brenntag.

Disclosures on corporate governance practice

Responsible, prudent and sustainability-focused corporate governance has always been a high priority at Brenntag. Our paramount goal is to observe legal requirements and voluntary internal codes of conduct (compliance) so we always act honestly, fairly and in good faith. To ensure this, the management makes use of various internal control and risk management systems and has established a compliance organization in the company. Every Brenntag employee is personally responsible for complying with all applicable laws, directives, policies and regulations. The information on corporate governance practice is also published on the website at Compliance at Brenntag | Brenntag.

Compliance management and organization: The compliance organization of Brenntag SE is headed by the Board of Management and, within the Board, by the Chairman. The Senior Vice President (SVP) Compliance Brenntag Group of Brenntag SE regularly provides the Board of Management and the Supervisory Board with information on compliance matters. Reports on compliance and whistleblowing cases and the development of the Group-wide compliance management system are also given in the regular Audit Committee meetings of the Supervisory Board. The regional compliance managers, who are appointed in the global regions, ensure coordination of the compliance management system at regional level. Regional compliance managers, who are supported in their work by local compliance contacts, examine and report all compliance cases and / or compliance questions which are brought to their attention and they regularly exchange information and experience with the SVP Compliance Brenntag Group SE. In this way, we ensure close networking of compliance management with our business activities at regional and local levels.

Code of conduct and company guidelines: As a global company, Brenntag is subject to a large number of laws, directives, regulations and ordinances. In addition to compliance with rules and regulations, honesty and integrity are our top priorities. A comprehensive Code of Business Conduct and Ethics summarizes all fundamental company values, ethical principles, compliance with laws, rules and regulations as well as the relevant guidelines and procedures which are of key significance for Brenntag and its reputation. The Code of Business Conduct and Ethics contains in particular the standards and rules Brenntag applies in the areas of health, safety and the environment, human rights and working conditions, dealings with business partners and public institutions, combating bribery and corruption, competition and antitrust law, avoidance of conflicts of interest as well as data privacy and information security. The Code of Business Conduct and Ethics has been published both on the external website of the Brenntag Group and on the Intranet and is available in various languages. It applies to all employees at all levels of the company. Its aim is to give guidance in the legal and ethical challenges of their daily work and to encourage correct and compliant conduct. Every infringement of this code of conduct may lead to disciplinary action and have further consequences under employment law and even criminal law for employees committing an infringement. In addition to the Code of Business Conduct and Ethics, there are further Group guidelines detailing compliance requirements, including an Anti-corruption Guideline, an Insider Compliance Guideline and the Corporate Guideline on Foreign Trade Compliance. In addition to the Code of Business Conduct and Ethics, which was revised in January 2021, all Group-wide guidelines can be accessed by all employees on the Group-wide Intranet.

Monitoring: The compliance processes and their implementation are regularly monitored both centrally and decentrally, in particular by the compliance organization. Appropriate measures are developed to counteract any weaknesses that are identified. Internal Audit Brenntag Group regularly reviews the internal control and compliance management system of the Brenntag Group companies. If weaknesses regarding compliance are identified during the regular audits, the Compliance department is informed accordingly and measures to eliminate the weaknesses are developed and implemented.

Training: Adherence to our Code of Conduct and antitrust requirements as well as the prevention of corruption are particular focal points of our compliance program. Our employees receive regular training on these topics – either at in-person events or through e-learning systems worldwide. The aim is to keep all employees' knowledge up to date, avoid any illegal actions as well as to protect the environment and employees from harm. Regular participation in training on the Code of Business Conduct and Ethics is mandatory for all employees. In addition, there are in-depth compliance training courses at global, regional and local levels, particularly on the topics of bribery and corruption, anti-trust law, data privacy and fraud prevention.

Whistleblowing: Brenntag has set up procedures for receiving and handling internal and external complaints and reports of compliance issues throughout the Group. Our employees can either make such reports to their direct supervisor or the regional compliance manager, or alternatively submit them via central or regional whistleblowing channels and whistleblowing systems. It is also possible to make an anonymous report using the whistleblowing system in particular. Persons outside the company can submit complaints and report infringements by using the whistleblowing channel on the website of Brenntag SE. The information received is always treated in strict confidence. Any reports received are reviewed internally and at the meetings of the Audit Committee. Appropriate action is taken if a compliance infringement has occurred.

Working practices of the Board of Management and Supervisory Board as well as the composition and working practices of their committees

Brenntag SE has a two-tier management system consisting of the Board of Management and the Supervisory Board in accordance with the legal requirements of Article 9, para. 1, number (c) (ii) of Regulation (EC) No. 2157/2001 on the Statute for a European company (SE) ("SE Regulation") and the German Stock Corporation Act. The management of business by the Board of Management and supervision by the Supervisory Board are therefore clearly separated. The Board of Management and the Supervisory Board are guided by the applicable legislation, the principles of the GCGC 2022, the company's Articles of Association as well as their respective rules of procedure. The working practices of both bodies are geared to responsible corporate governance, which is characterized by open discussions and transparency.

Board of Management

Ewout Van Jarwaarde
Chief Transformation Officer

Dr. Kristin Neumann
Chief Financial Officer (since April 1, 2022)

Dr. Christian Kohlpaintner
Chief Executive Officer

Henri Nejade
Chief Operating Officer Brenntag Specialties

Steven Terwindt
Chief Operating Officer Brenntag Essentials

Board of Management

The Board of Management of Brenntag SE consists of five members. By mutual agreement, Georg Müller stood down from his post as Chief Financial Officer with effect from February 2, 2022. Dr. Kristin Neumann took over the position with effect from April 1, 2022. In line with the GCGC 2020, she was initially appointed for a period of three years. Apart from the aforementioned, the composition of the Board of Management did not change in the reporting period. Dr. Christian Kohlpaintner remains Chairman of the Board of Management. In January 2023, Brenntag appointed Michael Friede to the Board of Management with effect from April 1, 2023. He will follow the current Brenntag Specialties Chief Operating Officer Henri Nejade, who has decided not to extend his contract with Brenntag when it ends on June 30, 2023.

Further information on the members of the Board of Management can be found on the website at Board of Management | Brenntag. Information on the remuneration of the Board of Management can be found in the remuneration report.

Members of the Board of Management

The members of the Board of Management hold the following offices on statutory supervisory boards and comparable supervisory bodies of business enterprises.

		Membership of statutory supervisory boards and comparable German and foreign supervisory bodies of business enterprises (as at Dec.31, 2022)	
Name / Responsibilities	**First appointed**	**External positions**	**Group company positions**
Dr. Christian Kohlpaintner (CEO)	January 1, 2020		
Corporate Board Office			
Global Human Resources			
Corporate Planning & Strategy			
M & A Brenntag Group			
Global Communications			
Global Marketing			
Corporate Compliance			
Corporate Internal Audit			
QSHE Brenntag Group			
Sustainability Brenntag Group			
Corporate Relations & Government Affairs			
Georg Müller (until February 2, 2022) (CFO)	April 1, 2012		BRENNTAG GmbH (Chair)
Corporate Controlling			
Corporate Accounting			
Legal Brenntag Group			
Tax Brenntag Group			
Treasury Brenntag Group			
Corporate Investor Relations			
Corporate Insurance Management			
Shared Services Brenntag Group			
Brenntag International Chemicals			

		Membership of statutory supervisory boards and comparable German and foreign supervisory bodies of business enterprises (as at Dec.31, 2022)	
Name / Responsibilities	**First appointed**	**External positions**	**Group company positions**
Dr. Kristin Neumann (CFO)	April 1, 2022	Zeppelin GmbH	BRENNTAG GmbH (Chair)
Corporate Controlling			
Accounting Brenntag Group			
Legal Brenntag Group			
Tax Brenntag Group			
Treasury Brenntag Group			
Corporate Investor Relations			
Corporate Insurance Management			
Shared Services Brenntag Group			
Finance EMEA			
Finance Americas			
Finance APAC			
Finance China & Hong Kong			
Henri Nejade (COO Brenntag Specialties)	July 1, 2015		
Brenntag Specialties EMEA			Brenntag (Shanghai) Enterprise Management Co., Ltd.
Brenntag Specialties Americas			Brenntag Cangzhou Chemical Co., Ltd.
Brenntag Specialties APAC			Brenntag (Zhangjiagang) Chemical Co., Ltd.
Controlling Brenntag Specialties			Brenntag Taiwan Co., Ltd.
Global Industry Development			
Steven Terwindt (COO Brenntag Essentials)	August 1, 2020		
Brenntag Essentials EMEA			
Brenntag Essentials North America			
Brenntag Essentials LatAm			
Brenntag Essentials APAC			
Brenntag Essentials China & Hong Kong			
Brenntag International Chemicals			
Controlling Brenntag Essentials			
Global Key Accounts			
Global Sourcing & Supply Brenntag Essentials			
Ewout van Jarwaarde (CTO)	January 1, 2021		
Digital Transformation			
Data & Analytics			
Core IT Platforms			
Digital Business Architecture			
Information Security			
Brenntag Excellence			
Transformation Office (incl. Project Brenntag)			
Indirect Procurement & Procurement Excellence			
E2E Deployment			
Controlling CTO Domain			

Working practices of the Board of Management

The Board of Management is responsible for managing the company with the aim of creating sustainable value. It develops the company's strategy, taking due account of the environmental and social impacts of the company's activities. The members of the Board of Management bear joint responsibility for the entire management of the company's business. They work together in a spirit of collective responsibility and keep one another informed about all significant business transactions and other important transactions and measures adopted in their respective areas of responsibility. Notwithstanding the joint responsibility of all Board of Management members for the conduct of Brenntag SE's business, each Board member is individually responsible for the areas assigned to him under the business responsibility plan or through other resolutions of the Board of Management.

The Board of Management manages the business of Brenntag SE independently. In doing so, it must act in the company's best interest, and therefore in the interest of the shareholders, employees and other stakeholders. The Board of Management operates in accordance with the applicable laws and the provisions of the individual service agreements of its members as well as the company's Articles of Association, its rules of procedure and the business responsibility plan. The Board of Management has set up a sustainable risk management and risk monitoring system that also covers sustainability goals and includes processes and systems for collecting and processing sustainability-related data. Furthermore, the Board of Management develops the strategy of the Brenntag Group in cooperation with the Supervisory Board and discusses the current status of its implementation with the Supervisory Board at regular intervals.

Board of Management meetings are to take place every two weeks but at least once a month. The Board of Management has a quorum if all its members have received invitations to the meeting and at least half of its members participate in adopting resolutions. Resolutions may be adopted outside meetings either by circulating the documents or in another form, for example by video conference. The Board of Management must do everything in its power to ensure that its resolutions are adopted unanimously. Insofar as other majorities are not prescribed by law or by the Articles of Association of Brenntag SE, the Board of Management is to adopt resolutions with a simple majority of the members of the Board participating in the vote. In the event of a tie, the Chairman of the Board of Management has a second vote.

The Board of Management has currently not set up any committees. The transactions for which a resolution adopted by the Board of Management is required by law, the Articles of Association or the rules of procedure for the Board of Management of Brenntag SE include but are not limited to the following measures:

- Board of Management's reports to the Supervisory Board,
- fundamental organizational measures, such as the conclusion of company agreements, transformation measures within the meaning of the German Transformation of Companies Act or acquisitions, carve-outs or the sale of material parts of the company as well as strategy and business planning issues,
- measures related to the implementation and controlling of a monitoring system,
- issuance of the declaration of conformity,
- preparation of the annual financial statements and the management report,
- convening of the General Shareholders' Meeting as well as the Board of Management's requests and proposals for resolutions to be dealt with and voted on at the General Shareholders' Meeting,
- matters with respect to which the Chair of the Board of Management or any two members have requested a resolution by the Board of Management.

Furthermore, internal guidelines applicable throughout the Group have been implemented which also require a resolution passed by the entire Board of Management or by individual members of the Board of Management for certain matters. The Board of Management must regularly inform the Supervisory Board, in due time and comprehensively, of all issues of Brenntag SE and its subsidiaries with regard to strategy, corporate governance, the business policy it plans and other fundamental questions of corporate planning, the company's profitability, business performance and current position, risk management and compliance. The Board of Management addresses in particular any departures of business performance from the plans made or targets agreed, stating the reasons for such departures. In addition, the Board of Management requires the prior consent of the Supervisory Board for certain major matters which are described in detail in the chapter "Supervisory Board".

Supervisory Board

As in the previous year, the Supervisory Board of Brenntag SE consists of six members. The composition of the Supervisory Board has not changed since the reporting year 2021. There are no employee representatives on the Supervisory Board of Brenntag SE as the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) and the German Codetermination Act (Mitbestimmungsgesetz) are not applicable. The members of the Supervisory mentioned by name below are therefore all shareholders' representatives.

Members of the Supervisory Board

The members of the Supervisory Board hold the following offices on statutory supervisory boards and comparable supervisory bodies of business enterprises.

Name	Position held	Member from	Membership of statutory supervisory boards and comparable German and foreign supervisory bodies of business enterprises (as at December 31, 2022)
Doreen Nowotne (Chair) Presiding and Nomination Committee Transformation and Sustainabillity Committee	Independent Management Consultant	March 3, 2010	JENOPTIK AG (listed) Lufthansa Technik AG Franz Haniel & Cie. GmbH (Chair)
Dr. Andreas Rittstieg (Deputy Chair) Presiding and Nomination Committee	Lawyer	March 19, 2010	New Work SE (listed) (until June 1, 2022) Hapag Lloyd AG (listed) (since May 25, 2022) Hubert Burda Media Holding Geschäftsführung SE Huesker Holding GmbH Kühne Holding AG
Stefanie Berlinger Audit Committee	Managing Director Lilja & Co. GmbH	June 9, 2015	Lilja Capital Advisory Partners AG, Zurich, Switzerland
Wijnand P. Donkers Presiding and Nomination Committee Transformation and Sustainability Committee	Independent Management Consultant	June 8, 2017	EV Technology Group Inc.
Ulrich M. Harnacke Audit Committee	Chartered Accountant, Tax Consultant, Independent Business Consultant	June 8, 2017	Vossloh AG (listed) Contigas Deutsche Energie-AG & Thüga AG Deutsche Energie-AG & Thüga Holding GmbH & Co. KGaA Zentis GmbH & Co. KG
Richard Ridinger Audit Committee Transformation and Sustainability Committee	Independent Management Consultant	June 10, 2020	Firmenich International SA Evolva Holding SA (listed) (until May 5, 2022) SHL Medical AG

Working practices of the Supervisory Board

As the second governing body of a stock corporation (Aktiengesellschaft), the Supervisory Board has the task of monitoring the management of the company by the Board of Management as well as advising the Board of Management on the management of the company. The Supervisory Board also appoints and dismisses the members of the Board of Management. The Supervisory Board bases the composition of the Board of Management on the company's strategy, the requirements of the recommendations of the Government Commission "German Corporate Governance Code" and on the internal diversity policy. The Supervisory Board regularly discusses the company's strategy with the Board of Management and the progress made in its implementation. Furthermore, the Board of Management regularly informs the Supervisory Board of all issues with regard to planning, business development, the risk situation and risk management of the company in compliance with Section 90 of the German Stock Corporation Act (AktG).

Furthermore, the prior consent of the Supervisory Board is required for some major Board of Management decisions, including the business responsibility plan of the Managements, major changes in the business strategy of the Brenntag Group, the acquisition or sale of major plots of land, companies or business operations, the conclusion of agreements in connection with the granting or raising of loans or the assumption of guarantees, the amount of which exceeds certain thresholds.

The Supervisory Board has adopted rules of procedure and, according to these rules, holds at least two meetings in the first two quarters and at least two meetings in the last two quarters of each calendar year. If necessary and on a case-by-case basis, additional meetings are held or circular resolutions are passed outside Supervisory Board meetings. The Supervisory Board has a quorum when at least three members participate in the voting. Insofar as other majorities are not prescribed by law, resolutions are passed by a simple majority. In the event of a tie, the Chair has the casting vote. He / she is also authorized to make any declarations on behalf of the Supervisory Board which are necessary to implement its resolutions.

The Supervisory Board members are in principle elected for a period up to the close of the General Shareholders' Meeting which resolves on the formal discharge of the Supervisory Board for the fourth financial year after commencement of the respective term of office. The financial year in which the term of office starts is not counted for this purpose. The General Shareholders' Meeting can determine a shorter term of office for the Supervisory Board members. Members of the Supervisory Board may be re-elected. All members of the Supervisory Board are bound by the company's best interests and must immediately inform the Supervisory Board of any conflicts of interest. New members of the Supervisory Board already receive targeted information material prior to taking up office in order to prepare them for their work.

Information on the remuneration of the Supervisory Board members can be found in the "remuneration report"; this information can also be found on the website. The Supervisory Board performs an assessment of its activities on a regular basis, but at least every two years. The last efficiency review took place in 2022. Further information on the efficiency review is to be found in the Report of the Supervisory Board. In the second half of the year, the Supervisory Board regularly reviewed the planned progress and the achievement of objectives. The next self-assessment is scheduled for 2023.

Since January 2021, the Supervisory Board has had three committees set up from among its members, namely the Presiding and Nomination Committee, the Audit Committee, and the Transformation and Sustainability Committee. The members of the committees are appointed for the entire period of office as members of the Supervisory Board. Each chair reports regularly to the Supervisory Board on the committee's activities.

Presiding and Nomination Committee

As was the case in the previous year, the Presiding and Nomination Committee set up by the Supervisory Board of Brenntag SE consists of the Supervisory Board Chair, Doreen Nowotne, as well as Dr. Andreas Rittstieg and Wijnand P. Donkers. The Chair of the Supervisory Board always also holds the Chair of the Presiding and Nomination Committee.

The Committee coordinates the activities of the Supervisory Board as a whole and monitors compliance by the Board of Management with the rules of procedure. Furthermore, the Committee makes proposals regarding the appointment and removal of members of the Board of Management, the terms of the Board of Management service agreements within the framework of the remuneration system structure adopted by the Supervisory Board as well as any application to reduce the remuneration of a Board of Management member, and regularly provides the Supervisory Board with information for reviewing the remuneration system as a whole. It ensures long-term succession planning and sets the necessary qualifications of the Board of Management members. In this connection, the Presiding and Nomination Committee works closely with the Board of Management. Furthermore, it prepares a diversity concept for the Board of Management and Supervisory Board. In addition, the Committee represents Brenntag SE vis-à-vis former members of the Board of Management in accordance with Section 112 of the German Stock Corporation Act, consents to sideline activities of Board of Management members in accordance with Section 88 of the German Stock Corporation Act and grants loans to the persons named in Sections 89 and 115 of the German Stock Corporation Act. In addition, the Committee approves contracts with Supervisory Board members in accordance with Section 114 of the German Stock Corporation Act and proposes suitable candidates as Supervisory Board members to the General Shareholders' Meeting in case of the election of Supervisory Board members, taking into account the concrete objectives for the composition of the Supervisory Board and the profile of skills and expertise for the Supervisory Board as a whole.

Audit Committee

The Supervisory Board of Brenntag SE has set up an Audit Committee, which meets at least four times in each calendar year and in particular monitors the accounting process and the quality of the audit of the annual financial statements. The Audit Committee has three members who were appointed by the Supervisory Board. As in the previous year, they are Ulrich M. Harnacke as its Chair, Stefanie Berlinger and Richard Ridinger. Thanks to the many years he has spent working as a chartered accountant and tax consultant, the Chair of the Audit Committee, Ulrich M. Harnacke, has expertise in financial statement auditing and special knowledge and experience of applying accounting principles and internal control procedures. Furthermore, he is not a former member of the company’s Board of Management. Stefanie Berlinger has special expertise in the field of financial statement auditing, which she has acquired through her many years of experience as a finance expert and managing director as well as her years of service on the Audit Committee.

The Chair reports regularly to the Supervisory Board about the activities of the Committee. The Audit Committee prepares the resolutions of the Supervisory Board on the auditing and adoption of the annual financial statements as well as the approval of the consolidated financial statements, the proposal for the appropriation of profit and the combined separate non-financial report. Furthermore, the Audit Committee prepares the Supervisory Board’s proposal to the General Shareholders’ Meeting on the election of the auditors for the consolidated financial statements and the auditors for the half-year and quarterly financial reports, insofar as the latter are audited or reviewed by auditors. For this purpose, the Audit Committee pre-reviews the documentation relating to the consolidated and annual financial statements, the combined Group management report and the management report, the non-financial Group report within sustainability reporting as well as the proposal for the appropriation of profit. The Audit Committee discusses the audit reports with the auditor. The Committee deals with accounting issues on behalf of the Supervisory Board, in particular the treatment of subjects of fundamental importance, such as the application of new accounting standards and the monitoring of the accounting process. It deals with half-year and quarterly financial reports or quarterly statements as well as their audit or review. Furthermore, it reviews the adequacy and effectiveness of the company’s internal control system, risk management system and internal audit system.

The Audit Committee also reviews observance of and compliance with the statutory provisions and internal company policies as well as compliance with the relevant rules of the German Corporate Governance Code. On behalf of the Supervisory Board, the Committee also monitors in particular the quality of the audit and the auditors’ independence, including compliance with statutory requirements regarding the tendering process, proper awarding of non-audit services, compliance with the upper limit for permissible non-audit services and observance of requirements to rotate the statutory auditor. In addition, the Committee engages the auditors to conduct the audit of the annual financial statements and, if necessary, a review of the half-year and quarterly financial reports. Furthermore, it discusses the scope and main points of the audit as well as cooperation between the statutory auditor and Internal Audit Brenntag Group and other departments involved in risk management. On behalf of the Supervisory Board, the Committee authorizes the auditors’ fee. In addition, the Audit Committee discusses the financial, investment and liquidity plans with the Board of Management, including the plans with respect to the observance of financial covenants and the adequacy of interest hedging for the Group as well as deviations of the actual development from targets previously reported. The Audit Committee is responsible for the receipt and handling of complaints by employees and third parties about the accounting, the internal company control system, risk management, the audit of the financial statements and other accounting-related issues (whistleblowing). The Audit Committee may assume other tasks which the Supervisory Board assigns to it. It obtains regular reports about the work of the Corporate Internal Audit department, in particular about that department’s audit focuses and audit findings. The same applies to risk management and the monitoring of compliance.

Transformation and Sustainability Committee

The Supervisory Board set up a Transformation Committee in January 2021. Since then, this committee has dealt in particular with the planning and implementation of "Project Brenntag" in the company, a review and refinement of the corporate strategy and the corporate structure as well as the relevant organizational processes. Furthermore, it is involved in other aspects relating to the transformation of the company and other future topics, for example those relating to the corporate culture and sustainability. The Transformation Committee prepares the Supervisory Board meetings and resolutions on corresponding resolution items. The members of the Transformation Committee are Doreen Nowotne, who is also its Chair, Wijnand P. Donkers and Richard Ridinger.

The Transformation Committee was renamed the Transformation and Sustainability Committee in December 2022 following the conclusion of “Project Brenntag”. In future, it will focus on advising on and monitoring the implementation of the strategy, also with regard to sustainability and digitalization, and support further projects in connection with Brenntag’s transformation in an advisory and monitoring capacity.

Shares held by the Board of Management and Supervisory Board members

On December 31, 2022, no member of the Board of Management or the Supervisory Board held share packages of Brenntag SE or financial instruments relating to such shares, which in each case exceed 1% of the shares issued by Brenntag SE either directly or indirectly. At that date, the total number of shares held by all members of the Board of Management and Supervisory Board together also did not exceed 1% of the shares issued by the company.

Avoidance of conflicts of interest on the Board of Management and the Supervisory Board

In the reporting year, there were no conflicts of interest of Board of Management or Supervisory Board members which are to be reported immediately to the Supervisory Board owing to the duty of loyalty to the company. Furthermore, as was also the case in the previous years, in the reporting year there were no advisory or other service agreements and contracts for work between a member of the Supervisory Board and the company or the other consolidated subsidiaries. No member of the Board of Management has accepted more than a total of three offices in non-Group listed companies or on supervisory bodies of non-Group entities that make similar requirements. A detailed list of the offices held by the members of the Supervisory Board on supervisory boards to be established by law or on comparable domestic and foreign supervisory bodies of business enterprises is given in the chapter “Members of the Supervisory Board”.

Reportable securities transactions of Board of Management and Supervisory Board members

Pursuant to Section 26, para. 2 of the German Securities Trading Act (WpHG) in conjunction with Article 19 of the Regulation (EU) No. 596/2014, termed the Market Abuse Regulation, any persons working in a management capacity for an issuer of securities and any persons closely associated with said persons are obliged to report transactions involving shares of Brenntag SE or related financial instruments if the value of the transactions which they have made in one calendar year reaches or exceeds EUR 20,000. Transactions reported in financial year 2021 were duly published and are available on Brenntag's website at Managers' Transactions | Brenntag. Transactions in previous reporting periods were also duly published and can also be accessed at any time on the website.

D&O insurance deductible

For details on the D&O insurance (Directors & Officers insurance, liability insurance against financial losses), we refer you to the information given in the chapter “remuneration report”.

Appropriate control and risk management

An effective risk management and control system is a pre-requisite for the Board of Management and Supervisory Board of Brenntag SE to ensure that opportunities and risks arising from the business activities of Brenntag SE and its subsidiaries are handled appropriately. One particular focus remains the financial risks, in particular the liquidity and credit default risks. Systematic risk management enables potential uncertainties to be identified and assessed at an early stage and risk positions optimized. The Board of Management reports regularly to the Supervisory Board on any existing risks and their development. The Audit Committee of the Supervisory Board is responsible for monitoring the accounting process, effectiveness and efficiency of the company’s internal controls, risk management and the internal audit system. The Audit Committee’s work is described in detail in the chapter “Audit Committee”. Brenntag SE’s controlling, risk management and audit systems are continually refined and regularly adapted to changing conditions. Details on the internal control and risk management system including the adequacy and effectiveness of the systems can be found in the chapter “Main elements of the internal control / risk management system” in the combined management report.

Transparency and equal treatment through comprehensive information

Brenntag SE aims to ensure that communications with the capital market are as transparent as possible and that all market participants are treated equally. Hereby, it is ensured that all market participants receive information continuously, promptly and comprehensively. For Brenntag SE, constant dialogue with its shareholders and potential investors is a matter of course. Communications with the capital market are handled by the Board of Management and the Investor Relations team. The company maintained its dialogue with capital market participants at a high level in 2022. An overview of the various activities in this area can be found in the chapter "Brenntag on the Stock Market". In addition, the Chair of the Supervisory Board is, if required, available to discuss specific topics that fall within the scope of the Supervisory Board. Brenntag SE regards corporate governance as an integral part of communications with the capital market and its investor relations activities. In February 2022, in-depth discussions were held between the Chair of the Supervisory Board and selected investors as part of a multi-day corporate governance roadshow. Subjects discussed included the composition of the Board of Management and Supervisory Board, the Board of Management remuneration system and the role of ESG within Brenntag SE.

In line with its transparent communications policy, Brenntag SE makes all material new information available to shareholders on its corporate website without delay, including, in particular, financial reports, investor presentations, financial news, ad-hoc news, the Articles of Association as well as details on the General Shareholders’ Meeting and the financial calendar. The financial calendar contains important event and publication dates and can also be found at the end of this annual report.

Shareholders and general shareholders’ meeting

The shareholders exercise their membership rights at the General Shareholders' Meeting and, as shareholders, express the collective will of the company. As provided for by law and in the Articles of Association, the shareholders of Brenntag SE exercise their rights before or during the General Shareholders’ Meeting and, in this respect, may also exercise their voting rights. Each share of Brenntag SE carries one vote in the General Shareholders’ Meeting. The General Shareholders’ Meeting resolves, among other things, on the appropriation of profit, the discharge of the Board of Management and of the Supervisory Board and on the election of the auditors. As a rule, the Chair of the Supervisory Board presides over the General Shareholders’ Meeting. The ordinary General Shareholders’ Meeting takes place once a year. Shareholders who are registered with the share register of the company and whose application for attendance is received by the company in good time before the General Shareholders’ Meeting are entitled to participate in the General Shareholders’ Meeting and exercise their voting rights. Shareholders may exercise their right to vote in the General Shareholders’ Meeting either personally or through a representative of their choice, or by a company-appointed proxy acting on their instructions.

As was also the case in the previous year, shareholders were offered the option of exercising their right to vote at the 2022 General Shareholders’ Meeting in writing by postal vote, without appointing a person to represent them. It is also planned to offer the option of postal voting for the 2023 ordinary General Shareholders’ Meeting. To provide information for the shareholders, Brenntag SE posts the annual report on the past financial year on its website promptly after the Supervisory Board meeting at which the annual financial statements are adopted. As was also the case in the previous year, notice of the 2023 ordinary General Shareholders’ Meeting will be given at least 36 days before the date on which it is to be held. The invitation to attend will include a list of items on the agenda as well as an explanation of conditions for attendance and the rights of the shareholders. All documents and information on the forthcoming ordinary General Shareholders’ Meeting are also available in good time for downloading from the website of Brenntag SE. After the General Shareholders’ Meeting, Brenntag SE also publishes attendance and the results of votes on the Internet.

Due to the continued restrictions imposed by the COVID-19 pandemic in financial year 2022, shareholders were again only able to attend the General Shareholder's Meeting virtually. However, in accordance with the provisions of the German COVID-19 Emergency Act, shareholders had the opportunity to submit questions in advance to the Board of Management and Supervisory Board until one day before the meeting. All questions were answered at the General Shareholders' Meeting.

Accounting and financial statement auditing

The consolidated financial statements of Brenntag SE are prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. The financial statements of Brenntag SE, on which the dividend payment is based, are drawn up in accordance with the German Commercial Code and the German Stock Corporation Act. All single-entity and consolidated financial statements of Brenntag SE since the IPO in 2010 have been audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). The audit is managed centrally by the PwC branch at Moskauer Str. 19, 40227 Düsseldorf. The undersigned statutory auditors are Christiane Lawrenz (2020 for the first time, both for the single-entity and consolidated financial statements) and Daniel Deing (2021 for the first time, both for the single-entity and consolidated financial statements). The statutory requirements and requirements to rotate pursuant to Sections 319 and 319a of the German Commercial Code (HGB) are met. For financial year 2022, it was again agreed with the statutory auditors that the Chair of the Audit Committee would be informed immediately of any possible grounds for exclusion or bias arising during the audit insofar as they are not immediately eliminated, and that the auditors would report immediately on any findings or occurrences during the audit which have a significant bearing on the duties of the Supervisory Board. It was also agreed that the auditors would inform the Supervisory Board or make a note in the audit report of any facts ascertained during their examination that conflict with the declaration of conformity with the recommendations of the Government Commission “German Corporate Governance Code”; this declaration was issued by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act.

Information on targets for the percentage of women and diversity

In accordance with Section 111, para. 5 of the German Stock Corporation Act, Brenntag SE is required to set targets for the share of women on the Supervisory Board, Board of Management and, in accordance with Section 76, para. 4 of the German Stock Corporation Act, on the first two management levels below the Board of Management. The Supervisory Board last set new targets for the share of women in 2021. In each case, the deadline for implementing the target is January 31, 2026. It set the target for the share of women on the Supervisory Board at 33.3% and the target for the share of women on the Board of Management at 20%. For the Supervisory Board, this corresponds to two women; for the Board of Management one woman.

In 2017, the Board of Management had set targets for the share of women on the only management level in the company below the Board of Management at 30%. The target set was achieved by the end of the deadline for implementation on June 30, 2022. Although the deadline for implementation had not yet expired, the Board of Management resolved new targets in February 2022. As a result of the new matrix structure as part of the transformation process, there is now a second management level below the Board of Management for which a target also has to be set. The Board of Management aims to achieve a target of at least 30% for both levels by January 31, 2026. Taking into account the current structure and staffing of these management levels, a target of six women has been set for the first management level. A target of eight women has been set for the second management level. Naturally, the aforementioned targets do not rule out the possibility that the share of women will increase more than that. Before the above-mentioned deadline for implementation expires, the Supervisory Board and Board of Management will pass a resolution setting new targets.

In Doreen Nowotne and Stefanie Berlinger, the Supervisory Board has two female members so the share of women on the Supervisory Board was 33.3% in the reporting period and remains so. With the appointment of Dr. Kristin Neumann as Chief Financial Officer effective April 1, 2022, we achieved the 20% target for the percentage of women on the Board of Management in 2022.

As at December 31, 2022 the percentage of women on the first management level below the Board of Management was roughly 31.8%, which corresponds to seven women. The share of women on the second management level below the Board of Management was 33.3%, which corresponds to eleven women.

The advancement of young women is a major priority at Brenntag. The positive change in the percentage of women on the management levels below the Board of Management is a sign that the internal measures implemented are a success. The percentage of women in management roles is also to be further improved by their participation in external programs. We are confident that this will enable us to set the targets higher in the long term and keep them higher.

Apart from Brenntag SE, Brenntag GmbH is the only Group company pursuant to Section 36 and Section 52 of the German Limited Liability Companies Act (GmbHG) required to set targets for the percentage of women on the Supervisory Board, in the managing director team and on the two management levels below the managing directors. Brenntag GmbH is not required to disclose a management report because it has applied the exemption provisions pursuant to Section 264, para. 3 HGB. In accordance with Section 289a, para. 4, sentence 2 in conjunction with para. 1, sentence 2 HGB, Brenntag GmbH publishes its declaration with the specifications and disclosures in accordance with Section 289a, para. 2, No. 4 HGB on its website at www.brenntag.com/en-de/compliance/proportion-of-women-in-management-positions.

Information on the diversity policy

With respect to the composition of the Board of Management and Supervisory Board, Brenntag has a diversity policy in place that is designed to ensure diversity with regard to age, gender, training, educational and professional background as well as experience gained abroad. Brenntag promotes an informal and open-minded work culture with the greatest possible diversity ("Explore variety"). The diversity policy for the Board of Management and the Supervisory Board ensures that this approach is also reflected in these bodies. Brenntag is convinced that a holistic approach to diversity will strengthen the company in the long term by taking into account different perspectives, experiences and backgrounds, and it will create added value for Brenntag's customers and suppliers as well as its employees.

Diversity policy for the Board of Management

The diversity policy for the Board of Management is based on a holistic approach to ensure successful, long-term succession planning:

- The age limit for membership of the Board of Management is 65.
- The aim is to achieve the target and timeframe set for the percentage of women on the Board of Management. The target set for the share of women on the Board of Management is 20% by January 31, 2026.
- The Board of Management members shall collectively have particularly extensive experience gained abroad.
- The Board of Management members must collectively have multiple years of management experience.
- The Board of Management members must collectively be familiar with the field of chemical distribution. At least one Board of Management member shall have special knowledge or professional experience in the chemical industry or the distribution sector.
- At least one Board of Management member shall have demonstrated knowledge of financial reporting and accounting.

The Supervisory Board takes these requirements into consideration when appointing new Board of Management members. Together with the Board of Management, the Supervisory Board ensures long-term succession planning that is geared to the company's interests. The Presiding and Nomination Committee took account of the above-mentioned criteria in appointing the new member of the Board of Management effective April 1, 2022. Dr. Kirstin Neumann was selected as a new member in suitably well-structured processes. In its current composition, the Board of Management of Brenntag SE fulfils the requirements of the diversity policy.

Diversity policy for the Supervisory Board / Targets for its composition / Profile of skills and expertise

The composition of the Supervisory Board shall ensure that it can effectively monitor and advise the Board of Management and can perform its duties prescribed by law and by the Articles of Association in the best-possible way. The Supervisory Board's diversity policy follows the following requirements with regard to its composition:

- No member of the Supervisory Board shall continue to hold office beyond the close of the General Shareholders' Meeting following his / her 70th birthday.
- At least 33.3% of the seats on the Supervisory Board shall be filled by women by January 31, 2026.
- At least 50% of the members of the Supervisory Board shall have particularly extensive experience gained abroad. This requirement for extensive expertise gained abroad is met if the respective member had regular employment abroad for at least 18 months or worked in an international working environment for more than five years.
- The Supervisory Board shall take account of the different educational and / or professional backgrounds of its members, giving due consideration to their knowledge, skills and experience when describing the goals for the composition of the Supervisory Board.

The current composition of the Supervisory Board satisfies all aspects of the diversity policy.

In addition to the diversity policy, the Supervisory Board has defined specific goals for its composition as a whole and taken qualitative criteria on company-specific requirements into account:

- The Supervisory Board shall collectively have suitable knowledge, skills and experience in the following areas:
  - corporate governance, compliance and risk management
  - the chemical industry, distribution, supply chain management and B2B services
  - strategy, portfolio management and M&A
  - change management and HR
  - the fields of accounting and financial reporting (in accordance with Section 100, para. 5 of the German Stock Corporation Act (AktG))
  - capital markets
  - digital transformation and IT
  - ESG, sustainability, CSR and security.
- The Supervisory Board shall collectively have experience abroad.
- The Supervisory Board shall – in its own estimation – have an adequate number of independent members, more than half of the members being independent. When assessing independence, the Supervisory Board shall take all aspects mentioned in C.6 and C.7 of the German Corporate Governance Code into account.
- The Supervisory Board shall ensure that all Supervisory Board members have sufficient time to perform their duties.
- The Supervisory Board takes all aspects of the diversity policy into account as goals for the composition of the Supervisory Board.

The profile of skills and expertise for the entire Board specifies the skills and expertise considered important by the Supervisory Board and sets the specific requirements, in particular with regard to educational and professional background:

- The members of the Supervisory Board in the aggregate shall have several years of executive leadership and CEO.
- The members of the Supervisory Board in the aggregate shall be familiar with chemical distribution sector. At least one member of Supervisory Board shall have educational or professional expertise in the chemical industry or the distribution.
- At least one member of the Supervisory Board shall have expertise in the field of accounting and at least one other member of Supervisory Board member shall have expertise in the field of auditing.
- At least one member of the Supervisory Board shall be familiar with digital transformation
- At least one member of the Supervisory Board shall be familiar with sustainability, in particular ESG.

The Supervisory Board aims to continually improve its composition so as to meet the needs of the company and new business developments and ensure a composition suitable for the effective supervision and monitoring of the company, taking into account management experience and specific expertise in various fields such as accounting, auditing, digitalization and sustainability.

The Supervisory Board pursues these objectives and the implementation of the diversity policy as a whole in its proposals to the Annual General Shareholders' Meeting for the election of Supervisory Board members, last for the re-election of the Supervisory Board members Wijnand P. Donkers and Ulrich M. Harnacke at the ordinary General Shareholders' Meeting in 2022.

The current composition of the Supervisory Board is in line with its self-imposed objectives and the profile of skills and expertise. The members of the Supervisory Board of Brenntag SE have been chosen for their professional qualifications, their knowledge and their particular experience. The members of the Supervisory Board as a whole are familiar with the business sector in which Brenntag operates and have the required experience.

Qualification matrix of the Supervisory Board

	Doreen Nowotne	**Stefanie Berlinger**	**Wijnand Donkers**	**Ulrich Harnacke**	**Dr. Andreas Rittstieg**	**Richard Ridinger**
Member since	March 2010	June 2015	June 2017	June 2017	March 2010	June 2020
Independence (in accordance with GCGC)	Yes	Yes	Yes	Yes	Yes	Yes
No overboarding (in accordance with GCGC)		Yes	Yes	Yes	Yes	Yes
Gender	Female	Female	Male	Male	Male	Male
Year of birth	1972	1973	1962	1957	1956	1958
Nationality	German	German	Dutch	German	German	German
International expertise	Yes	Yes	Yes	Yes	Yes	Yes
Profession	Business economist	Business economist	Business economist	Business economist	Lawyer	Chemical Engineer

Expert Qualification	**Doreen Nowotne**	**Stefanie Berlinger**	**Wijnand Donkers**	**Ulrich Harnacke**	**Dr. Andreas Rittstieg**	**Richard Ridinger**
Safety / Corporate Social Responsibility / ESG expertise relevant to Brenntag	☑	☑	☑	☑	☑	☑
Management / C-level-experience	☐	☐	☑	☑	☑	☑
Corporate Governance / compliance	☑	☑	☑	☑	☑	☑
Chemical industry	☐	☐	☑	☐	☐	☑
Distribution / Supply Chain Management B2B Services industry	☑	☐	☑	☑	☐	☑
Strategy, Portfolio Management, M&A	☑	☑	☑	☑	☑	☑
Changemanagement / HR	☑	☐	☑	☑	☐	☑
Financial Expert: (in accordance with section 100 (5) AktG)*	☑	☑	☐	☑	☐	☐
Capital Markets	☑	☑	☑	☑	☑	☑
Digital transformation / IT	☐	☐	☑	☐	☑	☑

An overview of the current qualifications and expertise of the Supervisory Board members meeting the profile of skills and expertise is published on our website at Supervisory Board | Brenntag.

Independence

In the Supervisory Board's opinion, a suitable number of independent members is at least three. The Supervisory Board believes that all current members are to be regarded as independent as defined by the GCGC. When arriving at this assessment, the Supervisory Board took into consideration that, as of March 2022, the Supervisory Board Chair, Doreen Nowotne, and Dr. Andreas Rittstieg have been members of the Supervisory Board for more than twelve years. However, further indicators for a lack of independence as set out in the GCGC do not apply to either of them. The length of tenure indicator does not conflict with the overall independence of both.

Doreen Nowotne and Dr. Rittstieg consider themselves to be independent. In their consulting and monitoring duties, they demonstrate the necessary distance to the Board of Management along with the capacity for objective judgement, especially since the composition of the Board of Management has changed during the term of office of both of them. The Supervisory Board feels that it is important to have at least one long-serving member in order to maintain a minimum level of consistency in advice provided to the Board of Management given the daunting challenges the chemical industry is facing, in particular digitalization and climate protection.

The manner in which they have performed their duties to date gives the company no indication of possible conflicts of interest that could influence the judgment of either of them. On the basis of their professional experience and expertise in their Supervisory Board and committee work, both also demonstrate sufficient critical distance to the company and the Board of Management.

A further aspect considered in the assessment of independence was that both members do not represent any shareholder on the Supervisory Board. Both were re-elected by a large majority (over 94% of the votes cast) at the General Shareholders' Meeting 2020 after disclosing their previous committee memberships. The Supervisory Board sees this as confirmation that, in addition to their own assessment, the shareholders also have sufficient confidence that Doreen Nowotne and Dr. Rittstieg maintain their independence when performing their duties.

Finally, it should be noted that Ms. Nowotne and Dr. Rittstieg also have other duties and hold other offices and no business relations exist between the company and them.

Further information on the members of the Supervisory Board can be found on the website at Supervisory Board | Brenntag.

2 Remuneration Report

49 —— 88

Introduction

The remuneration report of Brenntag SE was prepared jointly by the company's Board of Management and the Supervisory Board and reports on the remuneration awarded and due to the current and former members of the Board of Management and the Supervisory Board in financial year 2022.

The remuneration report complies with the regulatory requirements of Section 162 of the German Stock Corporation Act (AktG) and the recommendations and suggestions of the German Corporate Governance Code (GCGC) as amended on April 28, 2022.

The remuneration report was audited by Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft. This audit went beyond the requirements of Section 162, para. 3 of the German Stock Corporation Act (AktG). The audit opinion is attached to the remuneration report.

Remuneration of the Board of Management

Business performance and target achievement in financial year 2022

The two global divisions, Brenntag Specialties and Brenntag Essentials, each recorded strong growth and thus together contributed to a very positive financial year 2022. The Brenntag Group's profit after tax increased by 95.6% year-on-year from EUR 461.4 million to EUR 902.5 million.

In line with the Pay for Performance philosophy of the Remuneration System 2020, Brenntag Group's highly positive business performance was also reflected in the final payout amount of the Annual Bonus for financial year 2022 of 200% of the target amount. Details are presented in the section "Information on the performance criteria for the variable remuneration earned in financial year 2022".

Composition of the Board of Management

Georg Müller stood down from the Board of Management by mutual agreement for personal reasons on February 2, 2022, and his service agreement ended on March 31, 2022.

Dr. Kristin Neumann succeeded him as the new Chief Financial Officer of Brenntag SE effective April 1, 2022. Her service agreement commenced on March 1, 2022.

On March 30, 2022, the Supervisory Board resolved to reappoint Dr. Christian Kohlpaintner as Chair of the Board of Management of Brenntag SE. His contract was therefore extended for a period of three years from January 1, 2023 to December 31, 2025.

Consideration of the resolution of the General Shareholders' Meeting 2022

The remuneration report of Brenntag SE for financial year 2021 was approved by the General Shareholders' Meeting on June 9, 2022 with a 85.32% share of the votes cast.

The investor and proxy advisor feedback received in connection with the approval of the remuneration report 2021 was also taken into account when preparing the remuneration report 2022. Introductory sections have been added in order to further increase the comprehensibility and transparency of the remuneration report. Furthermore, in the reporting on the determination of the individual multiplier for the Annual Bonus, importance has been attached to giving greater detail on individual performance criteria and ESG aspects.

Outlook for Board of Management remuneration in financial year 2023

With a view to aligning the Board of Management remuneration system with the "Strategy to Win" announced in November 2022, the Supervisory Board is revising and updating the current remuneration system in consultation with the Presiding and Nomination Committee.

In doing so, the Supervisory Board will also take into account the feedback from investors and proxy advisors as well as the expertise of an independent remuneration consultant.

The revised and updated remuneration system is to be submitted to the General Shareholders' Meeting in June 2023 for approval with effect from January 1, 2023. Detailed information on the main changes to the remuneration system will be presented and explained in the run-up to the General Shareholders' Meeting 2023.

Board of Management remuneration systems

The Supervisory Board is responsible for setting the remuneration of the Board of Management members. The Presiding and Nomination Committee of the Supervisory Board discusses and reviews the remuneration system for the Board of Management at regular intervals and prepares resolutions on any changes thereto. In its decisions on the setting of the remuneration system, the Supervisory Board takes into account the remuneration and employment conditions of the employees of Brenntag SE, in particular the senior managers. In addition, until inclusion of the Brenntag share in the DAX, the Supervisory Board had compared the MDAX companies to assess the appropriateness of Board of Management remuneration.

The Board of Management remuneration systems, in particular the Board of Management remuneration system that was introduced in 2020 in line with the German Corporate Governance Code 2020 and the requirements of the amended German Stock Corporation Act, are designed to be clear and comprehensible and support the Group's long-term performance by creating effective incentives for growth and increasing profitability. The aim of the remuneration systems is to create an incentive for successful and sustainable corporate development. The systems are therefore geared to transparent, performance-based remuneration that is strongly focused on the company's success and that depends in particular on long-term, but also operational targets, the performance of the Brenntag share price as well as sustainability aspects.

Two different remuneration systems were used in 2021 and 2022. The first remuneration system used dated from 2015 and applied to Board of Management members who were already in office before January 1, 2020 (Board of Management Remuneration System 2015). The second system used is a new remuneration system for Board of Management members who have been appointed to the Board since January 1, 2020 (Board of Management Remuneration System 2020). With regard to short-term variable and long-term variable remuneration as well as the Share Ownership Guideline, Henri Nejade switched from the Board of Management Remuneration System 2015 to the Board of Management Remuneration System 2020 as of January 1, 2021.

The Board of Management Remuneration System 2020 was adopted by the Supervisory Board on December 23, 2020 and approved by the General Shareholders' Meeting on June 10, 2021 with a 91.62% share of the vote. The Annual Base Salary and the variable remuneration components are shown separately in the following. There then follows a description of benefits in kind and other contractual provisions that are structured in a comparable manner in both remuneration systems.

Board of Management Remuneration System 2020

The Board of Management Remuneration System 2020 has applied to Dr. Christian Kohlpaintner and Steven Terwindt since 2020, to Henri Nejade and Ewout van Jarwaarde since 2021 and in 2022 it also applies to Dr. Kristin Neumann. The following describes the remuneration system as it is actually applied to the aforementioned members of the Board of Management. It is applied exactly within the framework of the Board of Management remuneration system adopted by the Supervisory Board and approved by the General Shareholders' Meeting 2021.

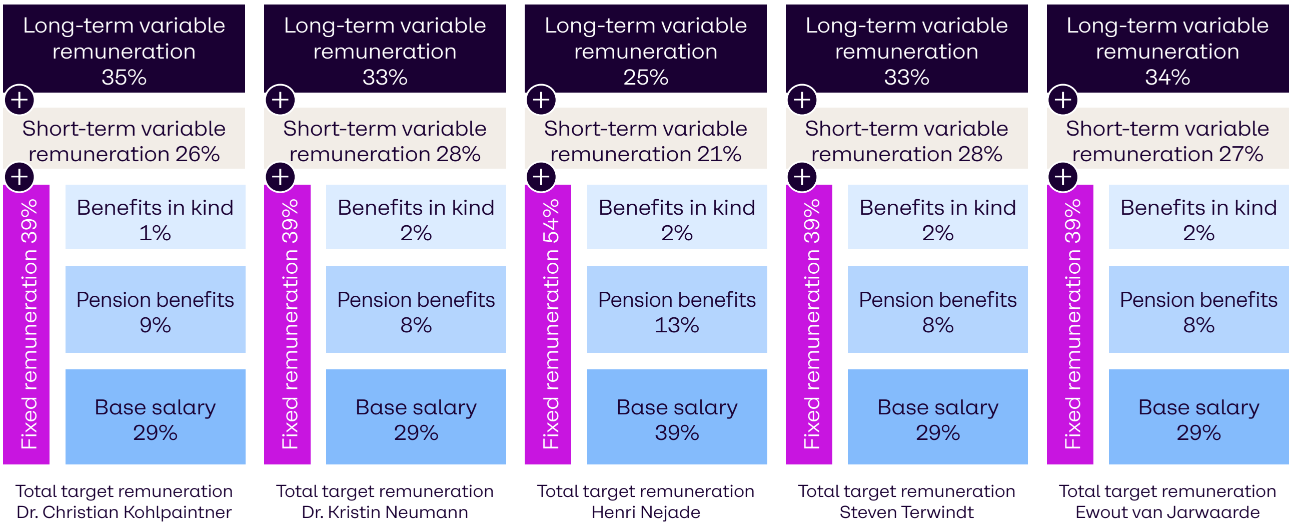
Fixed remuneration	Base salary, benefits in kind, pension benefits
Short-term variable remuneration	▪ **Plan type:** Target bonus model ▪ **Financial performance criteria:** - 60% organic EBITDA - 20% working capital turnover - 20% earnings per share - Individual performance multiplier (0.7–1.3) considers ESG and individual performance measures ▪ **Cap**: max. 200% of the target amount

Long-term variable remuneration	▪ **Plan type:** Virtual Performance Share Plan
	▪ **Performance period:** Four years
	▪ **Financial performance criteria:**
	- Outperformance of the total shareholder return (TSR) of the Brenntag share
	  - 50% vs. national index (DAX or MDAX)
	  - 50% vs. peer group of global competitors
	▪ **Cap:** max. 200% of the target amount

Other remuneration components and contractual provisions	▪ **Malus & Clawback:** The Supervisory Board is contractually entitled - to retain variable remuneration (malus) - to reclaim variable remuneration (clawback) ▪ **Share Ownership Guideline** in the amount of the annual base salary: - Chief executive officer (CEO): 200% - Other members of the Board of Management: 100% ▪ **Maximum remuneration** pursuant to the German Stock Corporation Act - Chief executive officer (CEO): EUR 6,000,000 - Other members of the Board of Management: EUR 4,000,000

2.01 Remuneration components – Remuneration System 2020

The remuneration comprises fixed remuneration and variable remuneration. The **fixed remuneration** consists of a base salary, pension benefits and benefits in kind. The variable remuneration is made up of short-term and long-term variable remuneration components. Of the target total remuneration of the Board of Management members, fixed remuneration accounts for between 39% and 54%, short-term variable remuneration components for between 21% and 28% and long-term variable remuneration components for between 25% and 35%.



2.02 Remuneration structure – Remuneration System 2020

In addition to the above-mentioned remuneration components, the Board of Management members receive **benefits in kind** under their service agreements such as a mobility allowance or company car, also for private use, or a car allowance, and benefits for health care and long-term care insurance. Steven Terwindt and Ewout van Jarwaarde were also provided with a budget for a transitional period, which can be used for accommodation at the Essen location.

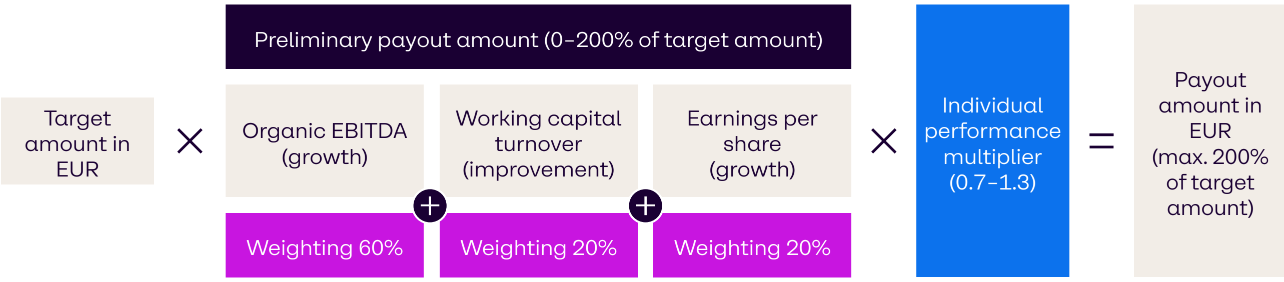
The Annual Base Salary is paid in twelve equal monthly instalments at the end of each month. If the service agreement begins or ends during a financial year, the Annual Base Salary for that financial year is payable on a pro rata temporis basis. The variable remuneration consists of two components: short-term variable remuneration in the form of an annual bonus payment (Annual Bonus) and long-term variable remuneration in the form of virtual shares (Performance Share Plan) of Brenntag SE. The Annual Bonus provides an incentive to achieve the operational business objectives of the financial year, which in turn are derived from the business strategy and the annual budget plans. The Performance Share Plan is designed to provide an incentive to ensure the long-term performance of the company.

Annual Bonus under the Remuneration System 2020

The Annual Bonus depends on the business success of Brenntag in the past financial year. It is calculated on the basis of achievement of the targets set for that financial year

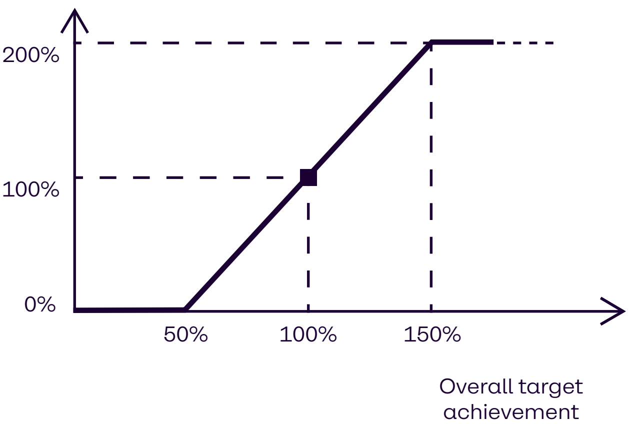
- organic EBITDA growth,
- an improvement in working capital turnover and
- earnings per share growth.

For Dr. Christian Kohlpaintner, Henri Nejade, Steven Terwindt, and Ewout van Jarwaarde, 100% of all three target criteria related to the Group level in 2021 and in 2022. This was also the case for Dr. Kristin Neumann in 2022. An individual performance multiplier is also used to assess the performance of the Board of Management members. The Supervisory Board has set the three key performance indicators, organic EBITDA growth, improvement in working capital turnover and earnings per share growth, as the financial targets of the Board of Management members. Organic EBITDA reflects the company's profitability from business operations excluding acquisitions; this KPI is weighted at 60% in the bonus calculation. Working capital turnover is a key performance indicator for Brenntag to ensure efficient deployment of capital; the weighting is 20%. Earnings per share as an important parameter – particularly for our shareholders – is also weighted at 20%. The targets for the three KPIs are derived from the annual budget plans and are set annually by the Supervisory Board.



2.03 Structure of the Annual Bonus – Remuneration System 2020

The achievement of each KPI target is calculated by comparing the figure actually achieved in the past financial year with the target set before the beginning of the past financial year. This ratio is expressed as a percentage. Overall target achievement is calculated by multiplying the target achievement figures of the three KPIs by their respective weightings and then adding together these three weighted target achievement figures. If overall target achievement is 100%, the preliminary payout amount is 100% of the target amount. If overall target achievement is 50% or less, the Board of Management members receive no Annual Bonus. For an overall target achievement of 150% or more, the preliminary payout amount is 200% of the target amount. The preliminary payout amount increases linearly for overall target achievement percentages between 50% and 150%.



2.04 Annual Bonus payout curve – Remuneration System 2020

In order to determine the final payout amount, the preliminary payout amount is multiplied by the individual performance multiplier. The individual performance multiplier is set by the Supervisory Board after each financial year in a range between 0.7 and 1.3. In doing so, the Supervisory Board takes into account the individual financial and non-financial performance that cannot be reasonably measured by applying KPIs. This refers to topics of environmental and social responsibility (e.g. succession planning, development of executive employees of the company, environmental responsibility, compliance) and sustainable corporate development (e.g. integration of acquisitions). The final payout amount is capped at max. 200% of the individual and contractually agreed target amount (Cap). If the service agreement begins or ends during a financial year, the target amount for that financial year is granted on a pro rata temporis basis.

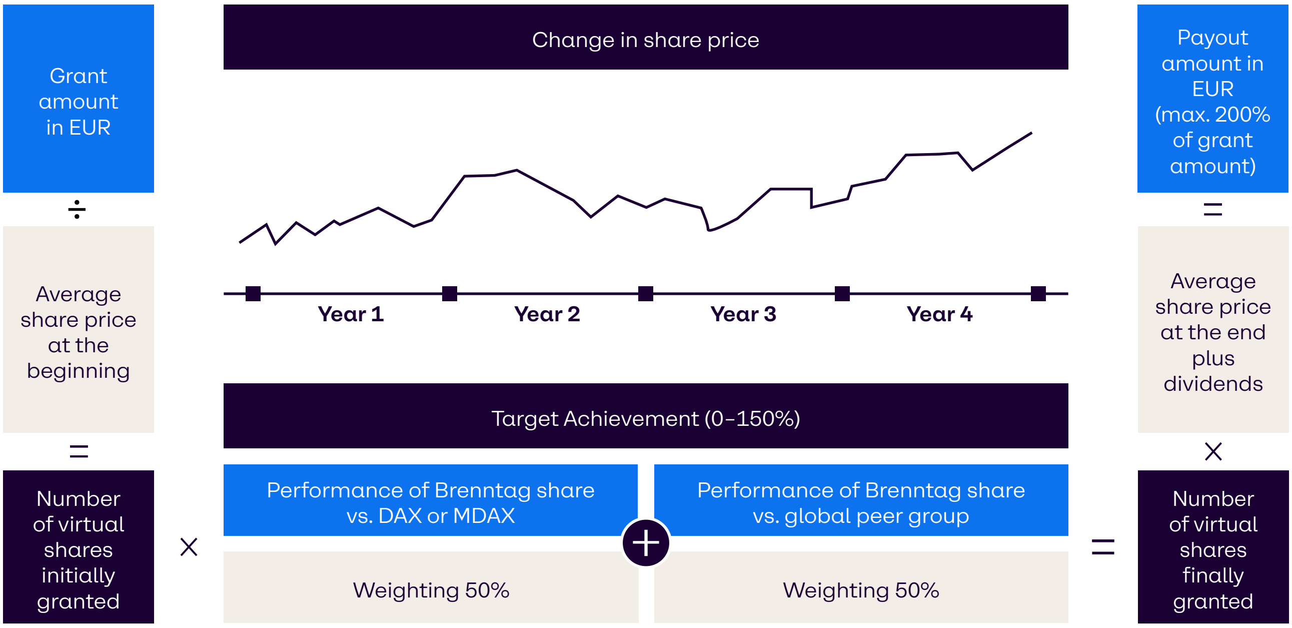
The Annual Bonus is paid out within three months from approval of the consolidated financial statements by the Supervisory Board, but at the latest twelve months after the end of the financial year for which the Annual Bonus has been determined.

The Supervisory Board is entitled to unilaterally adjust or change the Annual Bonus plan conditions or terminate the respective plan at any time.

Long-term variable remuneration under the Remuneration System 2020

The long-term variable remuneration is in the form of virtual shares (Performance Share Units). The value of the payout depends on the relative performance of the Brenntag share compared with two peer groups and the absolute change in the Brenntag share price over a four-year performance period. The virtual shares are contingently granted in annual tranches. Payout is made following completion of the performance period.

The annual virtual shares are contingently granted on January 1 of each financial year. The number of shares initially granted is calculated by dividing the individual and contractually agreed grant amount by the arithmetic mean of the Brenntag share closing prices in the Xetra trading system during the last three months before the start of the performance period. If the service agreement begins or ends during a financial year, the amount for that financial year is granted on a pro rata temporis basis.



2.05 Structure of the Performance Share Plan – Remuneration System 2020

The number of virtual shares that a Board of Management member is finally granted at the end of the four-year performance period depends on two performance criteria that are set by the Supervisory Board and each weighted at 50%: the outperformance of the total shareholder return (TSR) of the Brenntag share compared with

- the TSR performance of the DAX or MDAX and
- the average TSR of a peer group of global competitors.

Due to the inclusion of Brenntag in the DAX, the national benchmark index was changed from the MDAX to the DAX in 2022. Furthermore, Azelis Group NV was added to the peer group of global competitors in 2022.

Therefore, the benchmark parameters for the performance criteria of the individual tranches are as follows:

Tranche	National benchmark index	Peer group of global competitors
2020		
2021	MDAX	Companies in Table 2.07 below excluding Azelis Group NV
2022		
2023	DAX	Companies in Table 2.07 below including Azelis Group NV

2.06 Overview of the benchmark parameters for each tranche

The peer group of global competitors consists of the following companies:

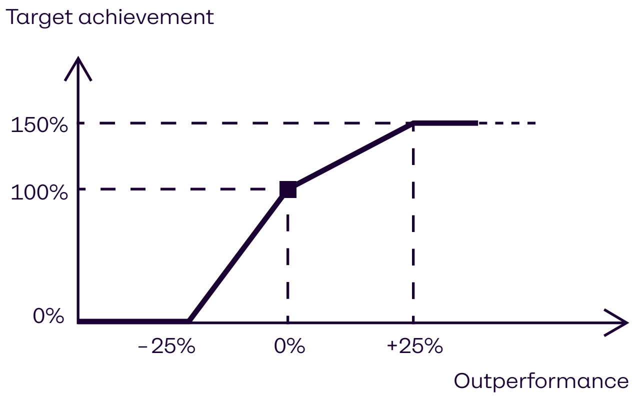
Aalberts N.V.	Air Liquide S.A.	Ashland Global Holdings Inc.	Azelis Group NV
Bunzl plc	DKSH Holding Ltd.	RS Group plc[1]	Evonik Industries AG
Ferguson plc	IMCD N.V.	Linde plc	McKesson Corporation
Rexel S.A.	Travis Perkins plc	Univar Solutions Inc.	W.W. Grainger, Inc.

2.07 Peer group of global competitors

[1] Note: RS Group plc formerly operated under the name Electrocomponents plc.

The TSR is a key performance indicator for our shareholders. The TSR reflects the change in the value, i.e. the return, of the Brenntag share. Both share price changes and dividends, but also other capital measures, are taken into account. A comparison of the TSR of the Brenntag share with the shareholder return of other companies measures the advantages of an investment in the Brenntag share compared with alternative investments in shares of other companies. It is of central importance for the long-term stability of the company that shareholders receive an attractive return on their investment in Brenntag shares.

Target achievement of each performance criterion is calculated by subtracting the performance of the DAX or MDAX or the average TSR of the global peer group from the TSR of the Brenntag share. If the performance of the DAX or MDAX or the average TSR of the global peer group equals the TSR of the Brenntag share, target achievement is 100%. If the TSR of the Brenntag share outperforms the DAX or MDAX or the average TSR of the global peer group by 25% or more percentage points, target achievement is 150%. If the TSR of the Brenntag share underperforms the DAX or MDAX or the average TSR of the global peer group by 25% or more percentage points, target achievement is 0%. Values inbetween are determined by linear interpolation. Overall target achievement is calculated by multiplying the target achievement figures of the two performance criteria by their respective weightings and then adding together these two weighted target achievement figures.



2.08 Target achievement curve of the Performance Share Plan – Remuneration System 2020

The number of virtual shares that a Board of Management member is finally granted at the end of the four-year performance period is calculated by multiplying the number of virtual shares initially granted by the overall target achievement.

The payout amount is determined by multiplying the number of virtual shares finally granted by the arithmetic mean of the Brenntag share closing prices in the Xetra trading system during the last three months prior to the end of the performance period plus dividend payments during the performance period. The payout amount is capped at max. 200% of the individual and contractually set grant amount (Cap).

The payout amount is paid within three months from approval of the consolidated financial statements by the Supervisory Board, but at the latest twelve months after the end of the financial year in which the performance period ends.

Early payout of the tranches of the Performance Share Plan is not possible under the Remuneration System 2020.

The Supervisory Board is entitled at any time to unilaterally adjust or change the Performance Share Plan conditions or terminate the respective plan.

Malus and clawback

All variable remuneration components of a Board of Management member are only paid out after the end of the regular plan period. The Supervisory Board is contractually entitled to retain the variable remuneration (malus) in whole or in part if a Board of Management member violates their obligations under Section 93 of the German Stock Corporation Act. In addition, the Supervisory Board is contractually entitled to reclaim parts of the variable remuneration (clawback) if a Board of Management member violates their obligations under Section 93 of the German Stock Corporation Act, payout of the variable remuneration was made on the basis of incorrect data or the company's EBITDA decreases by at least 25% within two years and during the Board of Management member's service compared with the EBITDA for which the variable remuneration was paid. A reclaim of variable remuneration is possible up to an amount of 25% of the total remuneration for the respective financial year.

In financial year 2022 no variable remuneration was retained or reclaimed.

Caps and maximum remuneration

Under the Remuneration System 2020, total remuneration is limited, on the one hand, by caps for each variable remuneration component and, on the other, by the maximum remuneration.

The maximum payout amount from the Annual Bonus is based on a target achievement of 150% or more. The maximum payout amount is 200% of the target amount. Even the application of the individual performance multiplier cannot increase the payout amount over this cap of 200% (maximum remuneration).

Under the Performance Share Plan the number of virtual shares finally granted is limited to 150% of the number of virtual shares initially granted. This maximum number of shares is reached when the Brenntag share outperforms the DAX or MDAX and the global peer group (each weighted at 50%) by 25 percentage points or more. In addition, the payout amount depends on the performance of the Brenntag share price and on dividend payments. The total payout under the Performance Share Plan is limited to 200% of the initial grant amount (maximum remuneration).

The **maximum total remuneration**, comprising the sum of Annual Base Salary, maximum Annual Bonus remuneration, maximum Performance Share Plan remuneration, the amount made available to build up pension entitlements, and benefits in kind has been set at EUR 5,650,000 for Dr. Christian Kohlpaintner, at EUR 3,000,000 for Dr. Kristin Neumann and Steven Terwindt, at EUR 3,400,000 for Henri Nejade and at EUR 2,700,000 for Ewout van Jarwaarde. If the service agreement begins or ends during a financial year, the remuneration cap for that financial year is adjusted on a pro rata temporis basis.

Share Ownership Guideline

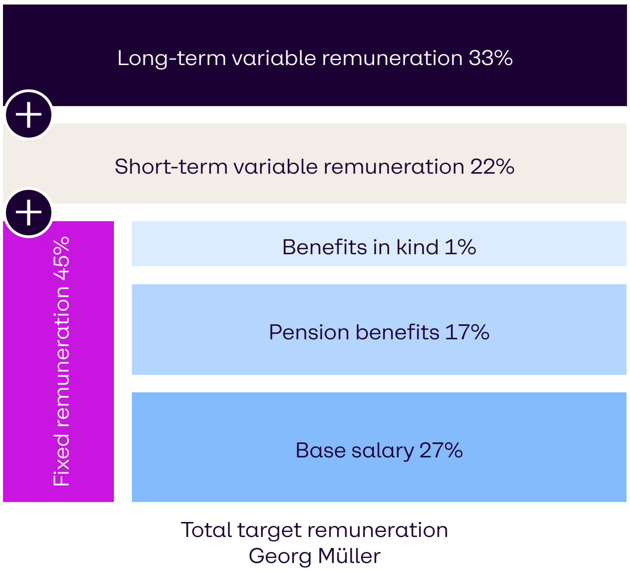
In order to bring the interests of the Board of Management and shareholders more closely into line and to strengthen Board of Management members' participation in the company, an obligation for Board of Management members to purchase and hold Brenntag shares (Share Ownership Guideline) was introduced for the first time in 2020. The CEO is obliged to purchase and continue to hold shares to the value of 200% of his Annual Base Salary and Dr. Kristin Neumann, Henri Nejade, Steven Terwindt and Ewout van Jarwaarde shares to the value of 100% of their Annual Base Salary, in each case for two years after the end of their service. Dr. Christian Kohlpaintner, Dr. Kristin Neuman, Steven Terwindt and Ewout van Jarwaarde must purchase the shares within four years, and Henri Nejade within two years. In each of these four or two years, shares equivalent to 25% or 50% of the holding obligation must be purchased. Compliance with the obligation to hold shares is checked once a year as at December 31. The last check as at December 31, 2021 showed that all Board of Management members subject to the obligation had met their obligation to hold shares in full. The next check as at December 31, 2022 is expected to take place in March 2023.

Board of Management Remuneration System 2015

The Board of Management Remuneration System 2015 only applied to Georg Müller in 2021 and 2022.

The total remuneration of Georg Müller consisted of three components: a fixed Annual Base Salary, short-term, capped variable cash remuneration (Annual Bonus) and long-term, capped variable remuneration (Long-term Incentive Bonus). In addition to the above-mentioned remuneration components, Georg Müller received a pension component through payments into the Deferred Compensation Contingency Plan, contractually agreed benefits in kind and other benefits such as a company car, also for private use, and allowances for health care and long-term care insurance.

Fixed remuneration accounted for 45% of Georg Müller's target total remuneration, short-term variable remuneration components for 22% and long-term variable remuneration components for 33%.

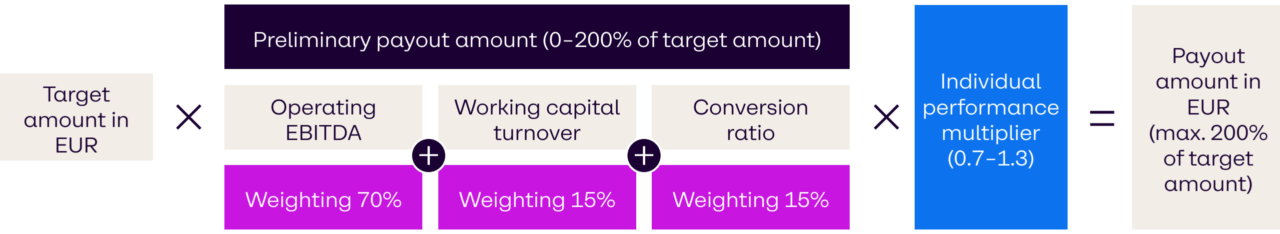


2.09 Remuneration structure – Remuneration System 2015

The **Annual Base Salary** was payable in twelve equal monthly instalments.

Annual Bonus under the Remuneration System 2015

Georg Müller's Preliminary Annual Bonus agreed as short-term variable remuneration was based on a contractually specified amount (Annual Bonus) and depended on the achievement of certain targets based on specific key performance indicators (KPIs). The KPIs specified were operating EBITDA (70%), working capital turnover (WCT; 15%) and conversion ratio (operating EBITDA / operating gross profit; 15%). The sole deciding factor in the calculation of the Annual Bonus was the achievement of the KPI targets in the financial year for which the bonus was paid. The targets and the figures actually achieved were translated using the same exchange rates. If the target set for a KPI was not achieved, this part of the bonus was reduced by 4% for each 1% shortfall of the target set. If the target was exceeded, the relevant part of the bonus was increased by 4% for each 1% exceedance of the target set. The KPI targets for the coming financial year were mutually agreed by the Supervisory Board and Board of Management, or, if they were not separately set, were derived from the annual budget for the relevant financial year as approved by the Supervisory Board. In addition, individual performance was taken into account in that, at the end of the financial year, the Supervisory Board decided on a multiplier for the Preliminary Annual Bonus (amount after allowance for target shortfalls or exceedances) of between 0.7 and 1.3. The resulting Final Annual Bonus was capped at 200% of the Annual Bonus. If the service agreement did not subsist for a full twelve months in a financial year, the Final Annual Bonus was paid pro rata temporis.

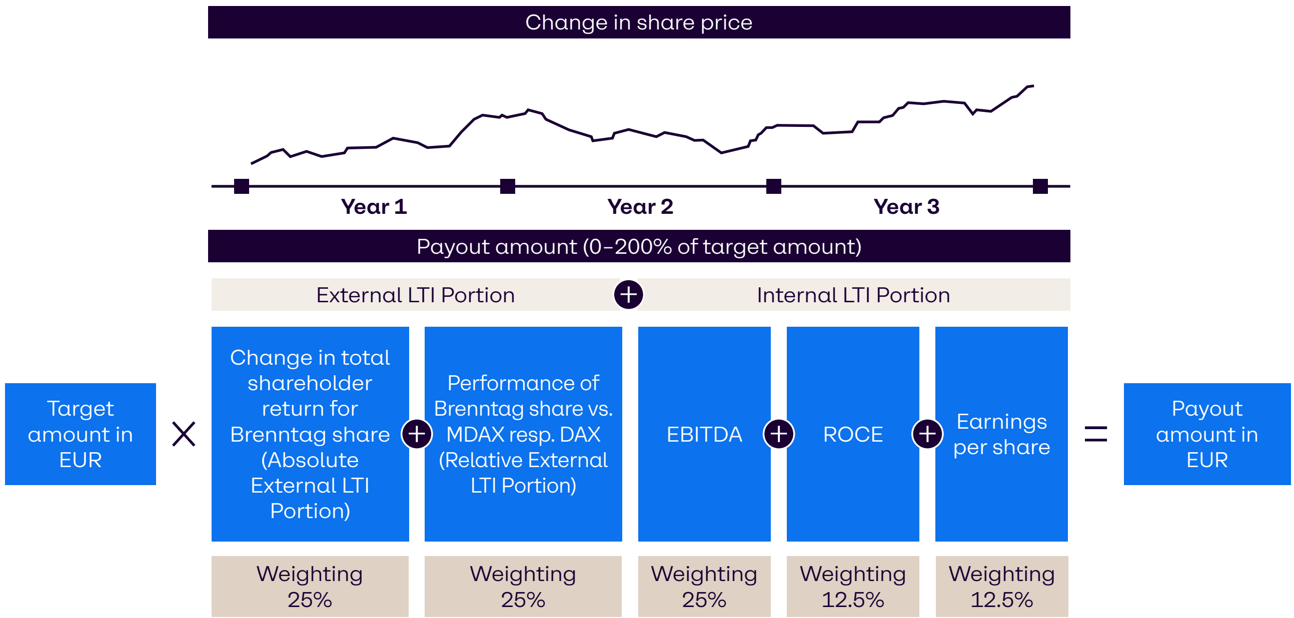


2.10 Structure of the Annual Bonus – Remuneration System 2015

Long-term variable remuneration under the Remuneration System 2015

On the basis of a contractually set annual target amount, the long-term variable remuneration component is subject to a vesting period of three years in each case. 50% of the target amount is contingent on the perfomance of the Brenntag SE share during these three years (External LTI Portion) and 50% is contingent on the long-term change in specific Group-wide KPIs (Internal LTI Portion).

50% of the External LTI Portion is measured by the absolute change in the total shareholder return for the Brenntag SE share during the vesting period (Absolute External LTI Portion), while the other 50% of the External LTI Portion for the 2019–2021 and 2020–2022 tranches is linked to the relative change in the total shareholder return for the Brenntag SE share compared with the performance of the MDAX during the vesting period, for the 2021–2023 tranche to the relative change in the total shareholder return for the Brenntag SE share compared with the performance of the DAX during the vesting period (Relative External LTI Portion). For every percentage point by which the volume-weighted average share price on the last trade day of the vesting period plus dividend payments during the vesting period exceeds or falls short of the average share price on the last trade day before the vesting period, the Absolute External LTI Portion is increased or decreased by 2%. For every percentage point by which, for the 2019–2021 and 2020–2022 tranches, the MDAX is over- or underperformed in the vesting period, and for the 2021–2023 tranche the DAX is over- or underperformed in the vesting period, the Relative External LTI Portion is increased or decreased by 3%. The overall External LTI Portion at the end of the relevant vesting period equals the sum of the Absolute External LTI Portion and the Relative External LTI Portion. The Absolute and Relative External LTI Portions may not be less than EUR 0. The External LTI Portion is capped overall at 200% of the contractually set target amount for the External LTI Portion.



2.11 Structure of the Long-term Incentive Bonus – Remuneration System 2015

The Internal LTI Portion is measured by the following KPI targets, which are agreed at the end of each financial year for the following three-year vesting period in an LTI Bonus Plan: EBITDA (50%), ROCE (EBITA / (the average carrying amount of equity plus the average carrying amount of financial liabilities less the average carrying amount of cash and cash equivalents)) (25%) and earnings per share (25%). At the end of each financial year during a vesting period, the achievement of the KPI targets in the particular financial year is calculated for a share of 1/3 of the Internal LTI Portion (Annual Internal LTI Portion). For every percentage point by which the targets of a given KPI are over- or underperformed in the particular financial year, the Annual Internal LTI Portion is increased or decreased by 3%. This may also lead to a negative Annual Internal LTI Portion. The overall Internal LTI Portion at the end of the relevant vesting period equals the sum of the Annual Internal LTI Portions. The Internal LTI Portion is also capped at 200% of the contractually set target amount for the Internal LTI Portion. The overall Internal LTI Portion for a vesting period may not be less than EUR 0.

The Long-term Incentive Bonus for each financial year equals the sum of the External and Internal LTI Portions and is capped at 200% of the target amount (LTI Cap). Any entitlements to a Long-term Incentive Bonus are forfeited in the event that the company terminates a Board of Management member's service agreement prior to the expiry of its term by virtue of a termination for cause or in the event of voluntary resignation by a Board of Management member without the company having set an important cause for such resignation. In all other cases, the contractually set target amount for the relevant ongoing financial year is paid out on a pro rata temporis basis, all External and Internal LTI Portions granted for prior years but not yet paid out are paid out prematurely. The relevant parameters at the end of the service period are used for measurement.

Further remuneration and contractual provisions

The following describes further remuneration and contractual provisions that are largely applicable under both the Board of Management Remuneration System 2015 and the Board of Management Remuneration System 2020.

For the purpose of building up **pension entitlements**, Dr. Christian Kohlpaintner receives from the company an annual amount of EUR 300,000 and may decide at his own discretion how to use this money. The annual amount made available is paid in twelve equal monthly instalments, in each case at the end of the month. If the service agreement begins or ends during a financial year, the annual amount will be granted on a pro rata temporis basis for that financial year.

For the purpose of building up pension entitlements, the other members of the Board of Management receive an annual amount of 13.5% (rounded to the next full EUR 1,000) of their Annual Base Salary and the short-term variable remuneration (on 100% target achievement, i.e. irrespective of the actual targets achieved).

Dr. Kristin Neumann, Steven Terwindt and Ewout van Jarwaarde are paid out the relevant amount for building up pension entitlements every year and may decide at their own discretion how to use this money.

Henri Nejade has the option either to use this amount in whole or in part for contributions to his French social insurance or to also pay it annually into the Deferred Compensation Contingency Plan of Brenntag SE. For 2022, Henri Nejade had decided to pay the amount into the Deferred Compensation Contingency Plan.

In the case of Georg Müller, the relevant amount was paid annually as deferred compensation into the Deferred Compensation Contingency Plan of Brenntag SE.

The Brenntag pension plan is a defined benefit pension commitment with pension payments commencing when the Board of Management member reaches the age of 63, provided that he or she is no longer in the service of the company. The contributions are converted into pension modules in the year in which the contributions are paid. The pension entitlements are calculated solely on the basis of the sum of the pension modules accumulated up to the age limit. This pension plan also contains an arrangement for a widows and orphans pension which would amount to 60% and 20% respectively of the full pension entitlements. In accordance with the statutory provisions pursuant to Section 16 of the German Occupational Pensions Act (BetrAVG), the interest on the annual installments and the annual increase in pension payments is 1%. The pension liability insurance policies taken out with the Board of Management member as beneficiary are pledged to that member.

The amounts expensed or accrued in 2022 and the present values of the pension commitments for the members of the Board of Management serving in financial year 2022 are as follows:

in EUR k	Dr. Christian Kohlpaintner	Dr. Kristin Neumann	Georg Müller	Henri Nejade	Steven Terwindt	Ewout van Jarwaarde
Cost of pension commitments	–	–	102	293	–	–
Present value of pension commitments	–	–	4,166	1,523	–	–

2.12 Pension commitments in accordance with IFRSs

Apart from the amounts explained above, which are made available to build up pension entitlements, no other arrangements for retirement and early retirement have been agreed.

In addition to the above-mentioned remuneration components, the Board of Management members receive **benefits in kind and other benefits**, such as a company car, also for private use, or a car allowance, and benefits for health care and long-term care insurance.

The benefits for health care and long-term care insurance are limited to max. 50% of the premium they pay into their health care and long-term care insurance. Steven Terwindt is provided with supplementary health insurance based on the national health insurance system in Canada. Furthermore, a group accident insurance has been taken out. In addition, the company has taken out Directors & Officers Insurance (damage liability insurance) for the Board of Management members. This provides for a deductible of 10% of the damages claimed in each case, but in each year limited to 150% of the Annual Base Salary. For his services as director for Brenntag companies in Asia Pacific of Brenntag Asia Pacific Pte. Ltd., Singapore, Henri Nejade also receives fixed remuneration from this subsidiary in the amount of SGD 600,000 per annum, depending on the exchange rate but no more than EUR 400,000. Steven Terwindt and Ewout van Jarwaarde were also provided with a budget for a transitional period, which can be used for accommodation at the Essen location. For Steven Terwindt, this budget is EUR 16,200 per year and is only available until July 31, 2023. For Ewout van Jarwaarde, this budget was EUR 1,000 per month and was only available until June 30, 2021.

In the event of temporary disability due to illness, accident, or any other cause not due to the fault of a Board of Management member, said member is entitled to continued payment of the full Annual Base Salary for a period of no more than nine months. For the first three months of such incapacity, full entitlement to the Annual Bonus and the target or grant amount of the long-term variable remuneration is also retained. In the event of the death of a Board of Management member, the base salary is paid to their surviving dependents for the month of their death and the six months following their death or until the date on which the service agreement would have been terminated without their death, whichever event occurs first.

Contract termination provisions

The service agreements of the Board of Management members end automatically on specified dates without any notice of termination being required. The employment of Board of Management members may only be terminated prematurely for good cause or by mutual agreement. If employment is terminated prematurely, the service agreement limits any severance pay to the value of twice the total annual remuneration, but no more than the amount of remuneration that would be paid until the end of the term of the service agreement.

A post-contractual non-compete clause has been agreed with Dr. Christian Kohlpaintner, Dr. Kristin Neumann, Steven Terwindt and Ewout van Jarwaarde. The post-contractual non-compete obligation applies for a period of 24 months after the termination of the service agreement. During this period Dr. Christian Kohlpaintner, Dr. Kristin Neumann, Steven Terwindt and Ewout van Jarwaarde receive a continuous payment amounting to 75% of their Annual Base Salary. Any earnings pursuant to Section 74c of the German Commercial Code (HGB) are deducted from this payment. There is no separate post-contractual non-compete clause for Georg Müller and Henri Nejade.

There are no separate change-of-control arrangements.

Performance criteria in the financial year

Information on the performance criteria for the variable remuneration earned in financial year 2022

The performance criteria for the Annual Bonus of the Board of Management members were set for the financial year 2022 at the end of 2021. As previously described, Dr. Christian Kohlpaintner, Dr. Kristin Neumann, Henri Nejade, Steven Terwindt and Ewout van Jarwaarde were incentivized under the Board of Management Remuneration System 2020, Georg Müller under the Board of Management Remuneration System 2015.

The following table shows the respective targets and the results actually achieved for Dr. Christian Kohlpaintner, Dr. Kristin Neumann, Henri Nejade, Steven Terwindt and Ewout van Jarwaarde. The respective target achievement is calculated from the two figures.

	Dr. Christian Kohlpaintner, Dr. Kristin Neumann, Henri Nejade, Steven Terwindt, Ewout van Jarwaarde		
2022	Target	Result	Target achievement
Organic EBITDA growth			
Brenntag Group	6.4%	22.8%	356.9%
Improvement in working capital turnover			
Brenntag Group	0.10x	–0.82x	–
Earnings per share growth			
Brenntag Group	18.4%	46.9%	254.9%

2.13 Performance criteria for the Annual Bonus earned in 2022 – Remuneration System 2020

The performance criteria in 2022 for Georg Müller are as follows:

	Georg Müller		
2022	Target	Result	Target achievement
Operating EBITDA (on constant currencies)			
Brenntag Group	EUR 1,420.3 m	EUR 1,695.7 m	119.4%
Working capital turnover			
Brenntag Group	8.3x	7.5x	90.2%
Conversion ratio			
Brenntag Group	40.5%	41.9%	103.4%

2.14 Performance criteria for the Annual Bonus earned in 2022 – Remuneration System 2015

The Supervisory Board has agreed with the members of the Board of Management that 50% of the individual performance multiplier will be based on ESG measures of the company and 50% on individual performance aspects. Specifically, the Supervisory Board agreed with the Board of Management members at the end of 2021 that progress on the following ESG measures is to be taken into account holistically when setting the individual performance multiplier in 2022:

- Reduction of Scope 1 and 2 emissions
- Implementation of a carbon management program
- Avoidance of spills or leaks
- Implementation of a global policy on living wages
- Set-up of a global organizational diversity, equity and inclusion structure
- Prevention of accidents
- Enlargement of the governance structure to further improve sustainability performance

- Introduction of a roadmap for a sustainable product portfolio
- Introduction of a risk management program for suppliers.

The ESG aspects taken into account are in line with the company's sustainability reporting.

Individual performance factors were established based on the three dimensions, growth, people and risk, so that these could also be given full consideration in determining the individual performance multiplier in 2022. These individual performance factors include:

- Announcing a comprehensive strategic growth plan for 2023 to 2026 (Horizon 2 Strategy)
- Achieving the Project Brenntag target of over EUR 200 million by the end of the year
- Start of the Horizon 2 Digital.Data.Excellence program
- Revising the performance dialog including performance steering and reporting
- Developing a competency and leadership model on the basis of the Horizon 2 requirements
- Developing systematic succession planning for managers and promoting diversity and inclusion
- Ensuring that prioritized compliance measures are implemented
- Achieving progress with the Brenntag safety culture
- Further developing the organizational concept for the internal control and risk management system and developing an action plan.

Taking a holistic view and using reasonable discretion, the Supervisory Board considers the expectations placed in the Board of Management members with regard to progress on both the ESG and the individual performance aspects to have been met or, in some cases, exceeded.

The individual performance multiplier that is applied to the annual bonus in both remuneration systems was therefore set by the Supervisory Board at 1.1 for Dr. Christian Kohlpaintner, Dr. Kristin Neumann, Henri Nejade, Steven Terwindt and Ewout van Jarwaarde and at 1.0 for Georg Müller.

The annual bonuses for 2022 are calculated on the basis of the performance criteria previously described and the individual performance multipliers as follows:

2022	Dr. Christian Kohlpaintner	Dr. Kristin Neumann	Henri Nejade	Steven Terwindt	Ewout van Jarwaarde
Target amount	**EUR 900k**	**EUR 417k**	**EUR 500k**	**EUR 500k**	**EUR 450k**
Organic EBITDA growth (weighting 60%)					
Brenntag Group					
Target achievement	356.90%	356.90%	356.90%	356.90%	356.90%
Improvement in working capital turnover (weighting 20%)					
Brenntag Group					
Target achievement	–	–	–	–	–
Earnings per share growth (weighting 20%)					
Brenntag Group					
Target achievement	254.90%	254.90%	254.90%	254.90%	254.90%
Overall target achievement	265.12%	265.12%	265.12%	265.12%	265.12%
Payout factor	200.00%	200.00%	200.00%	200.00%	200.00%
Preliminary payout amount	EUR 1,800k	EUR 833k	EUR 1,000k	EUR 1,000k	EUR 900k
Individual performance multiplier	1.10	1.10	1.10	1.10	1.10
Final payout amount (Cap)	**EUR 1,800k**	**EUR 833k**	**EUR 1,000k**	**EUR 1,000k**	**EUR 900k**

2.15 Calculation of the Annual Bonus earned in 2022 – Remuneration System 2020

2022	Georg Müller
Target amount	**EUR 138k**
Operating EBITDA (weighting 70%)	
Brenntag Group	
Pro rata target amount	EUR 96k
Target achievement	119.4%
Payout factor	177.6%
Pro rata preliminary bonus amount	EUR 171k
Working capital turnover (weighting 15%)	
Brenntag Group	
Pro rata target amount	EUR 21k
Target achievement	90.2%
Payout factor	60.7%
Pro rata preliminary bonus amount	EUR 13k
Conversion ratio (weighting 15%)	
Brenntag Group	
Pro rata target amount	EUR 21k
Target achievement	103.4%
Payout factor	113.4%
Pro rata preliminary bonus amount	EUR 23k
Preliminary payout amount	EUR 207k
Individual performance multiplier	1.00
Final payout amount	**EUR 207k**

2.16 Calculation of the Annual Bonus earned in 2022 for Georg Müller – Remuneration System 2015

The performance criteria for the 2020–2022 tranche of the Long-term Incentive Bonus under the Board of Management Remuneration System 2015 were set at the end of 2019. Georg Müller and Henri Nejade were incentivized under the Board of Management Remuneration System 2015 in 2020. The following table shows the performance criteria for the External LTI Portion of the 2020–2022 tranche:

	2020–2022 tranche
Share price at the beginning of the performance period (Jan. 1, 2020)	EUR 46.82
Share price at the end of the performance period (Dec. 31, 2022)	EUR 61.18
Dividend payments during the vesting period	EUR 4.05
Absolute shareholder return for the Brenntag share	**39.3%**
MDAX at the beginning of the performance period (Jan. 1, 2020)	26,873 points
MDAX at the end of the performance period (Dec. 31, 2022)	24,561 points
MDAX performance during the performance period	– 8.6%
Relative shareholder return for the Brenntag share versus the MDAX	**47.9%**

2.17 Performance criteria for the earned External LTI Portion of the 2020–2022 tranche – Remuneration System 2015

By way of exception, a shortened performance period for the External LTI Portion applies to Georg Müller as a result of the early termination of his service agreement.

The performance criteria are, therefore, as follows:

	2020–2022 tranche
Share price at the beginning of the performance period (Jan. 1, 2020)	EUR 46.82
Share price at the end of the performance period (Feb. 2, 2022)	EUR 77.85
Dividend payments during the vesting period	EUR 4.05
Absolute shareholder return for the Brenntag share	**74.9%**
MDAX at the beginning of the performance period (Jan. 1, 2020)	26,873 points
MDAX at the end of the performance period (Feb. 2, 2022)	34,700 points
MDAX performance during the performance period	29.1%
Relative shareholder return for the Brenntag share versus the MDAX	**45.8%**

2.18 Performance criteria for the earned External LTI Portion of the 2020–2022 tranche for Georg Müller – Remuneration System 2015

The following tables show the respective targets and the results actually achieved for the Internal LTI Portion for the individual years of the 2020–2022 tranche. The respective target achievement is calculated from the two figures:

	2020–2022 tranche		
	Target	Result	Target achievement
EBITDA			
2020	EUR 1,041.9 m	EUR 1,057.7 m	101.5%
2021	EUR 1,095.1 m	EUR 1,344.6 m	122.8%
2022	EUR 1,150.0 m	EUR 1,808.6 m	157.3%
ROCE			
2020	14.7%	15.0%	102.0%
2021	15.4%	19.6%	127.3%
2022	16.3%	22.3%	136.8%
Earnings per share			
2020	EUR 3.12	EUR 3.02	96.8%
2021	EUR 3.37	EUR 2.90	86.1%
2022	EUR 3.66	EUR 5.74	156.8%

2.19 Performance criteria for the earned Internal LTI Portion of the 2020–2022 tranche – Remuneration System 2015

The payout amounts for the 2020–2022 tranche of the Long-term Incentive Bonus are calculated on the basis of the performance criteria outlined above as follows:

	Georg Müller	Henri Nejade
Target amount	**EUR 800k**	**EUR 600k**
Internal Portion (weighting 50%)		
2020 (weighting 1/3)		
EBITDA (weighting 50%)		
Pro rata target amount	EUR 67k	EUR 50k
Target achievement	101.5%	101.5%
Payout factor	104.5%	104.5%
Pro rata bonus amount	EUR 70k	EUR 52k
ROCE (weighting 25%)		
Pro rata target amount	EUR 33k	EUR 25k
Target achievement	102.0%	102.0%
Payout factor	106.1%	106.1%
Pro rata bonus amount	EUR 35k	EUR 27k
Earnings per share (weighting 25%)		
Pro rata target amount	EUR 33k	EUR 25k
Target achievement	96.8%	96.8%
Payout factor	90.4%	90.4%
Pro rata bonus amount	EUR 30k	EUR 23k
2021 (weighting 1/3)		
EBITDA (weighting 50%)		
Pro rata target amount	EUR 67k	EUR 50k
Target achievement	122.8%	122.8%
Payout factor	168.3%	168.3%
Pro rata bonus amount	EUR 112k	EUR 84k
ROCE (weighting 25%)		
Pro rata target amount	EUR 33k	EUR 25k
Target achievement	127.3%	127.3%
Payout factor	181.8%	181.8%
Pro rata bonus amount	EUR 61k	EUR 45k
Earnings per share (weighting 25%)		
Pro rata target amount	EUR 33k	EUR 25k
Target achievement	86.1%	86.1%
Payout factor	58.2%	58.2%
Pro rata bonus amount	EUR 19k	EUR 15k
2022 (weighting 1/3)		
EBITDA (weighting 50%)		
Pro rata target amount	EUR 67k	EUR 50k
Target achievement	157.3%	157.3%
Payout factor	271.8%	271.8%
Pro rata bonus amount	EUR 181k	EUR 136k
ROCE (weighting 25%)		
Pro rata target amount	EUR 33k	EUR 25k
Target achievement	136.8%	136.8%
Payout factor	210.4%	210.4%
Pro rata bonus amount	EUR 70k	EUR 53k
Earnings per share (weighting 25%)		
Pro rata target amount	EUR 33k	EUR 25k
Target achievement	156.8%	156.8%
Payout factor	270.5%	270.5%
Pro rata bonus amount	EUR 90k	EUR 68k
External Portion (weighting 50%)		
Absolute shareholder return for the Brenntag share (weighting 50%)		
Pro rata target amount	EUR 200k	EUR 150k
Absolute shareholder return achieved	74.9%	39.3%
Payout factor	249.9%	178.6%
Pro rata bonus amount	EUR 500k	EUR 268k
Relative shareholder return for the Brenntag share (weighting 50%)		
Pro rata target amount	EUR 200k	EUR 150k
Relative shareholder return achieved	45.8%	47.9%
Payout factor	237.4%	243.8%
Pro rata bonus amount	EUR 475k	EUR 366k
Preliminary External Portion	EUR 975k	EUR 634k
Maximum remuneration External Portion	EUR 800k	EUR 600k
Final payout amount	**EUR 1,469k**	**EUR 1,102k**

2.20 Calculation of the earned 2020–2022 tranche of the LTI Bonus – Remuneration System 2015

Furthermore, as a result of the early termination of his service agreement, Georg Müller will be prematurely paid out the 2021–2023 tranche of the Long-term Incentive Bonus granted under the Remuneration System 2015. The performance criteria for the 2021–2023 tranche of the Long-term Incentive Bonus under the Board of Management Remuneration System 2015 were set at the end of 2020. The following table shows the performance criteria for the External LTI Portion of the 2021–2023 tranche as applied to Georg Müller:

	2021–2023 tranche
Share price at the beginning of the performance period (Jan. 1, 2021)	EUR 59.99
Share price at the end of the performance period (Feb. 2, 2022)	EUR 77.85
Dividend payments during the vesting period	EUR 2.80
Absolute shareholder return for the Brenntag share	**34.4%**
DAX at the beginning of the performance period (Jan. 1, 2021)	12,984 points
DAX at the end of the performance period (Feb. 2, 2022)	15,758 points
DAX performance during the performance period	21.4%
Relative shareholder return for the Brenntag share versus the DAX	**13.1%**

2.21 Performance criteria for the earned External LTI Portion of the 2021–2023 tranche for Georg Müller – Remuneration System 2015

The following tables show the respective targets and the results actually achieved for the Internal LTI Portion for the individual years of the 2021–2023 tranche as applied to Georg Müller. The respective target achievement is calculated from the two figures. It should be noted that the performance period is reduced from three to two years in the event of early termination of the service agreement.

	2021–2023 tranche for Georg Müller		
	Target	Result	Target achievement
EBITDA			
2021	EUR 1,107.8 m	EUR 1,344.6 m	121.4%
2022	EUR 1,233.2 m	EUR 1,808.6 m	146.7%
ROCE			
2021	16.3%	19.6%	120.2%
2022	18.4%	22.3%	121.2%
Earnings per share			
2021	EUR 3.08	EUR 2.90	94.2%
2022	EUR 3.85	EUR 5.74	149.1%

2.22 Performance criteria for the earned Internal LTI Portion of the 2021–2023 tranche for Georg Müller – Remuneration System 2015

The amounts for the early payout of the 2021–2023 tranche of the Long-term Incentive Bonus for Georg Müller are calculated on the basis of the performance criteria outlined above as follows:

	Georg Müller
Target amount	**EUR 800k**
Internal Portion (weighting 50%)	
2021 (weighting 1/3)	
EBITDA (weighting 50%)	
Pro rata target amount	EUR 67k
Target achievement	121.4%
Payout factor	164.1%
Pro rata bonus amount	EUR 109k
ROCE (weighting 25%)	
Pro rata target amount	EUR 33k
Target achievement	120.2%
Payout factor	160.7%
Pro rata bonus amount	EUR 54k
Earnings per share (weighting 25%)	
Pro rata target amount	EUR 33k
Target achievement	94.2%
Payout factor	82.5%
Pro rata bonus amount	EUR 27k
2022 (weighting 2/3)	
EBITDA (weighting 50%)	
Pro rata target amount	EUR 133k
Target achievement	146.7%
Payout factor	240.0%
Pro rata bonus amount	EUR 320k
ROCE (weighting 25%)	
Pro rata target amount	EUR 67k
Target achievement	121.2%
Payout factor	163.6%
Pro rata bonus amount	EUR 109k
Earnings per share (weighting 25%)	
Pro rata target amount	EUR 67k
Target achievement	149.1%
Payout factor	247.3%
Pro rata bonus amount	EUR 165k

	Georg Müller
External Portion (weighting 50%)	
Absolute shareholder return for the Brenntag share (weighting 50%)	
Pro rata target amount	EUR 200k
Absolute shareholder return achieved	34.4%
Payout factor	168.9%
Pro rata bonus amount	EUR 338k
Relative shareholder return for the Brenntag share (weighting 50%)	
Pro rata target amount	EUR 200k
Relative shareholder return achieved	13.1%
Payout factor	139.2%
Pro rata bonus amount	EUR 278k
Final payout amount	**EUR 1,400k**

2.23 Calculation of the earned LTI Bonus of the 2021–2023 tranche for Georg Müller – Remuneration System 2015

Performance criteria for the variable remuneration awarded and due in financial year 2022 (earned in 2021)

The performance criteria for the Annual Bonus of the members of the Board of Management were set for financial year 2021 at the end of 2020. As previously described, Dr. Christian Kohlpaintner, Steven Terwindt, Henri Nejade and Ewout van Jarwaarde were incentivized under the Board of Management Remuneration System 2020, Georg Müller under the Board of Management Remuneration System 2015.

The following tables show the relevant targets for Dr. Christian Kohlpaintner, Steven Terwindt, Henri Nejade and Ewout van Jarwaarde and the results they actually achieved. The respective target achievement is calculated from the two figures.

	Dr. Christian Kohlpaintner, Henri Nejade, Steven Terwindt, Ewout van Jarwaarde		
2021	Target	Result	Target achievement
Organic EBITDA growth			
Brenntag Group	12.0%	26.2%	218.3%
Improvement in working capital turnover			
Brenntag Group	0.80x	0.98x	122.5%
Earnings per share growth			
Brenntag Group	12.0%	–4.0%	–

2.24 Performance criteria for the Annual Bonus 2021 awarded and due – Remuneration System 2020

The performance criteria for financial year 2021 for Georg Müller were as follows:

	Georg MüllerGeorg Müller		
2021	Target	Result	Target achievement
Operating EBITDA (on constant currencies)			
Brenntag Group	EUR 1,107.8 m	EUR 1,332.6 m	120.3%
Working capital turnover			
Brenntag Group	8.0x	8.3x	103.7%
Conversion ratio			
Brenntag Group	39.7%	39.8%	100.3%

2.25 Performance criteria for the Annual Bonus 2021 awarded and due – Remuneration System 2015

The individual performance multiplier, which is applied to the annual bonus in both remuneration systems, was set by the Supervisory Board at 1.0 for all Board of Management members. The individual performance multiplier takes into account the individual financial and non-financial performance that cannot be reasonably measured by applying KPIs. The Board of Management initiated various ESG measures (Environmental, Social, Governance) for 2021. The Supervisory Board took progress on these measures into account holistically when determining the individual performance multiplier. Among other things, progress on the implementation of "Project Brenntag" was assessed when determining the individual performance multiplier.

The annual bonuses for 2021 are calculated on the basis of the performance criteria described above and the individual performance multipliers as follows:

2021	Dr. Christian Kohlpaintner	Henri Nejade	Steven Terwindt	Ewout van Jarwaarde
Target amount	**EUR 900k**	**EUR 500k**	**EUR 500k**	**EUR 450k**
Organic EBITDA growth (weighting 60%)				
Brenntag Group				
Target achievement	218.33%	218.33%	218.33%	218.33%
Improvement in working capital turnover (weighting 20%)				
Brenntag Group				
Target achievement	122.50%	122.50%	122.50%	122.50%
Earnings per share growth (weighting 20%)				
Brenntag Group				
Target achievement	–	–	–	–
Overall target achievement	155.50%	155.50%	155.50%	155.50%
Payout factor	200.00%	200.00%	200.00%	200.00%
Preliminary payout amount	EUR 1,800k	EUR 1,000k	EUR 1,000k	EUR 900k
Individual performance multiplier	1.00	1.00	1.00	1.00
Final payout amount	**EUR 1,800k**	**EUR 1,000k**	**EUR 1,000k**	**EUR 900k**

2.26 Calculation of the Annual Bonus 2021 awarded and due – Remuneration System 2020

2021	Georg Müller
Target amount	**EUR 550k**
Operating EBITDA (weighting 70%)	
Brenntag Group	
Pro rata target amount	EUR 385k
Target achievement	120.3%
Payout factor	181.2%
Pro rata preliminary bonus amount	EUR 698k
Working capital turnover (weighting 15%)	
Brenntag Group	
Pro rata target amount	EUR 83k
Target achievement	103.7%
Payout factor	114.6%
Pro rata preliminary bonus amount	EUR 95k
Conversion ratio (weighting 15%)	
Brenntag Group	
Pro rata target amount	EUR 83k
Target achievement	100.3%
Payout factor	101.4%
Pro rata preliminary bonus amount	EUR 84k
Preliminary payout amount	EUR 876k
Individual performance multiplier	1.00
Final payout amount	**EUR 876k**

2.27 Calculation of the Annual Bonus 2021 awarded and due – Remuneration System 2015

The performance criteria for the 2019–2021 tranche of the Long-term Incentive Bonus under the Board of Management Remuneration System 2015 were set at the end of 2018. Georg Müller, Henri Nejade and Markus Klähn were incentivized under the Board of Management Remuneration System 2015 in 2019.

The following table shows the performance criteria for the External LTI Portion of the 2019–2021 tranche:

	2019–2021 tranche
Share price at the beginning of the performance period (Jan. 1, 2019)	EUR 43.21
Share price at the end of the performance period (Dec. 31, 2021)	EUR 79.27
Dividend payments during the vesting period	EUR 3.80
Absolute shareholder return for the Brenntag share	**92.3%**
MDAX at the beginning of the performance period (Jan. 1, 2019)	23,556 points
MDAX at the end of the performance period (Dec. 31, 2021)	34,758 points
MDAX performance during the performance period	47.6%
Relative shareholder return for the Brenntagshare versus the MDAX	**44.7%**

2.28 Performance criteria for the External LTI Portion of the 2019–2021 tranche awarded and due – Remuneration System 2015

By way of exception, a shortened performance period for the External LTI Portion applies to Markus Klähn as a result of the early termination of his service agreement. The performance criteria are as follows:

	2019–2021 tranche
Share price at the beginning of the performance period (Jan. 1, 2019)	EUR 43.21
Share price at the end of the performance period (Jun. 30, 2021)	EUR 76.08
Dividend payments during the vesting period	EUR 3.80
Absolute shareholder return for the Brenntag share	**84.9%**
MDAX at the beginning of the performance period (Jan. 1, 2019)	23,556 points
MDAX at the end of the performance period (Jun. 30, 2021)	33,087 points
MDAX performance during the performance period	40.5%
Relative shareholder return for the Brenntag share versus the MDAX	**44.4%**

2.29 Performance criteria for the External LTI Portion of the 2019–2021 tranche awarded and due for Markus Klähn – Remuneration System 2015

The following tables show the respective targets and the results actually achieved for the Internal LTI Portion for the individual years of the 2019–2021 tranche. The respective target achievement is calculated from the two figures.

	2019–2021 tranche		
	Target	Result	Target achievement
EBITDA			
2019[1]	EUR 927.3 m	EUR 885.5 m	95.5%
2020	EUR 984.6 m	EUR 1,057.7 m	107.4%
2021	EUR 1,043.6 m	EUR 1,344.6 m	128.8%
ROCE			
2019[1]	16.2%	14.5%	89.5%
2020	17.2%	15.0%	87.2%
2021	18.0%	19.6%	108.9%
Earnings per share			
2019[1]	EUR 3.20	EUR 3.02	94.4%
2020	EUR 3.50	EUR 3.02	86.3%
2021	EUR 3.79	EUR 2.90	76.5%

2.30 Performance criteria for the Internal LTI Portion of the 2019–2021 tranche awarded and due – Remuneration System 2015

[1] In financial year 2019 the figures do not contain any effects of IFRS 16.

The payout amounts for the 2019–2021 tranche of the Long-term Incentive Bonus are calculated on the basis of the performance criteria outlined above as follows:

	Markus Klähn	Georg Müller	Henri Nejade
Target amount	**EUR 600k**	**EUR 800k**	**EUR 600k**
Internal Portion (weighting 50%)			
2019 (weighting 1/3)			
EBITDA (weighting 50%)			
Pro rata target amount	EUR 50k	EUR 67k	EUR 50k
Target achievement	95.5%	95.5%	95.5%
Payout factor	86.5%	86.5%	86.5%
Pro rata bonus amount	EUR 43k	EUR 58k	EUR 43k
ROCE (weighting 25%)			
Pro rata target amount	EUR 25k	EUR 33k	EUR 25k
Target achievement	89.5%	89.5%	89.5%
Payout factor	68.5%	68.5%	68.5%
Pro rata bonus amount	EUR 17k	EUR 23k	EUR 17k
Earnings per share (weighting 25%)			
Pro rata target amount	EUR 25k	EUR 33k	EUR 25k
Target achievement	94.4%	94.4%	94.4%
Payout factor	83.1%	83.1%	83.1%
Pro rata bonus amount	EUR 21k	EUR 28k	EUR 21k
2020 (weighting 1/3)			
EBITDA (weighting 50%)			
Pro rata target amount	EUR 50k	EUR 67k	EUR 50k
Target achievement	107.4%	107.4%	107.4%
Payout factor	122.3%	122.3%	122.3%
Pro rata bonus amount	EUR 61k	EUR 82k	EUR 61k
ROCE (weighting 25%)			
Pro rata target amount	EUR 25k	EUR 33k	EUR 25k
Target achievement	87.2%	87.2%	87.2%
Payout factor	61.6%	61.6%	61.6%
Pro rata bonus amount	EUR 15k	EUR 21k	EUR 15k
Earnings per share (weighting 25%)			
Pro rata target amount	EUR 25k	EUR 33k	EUR 25k
Target achievement	86.3%	86.3%	86.3%
Payout factor	58.9%	58.9%	58.9%
Pro rata bonus amount	EUR 15k	EUR 20k	EUR 15k

	Markus Klähn	Georg Müller	Henri Nejade
2021 (weighting 1/3)			
EBITDA (weighting 50%)			
Pro rata target amount	EUR 50k	EUR 67k	EUR 50k
Target achievement	128.8%	128.8%	128.8%
Payout factor	186.5%	186.5%	186.5%
Pro rata bonus amount	EUR 93k	EUR 124k	EUR 93k
ROCE (weighting 25%)			
Pro rata target amount	EUR 25k	EUR 33k	EUR 25k
Target achievement	108.9%	108.9%	108.9%
Payout factor	126.7%	126.7%	126.7%
Pro rata bonus amount	EUR 32k	EUR 42k	EUR 32k
Earnings per share (weighting 25%)			
Pro rata target amount	EUR 25k	EUR 33k	EUR 25k
Target achievement	76.5%	76.5%	76.5%
Payout factor	29.6%	29.6%	29.6%
Pro rata bonus amount	EUR 7k	EUR 10k	EUR 7k
External Portion (weighting 50%)			
Absolute shareholder return for the Brenntag share (weighting 50%)			
Pro rata target amount	EUR 150k	EUR 200k	EUR 150k
Absolute shareholder return achieved	84.9%	92.3%	92.3%
Payout factor	269.8%	284.5%	284.5%
Pro rata bonus amount	EUR 405k	EUR 569k	EUR 427k
Relative shareholder return for the Brenntag share (weighting 50%)			
Pro rata target amount	EUR 150k	EUR 200k	EUR 150k
Relative shareholder return achieved	44.4%	44.7%	44.7%
Payout factor	233.2%	234.1%	234.1%
Pro rata bonus amount	EUR 350k	EUR 468k	EUR 351k
Preliminary External Portion	EUR 755k	EUR 1,037k	EUR 778k
Maximum remuneration External Portion	EUR 600k	EUR 800k	EUR 600k
Final payout amount	**EUR 904k**	**EUR 1,209k**	**EUR 904k**

2.31 Calculation of the 2019–2021 tranche of the LTI Bonus awarded and due – Remuneration System 2015

Furthermore, Markus Klähn was prematurely paid out the 2020–2022 tranche of the Long-term Incentive Bonus in 2022 as a result of the early termination of his service agreement. The performance criteria for the 2020–2022 tranche of the Long-term Incentive Bonus under the Board of Management Remuneration System 2015 were set at the end of 2019. The following table shows the performance criteria for the External LTI Portion of the 2020–2022 tranche as applied to Markus Klähn:

	2020–2022 tranche
Share price at the beginning of the performance period (Jan. 1, 2020)	EUR 46.82
Share price at the end of the performance period (Jun. 30, 2021)	EUR 76.08
Dividend payments during the vesting period	EUR 2.60
Absolute shareholder return for the Brenntag share	**68.0%**
MDAX at the beginning of the performance period (Jan. 1, 2020)	26,873 points
MDAX at the end of the performance period (Jun. 30, 2021)	33,087 points
MDAX performance during the performance period	23.1%
Relative shareholder return for the Brenntag share versus the MDAX	**44.9%**

2.32 Performance criteria for the External LTI Portion of the 2020–2022 tranche awarded and due to Markus Klähn – Remuneration System 2015

The following tables show the respective targets and the results actually achieved for the Internal LTI Portion for the individual years of the 2020–2022 tranche as applied to Markus Klähn. The respective target achievement is calculated from the two figures. It should be noted that the performance period was reduced from three to two years due to the early termination of the service agreement.

	2020–2022 tranche for Markus Klähn		
	Target	Result	Target achievement
EBITDA			
2020	EUR 1,041.9 m	EUR 1,057.7 m	101.5%
2021	EUR 1,095.1 m	EUR 1,344.6 m	122.8%
ROCE			
2020	14.7%	15.0%	102.0%
2021	15.4%	19.6%	127.3%
Earnings per share			
2020	EUR 3.12	EUR 3.02	96.8%
2021	EUR 3.37	EUR 2.90	86.1%

2.33 Performance criteria for the Internal LTI Portion of the 2020–2022 tranche awarded and due to Markus Klähn – Remuneration System 2015

The amounts for the early payout of the 2020–2022 tranche of the Long-term Incentive Bonus for Markus Klähn were calculated on the basis of the performance criteria outlined above as follows:

	Markus Klähn
Target amount	**EUR 600k**
Internal Portion (weighting 50%)	
2020 (weighting 50%)	
EBITDA (weighting 50%)	
Pro rata target amount	EUR 75k
Target achievement	101.5%
Payout factor	104.5%
Pro rata bonus amount	EUR 78k
ROCE (weighting 25%)	
Pro rata target amount	EUR 38k
Target achievement	102.0%
Payout factor	106.1%
Pro rata bonus amount	EUR 40k
Earnings per share (weighting 25%)	
Pro rata target amount	EUR 38k
Target achievement	96.8%
Payout factor	90.4%
Pro rata bonus amount	EUR 34k
2021 (weighting 50%)	
EBITDA (weighting 50%)	
Pro rata target amount	EUR 75k
Target achievement	122.8%
Payout factor	168.3%
Pro rata bonus amount	EUR 126k
ROCE (weighting 25%)	
Pro rata target amount	EUR 38k
Target achievement	127.3%
Payout factor	181.8%
Pro rata bonus amount	EUR 68k
Earnings per share (weighting 25%)	
Pro rata target amount	EUR 38k
Target achievement	86.1%
Payout factor	58.2%
Pro rata bonus amount	EUR 22k

	Markus Klähn
External Portion (weighting 50%)	
Absolute shareholder return for the Brenntag share (weighting 50%)	
Pro rata target amount	EUR 150k
Absolute shareholder return achieved	68.0%
Payout factor	236.1%
Pro rata bonus amount	EUR 354k
Relative shareholder return for the Brenntag share (weighting 50%)	
Pro rata target amount	EUR 150k
Relative shareholder return achieved	44.9%
Payout factor	234.8%
Pro rata bonus amount	EUR 352k
Preliminary External Portion	EUR 706k
Maximum remuneration External Portion	EUR 600k
Final payout amount	**EUR 968k**

2.34 Calculation of the 2020–2022 tranche of the Long-term Incentive Bonus awarded and due to Markus Klähn – Remuneration System 2015

Information on remuneration awarded and due to Board of Management members serving in financial year 2022 and former members in accordance with Section 162 of the German Stock Corporation Act (AktG)

Information on remuneration awarded and due to Board of Management members serving in financial year 2022 in accordance with Section 162 AktG

At the close of February 2, 2022, Georg Müller's appointment as a member of the Board of Management was terminated by mutual agreement, his service agreement remaining in effect until March 31, 2022. Georg Müller was available to the company until March 31, in particular to answer any queries regarding the annual financial statements and to provide the best possible support for the on-boarding of Dr. Kristin Neumann. In line with the terms of his service agreement, Georg Müller received both his Annual Base Salary in the amount of EUR 162,500 and a pension component paid as deferred compensation into the Deferred Compensation Contingency Plan on a pro rata temporis basis. The Annual Bonus for 2022 will also be calculated on a pro rata temporis basis and, under the Remuneration System 2015, paid out in 2023. The entitlements under the Long-term Incentive Plan will be calculated according to the terms of his service agreement and paid out. Details on the 2019–2021, 2020–2022 and 2021–2023 tranches are presented in the sections "Information on the performance criteria for the variable remuneration earned in financial year 2022" and "Performance criteria for the variable remuneration awarded and due in financial year 2022 (earned in 2021)".

For financial year 2022, the pro rata temporis target amount of the long-term variable remuneration of EUR 200,000 will be paid out in 2023 in accordance with the terms of his service agreement after adoption of the audited consolidated financial statements of Brenntag SE. In line with the terms of his service agreement, Georg Müller received benefits in kind such as the use of a company car and private health care and long-term care insurance allowances until March 31, 2022.

Dr. Kristin Neumann succeeded Georg Müller as the new CFO of Brenntag SE with effect from April 1, 2022. Her service agreement commenced on March 1, 2022.

Total remuneration for the Board of Management members serving in financial year 2022 is as follows:

		Dr. Christian Kohlpaintner		Dr. Kristin Neumann		Georg Müller	
Term of service agreement as a Board of Management member		(until Dec. 31, 2025)		(until Mar. 31, 2025)		(until Feb. 2, 2022)	
		in EUR k	in %	in EUR k	in %	in EUR k	in %
Annual Base Salary	**2022**	**1,000**	**31.9**	**438**	**75.0**	**163**	**7.2**
	2021	1,000	32.0	–	–	650	29.4
Pension allowance	**2022**	**300**	**9.5**	**116**	**19.9**	**–**	**–**
	2021	300	9.6	–	–	–	–
Benefits in kind / other benefits	**2022**	**38**	**1.2**	**30**	**5.1**	**4**	**0.2**
	2021	37	1.2	–	–	19	0.8
Total non-performance-based remuneration	**2022**	**1,338**	**42.6**	**583**	**100.0**	**167**	**7.4**
	2021	1,337	42.8	–	–	669	30.2
Short-term variable remuneration	**2022**	**1,800**	**57.4**	**–**	**–**	**876**	**39.0**
	2021	1,790	57.2	–	–	592	26.8
Long-term variable remuneration	**2022**	**–**	**–**	**–**	**–**	**1,206**	**53.6**
	2021	–	–	–	–	952	43.0
Total performance-based remuneration	**2022**	**1,800**	**57.4**	**–**	**–**	**2,082**	**92.6**
	2021	1,790	57.2	–	–	1,544	69.8
Total remuneration	**2022**	**3,138**	**100.0**	**583**	**100.0**	**2,249**	**100.0**
	2021	3,127	100.0	–	–	2,213	100.0

		Henri Nejade		Steven Terwindt		Ewout van Jarwaarde	
Term of service agreement as a Board of Management member		(until Jun. 30, 2023)		(until Jul. 31, 2023)		(until Dec. 31, 2023)	
		in EUR k	in %	in EUR k	in %	in EUR k	in %
Annual Base Salary	**2022**	**525**	**18.2**	**525**	**30.7**	**475**	**30.9**
	2021	525	22.9	525	75.8	475	74.6
Pension allowance	**2022**	**–**	**–**	**139**	**8.2**	**125**	**8.1**
	2021	–	–	139	20.1	125	19.6
Benefits in kind / other benefits	**2022**	**454**	**15.8**	**44**	**2.6**	**36**	**2.4**
	2021	428	18.7	29	4.1	37	5.8
Total non-performance-based remuneration	**2022**	**979**	**34.0**	**708**	**41.5**	**636**	**41.4**
	2021	953	41.6	693	100.0	637	100.0
Short-term variable remuneration	**2022**	**1,000**	**34.7**	**1,000**	**58.5**	**900**	**58.6**
	2021	683	29.8	–	–	–	–
Long-term variable remuneration	**2022**	**905**	**31.3**	**–**	**–**	**–**	**–**
	2021	654	28.6	–	–	–	–
Total performance-based remuneration	**2022**	**1,905**	**66.0**	**1,000**	**58.5**	**900**	**58.6**
	2021	1,337	58.4	–	–	–	–
Total remuneration	**2022**	**2,884**	**100.0**	**1,708**	**100.0**	**1,536**	**100.0**
	2021	2,290	100.0	693	100.0	637	100.0

2.35 Remuneration awarded and due to the Board of Management members serving in financial year 2022 in accordance with Section 162 of the German Stock Corporation Act (AktG)

Information on the remuneration awarded and due to former Board of Management members in accordance with Section 162 AktG

Markus Klähn stepped down from the Board of Management at the end of July 31, 2020. His service agreement was terminated by mutual agreement on the same day. A severance package was negotiated with him, which was paid in three parts. The first part in the amount of EUR 626,851 was already paid in 2020 and compensated him for lost remuneration from his future base salary, company car allowance, amounts to build up pension entitlements and for health care. The second part of the severance package in the amount of EUR 201,836 was paid in 2021. This second part compensated him for the lost remuneration from future annual bonuses. The third part of the severance package in the amount of EUR 431,181 was paid in 2022 when the performance indicators that make up the Long-term Incentive Bonus had been determined. This third part compensated him for the lost remuneration from future Long-term Incentive Bonuses. The vested benefits from the Long-term Incentive Bonuses 2019–2021 in the amount of EUR 904,725 and 2020–2022 in the amount of EUR 968,357 were also paid in 2022.

Karsten Beckmann stepped down from the Board of Management at the end of August 31, 2020. His service agreement was terminated by mutual agreement on the same day. It was agreed with him that 50% of any remuneration from other professional activities during a period of two years after termination of his service agreement would be deducted from the amount of severance pay.

As a result of this agreement, Karsten Beckmann repaid an amount of EUR 13,500 to the company in 2021. In 2022, Karsten Beckmann repaid a further EUR 36,103 to the company. In addition, a supplement to the termination agreement was negotiated with Karsten Beckmann providing for remuneration entitlements from the Long-term Incentive Bonus 2020 to be reduced by EUR 300,000. In addition, the company also settled Karsten Beckmann's deferred compensation entitlements under the Deferred Compensation Contingency Plan of Brenntag in full in 2022 in the form of a one-time payment of EUR 958,770.

The following table contains the remuneration awarded and due to former Board of Management members in 2022.

		Karsten Beckmann		Jürgen Buchsteiner		Markus Klähn	
		in EUR k	in %	in EUR k	in %	in EUR k	in %
Annual Base Salary	**2022**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	–	–	–	–	–	–
Pension allowance	**2022**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	–	–	–	–	–	–
Benefits in kind / other benefits	**2022**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	–	–	–	–	–	–
Total non-performance-based remuneration	**2022**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	–	–	–	–	–	–
Short-term variable remuneration	**2022**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	432	24.9	–	–	383	31.4
Long-term variable remuneration	**2022**	**–**	**–**	**–**	**–**	**1,873**	**81.3**
	2021	1,319	75.9	–	–	634	52.0
Total performance-based remuneration	**2022**	**–**	**–**	**–**	**–**	**1,873**	**81.3**
	2021	1,751	100.8	–	–	1,017	83.4
Termination benefits	**2022**	**–36**	**–3.9**	**–**	**–**	**431**	**18.7**
	2021	–14	–0.8	–	–	202	16.6
Pension payments received	**2022**	**959**	**103.9**	**305**	**100.0**	**–**	**–**
	2021	–	–	302	100.0	–	–
Total remuneration	**2022**	**923**	**100.0**	**305**	**100.0**	**2,304**	**100.0**
	2021	1,737	100.0	302	100.0	1,219	100.0

2.36 Remuneration awarded and due to former Board of Management members in accordance with Section 162 of the German Stock Corporation Act (AktG)

Information on remuneration granted and earned in accordance with number 4.2.5, para. 3 of the German Corporate Governance Code as amended on February 7, 2017 (GCGC 2017)

The following two tables provide the financial information required by number 4.2.5, para. 3 of the German Corporate Governance Code as amended on February 7, 2017 regarding the remuneration granted (in the GCGC 2017 "benefits granted") and the remuneration earned (in the GCGC 2017 "amounts allocated"). Brenntag is continuing these tables for the time being for the sake of transparency and comparability with prior-year data. The fixed remuneration and fringe benefits indicated here correspond to the total non-performance-related remuneration of the Board of Management. The one-year variable remuneration corresponds to the aforementioned short-term variable remuneration and the multi-year variable remuneration corresponds to the aforementioned long-term variable remuneration.

Amounts are generally recognized as granted in the financial year in which the underlying activity for this remuneration was performed. This is subject to the proviso that a commitment to pay remuneration must have been given at the time the remuneration report was prepared. In addition, it must be possible to establish a reliable estimate of the amount of this remuneration. The year in which fixed remuneration and fringe benefits are granted is generally also the year in which they are recognized as an expense. For the one-year variable remuneration, the relevant target amount in the case of 100% target achievement is recognized as the fair value at the date of grant. The multi-year variable remuneration resulting from the long-term incentive plan is in each case subject to a vesting period of three years and that resulting from the Performance Share Plan to a vesting period of four years. However, as a new plan is granted every year, in each case with a vesting period of three years or four years, the total target amount allocated per year in the event of 100% target achievement or the fair value at the date of grant is recognized as having been granted and not the portion (1/3 or 1/4) calculated as attributable to the reporting year.

Fixed remuneration and fringe benefits are recognized as remuneration earned in the financial year in which the underlying activity has been performed, if the value of the final payment has already been determined. For fixed remuneration and fringe benefits, the date of recognition as remuneration earned is generally the date on which it is recognized as an expense. In the case of one-year variable remuneration and multi-year variable remuneration, the remuneration earned is recognized in the financial year of the actual payout, which is, as a rule, the financial year following the respective vesting period.

Remuneration granted	Dr. Christian Kohlpaintner Chief Executive Officer				Dr. Kristin Neumann Chief Financial Officer			
in EUR k	**2021**	**2022**	**2022 (Min)**	**2022 (Max)**	**2021**	**2022**	**2022 (Min)**	**2022 (Max)**
Fixed remuneration	1,000	1,000	1,000	1,000	–	438	438	438
Fringe benefits	337	338	338	338	–	146	146	146
Total	**1,337**	**1,338**	**1,338**	**1,338**	**–**	**583**	**583**	**583**
One-year variable remuneration								
Annual Bonus 2022	–	900	–	1,800	–	417	–	833
Annual Bonus 2021	900	–	–	–	–	–	–	–
Multi-year variable remuneration								
Performance Share Plan 2022–2025	–	1,200	–	2,400	–	500	–	1,000
Performance Share Plan 2021–2024	1,200	–	–	–	–	–	–	–
LTI Bonus 2022–2024	–	–	–	–	–	–	–	–
LTI Bonus 2021–2023	–	–	–	–	–	–	–	–
Total	**2,100**	**2,100**	**–**	**4,200**	**–**	**917**	**–**	**1,833**
Severance payments	–	–	–	–	–	–	–	–
Service cost	–	–	–	–	–	–	–	–
Total remuneration	**3,437**	**3,438**	**1,338**	**5,538**	**–**	**1,500**	**583**	**2,417**

Remuneration granted	Georg Müller Chief Financial Officer				Henri Nejade Member of the Board of Management			
in EUR k	**2021**	**2022**	**2022 (Min)**	**2022 (Max)**	**2021**	**2022**	**2022 (Min)**	**2022 (Max)**
Fixed remuneration	650	163	163	163	525	525	525	525
Fringe benefits	19	4	4	4	428	454	454	454
Total	**669**	**167**	**167**	**167**	**953**	**979**	**979**	**979**
One-year variable remuneration								
Annual Bonus 2022	–	138	–	275	–	500	–	1,000
Annual Bonus 2021	550	–	–	–	500	–	–	–
Multi-year variable remuneration								
Performance Share Plan 2022–2025	–	–	–	–	–	600	–	1,200
Performance Share Plan 2021–2024	–	–	–	–	600	–	–	–
LTI Bonus 2022–2024	–	200	–	400	–	–	–	–
LTI Bonus 2021–2023	800	–	–	–	–	–	–	–
Total	**1,350**	**338**	**–**	**675**	**1,100**	**1,100**	**–**	**2,200**
Severance payments	–	–	–	–	–	–	–	–
Service cost	475	102	102	102	335	293	293	293
Total remuneration	**2,494**	606	**269**	**944**	**2,388**	**2,372**	**1,272**	**3,472**

Remuneration granted	Steven Terwindt Member of the Board of Management				Ewout van Jarwaarde Member of the Board of Management			
in EUR k	**2021**	**2022**	**2022 (Min)**	**2022 (Max)**	**2021**	**2022**	**2022 (Min)**	**2022 (Max)**
Fixed remuneration	525	525	525	525	475	475	475	475
Fringe benefits	168	183	183	183	162	161	161	161
Total	**693**	**708**	**708**	**708**	**637**	**636**	**636**	**636**
One-year variable remuneration								
Annual Bonus 2022	–	500	–	1,000	–	450	–	900
Annual Bonus 2021	500	–	–	–	450	–	–	–
Multi-year variable remuneration				–				
Performance Share Plan 2022–2025	–	600	–	1,200	–	550	–	1,100
Performance Share Plan 2021–2024	600	–	–	–	550	–	–	–
LTI Bonus 2022–2024	–	–	–	–	–	–	–	–
LTI Bonus 2021–2023	–	–	–	–	–	–	–	–
Total	**1,100**	**1,100**	**–**	**2,200**	**1,000**	**1,000**	**–**	**2,000**
Severance payments	–	–	–	–	–	–	–	–
Service cost	–	–	–	–	–	–	–	–
Total remuneration	**1,793**	**1,808**	**708**	**2,908**	**1,637**	**1,636**	**636**	**2,636**

2.37 Board of Management remuneration granted

Remuneration earned[1]	Dr. Christian Kohlpaintner Chief Executive Officer		Dr. Kristin Neumann Chief Financial Officer		Georg Müller Chief Financial Officer	
in EUR k	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Fixed remuneration	1,000	1,000	438	–	163	650
Fringe benefits	338	337	146	–	4	19
Total	**1,338**	**1,337**	**583**	**–**	**167**	**669**
One-year variable remuneration	1,800	1,800	833	–	207	876
Multi-year variable remuneration						
LTI Bonus 2019–2021	–	–	–	–	–	1,206
LTI Bonus 2020–2022	–	–	–	–	1,469	–
LTI Bonus 2021–2023	–	–	–	–	1,400	–
LTI Bonus 2022–2024	–	–	–	–	200	–
Total	**1,800**	**1,800**	**833**	**–**	**3,276**	**2,082**
Severance payments	–	–	–	–	–	–
Service cost	–	–	–	–	102	476
Total remuneration	**3,138**	**3,137**	**1,417**	**–**	**3,545**	**3,227**

Remuneration earned[1]	Henri Nejade Member of the Board of Management		Steven Terwindt Member of the Board of Management		Ewout van Jarwaarde Member of the Board of Management	
in EUR k	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Fixed remuneration	525	525	525	525	475	475
Fringe benefits	454	428	183	168	161	162
Total	**979**	**953**	**708**	**693**	**636**	**637**
One-year variable remuneration	1,000	1,000	1,000	1,000	900	900
Multi-year variable remuneration						
LTI Bonus 2019–2021	–	905	–	–	–	–
LTI Bonus 2020–2022	1,102	–	–	–	–	–
LTI Bonus 2021–2023	–	–	–	–	–	–
LTI Bonus 2022–2024	–	–	–	–	–	–
Total	**2,102**	**1,905**	**1,000**	**1,000**	**900**	**900**
Severance payments	–	–	–	–	–	–
Service cost	293	336	–	–	–	–
Total remuneration	**3,374**	**3,194**	**1,708**	**1,693**	**1,536**	**1,537**

2.38 Board of Management remuneration earned

[1] The current financial year only contains amounts allocated to Board of Management members who were serving in that year.

Information on shares granted in the financial year

In 2020, 2021 and 2022, Dr. Christian Kohlpaintner, Dr. Kristin Neumann, Henri Nejade, Steven Terwindt, and Ewout van Jarwaarde were contingently granted virtual Brenntag shares, so-called Performance Share Units, for the long-term variable remuneration under the Board of Management Remuneration System 2020.

	Dr. Christian Kohlpaintner	Dr. Kristin Neumann	Henri Nejade	Steven Terwindt	Ewout van Jarwaarde
2020 tranche [1]	25,614	–	–	4,891	–
2021 tranche [2]	20,057	–	10,028	10,028	9,193
2022 tranche [3]	15,072	6,280	7,536	7,536	6,908

2.39 Performance Share Units initially contingently granted – Remuneration System 2020

[1] Price of the Brenntag share applicable at the beginning of the performance period: EUR 46.85
[2] Price of the Brenntag share applicable at the beginning of the performance period: EUR 59.83
[3] Price of the Brenntag share applicable at the beginning of the performance period: EUR 79.62

The amount is paid out after completion of the respective four-year performance period subject to the performance conditions as previously described for the Board of Management Remuneration System 2020.

Compliance with maximum remuneration

In order to comply with the maximum remuneration requirement, all remuneration components hitherto awarded and due for a financial year are listed, allocated to the financial years in which they were granted, added up and compared with the maximum remuneration to be applied for that financial year.

The remuneration report 2021 reported the status of continued compliance with maximum remuneration for financial years 2020 and 2021. The final report on compliance with maximum remuneration for financial years 2020 and 2021 will be made when the amount of long-term variable remuneration awarded and due in 2023 and 2024 respectively can be determined.

The following table shows how the maximum remuneration individually set is complied with in 2022.

Georg Müller is not listed in the table below as his service agreement started in 2017 and no maximum remuneration was agreed.

in EUR k	Dr. Christian Kohlpaintner	Dr. Kristin Neumann	Henri Nejade	Steven Terwindt	Ewout van Jarwaarde
Annual base salary	1,000	438	525	525	475
Pension allowance	300	116	–	139	125
Benefits in kind / other benefits	38	30	454	44	36
Total remuneration awarded and due to date in accordance with Sec. 162, para. 1 AktG	**1,338**	**583**	**979**	**708**	**636**
Short-term variable remuneration	1,800	833	1,000	1,000	900
Long-term variable remuneration[1]					
Service cost	–	–	293	–	–
Total remuneration realized to date in accordance with Sec. 87a, para. 1, sentence 2, no. 1 AktG	**3,138**	**1,417**	**2,272**	**1,708**	**1,536**
Agreed maximum remuneration	**5,650**	**2,500[2]**	**3,400**	**3,000**	**2,700**

2.40 Compliance with the maximum remuneration in 2022 – Remuneration System 2020

[1] Cannot be determined until after the end of financial year 2023; awarded and due in financial year 2024
[2] On a pro rata temporis basis for the period from March 1 to December 31, 2022; full-year equivalent: EUR 3,000,000

The maximum remuneration for financial years 2020, 2021 and 2022 has been complied with for every member of the Board of Management. It should be noted that so far not all remuneration components for financial years 2020, 2021 and 2022 have been awarded and are due. In particular, entitlements under the long-term variable remuneration cannot be determined until after the end of the performance periods.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board was approved by resolution of the General Shareholders' Meeting of Brenntag SE on June 10, 2020; it is purely fixed remuneration. The chair and membership of Supervisory Board committees are remunerated separately in line with the German Corporate Governance Code.

The members of the Supervisory Board each receive annual fixed remuneration in the amount of EUR 120k in addition to reimbursement of their expenses. The Chair of the Supervisory Board receives fixed remuneration of EUR 210k and the Deputy Chair EUR 150k. The Chair of the Audit Committee receives an additional EUR 85k per year and every other member of the Audit Committee an additional EUR 25k per year. The chairs of all other committees receive an additional EUR 37.5k and every other member of these other committees an additional EUR 25k per year.

The following table shows the amounts due in 2022 to Supervisory Board members serving in financial year 2022 and former members:

in EUR k		Fixed remuneration	Remuneration for committee work	Total
Doreen Nowotne Chair	**2022**	**210**	**75**	**285**
	2021	210	75	285
Dr. Andreas Rittstieg Deputy Chair	**2022**	**150**	**25**	**175**
	2021	150	25	175
Stefanie Berlinger	**2022**	**120**	**25**	**145**
	2021	120	25	145
Wijnand P. Donkers	**2022**	**120**	**50**	**170**
	2021	120	50	170
Ulrich M. Harnacke	**2022**	**120**	**85**	**205**
	2021	120	85	205
Richard Ridinger	**2022**	**120**	**50**	**170**
	2021	120	50	170
Total remuneration	**2022**	**840**	**310**	**1,150**
	2021	840	310	1,150

2.41 Total remuneration of the Supervisory Board

Furthermore, Directors & Officers insurance (damage liability insurance) has been taken out for the members of the Supervisory Board with a deductible of at least 10% of the damages, but limited to 150% of the relevant Supervisory Board member's fixed remuneration. Beyond this, Supervisory Board members received no further remuneration or benefits for personal services rendered, in particular advisory and mediatory services, in the reporting year. No loans or advances were granted to members of the Supervisory Board in the reporting year, nor were any guarantees or other commitments entered into in their favor.

Changes in earnings and remuneration over time

The following table shows the change in the remuneration of the Board of Management, Supervisory Board and employees as well as the change in the company's earnings:

Changes in remuneration and the company's earnings were shown for the first time from 2020 to 2021 and are now updated every year in the remuneration report. In the case of Board of Management members serving in financial year 2022 and former members, the total remuneration awarded and due is taken into account as described in the section "Information on remuneration awarded and due to Board of Management members serving in financial year 2022 and former members in accordance with Section 162 of the German Stock Corporation Act (AktG)". In the case of current and former Supervisory Board members, the total remuneration awarded and due is taken into account as described in the section "Remuneration of the Supervisory Board". Apart from apprentices, interns and pre-retirement part-time workers, all employees who had a valid employment contract with Brenntag SE in the respective financial year are included in the changes in average employee remuneration. The basis is the remuneration awarded. Part-time employment and employees joining or leaving the company during the year are extrapolated to the full-year, full-time equivalent. Base salary and short-term and long-term variable remuneration are included in the calculation for employees. Fringe benefits and company pension schemes for employees are excluded from the calculation as these remuneration components are to a large extent purely administrative and are not subject to the classic, annual adjustment mechanism. In this analysis, we focus only on the employees of Brenntag SE in order to avoid a distorted picture in the future as a result of takeovers and different remuneration dynamics in other countries.

	Actual 2022	Actual 2021	Change in 2022 compared with 2021	Change in 2021 compared with 2020
Remuneration of current members of the Board of Management				
Dr. Christian Kohlpaintner (since Jan. 1, 2020)	EUR 3,138k	EUR 3,127k	+ 0.4%	+ 134.9%
Dr. Kristin Neumann (since Mar. 1, 2022)	EUR 583k	–	+ 100.0%	–
Georg Müller	EUR 2,249k	EUR 2,213k	+ 1.6%	+ 37.7%
Henri Nejade	EUR 2,884k	EUR 2,290k	+ 25.9%	+ 26.7%
Steven Terwindt (since Aug. 1, 2020)	EUR 1,708k	EUR 693k	+ 146.5%	+ 138.1%
Ewout van Jarwaarde (since Jan. 1, 2021)	EUR 1,536k	EUR 637k	+ 141.1%	+ 100.0%
Remuneration of former members of the Board of Management				
Karsten Beckmann	EUR 923k	EUR 1,737k	– 46.9%	– 52.9%
Jürgen Buchsteiner	EUR 305k	EUR 302k	+ 1.0%	+ 1.0%
Markus Klähn	EUR 2,304k	EUR 1,219k	+ 89.0%	– 31.2%
Remuneration of current members of the Supervisory Board				
Doreen Nowotne	EUR 285k	EUR 285k	–	+ 50.8%
Ulrich M. Harnacke	EUR 205k	EUR 205k	–	–
Stefanie Berlinger	EUR 145k	EUR 145k	–	–
Wijnand P. Donkers	EUR 170k	EUR 170k	–	+ 30.8%
Richard Ridinger (since Jun. 10, 2020)	EUR 170k	EUR 170k	–	+ 112.5%
Dr. Andreas Rittstieg	EUR 175k	EUR 175k	–	+ 9.4%
Remuneration of former members of the Supervisory Board				
	–	–	–	–
Remuneration of employees				
Ø employee Brenntag SE	EUR 110k	EUR 101k	+ 8.9%	+ 6.5%
Change in earnings				
Profit after tax Brenntag Group	EUR 902.5m	EUR 461.4m	+ 95.6%	– 2.6%
Profit after tax Brenntag SE	EUR 250.7m	EUR 241.5m	+ 3.8%	+ 8.8%

2.42 Changes in Board of Management, Supervisory Board and employee remuneration

Auditor's report

To Brenntag SE, Essen

We have audited the remuneration report of Brenntag SE, Essen, for the financial year from January 1 to December 31, 2022 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board

The executive directors and the supervisory board of Brenntag SE are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from January 1 to December 31, 2022, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement agreed with Brenntag SE. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Düsseldorf, March 6, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christiane Lawrenz	ppa. Daniel Deing
Wirtschaftsprüferin (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

3 Non-financial Report

89 —— 145

Dear readers, dear shareholders,

The both economically and politically difficult and volatile environment posed major challenges for Brenntag in 2022. But in this environment especially, ESG retains top priority on our agenda and that of our stakeholders. The profound changes in recent years have made it clear to us as a company how important it is to actively engage with both environmental and social aspects. By incorporating these matters into responsible governance, we are working together for a livable future.

ESG is a top priority in our activities and an essential element of our strategy. Last year, we once again stressed that we wish to become the leader in the responsible distribution of sustainable chemicals and ingredients, and also expressed this in our reformulated purpose. We made good progress on this path in 2022.

We published our new, long-term ESG strategy, in which we set out ambitious goals in all three dimensions, environment, social and governance, and took further successful steps toward achieving those goals. Among other things, we adopted guidelines for living wages and on sustainability certification for new sites, drove the decarbonization of products and supply chains through the use of renewable and biomaterials, and further reduced our accident numbers. All this contributes toward our long-term sustainability vision Future Sustainable Brenntag. We are also proud of the fact that, on a variety of ESG benchmarks and ratings, we outperformed the industry average by a clear margin. In 2022, we once again increased our score in the renowned EcoVadis sustainability rating and for the first time were awarded the platinum medal. Brenntag's sustainability performance therefore puts it among the top 1% of rated companies across all industries. We also made substantial progress on corporate governance. Brenntag achieved an excellent 88.66% on the DVFA Scorecard and therefore ranks among the leading DAX companies in terms of corporate governance.

We consider it important that our ESG strategy reflects and fulfills the needs of our stakeholders. In autumn 2022, we therefore carried out a materiality analysis, where customers, suppliers, investors, associations and internal stakeholders informed us of their assessment of 15 predefined core ESG areas. The results of this analysis confirmed our focal points. For us, this is another important sign that the market has understood and accepted our strategy.

Our central objectives include climate protection and reduction of emissions, which we are working on through numerous important measures with a view to achieving our net-zero target, covering greenhouse gas emissions generated by our own activities, by 2045. We have presented a clear roadmap for reducing our Scope 1 and 2 emissions. This includes fully meeting our electricity requirements from green energy by 2025 and reducing our CO_2 emissions by 40% compared with 2020 levels by 2030. In the latter case, we had already achieved a reduction of more than 9%

by the end of 2022 – a motivating result that shows that we are well on track with the measures taken.

In order to implement our ESG strategy successfully, it is important to further strengthen awareness of sustainability within our company and foster new ideas. In 2022, we therefore introduced an internal carbon fund, for example, for which sites around the globe applied by setting out their innovative carbon-saving measures. Internal carbon pricing creates incentives to save energy while at the same time generating funds for 2023 which, through the carbon fund's support, will be invested in innovative and efficient measures to reduce greenhouse gases. Headed by myself as CEO, our newly established Sustainability Council dedicates its attention, among other things, to the projects submitted and the provision of support through the carbon fund.

There is also a variety of ambitious projects on our agenda for 2023. After embarking on the first analysis of our product portfolio with regard to more sustainable product alternatives in 2022, we are looking forward to starting the implementation phase in the course of this year. As a matter of particular priority, we will also address the issue of human rights across our supply chain. Furthermore, we are focusing our efforts with regard to developing and tapping new circular areas of business.

Implementing ESG measures is a shared task. Together with our employees worldwide, we are working to make our industry sustainable and thus contribute toward a more liveable future. I would like to sincerely thank all colleagues at Brenntag for these efforts.

Dear readers, we are ambitiously continuing our journey toward a Future Sustainable Brenntag. We are very consciously tackling our intermediate goals; every achievement along the way takes us a step closer to our objectives. In 2023, we will continue to do all we can to extend our responsible role in sustainability as global market leader. I would be delighted if you would accompany and support us in this.

Yours sincerely,

Dr. Christian Kohlpaintner
Chief Executive Officer of Brenntag SE

About this report

Reporting principles

This combined separate non-financial report (NfR) for financial year 2022 is the tenth report published by Brenntag on its sustainability activities since 2013. This year, the NfR has for the first time been integrated into the Annual Report and will not therefore be published as a standalone sustainability report. It is not part of the Group management report.

This NfR is based on international standards for sustainability reporting and therefore takes into account the interests of investors, customers, partners, suppliers, NGOs, employees and interested members of the public:

- The Global Reporting Initiative (GRI, index on page 134),
- The principles of the United Nations Global Compact (UNGC),
- The standards issued by the Sustainability Accounting Standards Board (SASB, SASB "Chemicals" standard and SASB "Road transportation" standard, index on page 141),
- The standard issued by the Task Force on Climate-related Financial Disclosures (TCFD, index on page 139). The TCFD looks at the financial risks that climate change poses to companies' business performance.

This NfR was prepared in accordance with Section 315c in conjunction with Sections 289c to 289e of the German Commercial Code (HGB) and meets the legal requirements of the HGB. It also contains the mandatory disclosures in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU Taxonomy Regulation).

To provide a structured presentation of this content, Brenntag has used the GRI standards as a framework. The description of the requirements under the HGB is based on the structure of the GRI management approaches. This structure is used in the description of the materiality analysis as well as for management approaches relating to "environmental matters", "employee matters", "respect for human rights", "anti-corruption and bribery matters" and "responsibility in the supply chain" (GRI 3: Material Topics 2021). In addition, a GRI Content Index contrasts the GRI indicators with the corresponding passages in the report. This GRI Content Index is published from page 134. The following disclosures are additional information and not part of this separate NfR and therefore not subject to the audit: the GRI Content Index, references to information not contained in the NfR or the combined Group management report and management report of Brenntag SE, and SASB and TCFD indices.

The NfR has been audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) pursuant to ISAE 3000 (Revised) to obtain limited assurance. The Practitioner's Report can be found on pages 144–145. The NfR was also preliminarily analyzed and audited by the Supervisory Board's Audit Committee and subsequently by the entire Supervisory Board.

Information on the business model can be found in the combined Group management report and management report of Brenntag SE on pages 147-148.

In this NfR, correlations have been identified with amounts reported in the consolidated financial statements. Information on environmental provisions amounting to EUR 108.9 million for the clean-up of soil and groundwater at current and former, owned or leased sites can be found under note 25 to the consolidated financial statements for financial year 2022.

Identification of material content

The issues presented in the materiality matrix on page 99 form the basis for determining the NfR content. The matrix is the result of a materiality analysis that was updated in 2022 in that the stakeholders included assessed the relevance and the effects of the various topics. The materiality analysis was thus updated for the second time since it was first conducted in 2015. In order to determine the material topics for the NfR, Brenntag adhered to the requirements of Section 289c, para. 2 in conjunction with para. 3 of the German Commercial Code (HGB) and the Global Reporting Initiative standards. These topics were assessed for the NfR using the following criteria:

- Topics that are necessary to form an understanding of the business performance, the financial results, the company's position and the effects of Brenntag's activities on non-financial aspects (environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, responsibility in the supply chain, and sustainable governance)
- Topics rated between "high and very high" in at least one of the dimensions
- Topics that form part of Brenntag's Group strategy and/or its ESG strategy and the objectives contained in it.

In the reporting period, Brenntag looked closely at the material topics and updated the materiality analysis against the background of the ESG strategy (please see page 99). Compared with the previous year, there were both some linguistic changes and a revision of the scope of the list of topics. The materiality analysis was submitted to and discussed and decided upon by the Board of Management. This materiality process identified the following topics as being material to Brenntag within the meaning of the law:

Material topics pursuant to Section 289c, para. 2 in conjunction with para. 3 of the German Commercial Code

Aspects	Issue and page reference
Environmental matters	Safe handling of chemicals (page 107) Combating climate change (page 116) Waste and packaging (page 121) More sustainable products (page 103) Circular business models (page 121) Responsible use of water (resources) (page 122) Climate resilience (page 104)
Employee matters	Occupational health and safety (page 106) People development and training (page 111) Respectful and caring work environment (page 108)
Respect for human rights	Compliance and corporate governance (page 101, 112)
Anti-corruption and bribery matters	Compliance and corporate governance (page 101)
Social matters	(Not material within the meaning of Section 289c, para. 3, sentence 1 HGB)
Responsibility in the supply chain	Responsible supplier management (page 112)
Sustainable governance	Integration of sustainability in governance structures (page 103)

3.01 Material topics pursuant to Section 289c, para. 2 in conjunction with para. 3 of the German Commercial Code

Social matters were identified as being immaterial to Brenntag within the meaning of the law and were therefore not included in the NfR. However, Brenntag will report on social activities and employees' involvement outside the NfR so that this important topic is addressed. In addition to the aspects covered by the law, Brenntag has identified “Responsibility in the supply chain” and “Sustainable governance”. As the market leader in chemicals and ingredients distribution, Brenntag believes it has a responsibility to reduce negative effects with regard to non-financial aspects within the supply chain and to strengthen positive effects. Among other things, Brenntag's understanding of the topic of sustainable governance is that sustainability aspects are important decision criteria in portfolio and investment decisions and on M&A projects.

Data basis and calculation

This NfR covers Brenntag SE, which is included in the consolidated financial statements, as well as the consolidated subsidiaries, which are also included along with structured entities. For information on the group of consolidated companies and consolidation method, see page 197 and page 202, as well as the list of companies included in the consolidated financial statements, page 265. Any deviations from these parameters are indicated in the relevant section of this NfR.

The reporting period for this NfR covers the Brenntag Group's financial year 2022 (January 1, 2022 to December 31, 2022). Any deviations in the reporting periods for individual data and contents are noted separately.

The contents and data provided in this report have been determined on the basis of internal processes. They derive from Brenntag's existing management and data-recording systems and from company documents and have been obtained from the operational units of Brenntag's regions as well as the responsible corporate departments. The content of this report has been reviewed by employees with the relevant specialist expertise.

Boundaries of material topics pursuant to GRI

The diagram on page 94 shows the boundaries of the material topics pursuant to the GRI. The relevant GRI standards covered by each topic are also indicated. For topics that are not covered by the GRI standards, we have referred directly to the corresponding management approaches in the NfR and, if necessary, to our website as an additional source of information.

Based on the materiality analysis performed in 2022, the following overview shows an updated presentation of the material topics and boundaries.

Material topics

	Material topic	Relevant within the organization	Relevant outside the organization	Related GRI standards or management approach for additional topics
GOVERNANCE	Compliance and corporate governance	X		GRI 205: Anti-corruption 2016 GRI 406: Non-discrimination 2016 GRI 407: Freedom of Association and Collective Bargaining 2016 GRI 417: Marketing and Labeling 2016 GRI 418: Customer Privacy 2016 Corporate Governance Statement, page 32
	Integration of sustainability in governance structures; climate resilience; more sustainable products	X	X	GRI 417: Marketing and Labeling 2016 Group Overview, page 147
ENVIRONMENT	Safe handling of chemicals	X	X	GRI 416: Customer Health and Safety 2016 GRI 303: Water and Effluents 2018 GRI 306: Waste 2020
	Combating climate change	X	X	GRI 302: Energy 2016 GRI 305: Emissions 2016
	Waste and packaging; responsible use of water (resources); circular business models	X		GRI 303: Water and Effluents 2018 GRI 306: Waste 2020
SOCIAL	Occupational health and safety	X		GRI 403: Occupational Health and Safety 2018
	Respectful and caring work environment	X		GRI 401: Employment 2016 GRI 402: Labor/Management Relations 2016 GRI 405: Diversity and Equal Opportunity 2016 GRI 406: Non-discrimination 2016 GRI 407: Freedom of Association and Collective Bargaining 2016
	People development and training	X		GRI 404: Training and Education 2016
	Responsible supplier management	X	X	GRI 204: Procurement Practices 2016 GRI 308: Supplier Environmental Assessment 2016 GRI 408: Child Labor 2016 GRI 409: Forced or Compulsory Labor 2016 GRI 411: Rights of Indigenous Peoples 2016 GRI 414: Supplier Social Assessment 2016

3.02 Material topics

The business model

Brenntag is the global market leader in chemicals and ingredients distribution. The company plays a central role in connecting customers and suppliers of the chemical industry. In the field of sustainability, Brenntag pursues specific goals and is committed to sustainable solutions in its own sector and the industries served. In doing so, we identify the sustainability needs of our numerous customer industries and work together with our suppliers to develop appropriate products and services. You can read more about the business model on page 147 of the Group management report.

Sustainability at Brenntag

Strategy

As the global market leader in chemicals and ingredients distribution, Brenntag aims to fulfill its responsibility and play a significant role in shaping the future of the industry. We support our partners in our networks and promote collaboration, excellence and shared success.

Sustainability has been an integral part of Brenntag's corporate strategy for many years now. Since as far back as 2014, the company has been a member of the UN Global Compact and committed to its principles for human rights, labor standards, environmental protection and fighting corruption. Since October 2014, Brenntag has been involved in Together for Sustainability (TfS), an initiative that works to enhance sustainability in the chemical industry supply chain. In October 2016, Brenntag became the first chemical distributor to obtain full membership in TfS.

In 2020, the CEO signed the Global Compact Statement from Business Leaders for Renewed Global Cooperation together with over 1,000 CEOs of companies from more than 100 countries. In 2021, Brenntag joined the global RE100 initiative, thereby pledging its commitment to the goal of sourcing 100% renewable power by 2025.

In order to demonstrate its leading role on the journey to an eco-friendly and sustainable future and make an impactful contribution, Brenntag signed up to the Science Based Targets initiative (SBTi) in 2022, thereby committing to have its climate goals validated within the next two years. These are science-based, 1.5°C-aligned goals. In 2022, the company developed its sustainability vision Future Sustainable Brenntag and formulated an ESG strategy, from which clearly defined and ambitious medium- and long-term goals will be derived along the value chain. Brenntag is thus taking the lead in shaping the sustainable future of global chemical distribution.

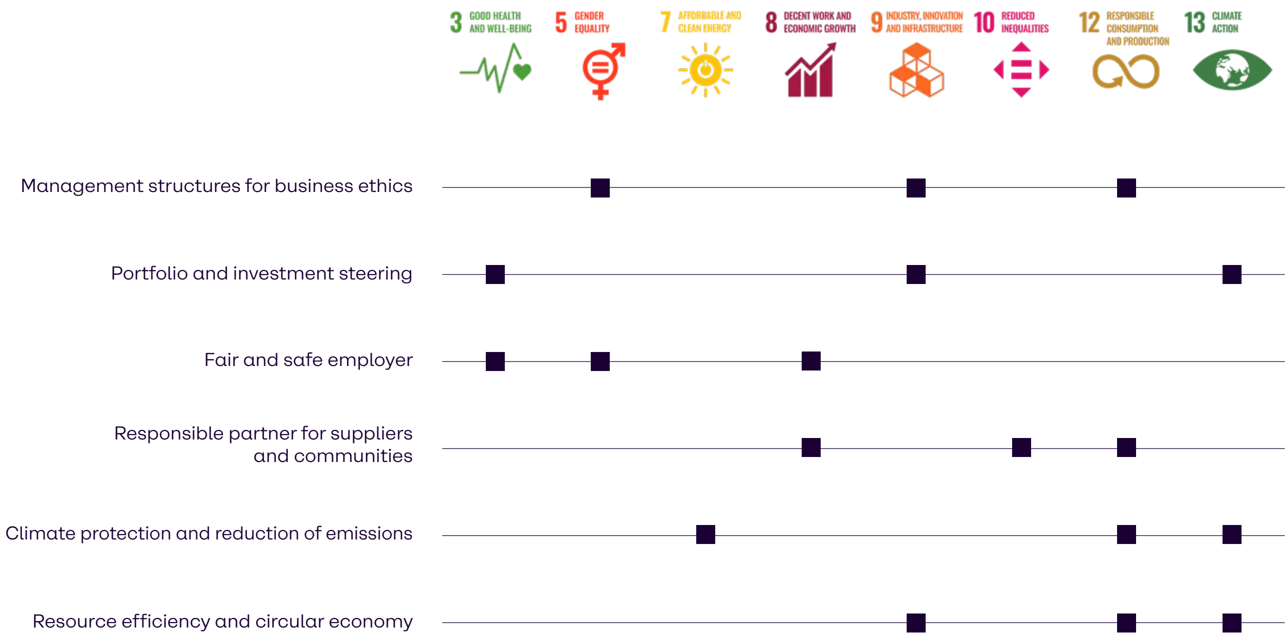
Focus areas

Through its new ESG strategy, Brenntag is paving the way to achieve its long-term sustainability vision Future Sustainable Brenntag. The strategy comprises the following six focus areas:

- Management structures for business ethics
- Portfolio and investment steering
- Fair and safe employer
- Responsible partner for suppliers and communities
- Climate protection and reduction of emissions
- Resource efficiency and circular economy

All actions are guided by the United Nations Sustainable Development Goals (SDGs). Brenntag has identified eight SDGs that are of most relevance to the company and to which it can make the greatest contribution. These eight SDGs are: good health and well-being; gender equality; affordable and clean energy; decent work and economic growth; industry, innovation and infrastructure; reduced inequalities; responsible consumption and production; climate action.

The following graphic shows in which focus areas Brenntag addresses the SDGs.



3.03 SDGs

Targets

Brenntag has set clear medium- and long-term targets for each focus area. In order to achieve these, it has also defined short-term targets, the progress toward which must be measured on a yearly basis.

Focus areas	Description	Targets 2023-2025	Targets 2030-2045	Target achievement 2022
Management structures for business ethics	Transparent and reliable governance structures that make management accountable	Further adjustment of Board remuneration based on ESG goals (2024)		Set-up of Sustainability Council
Portfolio and investment steering	Implement policies throughout the company	All new sites green building certified (2023) 100% portfolio steering toward sustainability (2025) Develop strategies to support technological advancement in important industry segments (e.g. automotive) (2025)		
Fair and safe employer	Set a high bar across working conditions Strive for zero accidents Ensure a dynamic and diverse organization	100% of employees earn at least a living wage (2023) Set-up of global organizational diversity, equity and inclusion structure (2023)	Female representation of at least 30% across our entire management below the Board of Management (2030) TRIR[1] < 2.0 and zero severe accidents (Actual Hurt Level 4–5) (2030)	Conduct analysis and implement global policy on living wages Set up global organizational DEI[2] structure and definition of regional/country-specific targets for female leadership TRIR < 2.7
Responsible partner for suppliers and communities	Improvements across the entire supply chain to ensure sustainable and fair standards Being a responsible and valued neighbor	All suppliers are covered by risk management		Conduct initial risk assessment for 100% of relevant suppliers
Climate protection and reduction of emissions	Reduce emissions	100% electricity consumption from renewable sources (2025) Total spills < 0.7 events/MMH[3] (2025) 100% compensation of remaining Scope 1 and 2 emissions (2025)	40% absolute carbon reduction vs. 2020 (2030)[4] Net zero carbon emissions (2045)	8% reduction of CO_2e emissions (Scope 1 and 2) in comparison to base year 2020 Implement Carbon Management Program and allocate 100% of the carbon fund Total spills < 0.85 events/MMH
Resource efficiency and circular economy	Recycling and reuse, including formation of partnerships Increase share of sustainable solutions to support supplier and customer needs	Assess portfolio for sustainability (30% covered) and set 2025 quantitative target (2023) Ten circular businesses, each generating > EUR 1 million (2025)		Analyze part of the product portfolio for sustainability in an initial assessment

achieved   partially achieved

3.04 Focus areas

[1] Total Recordable Injury Rate
[2] Diversity, equity, inclusion
[3] MMH = million man-hours
[4] Excl. sites that were not included in the 2020 base year; those will be recorded separately.

ESG management and organization

Sustainability only becomes effective once it is firmly embedded in organizational and management systems. The Supervisory Board of Brenntag SE has established a separate Transformation and Sustainability Committee to enable the implementation and tracking of the sustainability objectives to be monitored at the highest level of the company. At Group level, Brenntag has numerous guidelines that apply worldwide. In addition, the individual companies and sites pursue a large number of activities on their own, both regionally and locally. Sustainability Brenntag Group works to advance sustainability topics in a targeted manner throughout the company. It is headed by the Vice President (VP) Sustainability Brenntag Group. He reports directly to the CEO and is part of the global team of managers. This promotes the integration of sustainability topics in other areas of the Group and in the regions. In 2022, Brenntag established a Sustainability Council made up of managers from the regions and functions and headed by the CEO. The Sustainability Council met three times in the reporting period to discuss the implementation of the sustainability strategy and cross-function initiatives.

In 2022, a human rights officer was appointed for Brenntag, as specified in the German Supply Chain Due Diligence Act. This role is assumed by the VP Sustainability Brenntag Group. He sets out and oversees the management of human rights and environmental risks and also keeps an eye on changes in the legal framework strictly adhered to by the company. The human rights officer reports directly to corporate management.

Dialog with stakeholders

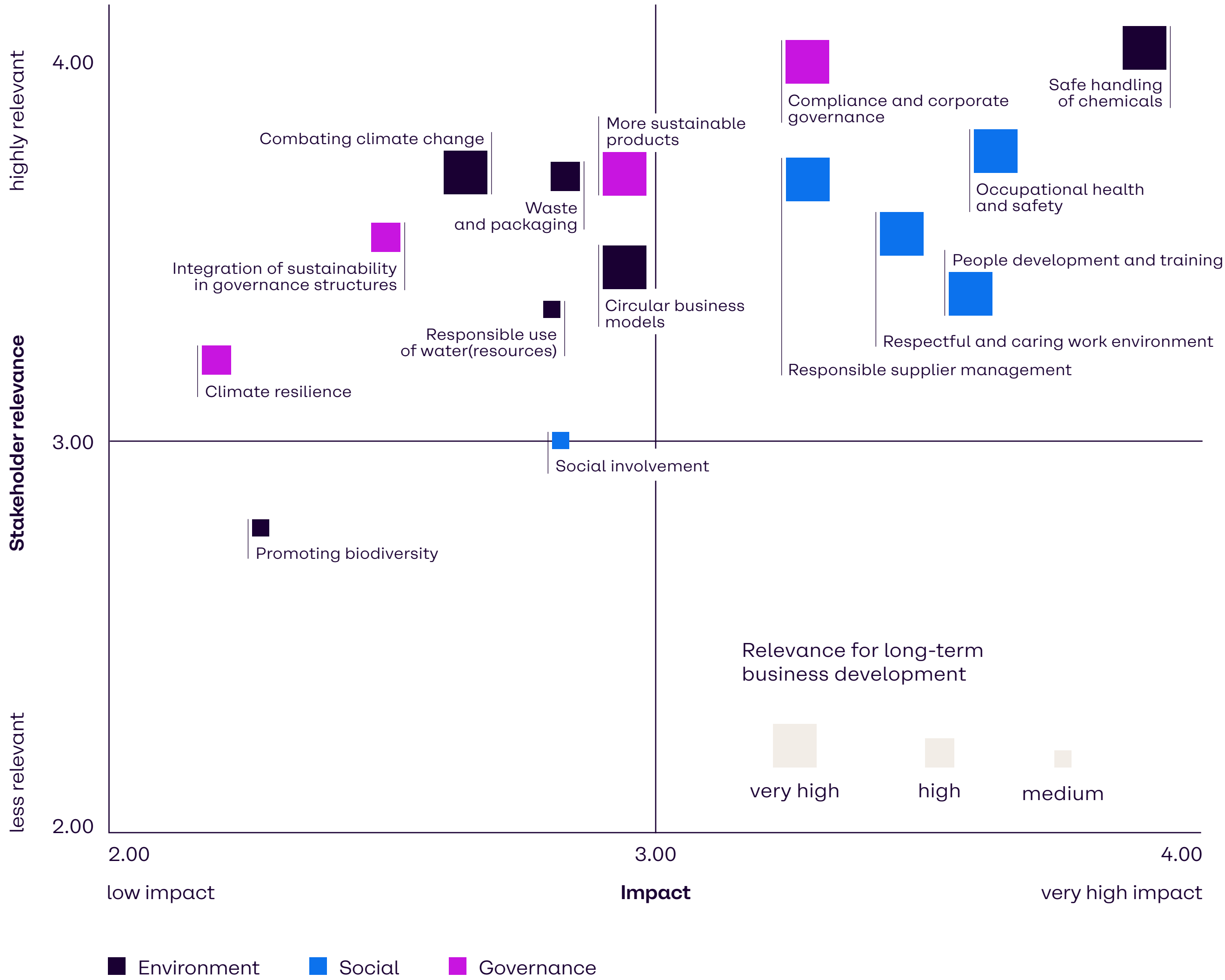
Brenntag maintains regular, open and target group-specific dialog with all stakeholders. These include customers, employees, suppliers and business partners along with investors and analysts, the media and other representatives of society. The aim is to keep stakeholders appropriately up to date on company developments and objectives and to create transparency. In return, this interaction enables the company to identify stakeholder expectations and give them appropriate consideration in its business decisions. As a member of relevant technical and industry associations at a local, regional and international level, Brenntag devotes time and attention to industry-specific issues. It is also essential to the success of the sustainability strategy that employees are kept fully informed about sustainability issues and given opportunities to actively participate. Regular interaction therefore takes place via various internal communication channels, such as the employee magazine “together”, the newsletter or video conference calls. The Brenntag intranet is also a source of information on news and developments.

Materiality analysis

In 2022, Brenntag updated the materiality analysis with a view to sharpening the strategy published in 2022 and the long-term sustainability vision Future Sustainable Brenntag on the basis of various stakeholder perspectives and requirements. This analyzes the materiality of topics for the NfR in terms of three aspects: the significance for stakeholders, for understanding the business performance, the financial results or the position of the company, and the effects of Brenntag's activities on the environment, society and the economy.

The analysis included stakeholders such as employees, managers, customers, suppliers, association representatives and investors. The findings of the stakeholder survey confirm the strategy and long-term Future Sustainable Brenntag vision: All material topics also remain unchanged in the eyes of stakeholders and continue to feed into the defined focus areas.

Materiality matrix



3.05 Materiality matrix

Non-financial Report

Governance

100 —— 104

Governance

Management structures for business ethics

5 GENDER EQUALITY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Values

We at Brenntag are grateful for the trust that our business partners and other stakeholders place in us on a daily basis. They quite rightly expect the highest level of quality, reliability and efficient, innovative solutions. In order to meet these standards, Brenntag uses five central values to systematically guide its actions. All business activities and business relationships are shaped by these values.

Care
We take responsibility for each other, our partners and the world.

Trust
We build relationships through authenticity and commitment.

Clarity
We work toward common goals with focus and determination.

Excellence
We go beyond expectations through excellence, innovation and collaboration.

Safety
We put safety first in everything we do.

3.06 Values of Brenntag SE

In 2022, Brenntag further developed its corporate culture. Employees from all areas of the company were involved from the outset with a view to working out the core values together in workshops. Brenntag wishes to embed these values in day-to-day business and ensure that employees live the values. A range of digital and analog resources will be on offer in 2023 and are intended to encourage employees to consciously engage with the values, discuss them within the team and use them to guide their own actions. This begins during the new employee recruitment process, which is shaped by the Brenntag values, continues during human resources development and involves interaction both among employees and with external partners.

Compliance and integrity

Brenntag has traditionally attached great importance to responsible, future-oriented and sustainable corporate governance. In 2022, it continuously further developed its compliance processes in order to continue to ensure that the company and its employees comply consistently with the laws, rules and guidelines of relevance to Brenntag. This further development took place, among other things through the organizational expansion of the compliance department, the extension of the internal compliance reporting system and the complete redesign of the compliance intranet presence. Internal audits are regularly conducted at all Group companies to assess compliance with internal guidelines. Internal Audit Brenntag Group conducted a total of 28 audits in 2022.

The Senior Vice President (SVP) Compliance Brenntag Group reports on a regular basis directly to the Board of Management, the Supervisory Board and the Audit Committee during the reporting period. The regionally appointed Regional Compliance Managers, who are assisted in their work by local compliance contacts, regularly exchange information and experience with the SVP Compliance Brenntag Group. In the reporting period, Compliance was further expanded both centrally and locally and the organizational structure was further developed.

Brenntag attaches great importance to setting up safe and confidential points of contact for whistleblowers. Seventeen confirmed incidents were reported in the reporting period. Two reports of possible corrupt actions were submitted and investigations launched. In one case, the suspicion was not confirmed at the end of the investigation. The investigation into the second report is still ongoing. Employees and third parties can access the relevant whistleblowing channels through the Brenntag website.

As a global company, Brenntag is subject to a large number of local, national and international laws and regulations. It is the responsibility of all employees to comply with these rules without exception. Examples of such internal regulations developed by Brenntag include the Code of Business Conduct and Ethics, the Anti-corruption Guideline and other Group guidelines based on the corporate values.

Among other resources, the new Brenntag Compliance intranet site is used to familiarize employees with relevant topics and provide extensive materials, guidelines and manuals. In addition, Brenntag offers regular training, for example, through the Group-wide e-learning platform in order to keep employees' knowledge of compliance topics up to date. As an example, the online training module on the Code of Business Conduct and Ethics is mandatory for employees once a year. This was completed by 94% of the relevant employees in the reporting period. In addition, employees who were designated on the basis of their activity completed antitrust law training (completed by 92% of the relevant employees) and anti-corruption training (completed by 91% of the relevant employees).

Trade compliance challenges as a result of the Russia-Ukraine war

The war in Ukraine and its geopolitical and economic consequences pose particular challenges for Brenntag. As a distributor of chemical products and ingredients with a global network, Brenntag has to be mindful of a large number of rapidly changing laws, embargo regulations and sanctions and ensure that they are implemented. To enable it to respond to changing situations as efficiently as possible, Brenntag has put in place an internal crisis team for the Russia-Ukraine war, made up of members of various departments. To comply with the economic sanctions imposed on the Russian Federation, for example, Brenntag regularly reviews business partners with the help of a sanction checking system.

Data protection

Group-wide data protection places particular requirements on Brenntag. Different statutory provisions have to be observed at each of the Group's international sites. At the same time, it is necessary to appropriately protect the interests of data subjects everywhere and ensure that data protection regulations are adhered to throughout the company. For this, the provisions of the General Data Protection Regulation and the requirements of numerous other data protection laws (e.g. in Brazil, California [USA], China, South Africa, etc.) must be implemented and best brought into line. This requires comprehensive and in particular local expertise, well-coordinated communication and a data protection management system that integrates all sites.

As head of the Global Data Protection department, the Group Data Protection Officer reports independently and directly to the Chief Executive Officer at regular meetings. As of this year, Global Data Protection falls within the area of responsibility of the SVP Compliance Brenntag Group. Data protection coordinators in the various regions support the Global Data Protection department and report to the central unit. Data protection recommendations and developments are regularly discussed with the departments.

Introduced in 2020, the global data privacy management system (One Trust) supports and automates the documentation of all processing procedures worldwide, including the service providers involved and the corresponding risk analyses. Since the system was introduced, data and processes have been managed locally and controlled centrally. In 2022, the quality of documentation in One Trust was further improved and the data protection coordinators in the regions received training in this regard. Further steps were taken in 2022 to drive the digitalization of data protection processes. Another point of focus was providing support to the DiDEX initiatives, including the auditing of service providers. In addition, the project teams involved received in-depth advice so that data protection requirements are also observed from the outset by the teams being newly set up as Brenntag's new data landscape is developed.

Tax policy

Adherence to applicable tax laws and regulations is an essential element of compliance (tax compliance). In 2022, the Brenntag Group paid EUR 344.9 million in income taxes.

Brenntag's tax policy is based on the following principles:

- All relevant tax laws, rules, regulations and reporting obligations in countries where Brenntag operates must be fully adhered to.
- All tax matters are dealt with in accordance with Brenntag's business strategy and the fundamental values specified in the Code of Business Conduct and Ethics.
- All tax matters are handled with professional diligence.
- Brenntag maintains constructive and transparent relationships with tax authorities that are based on integrity, cooperation and mutual trust.
- Brenntag attaches importance to sustainable tax planning in accordance with legal regulations. The Group does not engage in tax planning that is not related to business transactions.

The Brenntag Group's tax policy is specified by the Board of Management of Brenntag SE and implemented with the central involvement of the Group Tax department.

To comply with tax laws and regulations, Brenntag has begun to build a tax compliance management system (Tax CMS) within the meaning of IDW AuS 980, starting with the German subsidiaries. This system is to be rolled out across the Group at a later date. The Tax CMS is continuously enhanced and always adapted to the latest legislation or court rulings.

Portfolio and investment steering

Portfolio steering

Brenntag fulfills its responsibility as market leader and aims to be a chemical industry leader in sustainability. This includes focusing our product portfolio more on innovative and sustainable products that result in greater efficiency, lower consumption and fewer impacts on people and the environment across the entire value chain. Close working relationships with customers and suppliers play an important role here.

Brenntag aims to use sustainability criteria to steer 100% of the relevant product portfolio by 2025 and to market more products that make a particular contribution to sustainability while reducing products that are negative contributors to sustainability. On its journey to a more sustainable product portfolio, Brenntag aims to analyze at least 30% of its product portfolio from a sustainability perspective by 2023. Established methods such as the Portfolio Sustainability Assessment of the World Business Council for Sustainable Development (WBCSD) serve as a guide here. The aim is to extend the product portfolio with regard to sustainability criteria in light of regional market requirements and trends in the customer industries.

By offering sustainable products and solutions, the company provides its customers with ever better support in meeting their own sustainability targets. This also opens up further business opportunities for Brenntag. In order to achieve this, we analyzed a large proportion of our product portfolio from a sustainability perspective in an initial assessment in 2022. In the reporting period, 19 workshops were held on the segmentation of the portfolio. For each market segment, the participants from the individual business segments identified initial sustainability trends and sustainability criteria for the products marketed by Brenntag. In doing so, they factor in sustainability criteria of relevance to the respective industry and region and also take into consideration how the products are used in different markets and customer industries. Sustainability criteria can include RSPO certifications[1] for the HI&I (Household, Industrial & Institutional Care) segment or biobased solvents, for example. The departments responsible develop new, innovative formulations in close collaboration with customers.

[1] RSPO certification is obtained by companies that have themselves audited by an independent certifier against the criteria of the Roundtable on Sustainable Palm Oil (RSPO).

Brenntag benefits from the fact that its global presence and comprehensive application and product expertise mean that the company has knowledge of heavily regulated markets and an appropriate supplier network. Brenntag can also leverage this knowledge in less regulated markets to proactively offer appropriate products to customers wishing to comply with higher safety standards than regional regulations require.

Initial steps toward a sustainable product portfolio were taken through Brenntag's own Step4Change initiative in EMEA. Since 2020, Step4Change has been helping customers to reach their sustainability targets by identifying more sustainable product solutions from our partners that meet their needs and making them available quickly and flexibly. The business initiative by Brenntag Essentials EMEA made considerable progress in 2022. Among other things, the initiative entered into important collaborative arrangements with suppliers of sustainable solutions.

Investment steering

Sustainability also plays a central role for Brenntag when it comes to assessing investments. Since 2022, ESG factors have been an integral part of due diligence on mergers and acquisitions. We prepare a sustainability appraisal on each acquisition candidate by determining whether the company in question is a good fit with our ESG strategy. Among other things, the appraisals assess energy consumption, energy sources and the products offered by the acquisition candidate that are classified as sustainable. Brenntag has developed a guide specifically for this purpose. In the reporting period, five assessments were prepared for mergers and acquisitions.

Brenntag pursues a consistent sustainability strategy for its own buildings, too. In 2022, we therefore introduced the Corporate Sustainable Building Guideline. This requires each new Brenntag-owned building to be certified to defined sustainable building standards as of 2023. Recognized standards include LEED, BREEAM and Green Star. Existing buildings also have to be certified to one of the aforementioned standards if there are any relatively large-scale modernization or renovation projects scheduled.

In 2022, the company launched a pilot project together with an external firm with a view to identifying future physical climate risks, such as rising sea levels or exceptional heat waves, for the Brenntag sites worldwide. The initial focus of this project was on a qualitative assessment of each site's exposure to such risks in different global warming scenarios. The project will help Brenntag to increase its sites' resilience to changes in climatic conditions.

Moreover, since 2022 the Sustainability department has been involved as a reviewer in investments directly related to sustainability and thus plays an important role in the decision-making process. The Sustainability department reviews, for example, investments in buildings or means of transport such as heavy goods vehicles, forklift trucks, etc. Whenever a decision on investments affects Brenntag's carbon footprint, and where steering from a sustainability perspective is therefore appropriate, information is requested on aspects such as the CO_2 emissions concerned.

Non-financial Report

Social

105 —— 114

Social

Fair and safe employer

Occupational health and safety

Occupational health and safety is of paramount importance at Brenntag. As a global business with a highly diversified supplier and customer structure, the company faces particular challenges, as it is confronted with different regional laws and requirements, industry standards and work cultures. Added to this is the combination of chemical process safety and typical occupational safety issues arising from transportation, storage, packaging and distribution at Brenntag. Responsibility for occupational safety also includes external transport companies, customers and contractors if they are working at Brenntag sites or if they are supplied by Brenntag.

In order to fulfill this responsibility even better, Brenntag has adapted its global QSHE (quality, safety, health, environment) strategy. This is now based on four pillars: Culture, Team, Management System and Monitoring & Controlling.

Culture

Throughout the Group, we operate in accordance with the "Safety First" principle, relying strongly on personal commitment and responsibility. In order to raise employee awareness of occupational health and safety, Brenntag continuously addresses the topic through various different channels. Documented QSHE training tailored to the requirements of each activity provides the basis. This is supplemented by communication formats such as five-minute talks, lessons learned and best practices, which enable insights gained from incidents or examples of good working practices to be shared within the organization in a structured manner. Brenntag has also established the Safety First Moments, where at the beginning of meetings employees talk about all kinds of safety issues arising in everyday professional or private life.

Running for a limited period, there are also global or regional safety campaigns on a variety of topics. Individual accident categories of marked frequency and/or high severity are addressed in dedicated global campaigns so as to raise employee awareness of these issues.

At the end of 2021, for example, Brenntag launched the worldwide "Zero Tolerance to Chemical Exposures" campaign, which ran for several months with the aim of sharpening employee awareness of chemical accidents. Detailed information materials and an animated video in several languages explained the five golden rules for avoiding exposure to hazardous chemicals. A decrease in the number of such accidents has already been noted.

The global Brenntag Enhanced Safety Thinking (BEST) program also helps to raise awareness of safety. It consists of the Brenntag Safety Behavior Standard developed in 2015 and an employee survey to enable safety behavior and safety awareness within the company to be evaluated and then honed if necessary. In 2022, the company surveyed its global workforce through BEST for the third time. According to the online survey, Brenntag employees in all regions see a clear improvement in the safety culture compared with the last edition in 2018.

Once a year, Brenntag presents the Global Safety Awards in two categories: the Safety Excellence Award for the best safety record and the Safety Phoenix Award for the strongest improvement in terms of safety. In 2022, the Traun site in Austria (Safety Excellence Award) and the Manali site in India (Safety Phoenix Award) were honored for their outstanding achievements.

Team

In order to centralize its QSHE structure, Brenntag has established a multinational team made up of QSHE experts working centrally and the QSHE directors of the global regions. They work closely together with the regional and local QSHE teams.

Management system

Brenntag operates an integrated QSHE management system focused on people, sites and their equipment and processes. The aim here is to harmonize the different regional and local approaches, requirements and features within one global QSHE system.

In 2022, the company internally issued a global QSHE manual that combines its guidelines setting out company-wide minimum standards. The content has since been gradually revised in detail or newly prepared.

One important element of the QSHE management system at Brenntag is its participation in the international Responsible Care/Responsible Distribution (RC/RD) initiative of the International Chemical Trade Association (ICTA). Regardless of legal requirements, the initiative wishes to ensure that member companies continuously improve their environmental, health, safety and security performance and report openly on their progress on a regular basis. Brenntag companies with operating sites or with direct sales contact to customers are to participate if national associations offer a corresponding program[1]. Of a total of 87 relevant companies, 85 companies participated in an RC/RD program. Brenntag thus achieved a participation rate of 98% in 2022.

Safe facilities and processes are essential to safe operations. Brenntag has therefore established process safety management (PSM) programs at all sites worldwide that work with chemicals as bulk goods, i.e. unpackaged. In an initial step in 2021, the sites conducted a self-assessment using a questionnaire based on internationally recognized standards. From this, some sites identified necessary improvements, which they implemented in 2022. Within the QSHE organization, Brenntag has also built up an international team of PSM experts that supports the sites and carries out PSM assessments. Using a risk-based approach, it has developed a structured system under which all sites concerned undergo a PSM assessment at least once every three years. Forty-six assessments have already been carried out since the launch in 2021.

To ensure quality, Brenntag aims for all operating sites to be certified to ISO 9001. Where useful and necessary, the company has supplemented or replaced this with further product- or industry-related quality management systems[2]. At the end of 2022, 356 of Brenntag's 364 relevant sites worldwide were certified accordingly. This corresponds to a rate of 98%.

Monitoring & Controlling

Brenntag has established an extensive monitoring and controlling system in order to continuously improve its safety measures. In the reporting period, the company put into operation a new central reporting platform that collates information from the regional systems. This will replace the previous system as of January 2023. The Brenntag companies report on accidents and incidents in accordance with the Brenntag Global Standard Reporting Criteria. Brenntag also relies strongly on monitoring and controlling as a preventive tool, such as in the case of near misses and in the form of safety inspections and certifications.

In light of the increased expectations that Brenntag places on the organizations in terms of QSHE and in particular PSM, steps were taken to investigate whether the necessary resources are available in all regions and countries. In some regions, this is leading to appropriate changes.

Brenntag made clear progress on occupational safety in the reporting period. The TRIR[3] (Total Recordable Injury Rate) decreased from 3.1 in the previous year to 2.7 in the reporting period. Despite the improvement in the accident rate, there were unfortunately two fatal traffic accidents involving Brenntag drivers in the USA and one fatal accident involving a driver of a contracted transport company at a site in Mexico. As a result of accidents, two Brenntag employees also suffered injuries from which they may not fully recover.

All spillages in excess of 200 liters of products that have been assigned a hazard category in accordance with the international GHS classification system are included in Brenntag's spillage rate. In 2022, this stood at 0.83 spillages per million man-hours. We therefore met our target of no more than 0.85. The majority of the incidents involved spillages of less than 1,000 liters. With the exception of a partial quantity of around 50 liters of hydrochloric acid, all spillages were collected by the internal retention systems in place.

1) RC/RD self-assessments can be used if an RC/RD program does not exist in the country.
2) Management systems that Brenntag recognizes as substitutes for ISO 9001 include: ISO 13485; ISO 22000; AS 9100; ISO/TS 16949; ISO 45001; GFSI Systems; GMP/GDP/GMP+; FEMAS/FAMIQS; NACD Responsible Distribution.
3) Number of injured people who receive medical treatment beyond first aid per one million work hours.

Accidental spillages of products, energy and such like from process facilities are termed process safety events (PSE). In 2022, there were 11 PSE1[1)] (higher-category events with consequences such as injuries that lead to absence, exceeded threshold quantities or evacuation in the surrounding area). Brenntag was therefore well within its target of 15 for the year as a whole.

Brenntag works continuously to increase occupational safety and protect the health of its workforce as well as the workforce of contractors, customers and transport companies.

The Brenntag Global QSHE Policy

The Brenntag Global QSHE Policy outlines the company's goals and standards in relation to QSHE. Under this policy, it upholds the highest standards with regard to quality, health, safety and environmental management in all its activities. At all times, Brenntag strives for process safety, occupational health and safety, customer satisfaction, respect for the environment and continuous improvement. The company undertakes to provide the resources required for this. Employees share the company's ethics and values, maintain exemplary behavior and take part in relevant safety training. The Brenntag Global QSHE Policy applies to all business activities at all levels of the company hierarchy.

1) PSE classification is made based on the definitions of the CCPS (Center for Chemical Process Safety).

Working conditions and social security benefits

Remuneration and social security benefits

Through their expertise and dedication, Brenntag's employees make a decisive contribution to the company's success. For this reason, the company wishes to attract the best staff and offer them an attractive, safe and inspiring environment.

The primary objective of Brenntag's human resources strategy is for it to be regarded worldwide as the preferred employer in chemical distribution. By offering flexible work structures and career opportunities, the company aims to be attractive to young talent and highly qualified staff and also to enable the Group to retain high-performing team members in particular over the long term. Brenntag therefore encourages its employees to take responsibility and actively bring their expertise and experience to the business.

For the management level, Brenntag has introduced a performance-related remuneration system. This consists of three components: a fixed annual base salary, a short-term variable annual bonus and long-term variable remuneration. The variable remuneration is closely linked to personal performance, the achievement of targets for predefined performance indicators and the company's results. In addition to the above-mentioned remuneration components, managers receive contractually agreed benefits in kind and other benefits. Depending on the country, benefits in kind may include payment of relocation costs, a company car or insurance, such as health insurance in the USA. Other benefits include rent allowances or travel allowances, for example.

Pension provision is an important part of Brenntag's remuneration structure. The pension benefits differ according to the legal, tax and economic environment in the country in question and depend on the number of years of service and the pay grade of the respective employee.

In addition, Brenntag's aim by the end of 2023 is to implement an adopted living wage policy that specifies that the salaries of all Brenntag employees meet living wage standards. In some countries in which the company operates, the statutory minimum wages are less than an adequate income. As an initial step, a gap analysis was launched together with external service providers in the reporting period with a view to determining where at Brenntag there are employees whose salaries do not meet living wage standards. In 2023, Brenntag plans to make appropriate salary adjustments to close the gaps brought to light by the analysis.

Global framework 'New Work'

Throughout the Group, Brenntag is placing greater emphasis on agile and flexible working. The company actively seeks opportunities to make working at Brenntag more flexible around the globe. During the COVID-19 pandemic, it gained experience of different mobile working models, on which the company can now build.

In close cooperation with the regional and local human resources departments at the international sites, Global HR began to develop a framework for new work under the title 'New Work – Towards Greater Flex'. This includes the guiding principles for creating a more flexible work environment in all Brenntag regions, business units and functions, bearing in mind local differences. In the reporting period, Global HR completed the global framework in coordination with the regional and local human resources departments.

Various countries have already entered into works agreements on flexible working. In Germany, for example, the provisions stipulate that Brenntag employees are entitled to three days' mobile working a week, provided this is compatible with their job profile.

Through all the measures to make working conditions at Brenntag as safe and fair as possible, the company also wishes to keep employee turnover at a low level. This key indicator is determined centrally for each Brenntag company on a quarterly basis and reported to Global HR. Due to regional and country-specific differences, the figures are analyzed at local level. In the event of atypical deviations, the causes are identified, and suitable measures are considered as needed. In the reporting period, voluntary employee turnover across the Brenntag Group was 9.4%.

Voluntary turnover rate[1] according to region

	2022		2021		2020	
	abs.	in %	abs.	in %	abs.	in %
EMEA	678	8.1	591	7.2	353	4.2
North America	624	9.8	628	10.3	418	7.1
Latin America	196	9.2	205	9.6	124	5.6
Asia Pacific	401	12.8	385	12.2	296	9.8
Other segments	25	6.1	45	10.7	21	7.4
Brenntag Group	**1,924**	**9.4**	**1,854**	**9.3**	**1,212**	**6.1**

3.09 Voluntary turnover rate according to region

[1] Voluntary employee resignations on the basis of the Schlüter formula.

Diversity and inclusion

As a company with operations worldwide, Brenntag employs people from over 100 nations. Diversity is something that Brenntag practices on a day-to-day basis and encompasses several aspects, such as employees' different cultural backgrounds, qualifications and needs. Through the exchange of knowledge, ideas and experience, diversity makes a decisive contribution to Brenntag's success. The company wishes to foster this exchange and further increase the diversity of the workforce so as to create a cosmopolitan work culture and a dynamic work environment where all employees can learn from one another. In EMEA, Brenntag has also established Employee Resource Groups (ERGs). Led by employees, these groups aim to promote a diverse and integrative workplace. One of these groups is an ERG of women in France that was set up in the reporting period.

Brenntag promotes diversity at all levels of the company. The aim by 2030 is to increase the percentage of women at all levels of management below the Group Board of Management to at least 30%. In addition, work is currently under way on a new diversity management structure, including increases in capacity in global DEI[2], with a view to better promoting diversity and inclusion across the workforce going forward. On its Career pages too, the company makes it clear that Brenntag sees diversity as a strength: Employees work together in multinational, interdisciplinary teams where people with different cultural backgrounds, qualifications, experience and talents contribute to Brenntag's success. In every job advertisement, the company points out that Brenntag offers a fair, respectful and supportive work culture where all employees are able to develop and grow in line with their individual needs and skills.

[2] DEI stands for diversity, equity and inclusion.

Employees in leadership positions according to management level[1] and gender

	2022		2021		2020	
	abs.	in %	abs.	in %	abs.	in %
Level L-1	44	1.4	35	1.2		
Women	10	22.7	7	20.0		
Men	34	77.3	28	80.0		
Level L-2	207	6.9	180	6.3		
Women	63	30.4	46	25.6		
Men	144	69.6	134	74.4		
Level L-3	503	16.7	466	16.4		
Women	181	36.0	178	38.2		
Men	322	64.0	288	61.8		
Level L-4	942	31.2	883	31.0		
Women	351	37.3	318	36.0		
Men	591	62.7	565	64.0		
Level L-5+	1,320	43.8	1,284	45.1		
Women	329	24.9	334	26.0		
Men	991	75.1	950	74.0		
Brenntag Group	**3,016**	**100.0**	**2,848**	**100.0**	**362**	**100.0**
Women	934	31.0	883	31.0	76	21.0
Men	2,082	69.0	1,965	69.0	286	79.0

3.10 Employees in leadership positions according to management level and gender

[1] Due to the increased target female quota of 30% across all management levels by 2030, employees in leadership positions are shown according to management level as of 2021. Management level L-1 refers to the first level below the Brenntag SE Board of Management, L-2 refers to the second level, etc. L-5+ refers to the fifth and all other levels.

Through the diversity policy for the Board of Management, the company wishes to continuously increase diversity on the Board of Management of Brenntag SE so as to ensure targeted management development in the area of diversity and successful long-term succession planning bearing in mind age, gender, education, professional background and international experience. Under the policy, the age limit for Board of Management members is 65 years of age. By January 31, 2026, female representation should be at least 20% – an aim which Brenntag already fulfills. Members should bring as diverse a range of career paths and experience as possible (please also see the Corporate Governance Statement).

Brenntag also wishes to strengthen diversity on the Supervisory Board. The diversity policy for Brenntag's Supervisory Board likewise stipulates a line-up that is as diverse as possible in terms of the age, gender, education, career path and international experience of the members. Among other things, the policy stipulates that at least a third of the seats should be filled by women by January 31, 2026 – a stipulation which Brenntag already fulfills. Moreover, the Supervisory Board has a female chair in Doreen Nowotne. No member should remain in post beyond the close of the general shareholders' meeting following the member's 70th birthday.

Advancement of women at Brenntag

Brenntag has undertaken to ensure gender diversity worldwide throughout the company. It has initiated various mentoring and coaching programs with a view to providing women at Brenntag with targeted support to promote their professional development. 'Women at Brenntag' is a six-month coaching program with external coaches that is open to all women at Brenntag who have been working for the company for at least two years. In group and individual coaching sessions, they learn strategies that help them in their professional development. The program takes place once a year. Women at all career levels can apply, provided their line managers approve their application to the program. In 2022, there were 174 participants.

'Inspire and Grow' is an internal mentoring program with mentors from the Global Leadership Team or senior management level at Brenntag. The aim of the program is to actively nurture outstanding female talent. Managers can suggest suitable employees for the program.

In order to better meet the changing conditions and requirements in day-to-day professional and private life and support people with different family backgrounds, Brenntag is promoting a new, flexible way of working (see 'New Work' in the section on working conditions and social security benefits).

When it comes to inclusion, the company attaches particular importance to offering all employees and applicants equal opportunities. Brenntag nurtures the strengths and potential of disabled people and optimally integrates their skills so as to create an atmosphere that puts people with and without disabilities on a level playing field. Since 2020, Brenntag has been a member of the Valuable 500 initiative. This brings together the leaders of 500 international companies who have undertaken to put disability inclusion on their management agenda.

People development and training

Brenntag wishes to develop its employees according to their talents and qualifications. Across all levels of the company and at all sites, it establishes a culture of learning and gives employees numerous opportunities to develop professionally and personally. This enables Brenntag to achieve excellence in all areas of the business. The individual and continuous support given to our employees accords with Brenntag's corporate values (see Values, page 101). In this context, the company places emphasis on dynamic development measures and a feedback culture at all levels that is also part of the training programs. Brenntag offers several learning programs aimed at different target groups.

Connecting Potential

This six-month program is aimed at employees at the start of their career who could take on leadership roles at Brenntag in the future. In 2022, 44 employees took part in the program.

Leading with Impact

This program is tailored to employees with some initial leadership experience who are rising through the Group ranks. In 2022, 21 employees took part in the program.

New Leader Transition

In 2022, 50 employees worldwide took part in this six-month coaching program for prospective managers.

Women at Brenntag

This six-month coaching program for women recorded 174 participants in the reporting period.

Inspire and Grow

Forty-eight employees took part in this mentoring program specifically for women in the reporting period.

Other options such as language courses, online learning, coaching based on individual needs and mandatory training such as compliance training are aimed at employees at all levels of the hierarchy. Brenntag has also established a regular Global Learning Time newsletter to flag up specific content on the company's own learning platform and foster the culture of learning within the company. Through all these training and development options, Brenntag wishes to train and upskill its employees in a targeted manner so that they can successfully master current challenges and future roles.

The reporting period was another year shaped by the COVID-19 pandemic, which had a severe adverse effect on the planning and delivery of education and employee development programs. Brenntag was flexible in its response: Within a short time, the company was also offering most of its events as a virtual format. In doing so, Brenntag was able to build on its already-extensive online learning range and thus further enhance it.

Responsible partner

Supply chain and human rights

As the global market leader in chemical and ingredients distribution, Brenntag takes its responsibility to uphold human rights very seriously. The company undertakes to respect and defend human rights worldwide within its supply chains. These are among Brenntag's top principles. Brenntag is a member of the UN Global Compact and committed to its ten principles for human rights, labor standards, fair remuneration, environmental protection and fighting corruption. Worldwide, the company works to ensure fair working relationships and, as described in the ESG strategy, acts as a responsible partner to suppliers.

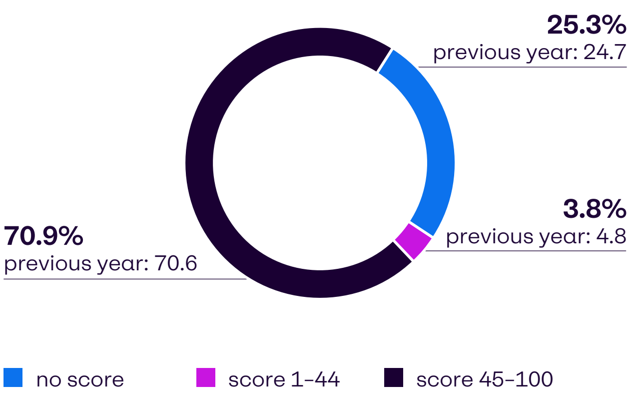
In order to meet this aspiration, Brenntag has implemented numerous measures developed centrally by various departments such as Sustainability and Compliance Brenntag Group. Employees can report human rights violations via the whistleblowing system. External third parties can also use this system. In the reporting period, Brenntag did not receive any reports of human rights violations within the company.

Brenntag minimizes the risk of human rights violations in its complex supply chains by communicating its expectations to suppliers from the outset. In its Supplier Code of Conduct, Brenntag requests that they actively work to protect human rights within their organization.

Since 2016, Brenntag has been a member of the industry's Together for Sustainability (TfS) initiative. One core element of the joint work within TfS involves audits or online assessments of companies in the chemical industry, for example. The task here is always to create and leverage synergies. The central idea behind the audits and assessments is that a supplier assessment can be used by all member companies, thereby reducing the cost and effort for suppliers. Here, Brenntag works together with EcoVadis, a leading provider of sustainability assessments that is well established in the chemical industry. EcoVadis evaluates companies in terms of four categories: environment, labor and human rights, ethics and sustainable procurement. In doing so, it scores the companies' sustainability performance on a scale from 0 to 100. In addition, each company receives a detailed overview of strengths and weaknesses as well as specific suggestions for improvement.

Measured by its total chemical spend (in EUR), Brenntag covered around 75% (2021: 75%) through such sustainability assessments or audits in the reporting period. On a particularly encouraging note, the company continues to see its suppliers making considerable advances in improving their sustainability performance. By the end of 2022, for example, it appeared that 69% of suppliers who underwent re-assessment had improved their score compared with the previous year. This figure is particularly high in the group of suppliers that had a relatively low score of under 45 in the previous year. As many as 73% of suppliers that underwent re-assessment in 2022 managed to improve their score by at least one point compared with the previous assessment.

Share of total chemical spend in EUR (in %)



3.11 Share of total chemical spend in EUR (in %)

Of course, Brenntag itself also undergoes an EcoVadis assessment on a regular basis. In the most recent assessment published in December 2022, the company improved on its previous score and achieved 77 points, the highest result in the company's history. Brenntag was awarded the EcoVadis platinum medal for this result and thus ranks among the top 1% of all companies rated by EcoVadis. On sustainable procurement, the company scores a particularly high 90 out of a possible total of 100 points and is rated as outstanding.

Brenntag obtains a more detailed picture of sustainability performance by performing on-site supplier sustainability audits. In this case, the audits are based on a catalog of requirements developed by TfS and cover sustainability management, the environment, health and safety, employee and human rights, and corporate governance. The results of all audits are shared within TfS. Like the other TfS members, Brenntag also accepts sustainability audits conducted in accordance with SQAS (Safety and Quality Assessment System), SMETA (Sedex Members Ethical Trade Audit) and PSCI (Pharmaceutical Supply Chain Initiative) standards. Brenntag reviews its suppliers' audit results. If necessary, it agrees on corrective measures with the supplier and the auditor and follows up on their implementation.

In 2022, in preparation for the specific requirements of the German Supply Chain Due Diligence Act, Brenntag started to further develop its risk assessment regarding human rights violations and environmental risks for all suppliers. In addition to existing EcoVadis assessments or TfS audits, this will be based on an innovative IT solution that works both with publicly accessible information (via media, for example) and with artificial intelligence. The company has also appointed a human rights officer, who will monitor risk management, review the effectiveness of preventive and corrective actions, and regularly inform management about potential incidents in future. In the reporting period, 100% of relevant Brenntag suppliers[1] underwent the initial risk assessment process. In addition, the company will continue working to also train its suppliers with a greater focus on sustainability issues, to which end it will make greater use of the TfS Academy or e-learning resources, for example.

Brenntag is continuously developing measures to further reduce potential risks within global supply chains. Going forward, the company will continue to constantly expand its commitment to respecting human rights across worldwide supply chains. Not least of all, Brenntag aims to have all suppliers covered by risk management.

How Brenntag is implementing the Supply Chain Due Diligence Act

The German Supply Chain Due Diligence Act requires certain German companies to fulfill human rights and environmental due diligence obligations within their supply chain. Brenntag is required to apply this act from 2024. Given that there are several thousand suppliers and various Group companies, this presents an enormous challenge, which Brenntag is fully committed to meeting. The act requires companies to create maximum transparency in the supply chain and their own area of business, carry out risk analyses and implement actions to prevent potential breaches of due diligence obligations. In 2022, Brenntag set up an interdisciplinary team of experts from the fields of QSHE, sustainability, compliance, legal and procurement, which deals explicitly with implementing the requirements.

[1] Brenntag defines this as suppliers with a chemical spend of more than EUR 1 million in a 12-month period.

Together for Sustainability (TfS)

Together for Sustainability is a chemical industry initiative. It wishes to make the sector more sustainable by gradually establishing a uniform global program for the responsible procurement of goods and services in the chemical industry. The aim of TfS is to increase transparency over sustainability in the supply chain and improve environmental and social standards worldwide.

TfS was established in 2011 and currently has 40 members. In 2022, the member companies generated combined revenues of over EUR 600 billion. The members regularly evaluate and review their suppliers by means of a standardized process using assessments and audits. This information is shared confidentially and used jointly within the network, which provides efficiency benefits for every member and creates more transparency.

TfS also develops standards and guidelines for the industry, including the Product Carbon Footprint (PCF) Guideline (see Environment, page 120). This assists manufacturers and suppliers in determining the environmental footprint of their products. Brenntag was involved in developing the Guideline. In addition, tailored learning and development courses are offered through the TfS Academy in order to train TfS member companies' procurement teams and their suppliers in sustainability matters.

Through its involvement at TfS, Brenntag actively helps to make the chemical industry more sustainable. The interaction at workshops, the sharing of members' best practices and the synergies from the EcoVadis assessments and audits help the company to promote sustainability across the board and worldwide.

Non-financial Report

Environment

115 —— 132

Environment

Climate protection and reduction of emissions

Climate protection strategy and CO_2 management

Brenntag always acts in accordance with the “Safety First” principle – including when it comes to protecting the environment and climate. Numerous environmental protection and efficiency measures are implemented at the company’s sites worldwide in the context of local and regional conditions and legislative requirements. The focus here is on energy and water consumption, the protection of soil, water and air, waste reduction, and transport and fleet management.

Climate protection plays a particularly important role in Brenntag’s ESG strategy. The CEO of the Brenntag Group is responsible for sustainability and therefore for climate protection. Sustainability Brenntag Group reports directly to him. This department has functional management responsibility for all climate protection-related matters. As a result, the CEO is responsible, among other things, for developing CO_2 reduction targets, monitoring target achievement, driving forward measures to achieve targets and promoting climate-related issues in different areas of the company. The Vice President Sustainability Brenntag Group is involved in all important investment decisions as well as decisions regarding mergers and acquisitions so that he can also ensure alignment with our climate protection strategy in these areas.

For Scope 1 and 2 greenhouse gas emissions, i.e. those generated by its own activities, the company has set several targets: We want to reduce our Scope 1 and Scope 2 emissions by 40% in absolute terms between the 2020 base year and 2030[1], and over the long term to be net zero in accordance with the Paris Agreement[2] by 2045, so that we contribute to the 1.5°C target. We also want to procure 100% of our electricity from renewable sources[3] by 2025. In order to achieve the net-zero target, Brenntag intends to gradually replace company cars and forklifts with low-carbon alternatives, substitute heating systems with sustainable alternatives such as heat pumps, and switch the entire truck fleet over to carbon-free transport (such as electric trucks), for example. By doing so, we also aim to offset 100% of unavoidable emissions from 2025 onwards.

With regard to Scope 3 emissions, which include all other indirect emissions generated in a company’s value chain, Brenntag wants to work together with its suppliers and data service providers to create a better data set. On this basis, we want to reduce Scope 3 emissions through portfolio steering, for example. A Scope 3 target has not yet been set.

In 2022, Brenntag committed to the Science Based Targets initiative (SBTi) that it would set science-based targets within two years. The SBTi is a joint climate protection initiative between WRI, CDP, WWF and the UN Global Compact. It helps companies to set science-based climate targets. Brenntag had already expressed its commitment to climate protection and contributed to raising awareness of this issue among all employees by joining the RE100 initiative back in summer 2021. RE100 provides a global guideline where businesses pledge to source 100% renewable electricity over the medium term.

[1] Reduction with respect to the sites already included in the 2020 base year. New sites will be tracked separately.
[2] The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 parties at COP 21 in Paris on December 12, 2015 and entered into force on November 4, 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared with pre-industrial levels.
[3] Electricity from renewable sources which we procure through direct supply contracts, by purchasing guarantees of origin and by generating it on site.

Scope 1, 2 and 3: direct and indirect emissions

The Greenhouse Gas Protocol, which establishes global greenhouse gas accounting standards, distinguishes between direct and indirect emissions:

Scope 1 emissions are all direct emissions from sources that are owned or controlled by a company itself, e.g. emissions from fuels and coolants at the company's own site or from the company's own vehicle fleet.

Scope 2 emissions are indirect emissions from the generation of purchased energy, e.g. electricity or district heating from an energy provider.

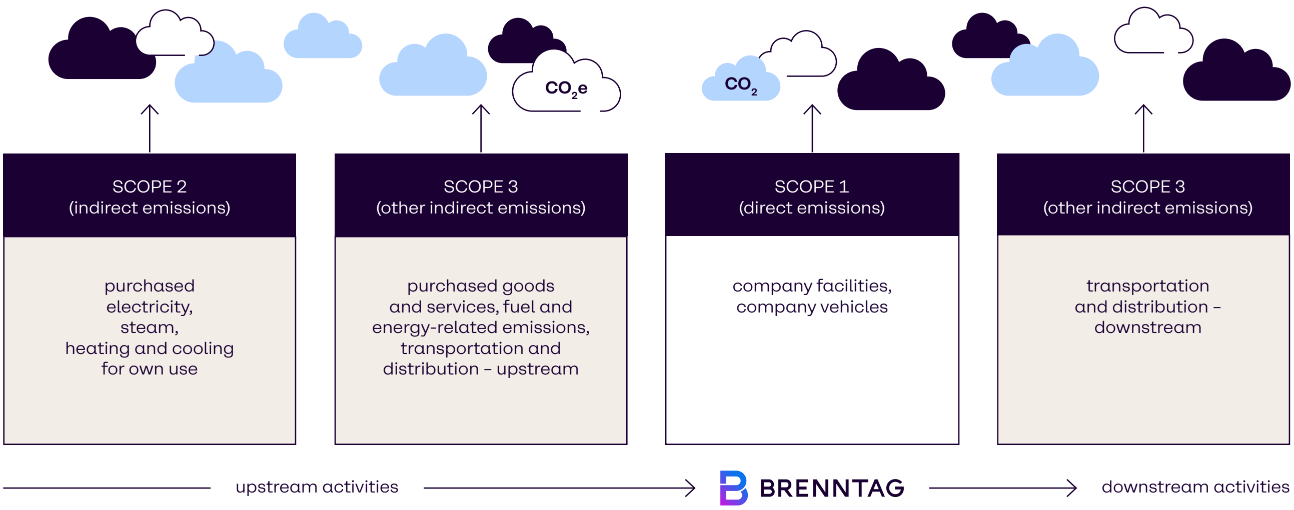
Scope 3 emissions include all other indirect emissions produced in upstream and downstream supply chains, e.g. through the purchase and sale of goods and services, employee mobility, and the processing and use of sold products.

Energy and Scope 1 and 2 emissions

Brenntag established Group-wide energy reporting back in 2016. Information on the sites' energy consumption is collected on a quarterly basis. The Brenntag sustainability team centrally consolidates the data, evaluates them and calculates the associated direct and indirect greenhouse gas emissions.

To increase transparency over Scope 2 emissions, Brenntag has calculated these emissions using the market-based method in addition to the location-based method since 2020. Both values are shown in this report (see table CO_2e emissions Brenntag Group). Using the market-based method enables the company-specific consumption of energy from renewable sources to be presented in a more transparent manner. The following information only relates to the values calculated using the market-based method.

Brenntag's target for 2022, derived from the linear reduction path toward net zero in 2045, was to reduce our total Scope 1 and 2 emissions by at least 8.4% compared with the 2020 base year[1]. This target was achieved with -9.2%. Excluding acquisitions recognized from 2021, the reduction is 14.2%.



3.12 Scope

[1] Reduction with respect to the sites already included in the 2020 base year. New sites will be tracked separately.

Energy consumption Brenntag Group

	2022	2021	Base year: 2020
Electricity (in MWh)	150,010	142,272	139,928
thereof electricity from renewable sources, which we procure through direct supply contracts and purchasing guarantees of origin	122,101	39,328	21,216
thereof electricity from renewable sources we generate on site	1,455	337	285
District heating (in MWh)	10,007	5,295	4,317
Natural gas (in MWh)	328,280	272,076	282,180
Diesel (in 1,000 liters)	49,302	46,777	48,638
Diesel (in MWh)	525,464	498,549	518,384
Petrol (in 1,000 liters)	4,947	4,518	4,686
Petrol (in MWh)	47,918	43,761	45,389
Other[2] (in 1,000 liters)	3,696	3,785	3,850
Other[2] (in MWh)	31,119	32,180	32,706

3.13 Energy consumption Brenntag Group

Note about calculation of CO_2e emissions:
The CO_2e emissions for electricity were calculated for both the location-based and the market-based method using the respective country-specific factors according to IEA (2020) for the base year 2020, according to IEA (2021) for the year 2021 and according to IEA (2022) for the year 2022. If the specific emission factor of the purchased electricity (e.g. of the energy producer) was available, the factor has been applied in the market-based method instead of the country-specific factor. For district heating, the calculation was carried out in both years using the factor according to UBA (2018) and for all other energy types with the respective energy-specific factors according to UK Government GHG Conversion Factors for Company Reporting (2020) for the base year 2020, according to UK Government GHG Conversion Factors for Company Reporting (2021) for the year 2021 and according to UK Government GHG Conversion Factors for Company Reporting (2022) for the year 2022. Since not all energy consumption could be reported at the time of the audit, extrapolations were made. This leads to an extrapolated share of CO_2e emissions according to the location-based method of 1.7% and according to the market-based method of 1.5%.

CO2e emissions Brenntag Group[1]

	2022	2021	Base year: 2020
Scope 1			
Natural gas (in tonnes)	59,924	49,833	51,884
Diesel (in tonnes)	132,811	125,924	130,016
Petrol (in tonnes)	11,575	10,571	10,847
Other[2] (in tonnes)	7,371	7,661	7,780
Scope 2			
Electricity (in tonnes)			
Location-based	47,542	47,122	49,655
Market-based	6,057	32,247	40,795
District heating (in tonnes)	2,162	1,144	933
Scope 1 + 2 (in tonnes)			
Location-based	261,385	242,255	251,116
Market-based	219,900	227,380	242,255
Location-based	4.1%[3]	-3.5%	–
Market-based	-9.2%[3]	-6.1%	–

3.14 CO_2e emissions Brenntag Group

[1] The data for the reporting year do not include the following operating units: Y.S. Ashkenazi Agencies Ltd. & Biochem Trading 2011 Ltd. (since Q3); Brenntag Sourcing Uruguay S. A., Brenntag Packed Chemicals Ltd. (UK), Prime Surfactants Limited (UK), Prime Example Limited (UK), Alpha Chemical Limited (since Q3)
[2] Gas oil, heating oil, CNG, LPG.
[3] Compared with the base year

The main contributor to the reduction in Scope 1 and 2 emissions was the company's continued drive in the reporting period to switch to electricity from renewable energy sources. In the reporting year, the share was 82%. Brenntag procures electricity from renewable sources through direct supply contracts, by purchasing guarantees of origin and by generating it on site. It is intended to install solar panels at all sites where it makes sense to do so. In the reporting period, for example, solar panels were installed and put into operation in Santa Fe Springs in the USA and Kędzierzyn-Koźle in Poland. These supplement the existing installations on Brenntag warehouses and offices in places such as Padua (Italy), Singapore and Gurugram (India).

To make the efforts to reduce greenhouse gases as efficient as possible, Brenntag introduced an internal carbon management program in 2022 (see info box on the next page), where an internal price is placed on all Scope 1 and 2 emissions produced. In the reporting period, 16 sites worldwide applied for internal funding from the resulting central budget by submitting project ideas for cutting the greenhouse gas emissions they produce. The projects put forward range from purchasing electric company cars and trucks plus charging stations to replacing gas heating systems with heat pumps and installing solar panels. One site is even aiming to complete the switch to being a zero-emissions site in the next few years. In the reporting period, Brenntag determines who is awarded the support on the basis of factors such as the projects' potential emissions savings and innovative spirit as well as the opportunity to gain experience and foster cultural change. Overall, the program has met with a very positive response both within the company and from customers.

In addition, Brenntag has started to offset emissions and, in an initial step, offset 26% of unavoidable or unreducible Scope 1 and 2 emissions in 2022 through high-quality projects. This percentage is to be gradually increased each year to offset 100% of the remaining Scope 1 and 2 emissions by 2025. For the reporting period, Brenntag selected three very different projects covering a broad range of sustainability targets: producing green energy in Indonesia, protecting biodiversity in Brazil and supplying the population with clean drinking water in Uganda.

The Ulubelu geothermal power plant in South Sumatra is expected to produce 867,000 MWh of renewable energy a year while at the same time saving around 581,000 t of CO_2e. As part of the Evergreen REDD+ forest conservation project, Brenntag is contributing to the preservation of the Brazilian rain forest, one of the most species-rich biotopes on earth. The drinking water project in Uganda not only serves the health of over a million people; it also improves their standard of living, reduces greenhouse gases and protects forests by dispensing with the need for firewood to boil drinking water. All three offset projects take place in countries where Brenntag itself has sites, and meet the highest standards of quality (Verified Carbon Standard (VCS) and certified emission reduction (CER)).

Carbon management program

The carbon management program is an innovative incentive system for climate protection measures with an internal CO_2e price: Each Brenntag company is held accountable for the emissions it causes through a set internal price for the emissions. In the initial phase in 2022, the amount generated under this system was paid virtually into an internal climate protection fund, providing a budget. Each company or site can apply for the budget thus provided by submitting greenhouse-gas-saving projects. Brenntag is relying on the inventiveness of its employees to propose innovative projects that best fit the local conditions. At the end of each year, the emissions caused will be compared against the Brenntag Group's desired emissions reduction path toward net zero. If the target is not attained, the CO_2e price will be increased for the following year. This creates a stronger incentive to reduce emissions while simultaneously increasing the budget to fund projects. Responsibility for setting the internal price and selecting the projects that are to receive support lies with the Sustainability Council.

Scope 3 emissions

To create more transparency over environmental impacts in our value chain, Brenntag has also included Scope 3 emissions in its reporting since 2020. Scope 3.1, i.e. emissions from our purchased chemicals, was identified as the main Scope 3 emission source and accounts for approximately 97% of total calculated emissions[1)]. The decrease compared with the previous year is mainly due to a reduced purchasing volume. Emissions resulting from outbound transport carried out by external companies (categories 3.4 and 3.9) increased compared with the previous year due to the updated emission factor.

In 2022, Brenntag worked intensively to further improve the quality of the data. In particular, we look at transportation by external companies and the products purchased by Brenntag. It is currently being examined whether this transportation can also be covered by the carbon management program in future.

1) Scope 1 and 2 emissions (market-based method) and emissions in the following Scope 3 categories: 3.1, 3.3, 3.4, 3.9.

With regard to products, Brenntag relies on the calculation of the product carbon footprint (PCF) based on primary data. In this case, all the data required from suppliers are not yet available. In order to capture data on our Scope 3 emissions that are as precise as possible, we work together with specialist providers such as Carbon Minds. This collaboration also helps Brenntag to provide customers with information on the carbon footprint of its products. Through this service, we assist them in achieving their own climate goals.

Other emissions

Emissions such as NO_X (nitrogen oxides) and SO_X (sulfur oxides) are not relevant to Brenntag as a chemicals distributor. In order to counter the potential impact of VOC emissions (volatile organic compounds[1]) from the outset and in accordance with the respective applicable legal framework, relevant VOCs are filtered out of the exhaust air with the help of activated carbon filters. The use of incinerators and gas displacement when filling containers also helps to prevent VOCs.

Scope 3 emissions Brenntag Group

Scope 3 category according to Greenhouse Gas Protocol[1]	2022 (tCO_2e)	2021 (tCO_2e)	2020 (tCO_2e)
3.1 Purchased goods and services	21,284,553	23,573,360	22,021,336
3.3 Fuel and energy-related emissions[2]	65,553	55,015	49,750
3.4 Transportation and distribution (upstream)	151,243 (outgoing transportation) 176,971 (incoming transportation and direct business)[3]	140,146 (outgoing transportation) 202,821 (incoming transportation and direct business)[3]	140,359 (outgoing transportation) 162,579 (incoming transportation and direct business)[3]
3.9 Transportation and distribution (downstream)	17,407 (outgoing transportation) 159,178 (incoming transportation and direct business)[3]	13,981 (outgoing transportation) 167,742 (incoming transportation and direct business)[3]	14,364 (outgoing transportation) 115,502 (incoming transportation and direct business)[3]

3.15 Scope 3 emissions Brenntag Group

[1] Information on the calculation of Scope 3 emissions is included in the Appendix, page 133).
[2] Not included in Scope 1 or 2.
[3] The values given for incoming transport and direct business have not been audited by PwC.

CDP climate score

After Brenntag improved its CDP climate score by two levels to level B (Management) in 2021, the company's goal for 2022 was to at least maintain this score. We did this by achieving a level B score. Every year, CDP compares more than ten thousand companies worldwide in terms of their strategic approach to the challenges of climate change and assesses their climate management system based on a comprehensive catalog of criteria.

Transport and fleet management

To keep the fuel consumption and harmful emissions of the vehicle fleet to a minimum, Brenntag uses structured transport logistics to avoid unnecessary trips and plans all trips as efficiently as possible. In regular training courses, Brenntag drivers receive instruction on matters such as fuel-conscious driving.

More and more Brenntag companies use telematics systems in order to optimize the use of their vehicle fleets. They record vehicle- and trip-related data and thus facilitate safe and eco-efficient driving.

[1] Organic materials that vaporize into the gas phase at room temperature or higher temperatures, i.e. are volatile.

Resource efficiency and circular economy

Brenntag works continuously to reduce resource consumption and minimize the environmental impacts of its business activities on the soil, water and air. The company implements appropriate environmental protection measures at all sites. Resource efficiency processes such as water and waste are implemented and measures carried out mainly by the QSHE department. Product- and service-specific matters such as critical materials and recycling are handled by the operational business. The overarching sustainability reporting and the consolidation of the topics are the responsibility of Sustainability Brenntag Group.

Critical materials and palm oil

As a chemicals and ingredients distributor with operations worldwide, Brenntag naturally adheres to the laws and guidelines applicable to its products in local and regional markets. The company also assumes additional responsibility and does its bit to ensure that its activities and those of its business partners do not endanger people or the environment. Particular attention needs to be paid to products containing critical materials, including conflict minerals such as tin, gold or tungsten. Brenntag is also mindful of palm oil and its cultivation. In its marketing materials, the company provides information on products containing palm oil and critical materials. The aim is to offer customers sustainable alternatives to those products, such as RSPO-certified[1] palm oil.

Waste

The Brenntag sites have established processes for the handling of waste that are appropriate to the nature and scale of their business. The company maintains constant dialog with the national umbrella associations of chemical dealers with a view to further improving its waste management. The common goal is to reduce the volume of waste in the industry and increase recycling rates.

Brenntag gives its employees regular training on the handling of chemical products as well as storage and transportation to avoid unnecessary waste from the outset and reduce the volume of waste. The company also introduces various measures to avoid and reduce waste in countries where legal requirements for avoiding and separating waste are not yet implemented to the same extent as they are in the EU. All sites in the Latin America region, for example, are prompted to systematically separate waste. In Peru, Brenntag also teaches its employees and customers about composting.

1) RSPO stands for Roundtable on Sustainable Palm Oil. RSPO is a global, not-for-profit organization that brings together stakeholders from across the palm oil supply chain to develop and implement global standards for sustainable palm oil.

Circular economy and recycling

Packaging

Brenntag tries to keep packaging to a bare minimum and in doing so follows the 4R principle: reduce, reuse, recycle, rethink. The aim is to reduce the number of packages used by reusing them several times and applying better recycling methods. To this end, the relevant departments maintain constant dialog with the manufacturers of packaging systems in order to establish take-back and recycling systems for the various types of packaging and containers. Leveraging the expertise of the internal Indirect Procurement department, Brenntag seeks solutions for reusable packaging. In the EMEA region, for example, Indirect Procurement has launched the “Reuse of technical equipment throughout the EMEA region” initiative. The aim of this initiative is to put equipment discarded at one site to reuse at another site; this includes tanks and plastic mixers, for example.

The logistics and sales departments are constantly working to offer more deliveries in large units of quantity to save on packaging materials. Brenntag has optimized its packaging cycles: At the sites in EMEA, for example, several hundred thousand IBCs (intermediate bulk containers) circulate annually. They are in use for two years on average and are refilled three times a year. The company also offers customers the option to return drums so that these can be refilled.

Products

At Brenntag Schweizerhall AG (Switzerland), there is also a project where distillation equipment is used to treat solvents to make them reusable. In addition, in the UK, Brenntag is now testing a system where sites purchase used solvents (mostly ethanol) from the pharmaceuticals industry in order to put them to cascade use as excipients in their own processes. The substance is then processed into cleaning fluid for windscreen wipers. Brenntag in EMEA is also making future plans for exclusive partnerships for circular products made from organic waste, for example. In addition, the company will continue to work to increase its resource efficiency and establish a circular economy. In doing so, Brenntag intends to work more closely together with suppliers and customers in future. Further projects worldwide are currently in pilot phases.

Training

Brenntag delivered a series of training sessions on the circular economy in the reporting period. In rounds of discussions, product management and sales in the EMEA region exchange information and ideas on the subject and seek further solutions together.

Water

Brenntag uses water in many areas of its business operations, for example to produce solutions, to clean pipe systems and to cool or heat chemicals and tank facilities. The total amount of water consumed here depends largely on the nature and scope of the products handled and services provided. Water consumption is therefore subject to fluctuations and differs from site to site.

Brenntag also consumes water in operating the buildings and plants, for example in sanitary facilities or to clean surfaces, road tankers and buildings. The used water is treated in wastewater treatment facilities that purify it in line with statutory regulations before being returned to the system. Brenntag obtains water mainly from the public water supply network. Some sites also use other types of water supply, such as rainwater or their own wells. Water consumption is not currently recorded and controlled on a Group-wide basis.

Brenntag aims to minimize water consumption and be economical with water in all processes. The site in Zarate (Argentina), for example, captures rainwater, treats it and uses it for industrial purposes and to extinguish fires at the site. In addition, Brenntag works together with non-governmental organizations such as Water for People with a view to implementing further water-saving measures.

In the reporting period, Brenntag prepared a risk analysis in order to find out which sites could suffer water shortages as climate change increases.

EU Taxonomy

Art. 8 EU Taxonomy Regulation

By adopting the Action Plan on Financing Sustainable Growth, the European Union took a decisive step to extend its commitment to climate protection and sustainable business practice on the financial markets. One tool in the action plan presented in March 2018 is the EU Taxonomy Regulation (EU Taxonomy). This uniform and legally binding classification system sets out which economic activities are regarded as environmentally sustainable and how they should be reported. The aim is to steer financial flows toward green investments. Investors should thus be able to decide whether they wish to contribute to the EU's goals through their investments. All companies that are required to provide non-financial reporting according to Section 315b et seq. of the German Commercial Code (HGB) have been obliged to disclose information on the implementation of the EU Taxonomy since inancial year 2021.

Against this background, in the following section, Brenntag as a non-financial parent company presents the proportion of its consolidated turnover, capital expenditure (Capex) and operating expenditure (Opex) for the 2022 reporting period that is associated with Taxonomy-eligible and Taxonomy-aligned economic activities in relation to the first two environmental objectives (climate change mitigation and climate change adaptation) pursuant to Art. 8 of the EU Taxonomy Regulation.

Organization of company activities

A project team consisting of Corporate Accounting and Sustainability Brenntag Group assumed responsibility for implementing the EU Taxonomy requirements at Brenntag. The project team analyzed all Taxonomy-eligible economic activities listed in the Climate Delegated Act with regard to applicability to Brenntag. The review to determine whether Taxonomy-eligible economic activities are also Taxonomy-aligned is carried out and documented in the Group consolidation system by the Accounting department of the respective Group company. To ensure a uniform approach in reviewing alignment, the Reporting Guideline EU Taxonomy 2022 is applied at all Brenntag Group companies.

Key performance indicators

The key performance indicators (KPIs) required to be reported under the EU Taxonomy include the turnover KPI, the Capex KPI and the Opex KPI. For the 2022 reporting period, the KPIs have to be disclosed in relation to Taxonomy-eligible economic activities and Taxonomy-aligned economic activities.

As a distributor, Brenntag generates external sales only in the context of one activity: the sale of chemicals and ingredients. The review revealed that this economic activity is not covered by the Climate Delegated Act and is therefore not Taxonomy-eligible since trade-related activities have not been identified by the EU as a major source of greenhouse gas emissions.

In providing the service of transporting chemicals and ingredients to customers, Brenntag does not generate external sales on a standalone basis. As a result, this is not included in the turnover KPI or reported as a Taxonomy-eligible activity. The company therefore cannot present any Taxonomy-eligible economic activities in relation to turnover.

However, Brenntag reports capital and operating expenditure related to the purchase of output from Taxonomy-eligible economic activities and individual measures to improve energy efficiency listed, which are listed in the Climate Delegated Act, as Taxonomy-eligible. In addition, Taxonomy-eligible capital and operating expenditure is required to be presented as Taxonomy-aligned if the technical screening criteria and minimum requirements regarding human rights, anti-corruption, taxation and fair competition are met pursuant to the EU Taxonomy Regulation and the Delegated Act.

Taxonomy-eligibility

Brenntag discloses Capex and Opex related to the purchase of output from Taxonomy-eligible and Taxonomy-aligned economic activities and individual measures to improve energy efficiency listed in Annex I of the Climate Delegated Act (see table 3.16). In detail, on the basis of the overview of investment requests, the budget planning lists and the consolidated reporting on Capex and Opex at Group level, Brenntag has identified the following purchased outputs and individual measures that correspond to Taxonomy-eligible economic activities pursuant to the EU Taxonomy and therefore result in Taxonomy-eligible Capex/Opex:

Description of the Brenntag activity	Corresponding economic activity in the EU Taxonomy (Annex I to the Delegated Act)
Motor vehicles	
Purchase and leasing of **heavy goods vehicles** for freight transport	6.6. Freight transport services by road
Purchase, leasing, repair and maintenance of **industrial trucks**	3.6. Manufacture of other low-carbon technologies
Purchase and leasing of **passenger cars** as company vehicles	6.5. Transport by motorbikes, passenger cars and light commercial vehicles
Renewable energy technologies	
Purchase, leasing and maintenance of **renewable energy technologies** for electricity and heat generation at Brenntag sites, e.g. solar panels, heat pumps and wind turbines	7.6 Installation, maintenance and repair of renewable energy technologies
Buildings	
Construction of **new buildings**	7.1. Construction of new buildings
Acquisition and leasing of **existing buildings**	7.7. Acquisition and ownership of buildings
Installation, maintenance and repair of **energy efficiency equipment**	7.3. Installation, maintenance and repair of energy efficiency equipment
Installation and maintenance of **charging stations** for electric vehicles	7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

3.16 Taxonomy-eligibility

Taxonomy-alignment

The review for Taxonomy-alignment consists of multiple steps that must be followed individually, with the results documented by the Group companies. In addition to the economic activity's substantial contribution to one of the two climate-related environmental objectives, the criteria on avoiding significant harm to one or more of the six environmental objectives, referred to as the 'do no significant harm' (DNSH) criteria, and compliance with the minimum requirements regarding human rights, anti-corruption, taxation and fair competition must also be checked. Brenntag considers all of its Taxonomy-eligible economic activities as purchase of output. Evidence in this regard is required from the supplier to demonstrate that they are the result of a Taxonomy-aligned activity. With regard to compliance with the minimum requirements, the review must also be carried out for Brenntag SE without reference to a specific economic activity.

Substantial contribution

In the case of many of the economic activities relevant to Brenntag under the Climate Delegated Act, the performance of that activity already represents the substantial contribution, obviating the need for any further reviews. The installation of solar panels or heat pumps can be given as an example. In the case of other economic activities, including the 'construction of new buildings' or the 'acquisition of existing buildings', a more detailed review has to be carried out in accordance with the regulatory standard.

Avoiding significant harm and compliance with minimum requirements

For each economic activity that makes a substantial contribution to at least one of the environmental objectives, it is necessary to assess criteria on avoiding significant harm to one or more of the six environmental objectives as well as compliance with the minimum requirements. According to the Final Report on Minimum Safeguards issued by the Platform on Sustainable Finance in October 2022, the latter relates to human rights, anti-corruption, taxation and fair competition.

The assessment is carried out by the department responsible at the respective Group company in cooperation with the supplier of the products purchased or the services received.

Not all criteria for Taxonomy-alignment fulfilled

As regards the purchase of output, no supplier was able to provide information on and proof of fulfillment of all criteria for Taxonomy-alignment, i.e. substantial contribution, avoidance of significant harm and compliance with the minimum requirements. As a result, it was not possible to substantiate any Taxonomy-aligned Capex and Opex.

Brenntag therefore reports the following KPIs:

Turnover KPI

				Substantial contribution criteria					
	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaption (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
Economic activities (1)		EUR	in %	in %	in %	in %	in %	in %	in %
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
none									
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
none									
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)									
Total (A.1 + A.2)									
B. Taxonomy-non-eligible activities									
Turnover of Taxonomy-non-eligible activities (b)		19,429,304,770	100.0						
Total (A+B)		19,429,304,770							

3.17 Turnover KPI

	DNSH criteria (Does not significantly harm)										
	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover 2022 (18)	Taxonomy-aligned proportion of turnover 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Economic activities (1)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. Taxonomy-eligible activities											
A.1 Environmentally sustainable activities (Taxonomy-aligned)											
none											
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)											
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)											
none											
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)											
Total (A.1 + A.2)											
B. Taxonomy-non-eligible activities											
Turnover of Taxonomy-non-eligible activities (b)											
Total (A+B)											

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

3.17 Turnover KPI

Capex KPI

Economic activities (1)	Code(s) (2)	Absolute Capex (3)	Proportion of Capex (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaption (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		EUR	in %	in %	in %	in %	in %	in %	in %
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
none									
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Freight transport services by road	6.6.	3,302,018	0.74						
Manufacture of other low-carbon technologies	3.6.	5,747,276	1.28						
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	7,196,251	1.61						
Installation, maintenance and repair of renewable energy technologies	7.6	1,384,915	0.31						
Construction of new buildings	7.1.	3,671,820	0.82						
Acquisition and ownership of buildings	7.7.	20,219,765	4.52						
Installation, maintenance and repair of energy efficiency equipment	7.3.	1,854,067	0.41						
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		43,376,113	9.69						
Total (A.1 + A.2)		43,376,113	9.69						
B. Taxonomy-non-eligible activities									
Capex of Taxonomy-non-eligible activities (b)		404,259,242	90.31						
Total (A+B)		447,635,356							

3.18 Capex KPI

	DNSH criteria (Does not significantly harm)										
	Climate change mitigation (11)	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of Capex 2022 (18)**	**Taxonomy-aligned proportion of Capex 2021 (19)**	**Category (enabling activity) (20)**	**Category (transitional activity) (21)**
Economic activities (1)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. Taxonomy-eligible activities											
A.1 Environmentally sustainable activities (Taxonomy-aligned)											
none											
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)											
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)											
Freight transport services by road											
Manufacture of other low-carbon technologies											
Transport by motorbikes, passenger cars and light commercial vehicles											
Installation, maintenance and repair of renewable energy technologies											
Construction of new buildings											
Acquisition and ownership of buildings											
Installation, maintenance and repair of energy efficiency equipment											
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								/	/	/	/
Total (A.1 + A.2)								/	/	/	/
B. Taxonomy-non-eligible activities											
Capex of Taxonomy-non-eligible activities (b)											
Total (A+B)											

Proportion of Capex from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

3.18 Capex KPI

Opex KPI

				Substantial contribution criteria					
	Code(s) (2)	**Absolute Opex (3)**	**Proportion of Opex (4)**	**Climate change mitigation (5)**	**Climate change adaption (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**
Economic activities (1)		EUR	in %	in %	in %	in %	in %	in %	in %
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
none									
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Freight transport services by road	6.6.	2,871,403	1.35						
Manufacture of other low-carbon technologies	3.6.	934,296	0.44						
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	581,784	0.27						
Installation, maintenance and repair of energy efficiency equipment	7.3.	68,176	0.03						
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	2,425	0.00						
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4,458,085	2.09						
Total (A.1 + A.2)		4,458,085	2.09						
B. Taxonomy-non-eligible activities									
Opex of Taxonomy-non-eligible activities (b)		208,385,347	97.91						
Total (A+B)		212,843,432							

3.19 Opex KPI

	DNSH criteria (Does not significantly harm)										
	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of Opex 2022 (18)	Taxonomy-aligned proportion of Opex 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Economic activities (1)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. Taxonomy-eligible activities											
A.1 Environmentally sustainable activities (Taxonomy-aligned)											
none											
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)											
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)											
Freight transport services by road											
Manufacture of other low-carbon technologies											
Transport by motorbikes, passenger cars and light commercial vehicles											
Installation, maintenance and repair of energy efficiency equipment											
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)											
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								/	/	/	/
Total (A.1 + A.2)								/	/	/	/
B. Taxonomy-non-eligible activities											
Opex of Taxonomy-non-eligible activities (b)											
Total (A+B)											

Proportion of Opex from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

3.19 Opex KPI

Brenntag does not carry out any nuclear power and gas activities and therefore does not disclose the specific tables relating to these activities

Accounting policies

Brenntag determines the Taxonomy KPIs in accordance with the legal requirements, including Annex I to the Art. 8 Delegated Act, and describes its accounting policies in this regard as follows:

Turnover KPI

The proportion of Taxonomy-eligible economic activities in the total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the net turnover (denominator). The denominator of the turnover KPI is based on the company's consolidated net turnover in accordance with International Accounting Standard (IAS) 1.82(a), which can be taken from the consolidated financial statements; see the consolidated income statement on page 2. You can find further details on Brenntag's accounting policies for consolidated net turnover on page 204.

With regard to the numerator, Brenntag has not identified any Taxonomy-eligible activities, as explained above.

Capex KPI

The Capex KPI is defined as Taxonomy-eligible Capex (numerator) divided by total Capex (denominator) as specified in the EU Taxonomy. Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortization and any remeasurements, including those resulting from revaluations and impairments, and excluding fair value changes.

It includes additions to property, plant and equipment (IAS 16), intangible assets (IAS 38) and right-of-use assets (International Financial Reporting Standards, IFRS 16). Additions resulting from business combinations are also included. Goodwill is not included in Capex because it is not defined as an intangible asset in accordance with IAS 38. You can find further details on the accounting policies with regard to the company's Capex on pages 205 to 206.

Brenntag's total Capex can be derived from the consolidated financial statements from the statements of changes in property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets (see table 5.49 Property, plant and equipment, table 5.50 Intangible assets and table 5.53 Right-of-use assets). It is the sum total of the following transaction types:

- Business combinations
- Other additions

for property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets.

With regard to the numerator, the company refers to the explanations below.

Opex KPI

The Opex KPI is defined as Taxonomy-eligible Opex (numerator) divided by total Opex (denominator).

Total Opex consists of direct uncapitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, remediation and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

For the Brenntag Group, the following aspects must be taken into account in this regard:

- The Brenntag Group does not incur any research and development expenses.
- The volume of uncapitalized leases was determined in accordance with IFRS 16 and includes expenses for short-term leases, variable leases and low-value leases (see table 5.54 Lease expenses). Even though variable leases and low-value leases are not explicitly mentioned in the Art. 8 Delegated Act, Brenntag has interpreted the legislation as to include these leases.
- Maintenance and repair and other direct expenditures relating to the servicing of assets of property, plant and equipment were recorded in separate accounts. The related cost items can be found in the other operating expenses item in the consolidated income statement and are part of maintenance and energy costs (see table 5.28 Other operating expenses). This also includes building renovation measures. As a rule, these are costs for services and material costs.
- Expenses for the remediation of environmental damage, mainly for soil and groundwater for current and former, owned or leased sites. The related cost items are included in the other operating expenses item in the consolidated income statement and are part of miscellaneous operating expenses (see table 5.28 Other operating expenses).

With regard to the numerator, the company refers to the explanations below.

Explanations on the numerator of the Capex KPI and the Opex KPI

Since the Brenntag Group has not identified any Taxonomy-eligible economic activities, the company does not record Capex/Opex related to assets or processes that are associated with Taxonomy-eligible economic activities ("category a" acc. to Sect. 1.1.2.2 of Annex I to the Art. 8 Delegated Act) in the numerator of the Capex KPI and the Opex KPI. Furthermore, there are no Capex plans ("category b" acc. to Sect. 1.1.2.2 of Annex I to the Art. 8 Delegated Act).

Only "category c" Capex and Opex can therefore qualify as Taxonomy-eligible and potentially Taxonomy-aligned, i.e. Capex/Opex related to the purchase of output from Taxonomy-eligible and potentially Taxonomy-aligned economic activities and individual measures to improve energy efficiency that are listed in the Climate Delegated Act (Sect. 1.1.2.2. (c) of Annex I to the Art. 8 Delegated Act). For the allocation of Capex and Opex, Brenntag identified the relevant purchases and measures, and then identified the primary related economic activity in the Climate Delegated Act. In this way, the company ensures that no Capex or Opex is included more than once.

Appendix

Calculation of Scope 3 emissions

Scope 3.1 Purchased goods and services

The greenhouse gas emissions were calculated for Brenntag's main product categories, which account for 76% of its total chemical spend in tonnes. They were calculated using a combined approach of volume and consumption-based emission factors from Life Cycle Assessment (LCA) databases, which were considered to be representative of Brenntag's respective product categories. By multiplying them by the volume-related purchasing data for the product categories taken from our Global Business Warehouse (GBW) and extrapolating them to the total spend, it was possible to determine a value that reflects the total emissions in category 3.1.

Scope 3.3 Fuel- and energy-related emissions (not included in Scope 1 or 2):

These were calculated using upstream emission factors from the Department for Business, Energy & Industrial Strategy (DBEIS) for the relevant energy sources whose consumption volumes were already recorded as part of the reporting for Scope 1 and Scope 2 emissions.

Scope 3.4 Transportation and distribution (upstream and downstream):

All emissions caused by incoming and outgoing transportation as well as direct business involving external trucks were calculated. They were calculated using a combined approach of volume and consumption-based emission factors from DBEIS, which were correlated with the number of tonne-kilometers. In addition, the average distance per consignment was initially calculated with the material transport volumes for individual EMEA countries. For the North America region, it was possible to use the distances per consignment, on the basis of a ZIP-based geodata distance calculation, for a portion of the total goods transported. These distances were multiplied by the respective tonnes of transported goods and by the corresponding emission factor. The emissions calculated served in turn as a basis for extrapolating the total emissions in categories 3.4 and 3.9 using volume-related transport data taken from our Hyperion Financial Management (HFM) system and the GBW for the respective global regions. Finally, the total emissions calculated were allocated to categories 3.4 and 3.9 based on the International Commercial Terms (Incoterms).

GRI Index

Statement of use	Brenntag has reported the information cited in this GRI content index for the period Jan. 1 to Dec. 31, 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI standard and description		References	Comments and online resources
Universal Standards			
GRI 2: General Disclosures 2021			
The organization and its reporting practices			
2-1	Organizational details	NfR, p. 95	Brenntag SE, Messeallee 11, 45131 Essen
2-2	Entities included in the organization's sustainability reporting	Consolidated Financial Statements, p. 197	
2-3	Reporting period, frequency of reporting and contact point	NfR, p. 93	2022, annual reporting, Brenntag SE Sustainability Brenntag Group Nadine Kolter Phone +49 (0) 201 6496 1569 sustainability@brenntag.de
2-4	Restatements of information	NfR, p. 92–94	
2-5	External assurance	NfR, pp. 92, 143–144	
Activities and workers			
2-6	Activities, value chain and other relevant business relationships	NfR, p. 95 Management Report, p. 147	www.brenntag.com
2-7	Employees	NfR, p. 110 Management Report, p. 167	Employees | Brenntag
2-8	Workers who are not employees		Employees | Brenntag
Governance			
2-9	Governance structure and composition	Report of the Supervisory Board, p. 18 Corporate Governance Statement, p. 32 To our Shareholders, p. 9	
2-10	Nomination and selection of the highest governance body	Corporate Governance Statement, p. 32	
2-11	Chair of the highest governance body	Corporate Governance Statement, p. 32	
2-12	Role of the highest governance body in overseeing the management of impacts	NfR, p. 98	
2-13	Delegation of responsibility for managing impacts	NfR, pp. 91–92	
2-14	Role of the highest governance body in sustainability reporting	NfR, pp. 92–93	Both the Board of Management and then the Supervisory Board deal with the reporting. The Board of Management decides and the Supervisory Board approves.
2-15	Conflicts of interest	NfR, p. 102	
2-16	Communication of critical concerns	NfR, p. 101	
2-17	Collective knowledge of the highest governance body	NfR, pp. 98, 101, 119	
2-18	Evaluation of the performance of the highest governance body	Remuneration Report, p. 49	The Board of Management and Supervisory Board regularly address the achievement of annual targets through an internal scorecard. In the event of possible deviations in target achievement, appropriate measures are initiated.
2-19	Remuneration policies	NfR, p. 108 Remuneration Report, p. 49	

GRI standard and description		References	Comments and online resources
2-20	Process to determine remuneration	NfR, p. 108 Remuneration Report, p. 49	
2-21	Annual total compensation ratio	Remuneration Report, p. 49	
Strategy, policies and practices			
2-22	Statement on sustainable development strategy	NfR, pp. 90–91, 95, 97	
2-23	Policy commitments	NfR, p. 102	
2-24	Embedding policy commitments	NfR, pp. 102–103	
2-25	Processes to remediate negative impacts	NfR, pp. 101–102	
2-26	Mechanisms for seeking advice and raising concerns	NfR, p. 101	
2-27	Compliance with laws and regulations	NfR, pp. 101–102	
2-28	Membership associations	NfR, pp. 95, 107, 111, 112, 116	Memberships | Brenntag
Stakeholder engagement			
2-29	Approach to stakeholder engagement	NfR, p. 98	
2-30	Collective bargaining agreements		Due to its large number of international locations and the broad range of labor regulations applicable to these locations, Brenntag does not record this data in a consolidated Group-wide format.
Material Topics			
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	NfR, pp. 93, 99	
3-2	List of material topics	NfR, p. 94	
201: Economic Performance 2016			
3-3	Management of material topics	Management Report, p. 152	
201-1	Direct economic value generated and distributed	Key financial figures at a glance, p. 2, Consolidated Financial Statements, p. 185, Consolidated income statement, p. 186, Notes, p. 216	
201-3	Defined benefit plan obligations and other retirement plans	Consolidated Financial Statements, p. 231	
204: Procurement Practices 2016			
3-3	Management of material topics	NfR, pp. 112–114	
204-1	Proportion of spending on local suppliers		Local and regional purchasing plays a role in the business model of a chemicals distributor, in particular in the area of commodities.
205: Anti-corruption 2016			
3-3	Management of material topics	NfR, pp. 101–102	
205-1	Operations assessed for risks related to corruption		In internal audits, a total of 24 Brenntag companies were, among other things, reviewed in relation to corruption risk in the reporting period.
205-2	Communication and training about anti-corruption policies and procedures	NfR, pp. 101–102	
205-3	Confirmed incidents of corruption and actions taken		Brenntag has not received any reports on incidents for the reporting period.
206: Anti-competitive Behavior 2016			
3-3	Management of material topics		Voluntary reporting as anti-competitive behavior is not a material topic according to the 2022 materiality analysis.
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Management Report, p. 169, 178	

GRI standard and description		References	Comments and online resources
207: Tax 2019			
3-3	Management of material topics	NfR, p. 103	Voluntary reporting as tax is not a material topic according to the 2022 materiality analysis.
207-1	Approach to tax	NfR, p. 103	
207-2	Tax governance, control, and risk management	NfR, p. 103	
207-3	Stakeholder engagement and management of concerns related to tax	NfR, p. 103	
302: Energy 2016			
3-3	Management of material topics	NfR, pp. 116–120	
302-1	Energy consumption within the organization	NfR, p. 118	
302-3	Energy intensity	NfR, p. 118	
302-4	Reduction of energy consumption	NfR, pp. 116–120	
302-5	Reductions in energy requirements of products and services	NfR, pp. 116–120	
303: Water and Effluents 2018			
3-3	Management of material topics	NfR, p. 122	
303-1	Interactions with water as a shared resource	NfR, p. 122	
303-2	Management of water discharge-related impacts	NfR, p. 122	
303-3	Water withdrawal	NfR, p. 122	
305: Emissions 2016			
3-3	Management of material topics	NfR, p. 116	
305-1	Direct (Scope 1) GHG emissions	NfR, pp. 117–119	
305-2	Energy indirect (Scope 2) GHG emissions	NfR, pp. 117–119	
305-3	Other indirect (Scope 3) GHG emissions	NfR, pp. 119–120	
305-4	GHG emissions intensity	NfR, pp. 118, 120	
305-5	Reduction of GHG emissions	NfR, pp. 118, 120	
306: Waste 2020			
3-3	Management of material topics	NfR, p. 121	
306-1	Waste generation and significant waste-related impacts	NfR, p. 121	
306-2	Management of significant waste-related impacts	NfR, p. 121	
306-3	Waste generated		Due to the decentralized structure of the company and different legal requirements (e.g. Circular Economy Act in Germany), waste management is handled by each site itself.
308: Supplier Environmental Assessment 2016			
3-3	Management of material topics	NfR, pp. 112–114	
308-1	New suppliers that were screened using environmental criteria	NfR, pp. 112–114	
401: Employment 2016			
3-3	Management of material topics	NfR, pp. 108–111	
401-1	New employee hires and employee turnover	NfR, p. 109	Employees | Brenntag
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	NfR, p. 108	Due to our company's decentralized and international structure, it is not possible to provide a complete list of the benefits which our employees receive.
402: Labor/Management Relations			
3-3	Management of material topics		Brenntag informs its employees of impending operational changes at an early stage and comprehensively, while complying with applicable national and international notification periods.
402-1	Minimum notice periods regarding operational changes		

GRI standard and description		References	Comments and online resources
403: Occupational Health and Safety 2018			
3-3	Management of material topics	NfR, p. 106	
403-1	Occupational health and safety management system	NfR, p. 107	
403-2	Hazard identification, risk assessment, and incident investigation	NfR, pp. 107–108	
403-3	Occupational health services		Brenntag pursues a decentralized approach. Some large sites have local occupational health services, otherwise each site has a direct contact for occupational health concerns.
403-4	Worker participation, consultation, and communication on occupational health and safety	NfR, pp. 106–107	Temporary workers also participate in the BEST employee surveys.
403-5	Worker training on occupational health and safety	NfR, p. 106	
403-6	Promotion of worker health	NfR, pp. 106–108	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NfR, pp. 106–107	
403-8	Workers covered by an occupational health and safety management system	NfR, p. 108	All employees are covered by the global QSHE management system.
403-9	Work-related injuries	NfR, pp. 107–108	Temporary workers are included in the accident reporting.
404: Training and Education 2016			
3-3	Management of material topics	NfR, p. 111	
404-2	Programs for upgrading employee skills and transition assistance programs	NfR, p. 111	Brenntag offers its employees target group-specific and individual measures and training at a global, regional and local level and provides them either in conventional events attended in person or through online training events. The global e-learning management system provides employees with an opportunity to enhance their knowledge and skills independently and efficiently.
404-3	Percentage of employees receiving regular performance and career development reviews		Annual feedback meetings take place for all Brenntag employees in which the employees' performance is considered and their goals and personal expectations as well as individual development measures are discussed.
405: Diversity and Equal Opportunity 2016			
3-3	Management of material topics	NfR, pp. 109–111	
405-1	Diversity of governance bodies and employees	NfR, pp. 109–111 Corporate Governance Statement, p. 44	
405-2	Ratio of basic salary and remuneration of women to men		Employees are recruited, remunerated and developed solely on the basis of their qualifications and skills for the respective roles.
406: Non-discrimination 2016			
3-3	Management of material topics	NfR, pp. 109–111	
406-1	Incidents of discrimination and corrective actions taken		Brenntag reports on the total number of confirmed incidents. For confidentiality reasons, Brenntag does not disclose the exact number of complaints by type. Accordingly, the company does not explicitly report the number of complaints relating to discrimination.

GRI standard and description		References	Comments and online resources
407: Freedom of Association and Collective Bargaining 2016			
3-3	Management of material topics	NfR, pp. 101–102	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	NfR, pp. 101–102	As part of our TfS membership, Brenntag requests that its suppliers undergo sustainability assessments, which also include a review of protection of the right of association and the right to collective bargaining. Brenntag's Code of Business Conduct and Ethics as well as our Supplier Code of Conduct also require the protection of human rights, equal treatment and fair working conditions.
408: Child Labor 2016			
3-3	Management of material topics	NfR, pp. 101–102, 112–114	
408-1	Operations and suppliers at significant risk for incidents of child labor	NfR, pp. 112–114	
409: Forced or Compulsory Labor 2016			
3-3	Management of material topics	NfR, pp. 101–102, 112–114	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	NfR, pp. 112–114	
410: Security Practices 2016			
3-3	Management of material topics		Brenntag deploys security personnel at various locations and uses service providers to provide security services. Respect for human rights is a crucial factor in this regard, which is also reflected in the codes of conduct of providers used. Brenntag has started to manage security measures centrally, among other things to increase the commitment to respect human rights and to collect relevant data on the implementation of the measures.
410-1	Security personnel trained in human rights policies or procedures		
411: Rights of Indigenous Peoples 2016			
3-3	Management of material topics	NfR, pp. 101–102, 112–114	
411-1	Incidents of violations involving rights of indigenous peoples		Brenntag has not received any reports on incidents for the reporting period.
413: Local Communities 2016			
3-3	Management of material topics		Brenntag does not systematically assess the impact of its community and social activities.
413-1	Operations with local community engagement, impact assessments, and development programs		
414: Supplier Social Assessment 2016			
3-3	Management of material topics	NfR, pp. 112–113	
414-1	New suppliers that were screened using social criteria	NfR, pp. 112–113	As part of its QSHE Group guidelines, the Brenntag Group has also specified processes and criteria for dealing with subcontractors that carry out construction, repair and maintenance work at Brenntag locations. Their purpose is to prevent accidents and incidents, enable work activities to be performed safely and protect the health of subcontractors.
416: Customer Health and Safety 2016			
3-3	Management of material topics	NfR, pp. 106–107	
416-1	Incidents of non-compliance concerning the health and safety impacts of products and services		There were no incidents during the reporting period.

GRI standard and description		References	Comments and online resources
417: Marketing and Labeling 2016			
3-3	Management of material topics		In all countries we operate in, the products manufactured and/or transported by Brenntag are subject to legal requirements for the labeling and indication of ingredients, their ecological effects as well as information on safe use and disposal.
417-1	Requirements for product and service information and labeling	NfR, pp. 103, 104, 107	
417-2	Incidents of non-compliance concerning product and service information and labeling		There were no incidents during the reporting period.
417-3	Incidents of non-compliance concerning marketing and communications		There were no incidents during the reporting period.
418: Customer Privacy 2016			
3-3	Management of material topics	NfR, p. 102	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		There were no substantiated complaints from customers or regulatory bodies in the reporting period. Neither did Brenntag identify any leaks, thefts, or losses of customer data.

3.20 GRI Index

TCFD Index

The requirements of the Task Force on Climate-related Financial Disclosures (TCFD) cover governance, strategy, risk management, and metrics and targets. The aim of reporting in accordance with TCFD is to appropriately disclose the risks and opportunities presented by climate change and thus strengthen financial market stability. As the CDP climate change questionnaire has largely integrated the TCFD requirements, Brenntag already reports the following information:

Governance

TCFD core element	Required information	Reference to CDP Climate Change 2022 Questionnaire
Disclosure of governance around climate-related risks and opportunities	a) Board of Management's oversight of climate-related risks and opportunities	C1.1.A C1.1b C1.3 C1.3a
	b) Role of the Board of Management and senior executives in assessing and managing climate-related risks and opportunities	C1.2 C1.2a
Corresponding sections	NfR, p. 95 NfR, p. 116	

Strategy

TCFD core element	Required information	Reference to CDP Climate Change 2022 Questionnaire
Disclosure of the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	a) Short-, medium- and long-term climate-related risks and opportunities for the organization	C2.1a C2.2 C2.2a C2.4a
	b) Impact of climate-related risks and opportunities on businesses, strategy, and financial planning	C2.3 C3.3 C3.4 C2.4a
	c) Resilience of the organization's strategy, taking into consideration different climate-related scenarios (including a 2°C or lower scenario)	C3.1 C3.2a C3.2b
Corresponding sections	NfR, p. 95 NfR, p. 116	

Risk Management

TCFD core element	Required information	Reference to CDP Climate Change 2022 Questionnaire
Disclosure of processes for identifying, assessing, and managing climate-related risks	a) Processes for identifying and assessing climate-related risks	C2.1 C2.2
	b) Processes for managing climate-related risks	C2.1 C2.2
	c) Integration of processes for identifying, assessing, and managing climate-related risks into overall risk management	C2.1 C2.2
Corresponding sections	NfR, p. 116 Management Report, p. 169	

Metrics and Targets

TCFD core element	Required information	Reference to CDP Climate Change 2022 Questionnaire
Disclosure of metrics and targets used to assess climate-related risks and opportunities	a) Metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process	C4.1 C4.2 C9.1
	b) Scope 1, Scope 2 and Scope 3 greenhouse gas emissions and the related risks	C6.1 C6.3 C6.5
	c) Targets used to manage climate-related risks and opportunities and performance against targets	C4.1 C4.1a C4.2
Corresponding sections	NfR, p. 116 NfR, p. 121	

3.21 TCFD Index

Responses to and results of Brenntag's CDP questionnaire at: CDP Brenntag

SASB Index

Topic	Accounting metric	Code	References/comments
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	RT-CH-110a.1 TR-RO-110a.1	NfR, pp. 117–119 The calculation of Scope 1 emissions includes all greenhouse gases that result from the consumption of the corresponding energy sources, i.e. CO_2, CH_4, N_2O. The share of CH_4 and N_2O in the total emissions is approximately 1%. At Brenntag, none of the emissions are covered under emissions-limiting regulations.
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	RT-CH-110a.2 TR-RO-110a.2	NfR, pp. 116–119
	(1) Total fuel consumed (2) Percentage natural gas (3) Percentage renewable	TR-RO-110a.3	NfR, p. 118
Air Quality	Air emissions of the following pollutants: (1) NO_x (excluding N_2O) (2) SO_x (3) Volatile organic compounds (VOCs) (4) Hazardous air pollutants (HAPs) (5) Particulate matter (PM10)	RT-CH-120a.1 TR-RO-120a.1	Not relevant for Brenntag as a distributor.
Energy Management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable (4) Total self-generated energy	RT-CH-130a.1	NfR, p. 118
Water Management	(1) Total water withdrawn (2) Total water consumed, percentage of each in regions with high or extremely high baseline water stress	RT-CH-140a.1	Water withdrawal is not currently recorded and consolidated on a Group-wide basis.
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	RT-CH-140a.2	No central information available.
	Description of water management risks and discussion of strategies and practices to mitigate those risks	RT-CH-140a.3	No central information available.
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	RT-CH-150a.1	Due to the decentralized structure of the company and different legal requirements (e.g. Circular Economy Act in Germany), waste management is handled by each site itself.
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	RT-CH-210a.1	NfR, p. 98, pp. 106–108, pp. 112–114

Topic	Accounting metric	Code	References/comments
Workforce Health and Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	RT-CH-320a.1	NfR, pp. 107–108 At Brenntag, TRIR is defined as the total recordable injury rate, the number of workplace accidents involving injuries that require medical treatment (beyond first aid), per one million work hours.
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	RT-CH-320a.2	NfR, pp. 106–108
Product Design for Use-phase Efficiency	Revenue from products designed for use-phase resource efficiency	RT-CH-410a.1	NfR, p. 104, pp. 121–122
Environmental Stewardship of Chemicals	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) Percentage of such products that have undergone a hazard assessment	RT-CH-410b.1	(1) EMEA[1]: 69% North America: 45% (2) EMEA[1]: 94%[2] North America: 100%
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	RT-CH-410b.2	NfR, pp. 103–104
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	RT-CH-410c.1	Not relevant
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	RT-CH-530a.1	Management Report, pp. 172-179 NfR, pp. 103–104
Operational Safety, Emergency Preparedness & Response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	RT-CH-540a.1	NfR, pp. 106–108
Activity Metric	Production by reportable segment	RT-CH-000.A	Not reported

[1] Poland, Lithuania, Estonia and Latvia as well as Italy are only partially represented. For Brenntag Benelux and Multisol, data from countries in Africa are included, in which the two national companies operate.
[2] Percentage of such products (with at least one substance) that have undergone a hazard assessment.

Topic	Accounting metric	Code	References/comments
Driver Working Conditions	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	TR-RO-320a.1	NfR, pp. 107–108 At Brenntag, TRIR is defined as the total recordable injury rate, the number of workplace accidents involving injuries that require medical treatment (beyond first aid), per one million work hours.
	(1) Voluntary and (2) involuntary turnover rate for all employees	TR-RO-320a.2	NfR, p. 109 Employees | Brenntag
	Description of approach to managing short-term and long-term driver health risks	TR-RO-320a.3	NfR, pp. 106–108 Health risks for specific functions are only assessed locally.
Accident & Safety Management	Number of road accidents and incidents	TR-RO-540a.1	NfR, pp. 107–108 Three road accidents with commercial vehicles.
	Safety Measurement System BASIC percentiles for: (1) Unsafe driving (2) Hours-of-service compliance (3) Driver fitness (4) Controlled substances/Alcohol (5) Vehicle maintenance (6) Hazardous materials mompliance	TR-RO-540a.2	Not reported
	(1) Number and (2) aggregate volume of spills and releases to the environment	TR-RO-540a.3	NfR, pp. 107–108

3.22 SASB Index

Practitioner's Report

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting

To Brenntag SE, Essen

We have performed a limited assurance engagement on the combined separate non-financial report of Brenntag SE, Essen, (hereinafter the "Company") for the period from 1 January to 31 December 2022 (hereinafter the "Combined Separate Non-financial Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Combined Separate Non-financial Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy" of the Combined Separate Non-financial Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as the executive directors consider necessary to enable the preparation of a Combined Separate Non-financial Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy" of the Combined Separate Non-financial Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Combined Separate Non-financial Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Combined Separate Non-financial Report, other than the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Combined Separate Non-financial Report.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Separate Non-financial Report about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Separate Non-financial Report
- Identification of likely risks of material misstatement in the Combined Separate Non-financial Report
- Analytical procedures on selected disclosures in the Combined Separate Non-financial Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Combined Separate Non-financial Report
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Combined Separate Non-financial Report
- Evaluation of CO2 compensation certificates exclusively with regard to their existence, but not with regard to their impact

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Separate Non-financial Report of the Company for the period from 1 January to 31 December 2022 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Combined Separate Non-financial Report.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt am Main, 6 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
Wirtschaftsprüferin
[German public auditor]

ppa. Benjamin Wolf

Combined

4 Management Report

of the Brenntag Group and Brenntag SE

146 —— 184

Preamble

The German Corporate Governance Code ("GCGC") provides for disclosures on the internal control and risk management system that go beyond the legal requirements for the management report. The disclosures are excluded from the statutory auditor's audit of the management report content ("disclosures not typically part of the management report").

In the following, these disclosures are allocated thematically to the main elements of the internal control / risk management system; they have also been set apart from the disclosures required to be audited by placing them in separate paragraphs and labeled accordingly.

Group overview

Business activities and Group structure

Brenntag's growth opportunities along with its resilient business model are based not only on complete geographic coverage, a wide product portfolio and a comprehensive offering of value-added services, but especially on high diversity across our suppliers, customers and industries and our targeted use of the potential offered by outsourcing on the part of suppliers.

Brenntag is the reliable partner to chemical manufacturers (its suppliers) and its roughly 180,000 customers[1)]. The company connects products, knowledge and innovation, and creates added value in its networks in countless ways. Brenntag promotes sustainable products and connects the needs of industry with the needs of people and the environment. As global market leader, Brenntag has the vision of shaping the future of the industry.

Brenntag purchases large-scale quantities of industrial and specialty chemicals and ingredients from a large number of suppliers. This enables it to achieve economies of scale and offer a full-line range of products and value-added services. The products it purchases are stored in distribution facilities, packed into quantities the customers require and delivered, typically in less-than-truckloads. Overall, Brenntag offers a broad product range comprising more than 10,000 chemicals[2)] and ingredients as well as extensive value-added services such as just-in-time delivery, product mixing, repackaging, inventory management and drum return handling. In addition, Brenntag offers tailor-made application, marketing and supply chain solutions, technical and formulation support, comprehensive regulatory know-how and digital solutions such as digital sales channels and product platforms. This know-how enables the company to work together with its customers and suppliers to develop sustainable products and solutions.

To enable it to best respond to its customers' and suppliers' diverse and changing requirements, Brenntag manages its business through two global divisions: Brenntag Specialties and Brenntag Essentials. Brenntag Specialties focuses on selling ingredients and value-added services to the selected industries, Nutrition, Pharma, Personal Care/HI&I (Home, Industrial & Institutional), Material Science (Coatings & Construction, Polymers, Rubber), Water Treatment and Lubricants. Brenntag Specialties comprises the EMEA, Americas and APAC segments. Brenntag Essentials markets a broad portfolio of process chemicals across a wide range of industries and applications. Brenntag Essentials is managed through the geographical segments EMEA, North America, Latin America and APAC.

The two divisions are supported by Brenntag Business Services, which have been allocated to "All other Segments". In addition, "All other Segments" combine the central functions for the entire Group and the activities with regard to the digitalization of Brenntag's business. The international operations of BRENNTAG International Chemicals GmbH, which buys and sells chemicals in bulk on an international scale without regional boundaries, are also included here.

For details of the scope of consolidation, please refer to the notes to the consolidated financial statements for the period ended December 31, 2022.

[1)] The number of customers includes the customers that bought from Brenntag at least once in the reporting period. The decision criterion is "sold-to"; a sold-to party is the legal entity that is responsible for the purchase order and makes contact with the supplier's branch.
[2)] Chemical substances, including the quality grade and concentration level (in the case of diluted products) or the product form (in the case of solid substances), are recorded as chemicals.

Objectives and strategy

Brenntag aims to strengthen and further expand its position as global market leader in an agilely changing global market environment and lead its industry as the preferred partner for customers and suppliers.

The transformation program "Project Brenntag" focused on implementing the new operating model comprising two global divisions and clear customer segmentation, optimizing the site network and structurally addressing productivity improvements. "Project Brenntag" laid the foundations for the company to achieve improved, sustainable organic earnings growth.

The "Strategy to Win" presented in November 2022 involves differentiated growth strategies for the two divisions. In addition, efficiency, growth and excellence are to be increased throughout the organization through Digital.Data.Excellence (DiDEX). Brenntag's aim in applying its comprehensive and ambitious strategy is to outpace market growth. Brenntag aspires to play a crucial role in the realm of sustainable global chemical and ingredients distribution.

The new "Strategy to Win" comprises four central pillars:

- Applying **differentiated divisional strategies** and leveraging the company's global footprint and reach, Brenntag will sharpen the profile of its two divisions and propel their growth above the market average. **Brenntag Specialties** is to become the go-to global service partner for innovative and sustainable solutions. Brenntag Specialties is to extend the range of value-added services, offer the most comprehensive and sustainable portfolio, expand its global presence, focus on high-growth customers and industries, and press ahead with acquisitions. **Brenntag Essentials** is to become the uncontested market leader shaping the future of industrial chemicals distribution. The geographical, industry and product breadth contributes to the company's stability and growth.
- Digital.Data.Excellence (DiDEX) is to be an engine of growth contributing to Brenntag's fundamental transformation into a **data- and technology-driven business and industry leader**. Brenntag aspires to become the easiest business partner in the chemical distribution ecosystem, generate value from its data, modernize its digital business architecture and thus provide the most efficient and agile supply chain.
- Brenntag plans to assume a leading role in the responsible distribution of sustainable chemicals and ingredients and shape the industry's **sustainability** agenda. This includes using 100% environmentally-friendly energy by 2025 and achieving net-zero emissions by 2045 (see also the combined separate non-financial report in a separate section of this Annual Report 2022).
- To strengthen organic growth, Brenntag plans to drive market consolidation through **M&A activity** that creates value. While maintaining financial discipline, Brenntag's focus here is on expanding its position in emerging markets in both divisions, improving strategic capabilities and market positions, augmenting the existing portfolio and improving technical capabilities.

Transformation program

Between its introduction and the end of 2022, the multi-year transformation and further development program "Project Brenntag" generated around EUR 249 million in additional annual operating EBITDA, already exceeding the target of EUR 220 million for financial year 2023. All program initiatives are on track: 100 sites across all regions have been closed and more than 1,300 jobs structurally reduced in a socially responsible manner. The cumulative expenses incurred in connection with "Project Brenntag" since its start amounted to around EUR 89 million. Brenntag expects further financial contributions from the ongoing "Project Brenntag" initiatives in 2023. The effects of these measures will feed into the next chapter in Brenntag's transformation. Brenntag monitors the project's progress and the determined effects of the transformation using a project management and control system tailored to these matters.

In the course of this next step in its transformation, Brenntag will make targeted investments in its Digital.Data.Excellence (DiDEX) capabilities and concentrate on the following five pillars with a view to increasing efficiency, growth and excellence throughout the organization:

1) Becoming the chemical distribution partner with the smoothest business relationships

At Brenntag, customers and supplier partners are at the center of day-to-day activities. As an omnichannel partner, Brenntag is further developing virtual platforms such as Brenntag Connect and offering new, fully digital services such as Track & Trace. The Brenntag Excellence initiative is aimed at building a stable, efficient and streamlined organization in combination with dynamic and fast processes. It will help

Brenntag to promote the exchange of best practice and standardization. Brenntag Excellence will combine all local initiatives around the globe aimed at continuous improvement and make them more efficient. The initiative supports the implementation of the new business model and digitalization, and thus enables further growth, greater customer- and supplier-centricity, and more agility.

2) Leveraging the potential of data

With the help of special tools and business intelligence, Brenntag will make more effective use of its unique global market, customer and supply chain expertise as well as available data so as to better serve customers, better manage processes and create added value.

3) Creating a scalable information technology platform

Brenntag is working together with leading technology companies to build a comprehensive, scalable and modular global platform. This global platform will offer an improved digital environment and a better IT infrastructure for the company's various functions and business units across the supply chain.

4) Digital, data- and process-related skills and talent

The transformation is also focused on bolstering digital competencies and training Brenntag employees so as to equip them with the necessary and right skills for the transformation. In addition, the workforce is being expanded by bringing on board new digital and data talent on the basis of an enhanced employer branding, new career paths and the corporate culture in digital aspects.

5) Value creation and change

The DiDEX transformation will implement agile working methods and best practices. The transformation experience from "Project Brenntag" provides a sound basis for ensuring value creation in this step in the company's transformation, too.

Overall, the comprehensive DiDEX program is expected to deliver a sustainable additional contribution to operating EBITA, reaching the full annual potential of EUR 200 million in total by the end of 2026. The investments in connection with the DiDEX transformation are expected to amount to around EUR 350 million.

Financial management system

The Brenntag Group's financial management system enables it to measure attainment of its strategic objectives. It is based on the key performance indicators operating gross profit, operating EBITDA, operating EBITA and free cash flow and their growth. Brenntag also measures return on capital and working capital turnover and sets strict requirements for the performance of investment projects and acquisitions.

In the following, the key performance indicators used to measure the Group's financial performance are explained. They also include alternative performance indicators not defined under IFRSs such as operating EBITA and free cash flow, as a result of which these terms may be defined differently by other companies. These alternative performance indicators are calculated continuously using a uniform approach, which ensures that metrics from different financial years can be compared. Brenntag sometimes also adjusts for acquisition effects, in which case it talks about organic growth.

Operating gross profit

For Brenntag as a chemical distributor, operating gross profit is an important factor for increasing enterprise value over the long term. Operating gross profit is defined as the difference between external sales and cost of materials. The goal is for the growth in operating gross profit to exceed macroeconomic benchmarks. In order to ensure that measurement of performance at Group or regional level is meaningful, the growth in operating gross profit is adjusted for currency translation effects.

Operating EBITDA

The key indicator and measure for the financial performance of the Brenntag Group is operating EBITDA. This indicator is used to manage the segments, as it reflects the performance of the business operations well and is a key component of cash flow.

Operating EBITDA is the operating profit as recorded in the consolidated income statement plus amortization of intangible assets and depreciation of property, plant and equipment, right-of-use assets and investment property, adjusted for certain items.

Brenntag adjusts operating EBITDA for holding charges and for income and expenses arising from special items so as to improve comparability in presenting the performance of its business operations over multiple reporting periods and explain it more appropriately. Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero. Special items are income and expenses outside ordinary activities that have a special and material effect on the results of operations.

Operating EBITA

In the course of operationalizing its strategy, Brenntag decided to replace operating EBITDA with operating EBITA as its key performance indicator. In contrast to operating EBITDA, operating EBITA also reflects depreciation of property, plant and equipment and right-of-use assets. For Brenntag, this is important primarily so that it can take into account the different depreciation profiles of Brenntag Specialties and Brenntag Essentials. Certain items of property, plant and equipment and right-of-use assets are not separable and support both divisions jointly. They have been allocated to a division (depending on the region) and are depreciated there. They are charged to the other division on the basis of fixed and variable monthly amounts. The use of operating EBITA also improves comparability within the peer group. The aim is to continually grow operating EBITA throughout the business cycle.

Cash generation

Free cash flow is defined as follows:

	Operating EBITDA
–	**payments to acquire intangible assets and property, plant and equipment**
+ / –	**changes in working capital**
–	**principal and interest payments on lease liabilities**
=	**free cash flow**

Working capital is defined as trade receivables plus inventories less trade payables. Free cash flow is an important performance indicator for Brenntag, as it shows what level of cash is generated from operating activities and will therefore be available for growth through acquisitions as well as for lenders, shareholders and tax payments.

Additional performance indicators

In addition to the aforementioned financial performance indicators, Brenntag uses several other metrics to assess the economic success of its business activities.

In the Brenntag Group, return on capital is measured using the indicator return on capital employed (ROCE). ROCE is defined as:

$$\text{ROCE} = \frac{\text{Operating EBITA}}{\begin{array}{l}\text{(average carrying amount of equity} \\ + \text{ average carrying amount of financial and lease liabilities} \\ - \text{ average carrying amount of cash and cash equivalents)}\end{array}}$$

The average carrying amounts in the denominator are defined for a particular year as the arithmetic average of the amounts at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

The conversion ratio is an indicator calculated in order to measure the efficiency of a segment or the Group, more specifically by expressing operating EBITA for a given period as a percentage of operating gross profit for the same period. The indicator is used primarily to assess longer-term trends and less so to analyze short-term fluctuations between quarters.

In its efforts to generate increasing cash flow, Brenntag analyzes working capital turnover. This is defined as:

$$\text{working capital turnover} = \frac{\text{sales}}{\text{average working capital}}$$

Average working capital for a particular year is defined as the arithmetic average of working capital at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

To determine whether a particular investment project is expected to generate value for Brenntag, it takes the modified internal rate of return (MIRR) and the payback period as measures of the risk involved in the project. An investment project is generally only approved if the MIRR is above the hurdle rate and the combination of return and payback seems attractive. The hurdle rate for the MIRR varies according to the risk involved in the project and depends, among other factors, on the respective country risk.

In addition to these metrics, Brenntag has also set strategic objectives as well as financial hurdle rates that generally have to be considered when an acquisition is carried out. In particular, potential acquisitions must be able to satisfy the hurdle rate of return in the form of free cash flow on capital employed. Again, the hurdle rate of return depends, among other factors, on the country risk of the acquisition.

Brenntag also refers to net debt leverage in order to continuously review the adequacy of the company's capital structure. In this case, the difference between financial and lease liabilities and cash and cash equivalents is expressed relative to operating EBITDA.

Further performance indicators such as tax rate and earnings per share (EPS) are only used at Group level. They are not used to measure the performance of Brenntag's segments since factors such as interest or tax are less a reflection of the operating performance of the segments, but are above all based on central decisions.

Adjustments for exchange rate effects

For the purposes of Group accounting, the results of all Group companies are translated into the Group currency, the euro. The results are always translated at the average rate for the reporting period.

Therefore, the results and in particular the change between reporting periods may not only be affected by changes in operating performance, but also by effects of translation from functional currencies into the Group currency, the euro (translation effects). As Brenntag considers it important to assess the operating performance of the Group companies and in particular the change in operating performance between reporting periods free of distortions from translation effects, it also reports the changes adjusted for these effects.

Exchange rate-adjusted financial metrics are not to be seen as substitutes or as more meaningful financial indicators, but always as additional information on sales, operating expenses, earnings or other metrics.

Report on economic position

Economic environment

In financial year 2022, the pace of growth in global industrial production was much slower than in previous years at just 2.3% year on year. Global economic performance was impacted by the Ukraine war, rising food and energy prices, and a still-difficult COVID-19 situation in China. High inflation rates depressed private consumption and corporate investment opportunities. Alongside rises in commodity prices, the disruption to supply chains also worsened. Based on the difficult environment, the Global Manufacturing Purchasing Managers' Index (PMI) dropped to 48.6, a reading below the 50 neutral mark.

In the euro zone, industrial production expanded at a marginal rate of around 1.1% year on year in 2022, although growth rates across the member states differed significantly in some cases. The continuing weakness was due in particular to supply bottlenecks and high energy prices, which worsened again against the background of the war in Ukraine. Inflation in the euro zone climbed to 8.0% in 2022. Much like the euro zone, the US economy was also marked by high inflation (8.0%), particularly in the second half of the year. US industrial production declined by 0.4% overall in 2022. In Latin America, economic performance remained mixed, but generally more stable than in the USA and the euro zone. Overall, the Latin American economy expanded year on year in 2022, with industrial production increasing by around 3.8%. The emerging economies of Asia (excluding China and Japan) also achieved growth in 2022, with production expanding by 3.2% compared with the prior-year figure. In China, COVID-19 infection numbers were on a steep upward trajectory again in 2022 and the initial response was to impose extensive measures to contain spreading outbreaks, which held economic momentum severely in check. In December 2022, the zero-Covid strategy was eased. At year-end, infection numbers were on course to reach new highs. Due to the massive restrictions in the first half of 2022 especially, industrial production in China only grew by about 3.4% year on year in 2022.

Business performance

Major events impacting on business in 2022

2022 was impacted significantly by the Ukraine war. The resulting economic sanctions and the geopolitical uncertainty are having direct and indirect effects on international trade. Against this background, the Board of Management of Brenntag SE took the decision at the beginning of March 2022 to suspend all imports to and exports from Russia and Belarus. The Board of Management also decided to halt the business operations of all Brenntag companies in Russia and Belarus. The decisions are valid until further notice.

Brenntag continues to closely monitor the situation and developments in the region, as well as international measures, so that it can take further measures if necessary.

In March 2022, Brenntag acquired Y.S. Ashkenazi Agencies Ltd. based in Netzer Sereni, Israel, and its subsidiary Biochem Trading 2011 Ltd. The acquirees generated sales of around EUR 39 million in financial year 2021. Brenntag is thus continuing to expand its offering of specialty products and services for suppliers and customers in the high-growth Food & Nutrition and Personal Care markets and breaking into the Israeli market.

At the beginning of April 2022, the service agreement with Dr. Christian Kohlpaintner was extended until the end of 2025. The Supervisory Board thus provided early confirmation that Dr. Christian Kohlpaintner will remain in post as Chief Executive Officer of Brenntag SE for a further three years, paving the way for continuity in the company's ongoing transformation.

In August 2022, Brenntag acquired all shares in Prime Surfactants Limited and its subsidiary Prime Example Ltd. based in Leeds, UK. The acquiree generated sales of around GBP 17 million in financial year 2021. Having established a leading position in surfactants in the UK personal care market, Prime Surfactants Limited is a good addition to Brenntag Specialties' Personal Care and HI&I business unit.

Also in August 2022, Brenntag closed its first promissory note (Schuldschein) transaction for around EUR 640 million. The promissory notes were issued by parent company Brenntag SE and comprise a total of seven tranches with tenors of three, five and seven years and carrying both floating and fixed interest rates. Alongside euro-denominated tranches totaling EUR 390 million, the company also issued US dollar-denominated tranches totaling around USD 250 million.

In November 2022, Brenntag acquired TechManagement Energy Services, LLC headquartered in Odessa, Texas, USA. The acquiree generated sales of USD 85 million in financial year 2021. As well as its headquarters and its blending facility in Odessa, TechManagement has ten additional operating facilities in West Texas, New Mexico and Oklahoma. The acquiree's formulation and blending expertise and its state-of-the-art laboratory facilities were a welcome addition to Brenntag's energy services business in North America.

In December 2022, Brenntag acquired Ravenswood's Life Science and Coatings business. The company is headquartered in Bayswater, Australia, and operates additional sites in Australia and New Zealand. The acquiree generated sales of around AUD 50 million in financial year 2021. This acquisition extends Brenntag's presence in Australia and New Zealand and supports both its strategy in the nutrition segment and its aspirations to expand the service portfolio by offering additional blending capabilities.

Statement by the Board of Management on business performance

The Brenntag Group achieved operating EBITDA of EUR 1,808.6 million in financial year 2022, an increase of 34.5% compared with the previous year. On a constant currency basis, this represents earnings growth of 26.7%. Brenntag therefore achieved excellent operating results in the past financial year. Operating EBITA came to EUR 1,511.7 million, an increase of 39.7% (on a constant currency basis: 31.5%).

2022 was another year shaped by exceptional influencing factors. In China especially, the COVID-19 pandemic continued to result in considerable restrictions on professional and private life, and many global supply chains are still suffering the effects of the pandemic years. In addition, Russia's attack on Ukraine led to substantial bottlenecks in the global movement of goods. The consequences included restricted availability of many products and inflation on a scale not seen for many decades. In this exceptional geopolitical and economic environment, Brenntag was able to fully maintain its operating activities, supply its customers with the required products and offer its employees a safe working environment in financial year 2022. As market leader, Brenntag plays an important role in global distribution markets and enjoys a high level of trust, including in times of major uncertainty. In particular, Brenntag's broad and globally diversified customer and product portfolio and its close relationships with suppliers paid off again.

The Brenntag Specialties division was able to increase earnings significantly year on year. All division segments posted considerable earnings growth compared with the prior-year period.

The Brenntag Essentials division likewise achieved a clear increase in earnings compared with the previous year, with the Brenntag Essentials EMEA and Brenntag Essentials North America segments in particular making substantial contributions to the division's growth.

The implementation of "Project Brenntag" was an extreme success in financial year 2022. With the program contributing around EUR 249 million to operating EBITDA, the goal of generating an additional EUR 220 million was achieved a year earlier than planned. The cumulative expenses incurred in connection with "Project Brenntag" since its start amounted to around EUR 89 million.

Due to substantial price escalations in procurement markets and also on sales markets, the Group recorded an increase in working capital in financial year 2022. In addition, annualized working capital turnover fell compared with the previous year due to strains within the supply chain.

The total cash outflow for investments came to EUR 267.2 million in financial year 2022, a significant increase on the prior-year figure (2021: EUR 199.3 million). Investments were made in the global site network in particular.

Brenntag generated a high free cash flow of EUR 1,005.1 million in financial year 2022. This is a significant increase on the prior-year figure and offers the Group financial flexibility.

Based on the very good operating results, Brenntag also achieved significantly higher profit after tax of EUR 902.5 million in financial year 2022.

Due to its lasting relationships with suppliers and customers, its broad range of products and services, and the adaptability of its organization, Brenntag is very well positioned both at present and for the future.

Brenntag was once again able to convincingly demonstrate its capabilities in the past financial year. Brenntag is very satisfied with the operating results achieved. Overall, it closed financial year 2022 with an excellent result.

Results of operations

Business performance of the Brenntag Group

			Change	
in EUR m	**2022**	**2021**	in %	in % (fx adj.)[1]
Sales	19,429.3	14,382.5	35.1	27.7
Operating gross profit	4,319.0	3,379.0	27.8	20.3
Operating expenses	–2,510.4	–2,034.4	23.4	16.1
Operating EBITDA	1,808.6	1,344.6	34.5	26.7
Depreciation of property, plant and equipment and right-of-use assets	–296.9	–262.7	13.0	6.6
Operating EBITA	**1,511.7**	**1,081.9**	**39.7**	**31.5**
Net expense from special items	–19.8	–228.7	–	–
EBITA	1,491.9	853.2	–	–
Amortization of intangible assets	–109.5	–110.8	–	–
Net finance costs	–147.5	–92.1	–	–
Profit before tax	1,234.9	650.3	–	–
Income tax expense	–332.4	–188.9	–	–
Profit after tax	902.5	461.4	–	–

4.01 Business performance of the Brenntag Group

[1] Change in % (fx adj.) is the percentage change on a constant currency basis.

The Brenntag Group generated **sales** of EUR 19,429.3 million in financial year 2022, a rise of 35.1% compared with the previous year. On a constant currency basis, sales were up by 27.7% on the prior-year figure. The rise is due mainly to significantly higher sales prices per unit.

The Brenntag Group generated **operating gross profit** of EUR 4,319.0 million in financial year 2022, an increase of 27.8% compared with the previous year. On a constant currency basis, this represents a significant rise of 20.3%. Both divisions contributed to this positive performance at operating gross profit level. The increase in operating gross profit is due mostly to organic growth in the business, but was also supported by the acquisitions closed.

The Brenntag Group's **operating expenses** amounted to EUR 2,510.4 million in financial year 2022, a rise of 23.4% year on year. On a constant currency basis, operating expenses were up by 16.1% on the prior-year figure. The rise in costs is due in part to strong increases in energy and transport costs as well as higher personnel and advisory expenses.

The Brenntag Group achieved **operating EBITDA** of EUR 1,808.6 million overall in financial year 2022, an increase of 34.5% on the prior-year figure. On a constant currency basis, it therefore achieved extremely encouraging earnings growth of 26.7%. Operating costs rose at a softer rate than operating gross profit, enabling it to record stronger growth in operating EBITDA. The Brenntag Group's growth is predominantly organic and due to strong increases in earnings in both of the divisions. Global supply chains remained very strained and the trend in energy prices, driven primarily by Russia's war of aggression in Ukraine, posed an additional challenge for international trade. In a still-difficult market environment, Brenntag's close relationships with customers and suppliers, broad product portfolio and global logistics expertise paid off again.

Depreciation of property, plant and equipment and right-of-use assets rose by EUR 34.2 million year on year to EUR 296.9 million in financial year 2022.

The Brenntag Group's **operating EBITA** came to EUR 1,511.7 million in financial year 2022, an increase of 39.7%. On a constant currency basis, this represents significant earnings growth of 31.5% compared with the prior-year figure.

Amortization of intangible assets amounted to EUR 109.5 million. Compared with financial year 2021, Brenntag recorded a decrease of EUR 1.3 million. However, an impairment loss of EUR 38.1 million was recognized for the goodwill of the Brenntag Essentials Latin America segment. The write-down is due in particular to the lower income expected from the cash-generating unit in combination with the appreciable year-on-year increase in country risk premiums. In the previous year, an impairment loss of EUR 51.9 million was recognized in connection with changes to the Group's IT portfolio.

Net expense from special items breaks down as follows:

in EUR m	2022	2021
Expenses in connection with "Project Brenntag" and other strategic projects	-36.7	-34.7
Reversal of / addition to provisions for excise duties	19.0	-175.5
Addition to provision for legal risks	-2.1	-24.0
Refund of social security charges paid in previous years in Brazil	–	5.5
Net expense from special items	**-19.8**	**-228.7**

4.02 Net expense from special items

The expenses in connection with "Project Brenntag" and other strategic projects comprise advisory and one-time expenses necessary in order to achieve the desired target structure, such as expenses in connection with site closures and severance payments.

In 2022, tax decision notices and enforceable demands for payment of energy tax were received in relation to provisions recognized in the previous year for excise duties, leading to a lower-than-expected tax liability. The reversal of the relevant provisions resulted in other operating income of EUR 19.0 million.

For the provisions recognized in the previous year for possible breaches of export control regulations, a partial decision was issued by the authorities, resulting in a reversal of the provision in the amount of EUR 10.8 million. In addition, provisions of EUR 12.9 million were recognized for legal risks arising from the sale of certain minerals in North America.

Net finance costs came to EUR 147.5 million in financial year 2022 (2021: EUR 92.1 million), with the year-on-year change attributable mainly to four effects. Firstly, net interest expense widened year on year to EUR 92.1 million (2021: EUR 59.5 million). This is due mainly to the change in general interest rate levels as a result of the measures taken by central banks worldwide to tackle inflation. In addition, expenses arising on the translation of foreign currency receivables and liabilities showed a clear increase on the prior-year period due primarily to generally higher currency fluctuations. Thirdly, the initial classification of Turkey as a hyperinflationary economy increased net finance costs by EUR 18.3 million, of which EUR 2.0 million was recognized in net interest expense. Furthermore, the measurement of liabilities relating to the acquisition of non-controlling interests had an opposite effect, as the resulting expenses in financial year 2022 were much lower than in the previous year (2022: expenses of EUR 7.6 million; 2021: expenses of EUR 28.3 million).

Income tax expense rose by EUR 143.5 million year on year to EUR 332.4 million in financial year 2022 due to an increase in profits and special items in 2022.

Profit after tax stood at EUR 902.5 million in financial year 2022 (2021: EUR 461.4 million).

			Change	
in EUR m	**2022**	**2021**	abs.	in %
Operating EBITA	1,511.7	1,081.9	429.8	39.7
Average carrying amount of equity	4,543.1	3,802.8	740.3	19.5
Average carrying amount of financial and lease liabilities	3,120.2	2,363.4	756.8	32.0
Average carrying amount of cash and cash equivalents	–882.2	–645.7	–236.5	36.6
ROCE	**22.3%**	**19.6%**	–	–
ROCE after special items	**22.0%**	**15.5%**	–	–

4.03 Return on capital employed (ROCE)

The Brenntag Group posted **ROCE** of 22.3% in financial year 2022, a rise of 2.7 percentage points compared with the previous year. This change is due mainly to the significant increase in operating EBITA. Unadjusted for special items, ROCE rose to 22.0% in financial year 2022 (2021: 15.5%).

Business performance in the divisions

in EUR m	Brenntag Specialties	Brenntag Essentials	All other Segments	**Brenntag Group**
Operating gross profit				
2022	1,678.3	2,608.6	32.1	4,319.0
Change versus 2021 in %	30.8	26.2	11.1	27.8
fx. adj. change versus 2021 in %	24.8	17.7	11.1	20.3
Operating EBITDA				
2022	779.6	1,153.3	–124.3	1,808.6
Change versus 2021 in %	37.4	36.8	88.6	34.5
fx. adj. change versus 2021 in %	32.1	27.6	88.9	26.7
Operating EBITA				
2022	738.0	910.8	–137.1	1,511.7
Change versus 2021 in %	38.0	47.0	88.8	39.7
fx. adj. change versus 2021 in %	32.9	36.7	89.1	31.5

4.04 Business performance in the divisions

Brenntag Specialties

in EUR m	EMEA	Americas	APAC	Brenntag Specialties
Operating gross profit				
2022	725.0	664.3	289.0	1,678.3
Change versus 2021 in %	22.0	44.7	25.9	30.8
fx. adj. change versus 2021 in %	23.8	29.4	17.8	24.8
Operating EBITDA[1]				
2022	335.0	297.2	148.6	779.6
Change versus 2021 in %	21.2	64.8	32.9	37.4
fx. adj. change versus 2021 in %	24.1	47.7	23.8	32.1
Operating EBITA[1]				
2022	323.9	281.3	134.0	738.0
Change versus 2021 in %	20.1	65.6	38.9	38.0
fx. adj. change versus 2021 in %	23.0	48.4	29.5	32.9

4.05 Business performance in the segments / Brenntag Specialties

[1] The difference between the sum total of the reportable segments (EMEA, Americas and APAC) and the Brenntag Specialties division is the result of central activities which are part of Brenntag Specialties but not directly attributable to any one segment.

Operating gross profit in the Brenntag Specialties division came to EUR 1,678.3 million in financial year 2022, an increase of 30.8% on the prior-year figure. On a constant currency basis, it showed a rise of 24.8%. Brenntag Specialties benefited primarily from significantly higher operating gross profit per unit. This broad-based, positive performance at operating gross profit level was supported by almost all focus industries. The focus industries in Life Science performed especially well.

Overall, the Brenntag Specialties division generated **operating EBITDA** of EUR 779.6 million in financial year 2022, an increase of 37.4% on the prior-year figure. On a constant currency basis, operating EBITDA was up by 32.1%. All segments of the Brenntag Specialties division contributed to this very encouraging result. It was driven mostly by substantial organic growth and also supported by the acquisitions closed. In the course of 2022, there were difficulties in global supply chains in the individual Specialties segments and these were reflected in container shortages and a lack of available transport capacity, for example. Almost all segments saw rising energy and transport costs. In the Specialties Americas and APAC segments, operating EBITDA nevertheless increased at a faster pace than operating gross profit. It was possible to pass on the inflation-driven increases in costs. The Americas and EMEA segments are particularly worthy of note here. In absolute terms, these were the strongest drivers of the positive results compared with the previous year. The APAC segment also achieved significant growth rates in the course of the year.

Operating EBITA in the Brenntag Specialties division came to EUR 738.0 million in financial year 2022, an increase of 38.0% on the prior-year figure. On a constant currency basis, this represents growth of 32.9%.

Brenntag Essentials

in EUR m	EMEA	North America	Latin America	APAC	**Brenntag Essentials**
Operating gross profit					
2022	969.6	1,342.5	176.9	119.6	2,608.6
Change versus 2021 in %	20.9	34.3	16.7	5.7	26.2
fx. adj. change versus 2021 in %	20.2	20.0	5.0	–2.0	17.7
Operating EBITDA [1]					
2022	474.7	578.1	60.7	41.4	1,153.3
Change versus 2021 in %	43.5	39.4	14.1	–8.0	36.8
fx. adj. change versus 2021 in %	42.6	24.6	2.9	–14.5	27.6
Operating EBITA [1]					
2022	367.5	468.5	42.8	33.6	910.8
Change versus 2021 in %	65.2	47.4	10.6	–18.6	47.0
fx. adj. change versus 2021 in %	63.9	31.7	–	–24.5	36.7

4.06 Business performance in the segments / Brenntag Essentials

[1] The difference between the sum total of the reportable segments (EMEA, North America, Latin America and APAC) and the Brenntag Essentials division is the result of central activities which are part of the Brenntag Essentials division but not directly attributable to any one segment.

Operating gross profit in the Brenntag Essentials division grew by 26.2% year on year to EUR 2,608.6 million in financial year 2022. On a constant currency basis, operating gross profit was up by 17.7% on the prior-year figure. This performance is due to higher operating gross profit per unit in all segments of the Brenntag Essentials division. The Essentials EMEA and North America segments achieved substantial rates of growth in operating gross profit in financial year 2022. The North America segment also achieved higher volumes. The difficulties in global supply chains impacted negatively on business operations in this division, too.

The Brenntag Essentials division achieved **operating EBITDA** of EUR 1,153.3 million in financial year 2022, a rise of 36.8% compared with the previous year. On a constant currency basis, this represents growth of 27.6%. Brenntag Essentials faced strong inflationary pressures on costs, particularly transport and energy costs, but was more or less able to pass these on. In the EMEA and North America segments, operating EBITDA nevertheless increased at a faster rate than operating gross profit. The positive operating EBITDA performance in the EMEA, North America and Latin America segments is due almost entirely to organic growth. Operating EBITDA in the APAC segment was noticeably lower year on year due to falls in demand in all APAC regions, particularly in China. Despite existing shortages on the market, the division managed to reliably supply customers with products at all times.

Operating EBITA in the Brenntag Essentials division rose by 47.0% year on year to EUR 910.8 million in financial year 2022. On a constant currency basis, it showed a rise of 36.7%.

All other Segments

In “All other Segments” in financial year 2022, Brenntag recorded a high rise in costs compared with the previous year. The major drivers here included higher advisory expenses, primarily in IT, Brenntag Excellence and other strategic projects, as well as noticeably higher lease expenses, particularly in relation to software and licenses.

BRENNTAG International Chemicals GmbH, the only operating company within “All other Segments”, significantly exceeded prior-year operating EBITDA in financial year 2022.

Overall, the **operating EBITDA** of “All other Segments” was down by EUR 58.4 million on the prior-year figure to EUR –124.3 million in financial year 2022. The **operating EBITA** of “All other Segments” came to EUR –137.1 million in financial year 2022, a decrease of EUR 64.5 million on the prior-year figure.

Forecast / Actual comparison

In the following, performance compared with the forecast published in last year's financial report is only commented upon where it differs from that forecast.

Given the global impact of the war in Ukraine and the COVID-19 pandemic on the economy, Brenntag is extremely satisfied with its operating EBITDA performance. This earnings forecast is inclusive of the contribution from the acquisitions closed and exclusive of foreign currency translation effects arising after the date of the forecast's preparation. So far in the course of the pandemic, Brenntag has been able to demonstrate the strength and robustness of its business model. For 2022, Brenntag had initially forecast operating EBITDA of between EUR 1,450.0 million and EUR 1,550.0 million. On June 13, 2022, the Board of Management of Brenntag SE decided to raise this forecast range to between EUR 1,750.0 million and EUR 1,850.0 million. When publishing the financial results for each of the second and third quarters, Brenntag confirmed the upper half of that forecast range. The revisions were in each case due to the strong results for the quarters of 2022 already ended, the positive earnings trends in the past quarter and the growth outlook for the rest of the year. The forecast also reflected expectations for future market conditions. The forecasts were based on the assumption at the date of their publication that exchange rates would remain stable. At year-end, the Brenntag Group achieved operating EBITDA of EUR 1,808.6 million, putting it within the forecast range.

At the beginning of financial year 2022, Brenntag expected a slight improvement in working capital turnover compared with the reported averages for the previous financial year. In fact, working capital turnover fell significantly.

In the prior-year forecast, Brenntag expected capital expenditure of EUR 290 million. At EUR 267.2 million, capital expenditure in the past financial year was well below the original forecast. This is primarily attributable to delays on the projects aimed at site optimization.

Financial position

Capital structure

The primary objective of capital structure management is to maintain the Group's financial strength. Brenntag concentrates on a capital structure which enables the Group to cover its potential financing requirements at all times. This gives Brenntag a high degree of independence, security and flexibility. Our liquidity, interest rate and currency risks are largely managed on a Group-wide basis. Derivative financial instruments are only used to hedge the above-mentioned risks from underlying transactions and not for speculative purposes. A Group-wide Finance Guideline ensures the implementation of these policies and standard processes throughout the Group.

The most important component in the financing structure of Brenntag SE is the Group-wide syndicated loan agreement. As the existing loan would have matured in January 2024, Brenntag agreed a new syndicated loan totaling the equivalent of EUR 1.5 billion with a consortium of international banks in February 2023. The new loan has a term ending in 2028. It is based on variable interest rates with margins depending on the credit rating, and is divided into two revolving credit facilities – one credit facility in the amount of EUR 1 billion and a USD credit facility in the amount of USD 525.0 million (euro equivalent as at Dec. 31, 2022: EUR 492.2 million). For the first time, the margin is also linked to the achievement of certain Brenntag Group sustainability targets. As Brenntag repaid outstanding liabilities under the old syndicated loan at the beginning of 2023, total liabilities (excluding accrued interest and before offsetting of transaction costs) under the new syndicated loan amounted to around EUR 180 million at the time of the refinancing in February 2023 (by comparison: as at December 31, 2022, total liabilities under the old loan amounted to EUR 547.6 million). Only slightly more than a third of the USD credit facility was drawn down. The credit facility of EUR 1 billion, on the other hand, remained mostly unused and is available for further drawdowns at any time. While some of our subsidiaries are direct borrowers under the loan, others obtain their financing from intra-Group loans. The syndicated loan is guaranteed by Brenntag SE.

In September 2017, Brenntag Finance B.V. issued a EUR 600 million bond (Bond 2025) maturing in 2025 and bearing a coupon of 1.125% with interest paid annually.

In October 2021, Brenntag Finance B.V. issued a further bond for EUR 500.0 million (Bond 2029). The bond has a maturity of eight years and carries an annual coupon of 0.50%. It is the first bond issue to take place under a EUR 3.0 billion debt issuance program newly established in 2021. The Bond 2029 was issued primarily for the purpose of refinancing the Bond (with Warrants) 2022 early, ahead of its maturity in December 2022. Most of the proceeds from the Bond 2029 were therefore swapped for US dollars by way of a long-dated derivative (cross-currency interest rate swap) in 2021.

In addition, in August 2022, Brenntag closed a promissory note (Schuldschein) transaction for around EUR 640.0 million. The promissory notes were issued by Brenntag SE and comprise a total of seven tranches with tenors of three, five and seven years and carrying floating or fixed interest rates. Alongside euro-denominated tranches totaling EUR 390.0 million, the company also issued US dollar-denominated tranches totaling USD 250.0 million.

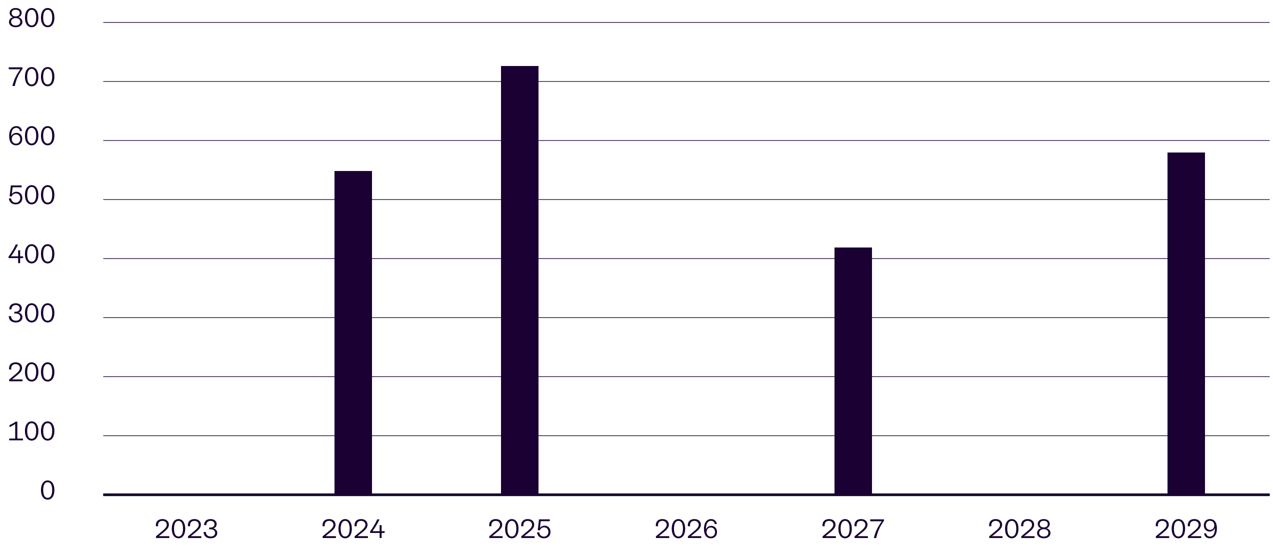
In December 2022, Brenntag repaid the Bond (with Warrants) 2022 in the amount of USD 500.0 million. As the Brenntag share price was lower than the strike price at the end of the exercise period in November 2022, the warrants did not have a positive intrinsic value and were not exercised. Therefore, no new shares were created.

In addition to the four above-mentioned financing instruments, some of our companies make use of credit lines with local banks in consultation with Group Treasury.

Due to the two fixed-rate bonds and the partly fixed-rate promissory notes, just under 50% of the Brenntag Group's financial liabilities were hedged against the risk of interest rate increases as at December 31, 2022.

According to our short- and mid-term financial planning, the capital requirements for operating activities, planned investments and projects, and dividends and acquisitions on the assumed scale are expected to be covered by the cash provided by operating activities. To cover short-term liquidity requirements and for general corporate purposes, we likewise have the aforementioned credit facilities under the syndicated loan.

Maturity profile of our credit portfolio[1]
as at December 31, 2022 in EUR m:



4.07 Maturity profile of our credit portfolio

[1] Syndicated loan, promissory notes, Bond 2025 and Bond 2029 excluding accrued interest and transaction costs. N.B.: As the illustration refers to December 31, 2022, it still includes the previous syndicated loan (due to mature in 2024), although this has since been replaced with a new loan agreement maturing in 2028 (see also the explanatory notes above).

Investments

In financial year 2022, investments in property, plant and equipment and intangible assets (excluding additions from acquisitions) led to a total cash outflow of EUR 267.2 million (2021: EUR 199.3 million).

Brenntag regularly invests in the maintenance, replacement and extension of the Group infrastructure necessary to perform its services, such as warehouses, offices, trucks, field service vehicles and IT hardware for various systems. As the market leader and a responsible chemical distributor, Brenntag attaches importance to ensuring that its property, plant and equipment meet comprehensive health, safety and environmental requirements.

Among a vast number of investments, the following projects are worthy of note:

In order to improve operational efficiency at a site in Santa Fe, California, USA, funds totaling EUR 14.9 million in financial year 2022 were invested in increasing storage, processing and packing capacity as well as capacity to unload entire wagons. The project is expected to be completed in the first quarter of 2023.

In addition, in the Gulf Coast region of Louisiana, USA, EUR 5.0 million was invested in 2022 in order to facilitate the consolidation of several outdated and unconnected facilities – including offices, blending facilities, tank farms and warehouses – into a single facility in Maurice, Louisiana. Just as importantly, this investment in the extended facility positions Brenntag for growth in the Gulf Coast region over the coming decades. The project is expected to be completed in the first quarter of 2023.

A further EUR 8.2 million was invested in financial year 2022 with a view to readying a plant in Toledo, Ohio, USA, to handle inorganic and corrosive products by expanding an outdoor tank farm for solvents and extending rail capacity. These infrastructure improvements will not only improve this site's competitive position, but also enable the consolidation of two existing sites in line with the objectives of the site network optimization project. This project was completed in 2022.

In addition, in Lutterworth, UK, a commercial property and a plot of land were acquired next to the existing plant. The investment will enable site capacity to be substantially modernized and increased in future and the site to be strategically positioned as a key hub. Investment in the property totaled EUR 11.2 million in 2022.

Investments in intangible assets amounted to EUR 8.0 million in financial year 2022 (2021: EUR 20.0 million) and related mainly to digitalization and the expansion of the IT infrastructure in EMEA and Asia Pacific.

Investments are typically funded from cash flow and / or available cash from the respective Group companies. With larger investment projects which cannot be covered by local funds, financing is provided by the Group and external borrowings are mostly not necessary.

Cash flow

in EUR m	2022	2021
Net cash provided by operating activities	**956.7**	**388.6**
Net cash used in investing activities	**-401.4**	**-608.5**
of which payments to acquire consolidated subsidiaries, other business units and other financial assets	-156.7	-420.5
of which payments to acquire intangible assets and property, plant and equipment	-267.2	-199.3
of which proceeds from divestments	22.5	11.3
Net cash used in / provided by financing activities	**-225.8**	**174.1**
of which dividends paid to Brenntag shareholders	-224.0	-208.6
of which proceeds from promissory notes	640.0	–
of which repayments of / proceeds from borrowings	-540.2	401.3
of which other financing activities	-101.6	-18.6
Change in cash and cash equivalents	**329.5**	**-45.8**

4.08 Cash flow

Net cash provided by operating activities of EUR 956.7 million (2021: EUR 388.6 million) was influenced by the rise in working capital of EUR 385.7 million (2021: EUR 575.3 million).

Of the net cash of EUR 401.4 million (2021: EUR 608.5 million) used in investing activities, EUR 267.2 million (2021: EUR 199.3 million) comprised payments to acquire intangible assets and property, plant and equipment. Payments to acquire consolidated subsidiaries and other business units in financial year 2022 consisted mainly of payments to acquire the shares in TechManagement Energy Services, LLC headquartered in Odessa, Texas, USA, in November 2022 and Ravenswood's Life Science and Coatings business headquartered in Bayswater, Australia, in December 2022. They also included cash inflows from repayments in connection with prior-year acquisitions.

Besides bank loans taken out and repaid as well as lease liabilities repaid, net cash used in financing activities of EUR 225.8 million (2021: net cash provided by financing activities of EUR 174.1 million) mainly included the cash inflow of around EUR 640.0 million from promissory notes (Schuldschein) taken out in August 2022 and the cash outflow of EUR 445.8 million for repayment of the Bond (with Warrants) 2022 at maturity in December 2022. A further EUR 224.0 million was used for the dividend payment to Brenntag shareholders and a further EUR 96.4 million to settle the liability relating to the acquisition of the remaining 49% of the shares in TEE HAI CHEM PTE LTD, Singapore.

Free cash flow

			Change	
in EUR m	**2022**	**2021**	abs.	in %
Operating EBITDA	1,808.6	1,344.6	464.0	34.5
Payments to acquire intangible assets and property, plant and equipment	–267.2	–199.3	–67.9	34.1
Change in working capital	–385.7	–575.3	189.6	–33.0
Principal and interest payments on lease liabilities	–150.6	–130.5	–20.1	15.4
Free cash flow	**1,005.1**	**439.5**	**565.6**	**128.7**

4.09 Free cash flow

The Brenntag Group's free cash flow amounted to EUR 1,005.1 million in financial year 2022, an increase of 128.7% on the previous year.

This is due mainly to the significant rise in operating EBITDA and also to the smaller increase in the change in working capital compared with the previous year. Capital expenditure to expand the Group's infrastructure was up significantly on the prior-year figure.

Financial and assets position

	Dec. 31, 2022		Dec. 31, 2021	
in EUR m	abs.	in %	abs.	in %
Assets				
Current assets	**5,920.3**	**52.1**	**4,958.1**	**48.6**
of which trade receivables	2,676.8	23.5	2,290.2	22.5
of which inventories	1,773.8	15.6	1,621.9	15.9
Non-current assets	**5,452.7**	**47.9**	**5,237.4**	**51.4**
Total assets	**11,373.0**	**100.0**	**10,195.5**	**100.0**
Liabilities and equity				
Current liabilities	**3,238.0**	**28.5**	**3,526.1**	**34.5**
of which trade payables	1,862.0	16.4	1,802.3	17.7
of which financial and lease liabilities	429.7	3.8	789.4	7.7
Equity and non-current liabilities	**8,135.0**	**71.5**	**6,669.4**	**65.5**
of which financial and lease liabilities	2,666.1	23.4	1,985.9	19.5
of which equity	4,802.7	42.2	3,995.3	39.2
Total liabilities and equity	**11,373.0**	**100.0**	**10,195.5**	**100.0**

4.10 Financial and assets position

The cash portion of the change in working capital amounted to an outflow of EUR 385.7 million. At 7.5, annualized working capital turnover was well below the prior-year figure (8.3).

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Liabilities under syndicated loan	551.9	518.6
Other liabilities to banks	217.9	165.2
Promissory notes (Schuldschein)	627.1	–
Bond 2025	599.2	598.2
Bond 2029	497.5	497.1
Bond (with Warrants) 2022	–	437.0
Derivative financial instruments	56.9	21.5
Other financial liabilities	111.0	92.1
Total	**2,661.5**	**2,329.7**
Lease liabilities	434.3	445.6
Cash and cash equivalents	1,046.1	705.0
Net financial liabilities	**2,049.7**	**2,070.3**

4.11 Net financial liabilities

Annual financial statements of Brenntag SE

Results of operations and financial position of Brenntag SE

in EUR m	2022	2021
Sales	64.8	35.9
Other own work capitalized	–	1.1
Other operating income	193.4	110.4
Cost of materials	–32.1	–22.0
Personnel expenses	–54.4	–53.9
Amortization and write-downs of intangible assets and depreciation and write-downs of property, plant and equipment	–3.3	–34.9
Other operating expenses	–355.6	–137.7
Net finance income	446.2	328.5
Profit before tax	**259.0**	**227.4**
Taxes on income	–8.3	14.1
Profit after tax / net income for the financial year	**250.7**	**241.5**
Withdrawal from / appropriation to retained earnings	58.3	–17.5
Distributable profit	**309.0**	**224.0**

4.12 Brenntag SE / Income statement in accordance with the German Commercial Code (HGB)

Sales result exclusively from sales to affiliated companies. Of the total, revenues from the provision of services to affiliated companies, which result mainly from IT services, other management services and personnel services provided, account for EUR 62.5 million (2021: EUR 33.8 million).

Other own work capitalized relates to own work performed in connection with the introduction and commissioning of software.

Other operating income rose by EUR 83.0 million to EUR 193.4 million. The rise is attributable mainly to an increase in income from foreign currency hedges and foreign exchange gains.

Cost of materials consists solely of the cost of purchased services. The EUR 10.1 million rise in cost of materials to EUR 32.1 million is mainly the result of the expansion of IT security and higher implementation and license costs.

The EUR 0.5 million rise in personnel expenses to EUR 54.4 million is attributable to the increase in headcount.

Only depreciation and amortization charges were recognized in financial year 2022. In the previous year, write-downs amounted to a total of EUR 31.5 million and were the result of changes to the IT portfolio in the course of implementing “Project Brenntag”.

Other operating expenses increased by EUR 217.9 million to EUR 355.6 million. The increase is due in part to higher advisory expenses, primarily in IT, Brenntag Excellence and other strategic projects, as well as expenses from foreign currency hedges and foreign exchange losses.

As in the previous year, net finance income consists mainly of income from profits transferred by Brenntag Holding GmbH, Essen, in the amount of EUR 431.9 million (2021: EUR 323.5 million). Net interest income in the amount of EUR 14.3 million (2021: EUR 5.0 million) was driven mainly by intra-Group financing activities.

As at December 31, 2022, temporary differences – both Brenntag SE’s own and those at companies in the consolidated tax group and German partnerships – give rise to a future tax receivable, as deferred tax assets exceed deferred tax liabilities. Applying the option under Section 274, para. 1, sentence 2 of the German Commercial Code, a deferred tax asset is not recognized for the excess of deferred tax assets over deferred tax liabilities.

In line with its function as a holding company, Brenntag SE’s future results mainly depend on the receipt of dividends from companies in the Group and therefore also on the business performance of subsidiaries and decisions on dividend distributions. Brenntag expects Brenntag SE’s net income for 2023 to be similar to that for the past financial year. At Brenntag, intra-Group profits are distributed taking local financing requirements and further constraints into consideration. Even if no intra-Group dividends are distributed to Brenntag SE in a financial year, there are sufficient reserves to pay an appropriate dividend to the Brenntag shareholders.

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Fixed assets	2,550.5	2,545.1
Current assets including prepaid expenses	2,036.4	1,424.3
Total assets	**4,586.9**	**3,969.4**
Equity	2,792.7	2,766.0
Provisions	113.0	82.8
Liabilities	1,681.2	1,120.6
Total equity and liabilities	**4,586.9**	**3,969.4**

4.13 Brenntag SE / Balance sheet in accordance with the German Commercial Code (HGB) – condensed version

The fixed assets of Brenntag SE in the amount of EUR 2,550.5 million (Dec. 31, 2021: EUR 2,545.1 million) almost exclusively comprise shares in affiliated companies.

Current assets including prepaid expenses rose by EUR 612.1 million to EUR 2,036.4 million. The rise relates primarily to finance receivables due from affiliated companies, which amounted to EUR 1,747.6 million (Dec. 31, 2021: EUR 1,250.2 million).

The equity of Brenntag SE increased by EUR 26.7 million to EUR 2,792.7 million. This rise resulted from the net income for financial year 2022 of EUR 250.7 million minus the dividend paid for financial year 2021 in the amount of EUR 224.0 million.

Provisions amounted to EUR 113.0 million in total (Dec. 31, 2021: EUR 82.8 million) and consisted mainly of provisions for pensions and similar obligations, provisions for outstanding invoices and provisions for other personnel expenses. Provisions for pensions rose by EUR 5.8 million to EUR 45.3 million and provisions for outstanding invoices by EUR 27.3 million to EUR 36.3 million.

Liabilities of EUR 1,681.2 million (Dec. 31, 2021: EUR 1,120.6 million) relate mainly to finance liabilities to affiliated companies, which declined by EUR 84.0 million year on year to EUR 1,032.0 million.

The subscribed capital amounted to EUR 154.5 million in total (Dec. 31, 2021: EUR 154.5 million) and, as in the previous year, is divided into 154,500,000 no-par value registered shares.

The full annual financial statements of Brenntag SE with the unqualified auditors' report of the auditors Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, are published in the Federal Gazette and can be ordered as an offprint from Brenntag SE.

Appropriation of distributable profit of Brenntag SE

The net income of Brenntag SE as at December 31, 2022 was EUR 250,694,014.54. After allowing for the withdrawal of EUR 58,305,985.46 from retained earnings, the distributable profit is EUR 309,000,000.00.

At the ordinary General Shareholders' Meeting on June 15, 2023, the Board of Management will propose that the balance sheet profit of Brenntag SE amounting to EUR 309,000,000.00 be used to pay a dividend of EUR 2.00 per no par value share entitled to a dividend and to appropriate to retained earnings such amount of the distributable profit attributable to non-dividend bearing, no par value shares at the time of the adoption of the resolution on the appropriation of balance sheet profit for fiscal year 2022 by the General Shareholders' Meeting.

Employees

As at December 31, 2022, Brenntag had 17,540 employees worldwide, including the 318 employees of the companies newly acquired in 2022. 90% of the workforce work outside Germany. The total number of employees is determined on the basis of headcount, i.e. part-time employees are fully included. Excluding the new acquisitions, the total number of people employed in the Brenntag Group declined by 14, or 0.1%, compared with the previous year. Voluntary employee turnover was 9.4% on average across the Group (2021: 9.3%).

	Dec. 31, 2022		Dec. 31, 2021	
Headcount	abs.	in %	abs.	in %
Brenntag Specialties	4,527	25.8	4,534	26.3
Brenntag Essentials	10,811	61.6	10,329	59.9
All other Segments	2,202	12.6	2,373	13.8
Brenntag Group	**17,540**	**100.0**	**17,236**	**100.0**

4.14 Employees per division

All logistics functions are part of the Brenntag Essentials division in all regions except Asia Pacific (in the Asia Pacific region, they are part of the Brenntag Specialties division). To take account of this in the segment results, the other divisions are charged at the amount of the logistics services they use. The same applies to the services provided to Essentials or Specialties by Business Services.

Further information can be found in the combined separate non-financial report in the Annual Report 2022.

Quality management, safety, health and environmental protection

Occupational health and safety, process safety, customer satisfaction, respect for the environment and the long-term conservation of natural resources are of key importance to Brenntag as a matter of principle.

Brenntag's global business operations and its highly diversified customer and supplier structure bring a diverse range of operating conditions (legislation, cultures, industry standards and other requirements). The combination of chemical process safety and typical occupational safety issues arising from transportation, storage, packaging and distribution add to the complexity at Brenntag.

In order to meet the resulting requirements, Brenntag's **QSHE strategy** (QSHE: quality, safety, health and environment) is based on the following four pillars:

- Culture
- Team
- Management System
- Monitoring & Controlling

Further information on quality, safety, health and environmental protection is published in the combined separate non-financial report along with quantitative disclosures on relevant performance indicators.

Sustainability management

Being global market leader means bearing responsibility worldwide. Brenntag is aware of this responsibility and over the past few years has continuously expanded its sustainability organization and activities. It has established a global sustainability program and comprehensive governance structures with a view to driving the integration of numerous ESG matters into its business processes.

Responsible and sustainable chemical and ingredients distribution is a fundamental element of Brenntag's strategy; it provides the basis for Brenntag's future as a global leader. Further information can be found in the combined separate non-financial report.

Report on expected developments, opportunities and risks

Report on expected developments

In financial year 2023, the Brenntag Group expects the war in Ukraine and geopolitical tensions to once again result in strains in supply chains and strong inflationary pressures. Due to lower demand, it is possible that prices in Brenntag's supply chains will fall despite general price increases. This continues to result in a still greater-than-average degree of uncertainty over growth expectations for the global economy in 2023. Oxford Economics currently predicts that the global economy, measured in terms of industrial production (IP), will turn down in 2023. Weighted by the sales generated by Brenntag in the individual countries, this results in a forecast average real IP growth rate of – 0.7% in 2023.

At the level of the Brenntag Group, operating EBITA will be the key performance indicator in future. In light of the continuing economic uncertainty, Brenntag expects the Group's operating EBITA for financial year 2023 to be between EUR 1,300 million and EUR 1,500 million. This includes the effects in the course of implementing our divisional strategies, the initial achievements of our digitalization strategy and additional measures under "Project Brenntag". Our forecast takes into account the contributions to earnings from acquisitions already closed and assumes that exchange rates will remain stable. Brenntag once again expects operating EBITDA to be between EUR 1,600 million and EUR 1,800 million.

After the Brenntag Specialties and Brenntag Essentials divisions were able to deliver exceptionally good results in 2022, the Brenntag Group expects a decline in operating EBITA in both divisions in 2023. The relative decline in operating EBITA for the Brenntag Essentials division in 2023 is expected to be lower than in the Brenntag Specialties division. These expectations for the two divisions apply in the same form to operating EBITDA.

The forecast decrease in operating EBITA is slightly higher than the expected decline in operating gross profit due to the fact that Brenntag anticipates higher operating expenses in providing its services and will incur initial expenditure in connection with the strategy and digitalization initiatives. Brenntag expects the decline in the Group's operating gross profit to be driven by a decline in operating gross profit in both divisions, with the decline at Brenntag Essentials forecast to be relatively smaller than at Brenntag Specialties.

Following a fall in working capital turnover in the past financial year, Brenntag anticipates that it will achieve a moderate improvement in working capital turnover compared with the reported averages for the past financial year. In 2023, Brenntag expects the planned business activity and the improvement in working capital turnover to result in an overall decrease in working capital.

Brenntag is planning capital expenditure of around EUR 350 million in financial year 2023. Among other things, it is continuing to optimize the global site network in order to close gaps in the network, leverage economies of scale, install new central hubs as growth drivers and make improvements at existing sites. In doing so, it is also investing more in safety and sustainability at the sites. Further investments relate to measures under Brenntag's digitalization strategy.

Overall, and assuming that exchange rates remain stable, Brenntag anticipates that free cash flow in 2023 will be roughly in line with the prior-year figure due primarily to a lower cash outflow as a result of the increase in working capital. Therefore, it once again expects a high free cash flow that will enable it to continue to ensure its acquisition strategy and dividend policy and, at the same time, maintain liquidity at an adequate level.

Main elements of the internal control / risk management system

The aim of risk management is to identify, monitor and mitigate emerging risks at an early stage or to prevent them completely. Therefore, the risk management system consists of risk reporting (an early detection system), controlling and an internal monitoring system as well as individual measures to identify risks at an early stage and limit any known risks. The planning, controlling and reporting processes of the Brenntag Group are integral parts of the risk management systems of all operational and legal units as well as the central functions.

Risk reporting (early detection system)

Brenntag continually identifies and analyzes risks at the Group companies and constantly improves internal workflows and the IT systems used throughout the Group.

Responsibility for risks lies initially with the legal units in the Brenntag Group. This includes identifying risks and estimating their effects. It must also be ensured that there are suitable measures in place to reduce risks.

The risk inventories performed and documented every six months at the Group companies and at the highest Group level are an important tool for global risk management. In addition, all units have been instructed to immediately report any significant risks suddenly occurring (ad hoc reporting) to Group headquarters.

The risk inventories gather estimations on existing risks. Standardized risk catalogues giving examples of the typical risks for the Brenntag Group are used as a system for gathering this information. In doing so, thematically related risks are grouped into risk categories. Any risks which are identified are assessed with regard to the possible extent of damage and their probability of occurrence, in each case on a five-level scale.

First, the gross risk is assessed. The gross risk is the maximum damage if no counteraction is taken. If a risk can be reliably counteracted by effective action, these measures have to be shown in risk profiles and assessed with regard to their effectiveness. The residual risk (net risk) is then the gross risk less the effect of measures taken to reduce the risk.

Brenntag classifies net risks as “high”, “medium” or “low” according to the estimated probability of occurrence and the possible extent of damage, i.e. the negative impact on the results of operations, the financial position and cash flow, which gives the following risk matrix:

		Probability of occurrence				
Possible extent of damage		Highly improbable	Improbable	Possible	Probable	Highly probable
Qualitative	in EUR m	(< 6%)	(6–15%)	(16–30%)	(31–70%)	(> 70%)
Critical	> 1,200	**Medium**	**Medium**	**High**	**High**	**High**
High	> 600–1,200	**Medium**	**Medium**	**Medium**	**High**	**High**
Medium	> 240–600	**Low**	**Medium**	**Medium**	**Medium**	**High**
Low	> 120–240	**Low**	**Low**	**Medium**	**Medium**	**Medium**
Insignificant	≤ 120	**Low**	**Low**	**Low**	**Medium**	**Medium**

4.15 Risk assessment matrix

The individual risks reported are consolidated at regional level and for the Group and then presented to the Board of Management. The overall risk position is determined by aggregating all risks. To assess risk-bearing capacity, we compared this against compliance with a leverage ceiling (ratio of net debt to EBITDA). Risk reporting covers risks only, not opportunities. The estimate of the risks per risk category and the opportunities and risks are explained in detail in the section “Report on opportunities and risks”.

The process for systematically identifying and assessing risks for the Group companies is regularly audited by Internal Audit Brenntag Group. In addition, the statutory auditor, as an independent, external party, assesses the general suitability of the risk early detection system in the course of its audit of the annual financial statements.

Controlling

The Corporate Controlling department immediately processes the information gained from the monthly and quarterly reports and can thus identify and communicate risks and opportunities. This also includes an analysis of the reasons for any deviations from planned figures. On the basis of any identified deviations from planned figures, the Corporate Controlling department regularly examines the achievability of targets in forecasts, indicating the associated opportunities and risks. The financial performance indicators examined are mainly those described in the section “Financial management system”, above all operating EBITDA, which is being replaced by operating EBITA.

The continuous evaluation of opportunity and risk potential in all segments is also an elementary part of Brenntag's strategy, which is described in detail in the section " Objectives and strategy". As part of regular strategy development, Brenntag analyzes the market opportunity and risk situation in each Brenntag segment and, on this basis, establishes goals and value-enhancing measures designed to mitigate risks and exploit opportunities. Finally, the situation analysis and business operation plans are regularly reviewed in discussions on business performance.

Internal monitoring system

Another important part of risk management in the Brenntag Group is the internal monitoring system consisting of the organizational security measures, internal controls and internal audit.

The internal control system comprises all central and decentralized policies and regulations adopted by the Board of Management and the regional and local management teams with the aim of ensuring

- the effectiveness and efficiency of the workflows and processes,
- the completeness, correctness and reliability of internal and external financial reporting as well as
- the Group-wide observance of applicable laws and regulations (compliance).

Both the efficiency of the workflows and processes and the effectiveness of the internal control systems set up in the decentralized units as well as the reliability of the systems used are regularly examined by Internal Audit Brenntag Group. The results of these audits are reported immediately. Thus, Brenntag ensures that the Board of Management is kept continuously informed of any weaknesses and any resulting risks, along with the appropriate recommendations to eliminate the weaknesses.

Internal control system related to the (Group) accounting process (report in accordance with Section 289, para. 4 and Section 315, para. 4 of the German Commercial Code (HGB))

The Group accounting process is managed by the Corporate Accounting department. A major element of the internal control system related to the (Group) accounting process is an IFRS accounting manual applicable throughout the Group which specifies accounting and measurement policies for all companies included in the consolidated financial statements. Preparation of the consolidated financial statements is supported by the use of uniform, standardized reporting and consolidation software (SAP SEM-BCS) containing comprehensive testing and validation routines. The services of external experts are used for special areas of accounting, e.g. the annual goodwill impairment test as well as environmental and pension actuarial reports to determine the relevant provisions.

In addition, there are other Group-wide guidelines which have concrete effects on accounting, above all the "Internal Control Guideline", which contains requirements on the performance of monitoring routines as well as the separation of functions, the dual control principle and access authorizations, the "Transfer Pricing Guideline" as well as the "Finance Guideline".

Internal Audit Brenntag Group regularly checks compliance with these Group guidelines at the subsidiaries.

Furthermore, the 2022 quarterly financial statements were reviewed by the statutory auditors.

Summary assessment of the internal control and risk management system:

In continually addressing internal control and risk management in financial year 2022, the Board of Management identified the potential for improvement in some areas. It responded to any risks detected by initiating immediate measures and organizational changes. In summary, bearing in mind these initiatives, the Board of Management has no indications that the internal control and risk management system is not appropriate and effective.[1)]

[1)] The disclosures in this paragraph are disclosures not typically part of the management report as defined in the preamble to this management report.

Report on opportunities and risks

Brenntag's strategy is geared to steadily improving the efficiency and underlying profitability of the business. The Brenntag Group companies are exposed to a number of risks arising from their business activities in the field of chemical distribution and related areas. At the same time, these business activities also give rise to numerous opportunities to safeguard and nurture the company's competitiveness and growth.

Projects, in particular the strategic initiatives (see the section "Objectives and strategy"), are regularly implemented to maintain and strengthen the Group's profitability. These projects mainly focus on developing opportunities to increase operating gross profit but also on cost optimization.

To limit or entirely eliminate possible financial consequences of risks that may occur, Brenntag has, insofar as is possible, taken out appropriate insurance for the size of its businesses to cover damage and liability risks. The following sections describe the risks and opportunities which could influence the business performance, financial position and results of operations of the Brenntag Group. Similar, organizationally or functionally related risks have been systematically grouped in risk categories. The estimates made per risk category relate to the net risk. Unless stated otherwise or obvious from the context, the following statements on risks and opportunities refer to all Brenntag segments.

As part of Group risk management, Brenntag also analyzes environmental, social and governance-related (ESG) aspects, such as environmental matters, employee matters, human rights, anti-corruption and bribery matters and the risks related to those matters. The risks are transferred into the non-financial report in accordance with the German act transposing the EU CSR Directive into German law (Act to Strengthen Non-financial Disclosures by Companies in their Management and Group Management Reports (CSR-Richtlinie-Umsetzungsgesetz)) if risks have a severe, negative impact on the environment and society and it is highly probable that they will occur.

Overview of the assessment of corporate risks for financial year 2022:

Risk category	Possible extent of damage	Probability of occurrence	**Overall risk**
Economic environment and political stability	Medium	Probable	**Medium**
Market risks	High	Possible	**Medium**
Operational risks	Medium	Possible	**Medium**
Financial risks	Medium	Possible	**Medium**
Health, safety, environmental protection and quality management	High	Possible	**Medium**
IT risks	Medium	Possible	**Medium**
Personnel risks	Medium	Possible	**Medium**
Acquisition risks	Medium	Possible	**Medium**
Compliance risks	High	Possible	**Medium**
Legal risks	Medium	Possible	**Medium**

4.16 Overview of corporate risks

- **Economic environment and political stability:**
Due to the international nature of its business, Brenntag is exposed to a number of economic, political and other risks, and the possibility that negative developments in individual regions or countries might have an adverse effect on its business or financial position cannot be entirely ruled out. For example, natural disasters, pandemics or the instability of the economic and political situation in regions or countries in which Brenntag operates may have a negative impact on its business and its operating result. Countries and regions with an unstable economic and political situation are often emerging markets, which offer great opportunities due to above-average growth. Overall, the international nature of the business balances out the risks. Moreover, a large percentage of business is conducted in stable economies.

Economic downturns may have a negative impact on Brenntag's sales and operating gross profit. In addition to sales risks arising from high unemployment in certain countries and high levels of public debt, a pronounced economic downturn in Europe or China in particular, an increase in protectionist tendencies and the possible escalation of geopolitical tensions may lead to falling demand. Financial year 2022 was impacted significantly by the Ukraine war. Brenntag strongly condemns Russia's attack on Ukraine and the war. The resulting economic sanctions and the geopolitical uncertainty are having direct and indirect effects on international trade. Against this background, the Board of Management of Brenntag SE took the decision at the beginning of March 2022 to suspend all imports to and exports from Russia and Belarus. The Board of Management also decided to halt the business operations of all Brenntag companies in Russia and Belarus. The decisions are valid until further notice and are being implemented in a controlled manner. Brenntag continues to very carefully monitor the situation and developments in the Ukraine war as well as international measures, and is in close contact and communication with industry partners and associations as well as with the authorities. The general geopolitical, macroeconomic and operating environment is expected to remain challenging. Global supply chains have remained very strained and the trend in energy prices, driven primarily by Russia's war of aggression in Ukraine, posed an additional challenge for international trade. The significant factors influencing the outlook include further developments and effects attributable to rising energy and supply costs in Europe, the trend in inflation in the USA and Europe, and lockdowns and the pandemic situation in China. Brenntag is currently working on countermeasures in order to keep the rise in operating costs under control and is planning for various scenarios, depending on possible political and economic decisions by government agencies.

The constant dialog with customers and suppliers in the region also enables Brenntag to identify any impact on its business and supply chains at an early stage and act accordingly. In a recession, lower profitability on the part of customers could lead to higher bad debt losses. However, the high level of diversification of Brenntag's business by geography, customer industries, suppliers, products and customers provides high resilience.

The past two years were impacted significantly by the COVID-19 pandemic. In particular, the lockdown measures and zero-Covid strategy in China led to severe friction in production and to strains in global supply chains in 2022. During this phase, particular challenges arose that required companies to quickly adapt and be flexible, such as in sourcing goods. In addition, difficult-to-predict processes of industrial change accelerated. The situation in China changed in the last few weeks of the financial year. The Chinese government announced the end of its zero-Covid strategy and eased restrictions. Given its mostly unvaccinated population and ineffective vaccines, China faces sharp rises in infection numbers, which could again lead to the closure of ports and important production facilities as well as new mutations of the virus. Due to its broad geographical footprint and close supplier relationships, Brenntag has so far coped with the pandemic's risks relatively well. In the past, Brenntag benefited especially from being diversified in terms of its product portfolio and its global supplier and customer relationships. During difficult periods, they provided natural protection against local infection hot spots. This network therefore formed the basis for containing the pandemic's risks to day-to-day operations. Nevertheless, a strain on global supply chains is likely and thus the risk of further increases in raw materials prices as well as the risk that these additional costs cannot be passed on to customers. In order to ensure a supply of raw materials at the best possible price, Brenntag continuously analyzes supply chains and occasionally stockpiles inventories as a safety cushion. This, in turn, raises the risk that, if the situation in the raw materials market were to ease, the inventories would be too expensive and have to be sold at less than their value. At the same time, customers could start substituting the products with cheaper alternatives.

Brenntag continuously analyzes all risks relevant to its business and promptly takes all the necessary and possible measures to counter them.

On the sales side, opportunities and risks may arise from political measures, more specifically from tighter standards and increasing regulation such as the EU chemicals regulation REACH and the EU Chemicals Strategy for Sustainability (CSS). Based on its global expertise and broad portfolio of products and services, Brenntag is superbly positioned to be able to serve its customers' requirements at all times.

- **Market risks and opportunities:**

Brenntag's strategic development is geared to the current global, regional and local market growth drivers.

Brenntag's business is managed through two global divisions focused on customer and supplier needs: Brenntag Essentials and Brenntag Specialties. Based on this, there are major sales opportunities of strategic significance for Brenntag in the flexible and efficient marketing of process chemicals and in the large, globally relevant focus industries on which Brenntag Specialties concentrates, namely Nutrition, Pharma, Personal Care/HI&I (Home, Industrial & Institutional), Material Science (Coatings & Construction, Polymers, Rubber), Water Treatment and Lubricants. In addition, its global network and comprehensive portfolio of products and services places Brenntag in a unique position to meet customers' increasing requirements for pan-regional and global end-to-end solutions. The growing demand for customer-specific solutions, blending and services and alternative sales channels also open up further growth opportunities. The focus here is shifting to global interaction and the opportunity to learn from one another as part of the best practice approach, both of which are therefore important sources of potential for future success.

As an international Group, Brenntag sees opportunities in all regional markets to extend its market lead. The continuous expansion of its geographic presence in emerging markets, particularly in the Asia Pacific region, offers above-average growth opportunities. Brenntag intends to continue to optimally exploit the opportunities presented by company acquisitions and the active consolidation of the fragmented chemical distribution market. There are opportunities in the increasing level of digitalization and these are being addressed and implemented in all lines of business through a holistic approach.

In terms of product sourcing, Brenntag's operating model enables it to achieve economies of scale. The optimization of the local product portfolios through sales partnership agreements with chemical producers for new products or product categories offers further potential. In addition, Brenntag intends to continue to actively realize the potential that arises as a result of chemical producers outsourcing supply chain and sales activities. The global distribution network and the experienced professional organization at all levels of the Brenntag Group are key elements for tapping this potential.

The new "Strategy to Win" was formulated with a view to making optimum use of the opportunities outlined (please also see the section "Objectives and strategy"). For each of the two divisions, Brenntag Specialties and Brenntag Essentials, specific strategies were set out to address the particular potential in their respective markets.

Brenntag plans to leverage customers' increasing need for sustainable solutions and products to strengthen its position as market leader through the pioneering role it aims to play in responsible and sustainable chemical distribution. Through its fundamental transformation into a data- and technology-driven company, it also intends to fully exploit the potential of digital solutions in all Brenntag business models while at the same time enabling more efficient and reliable supply chains. Lastly, through continuing M&A activities, Brenntag wishes to leverage growth opportunities, primarily in Asia Pacific and in attractive market segments.

At local level, Brenntag creates the right conditions through its operating activities to effectively and efficiently exploit the opportunities which the markets offer.

In some local markets Brenntag serves, competition from other chemical distributors is growing. This stronger competition, which is partly due to the increasing pan-regional activities and consolidation among competitors as well as the development of new sales channels, some of them digital, is a risk that might negatively impact sales and earnings. Brenntag therefore works continually to improve its portfolio of products and services. The local business might also be impacted by customers relocating to low-cost countries. However, Brenntag sees its extensive global presence as a key factor in balancing out these local risks.

As far as possible, the sourcing risk related to the supply of strategically important raw materials is offset through long-term contracts and / or partnerships with different suppliers and alternative supply sources. However, the purchase prices can vary considerably depending on the market situation and impact on cost structures. To safeguard its competitiveness, Brenntag counteracts these risks by adjusting sales prices, through international procurement and through strict cost management.

The risk arising from future market developments is counteracted by constantly monitoring markets and competitors as well as by holding regular strategy meetings.

- **Operational risks:**

Brenntag's business is exposed to operational risks. As a chemical distributor, Brenntag is exposed to the risk of interruptions to business, quality problems or unexpected technical difficulties, for example as a result of the incorrect handling of chemicals or machinery and equipment on site and during transportation. Disruptions and outages at its warehouse sites or during transportation may lead to delivery delays and falling sales revenues. Brenntag counters this risk through extensive safety measures at its sites and regionally standardized quality and safety manuals, by specifically training employees in how to handle chemicals correctly and through safety campaigns across the sites. In addition, Brenntag has taken out appropriate business interruption insurance for sites where any disruption might pose the threat of interruptions to business due to the local geographical site structure and / or portfolio structure, as well as increased cost of working cover for all sites.

Risks may arise if the products purchased and delivered to customers do not meet the specified and agreed quality or if, in specific cases, their sale is subject to restrictions. The distribution of certain products (such as minerals) may result in particular liability risks. However, the procedures that have been established provide a good level of assurance that products are procured from reliable sources, are of appropriate quality and are sold on in accordance with the law.

- **Financial risks and opportunities:**

Brenntag's business is generally exposed to exchange rate, interest rate, credit and price risks.

Due to the fact that Brenntag conducts business in different currency areas, changes in exchange rates may have positive or negative translation effects on the results of the Group. In particular, any change in the euro/US dollar exchange rate may have a substantial impact as a large proportion of business is conducted in the US dollar area. Brenntag has decided not to hedge exchange rate differences resulting from the translation of financial statements of subsidiaries whose functional currency is not the euro (translation risks). On the other hand, transaction exposures resulting from the translation of foreign currency receivables and liabilities into the functional currency of a subsidiary are hedged where it makes economic sense to do so. This is based on a Group-wide Finance Guideline that sets out basic requirements and objectives, threshold values and hedging instruments to be used. The Finance Guideline requires Group companies to offset the risks of open net foreign currency exposure using suitable instruments such as forward and swap contracts or to keep them within certain limits. Any exceptions exceeding the above limits must be agreed on a case-by-case basis with the Treasury department.

Unfavorable political developments and financial policy decisions in specific countries may have a particularly negative impact in this context.

Risks related to cash investments are limited by only doing business with banks and business partners considered to be of strong credit standing. Payments are also handled through such banks. The credit facility under the syndicated loan is made available by a large number of international banks, meaning that availability is ensured through high diversity. Uncollectibility risk is reduced by continually monitoring customers' credit ratings and payment behavior and setting appropriate credit limits. The risk is limited by the large number of customers the company has in different countries; even the largest key account customer only accounts for around 2% of Group sales. In some cases, credit insurance is also taken out in order to limit risks.

The Brenntag Group is partly financed with debt capital. Brenntag is confident that the loan agreements and credit lines, the bonds issued and the liquid funds available are adequate to cover the Group's future liquidity needs, even if requirements should increase unexpectedly. Like comparable loan agreements, the syndicated loan contains a number of customary affirmative and negative covenants. In particular, in the agreement still in place on December 31, 2022, Brenntag had undertaken to comply with a leverage ceiling (the ratio of net debt to EBITDA). At the beginning of 2023, this agreement was replaced with a new syndicated loan that no longer contains this provision. In the event of a severe breach of the provisions of the loan agreement, the facility agent appointed by the lenders may call in the loans if he deems this move necessary to safeguard the lenders' interests. As the Group's main financing instruments (syndicated loan and two bonds) all contain so-called cross-default clauses, any breach of contract or calling due of outstanding amounts in respect to one financing instrument could also have a negative impact on the others.

The terms and conditions of the financing instruments are also influenced by the Group's credit rating. A change in the rating that the international rating agencies Standard & Poor's and Moody's assign to Brenntag may impact on the Group's financing terms. The rating may have a positive or a negative impact. Both rating agencies continue to assign an investment grade rating, thereby confirming Brenntag's high credit standing. Moody's currently rates Brenntag at "Baa2" with a stable outlook, while Standard & Poor's has given Brenntag a rating of "BBB" with a positive outlook.

Some of Brenntag's financing is based on variable interest rates which are subject to fluctuations in market interest rates. This means that Brenntag has both the opportunity to participate in falling market interest rates but also the risk of incurring higher interest cost as a result of rising market interest rates. The split between variable and fixed interest rates is determined as part of interest risk management. Derivative instruments such as foreign exchange forwards, interest rate and currency swaps or combined instruments may be used to hedge risks from financing. Interest rate-related financial risks are mainly managed by the Treasury department at Group headquarters. If individual companies hedge financial risks from operating activities themselves, this is done in consultation with and under the supervision of Group headquarters. This permits a balancing of risks throughout the Group. Further information on financial risks can be found in the section "Reporting of financial instruments" in the notes to the consolidated financial statements.

The Brenntag Group has obligations to current and former employees as a result of pension commitments. Some of the pension obligations are covered by plan assets. The plan assets are subject to capital market risks, as a portion of them is invested in funds and equities. Any changes in relevant inputs, such as an increase in life expectancy or salaries, may lead to higher cash outflows and higher present values of the defined benefit obligation. To some extent regionally, contributions are also paid into defined benefit pension plans maintained by more than one employer (termed multi-employer plans). If other participating employers do not meet their payment obligations, Brenntag may be liable for the obligations of those employers. A detailed description of the risks arising from pension obligations is provided in the notes to the consolidated financial statements (Consolidated income statement disclosures, 26. Provisions for pensions and other post-employment benefits).

- **Quality management, safety, health and environmental protection:**

The risks to safety, health and the environment arising from the distribution of chemicals are countered by maintaining a high standard of safety precautions at the sites and operating in accordance with the “Safety First” principle throughout the Group. This is part of Brenntag’s QSHE strategy (QSHE: quality, safety, health and environment). Information on the QSHE strategy is published in the combined separate non-financial report. The monitoring of environmental, health and safety risks is part of the ESG strategy. The Board of Management sets the ESG targets at the beginning of the year and is informed about the achievement of those targets once a quarter.

As a chemical distributor, Brenntag generally operates in a complex regulatory environment. Cross-country teams of regulatory specialists are deployed to ensure that operating and business processes are in compliance with the relevant requirements. Here too, Brenntag sees itself in a good position due to its scale, the central systems it has in place and its expertise.

Environmental and climate protection has always played an important role at Brenntag. Brenntag’s goal worldwide is to conserve resources, make optimum use of them and minimize the impact of its business activities on soil, water and air. Climate change may give rise to a range of different risks for Brenntag, but also to opportunities for the company. Brenntag has sites all over the world, and more and more acute risks can be expected as a result of extreme weather events such as hurricanes and flooding. In 2022, the company conducted a pilot project with a view to better preparing the Brenntag sites for such climatic changes. This analyzed the exposure of all sites to physical risks in three different global warming scenarios. For further information, please see the combined separate non-financial report in the Annual Report 2022. Sites at risk prepare for the relevant weather conditions by taking advance action to remove mainly critical products and sensitive equipment from storage areas that are particularly under threat or to secure those products and equipment. Plans are drawn up to ensure that customers will be supplied from other sites in the Brenntag network should sites be temporarily out of operation following such events. In addition, the global fight against climate change will lead to structural, regulatory and technological changes in the market on the one hand, but also to increased costs as a result of preventive technologies or government carbon taxes on the other.

Reducing CO_2 emissions to net zero by 2045 is one of the ESG targets through which Brenntag contributes to climate protection and wishes to fulfil its responsibility. In addition, the sustainability component will be an important management metric for Brenntag’s product portfolio in future so that Brenntag is well positioned with regard to the aforementioned market changes. Brenntag’s leading role in the value chain as a distributor that connects numerous chemical and ingredients manufacturers with a large number of users allows it to leverage the resulting opportunities particularly quickly.

- **IT risks and opportunities:**

IT risks arise, on the one hand, from the dependency of business processes and the increasing integration of systems, and on the other from external IT security risks, such as the increasing threat posed by cybercrime (e.g. manipulation and theft of data through hacker attacks). These risks could result in network failure and system slowness or errors; data can be falsified, stolen or destroyed by errors in system operations, program errors or external influences. Brenntag counters these risks by training employees, through ongoing investments in hardware and software, by continually updating systems (in particular by installing patches), through the use of virus scanners, firewall systems, data security measures, and privilege and access controls. These IT security measures are monitored using Group-wide IT security standards and IT policies. On the other hand, the increasing use of IT systems and data analytics opens up efficiency gains in operational processes and in improved communication with customers and suppliers. In addition, IT-managed systems generally improve the quality and security of internal controls and data protection.

Brenntag continuously invests in the further development and security of the software used, especially on ERP systems and digital platforms. This opens up opportunities for improved business process support. On the other hand, risks arise in the course of implementation and development processes (e.g. from requirements that may change over time), which Brenntag counters by constantly monitoring and, if necessary, adjusting the implementation plans and solutions.

- **Personnel risks and opportunities:**

Personnel risks result mainly from the steadily increasing skills shortage, particularly in sales, logistics and IT, as a result of which Brenntag may lose high performers and staff in key positions or be unable to find a sufficient number of qualified staff to fill vacancies within the Group. Brenntag counters these risks by positioning itself globally as the preferred employer in chemical distribution and fostering long-term employee retention. It also limits these risks through Brenntag's global employer brand and through globally uniform programs and measures that allow the Brenntag companies to take into account country-specific legislation and circumstances. Information on Brenntag's HR strategies and tools is provided in the "Social" section of the combined separate non-financial report for 2022. Combining these with other early warning indicators, Brenntag is able to promptly identify possible changes in employees' attachment to the company and initiate appropriate management measures where necessary.

- **Acquisition risks and opportunities:**

In the Brenntag Group, every decision to acquire is linked to minimum requirements on the internal rate of return of the particular investment. The company valuations incorporating the findings of due diligence work performed are of central importance in acquisitions. Therefore, all significant risks and opportunities are systematically recorded and an appropriate purchase price determined. Company acquisitions always involve risks surrounding the integration of employees and business operations. Significant integration risks mainly include the loss of the acquiree's key employees and the loss of business relationships with suppliers and customers. Achieving the planned growth in the acquired business and realizing the planned synergies from the transaction are other significant areas of risk. Brenntag strives to limit these risks with adequate transaction structures, by conducting opportunity and risk analyses at an early stage in the approval process, with the support of external consultants and with specific contract structures (e.g. incentive, warranty and retention clauses). In the past, M&A activities focused on Europe, North America and Asia. In the case of acquisitions in emerging markets such as Asia, Latin America and Eastern Europe, relatively high purchase prices coupled with higher risks (e.g. compliance risks, higher working capital funding requirements, integration risks, foreign currency risks) are typical of target companies in these countries. However, there are also considerably greater opportunities in these countries owing to the higher growth rates.

- **Compliance risks:**

Compliance involves conducting business in accordance with the relevant regulations. Any form of corruption or bribery is forbidden at Brenntag. The binding rules requiring all employees to treat one another and business partners fairly are set out in the Code of Business Conduct. In this respect, risks may result from the failure to observe the relevant rules. Brenntag's Code of Business Conduct is binding on all employees throughout the Group worldwide. Employees are required to comply with the Code of Business Conduct, familiarize themselves with its content and take part in relevant training.

One focus of compliance activities at Brenntag is monitoring antitrust compliance and preventing bribery and corruption. Employees are made aware of and given extensive training on these topics primarily by rolling out e-learning programs globally.

As the global market leader in chemical distribution, and as a company with operations worldwide, Brenntag conducts business in countries that are subject to export control regulations, embargoes and other types of trade restriction imposed by the USA, the EU or other countries or organizations. Brenntag must comply with all foreign trade and customs laws applicable in the countries, such as restrictions on exports or imports of particular goods, services and technologies to or from countries subject to sanctions or embargoes. The same goes for checking companies or persons against applicable sanction lists. In addition, Brenntag employees must comply with all applicable trade restrictions resulting from international embargoes, which typically restrict or prohibit payment and capital transactions with particular countries. Brenntag fulfils this obligation in part by using an automated, IT-based screening solution. With the help of a special software application, customers and suppliers are regularly checked against the sanction lists issued by the United Nations, the European Union, the USA and various other countries in which Brenntag operates. The aim is to identify sanctioned companies and persons, and comply with various sanctions provisions.

Brenntag takes care to ensure human rights compliance along its value chain. Human rights compliance is reviewed in the course of supplier assessments and audits, which are carried out systematically via an assessment portal of an established provider of sustainability assessments.

As a company with operations worldwide, Brenntag is subject to laws and regulations relating to data protection. Breaches of data protection regulations may lead to substantial penalties and fines. Furthermore, data protection breaches could lead to substantial reputational damage and a loss of trust. A global data protection guideline was introduced to mitigate these risks. In addition, both the central data protection department and local data protection coordinators continuously monitor data protection compliance.

- **Legal risks:**

Brenntag SE and individual subsidiaries have been named as defendants in various legal actions and proceedings arising in connection with their activities as a global group. Sometimes, Brenntag is also the subject of investigations by the authorities. Brenntag cooperates with the relevant authorities and, where appropriate, conducts internal investigations regarding alleged wrongdoings with the assistance of in-house and external counsel.

The decision issued by the French Competition Authority in 2013 in relation to the allocation of customers and coordination of prices was set aside by a court of appeal due to procedural errors at Brenntag's request in February 2017. In December 2020, the court imposed a fine of EUR 47 million. Brenntag has lodged an appeal against the decision. Regarding the investigation also ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. Based on current knowledge, Brenntag assumes that claims for civil liability arising from the above-mentioned proceedings are not sufficiently substantiated.

As a global company, Brenntag has to comply with the country-specific tax laws and regulations in each jurisdiction. Tax exposures could result in particular from current and future tax audits of German and foreign subsidiaries. These exposures are generally reflected in the balance sheet by recognizing provisions.

The German Group companies BRENNTAG GmbH and BCD Chemie GmbH were or are currently the subject of routine reviews of the tax on alcohol and energy conducted or being conducted by the German customs authorities for the years 2014 to 2018. As a result, in financial year 2021, tax decision notices relating to alcohol tax were received for the years 2014 to 2016 in the amount of EUR 94.0 million and the appropriate taxes were paid. Legal redress was sought against the decisions. In 2021, Brenntag took the precaution of recognizing an amount of EUR 81.5 million in the balance sheet for the outstanding years under review. The findings of the review relate only to formal errors. At no time were there doubts concerning the tax-free use of alcoholic products by our customers. Brenntag believes that, in most cases, it will be successful in seeking legal redress. The authorities have continued their reviews of BCD Chemie GmbH for 2016 to 2017 and of BRENNTAG GmbH for 2017 to 2018. Under a tax audit notice issued in 2022, BRENNTAG GmbH is also the subject of a review for 2021. There are as yet no significant findings.

The energy tax review at BRENNTAG GmbH for the years 2016 and 2017 was completed in 2022 and tax decision notices totaling EUR 2.5 million were issued. This led to the reversal of the provisions of EUR 19.0 million recognized in the previous year.

Also considering the above-mentioned appeal, it is not possible at present to conclusively predict whether further tax assessments will be made. As at December 31, 2022, EUR 60.0 million had been recognized in the balance sheet as a precaution for the outstanding years under review. With the support of external experts on excise duties, Brenntag examined the extent to which comparable excise duty risks also exist in other European countries. Ultimately, this analysis did not bring to light any circumstances that require the company to take the precaution of recognizing amounts in the balance sheet for similar cases. Initial organizational improvements have already been implemented.

Given the number of legal disputes and other proceedings that Brenntag is involved in, it is possible that a ruling may be made against Brenntag in some of these proceedings. The company contests actions and proceedings where it considers it appropriate. Provisions are established for ongoing legal disputes on the basis of the estimated risk and, if necessary, with the help of external consultants. It is very difficult to predict the outcome of such matters, particularly in cases in which claimants seek indeterminate compensation. Any adverse decisions rendered in such cases may have material effects on Brenntag's net assets, financial position and results of operations for a reporting period. However, Brenntag currently does not expect its net assets, financial position and results of operations to be materially affected.

Summary of the opportunities and risk situation

During the past financial year, we once again continuously updated and assessed the risk situation for the Brenntag Group. The Group's risk position did not change significantly during that period. In our opinion, the risks described in the section "Report on opportunities and risks" do not jeopardize the continued existence of the company, either individually or collectively. Additional risks and opportunities that we are currently unaware of or risks that we currently consider immaterial may also have a negative impact on our business operations. We are convinced that we can continue to successfully master the challenges arising from the risks described above.

Explanatory report on information required under Sections 289a and 315a of the German Commercial Code (HGB)

Composition of the subscribed capital

As at December 31, 2022, the subscribed capital of Brenntag SE totaled EUR 154,500,000. The share capital is divided into 154,500,000 no-par value registered shares, each with a notional value of EUR 1.00.

According to article 7, para. 3 of the Articles of Association of Brenntag SE, any right of shareholders to certification of their shares is excluded to the extent permitted by law and that certification is not required under the rules of any stock exchange on which the share is admitted to trading. The company is entitled to issue share certificates embodying several shares (consolidated certificates). Pursuant to Section 67, para. 2 of the German Stock Corporation Act (AktG) in conjunction with Article 9, para. 1 (c) (ii) of Council Regulation (EC) No 2157/2001 on the Statute for a European company (“the SE Regulation”), only those persons recorded in the company’s share register will be recognized as shareholders of Brenntag SE. For purposes of recording the shares in the company’s share register, shareholders are required to submit to Brenntag SE the number of shares held by them, and, in the case of individuals, their name, address and date of birth, or in the case of legal entities, their company name, business address and registered offices. All shares confer the same rights and obligations. At the General Shareholders’ Meeting, each share has one vote and accounts for the shareholders’ proportionate share in the net income of Brenntag SE. Excepted from this rule are any treasury shares held by Brenntag SE that do not entitle Brenntag SE to any membership rights. Brenntag SE does not currently have any treasury shares. The shareholders’ rights and obligations are governed by the provisions of the German Stock Corporation Act (which apply to an SE as a European stock corporation by way of the reference to other relevant provisions contained in Article 9 of the SE Regulation), in particular by Sections 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act.

Restrictions on voting rights or transfer of shares

The Board of Management of Brenntag SE is not aware of any agreements relating to restrictions on voting rights or on the transfer of shares.

Direct or indirect interests in the capital of the company exceeding 10% of the voting rights

As at December 31, 2022, the company was not aware of any direct or indirect interests in the capital of the company that exceeded 10% of the voting rights. Section 33 of the German Securities Trading Act (WpHG) requires that any investor whose percentage of voting rights in Brenntag SE reaches, exceeds or falls below certain thresholds as a result of purchases, disposals or otherwise must notify Brenntag SE and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). All voting right notifications in accordance with Section 33 of the German Securities Trading Act received by Brenntag SE in the reporting period concern shares of the voting rights in excess of the 3% and 5% thresholds and can be viewed in the Investor Relations section of the company’s website at www.brenntag.com.

Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control.

System of control of any employee participation scheme where the control rights are not exercised directly by the employees

Brenntag SE does not have a general employee participation scheme.

Legislation and provisions of the Articles of Association applicable to the appointment and removal of the members of the Board of Management and governing amendments to the Articles of Association

The appointment and removal of members of the Board of Management are subject to the provisions of Sections 84 and 85 of the German Stock Corporation Act. The Supervisory Board appoints the members of the Board of Management for a maximum term of five years. Their appointment may be resolved according to article 13, para. 4 of the Articles of Association of Brenntag SE by simple majority of votes. In the event of a tie, the Chair of the Supervisory Board has the casting vote. According to article 9, para. 1 of the Articles of Association of Brenntag SE, the Board of Management consists of one or more persons. The specific number of members of the Board of Management is determined by the Supervisory Board. As at December 31, 2022, the Board of Management of Brenntag SE consisted of five members.

Contrary to Sections 133, para. 1 and 179, para. 2, sentence 1 of the German Stock Corporation Act, article 20 of the Articles of Association of Brenntag SE stipulates that in cases that require the majority of the share capital represented when the resolution is passed, the simple majority of the capital represented is sufficient. However, this does not apply to changes to the object of the company, as Section 179, para. 2, sentence 2 of the German Stock Corporation Act only permits amendments to a company's Articles of Association regarding the object of the company to be adopted with larger majorities than three-quarters of the capital represented when the resolution is passed. The authority to adopt purely formal amendments to the Articles of Association is transferred to the Supervisory Board under article 14, para. 2 of the Articles of Association of Brenntag SE. In addition, by resolution of the General Shareholders' Meeting on June 20, 2018, the Supervisory Board was authorized to amend the Articles of Association of Brenntag SE in connection with the creation of new authorized capital after implementation of each capital increase and after expiry of the authorization period without use of the authorized capital.

Powers of the Board of Management to issue or repurchase shares

Authorization to create authorized capital

By resolution of the General Shareholders' Meeting on June 9, 2022, the Board of Management was authorized, with the approval of the Supervisory Board, to increase the share capital of Brenntag SE on one or more occasions until June 8, 2027 by a total of up to EUR 35,000,000 by issuing up to 35,000,000 new registered ordinary shares in return for cash contributions or contributions in kind. The shareholders shall generally be granted a subscription right. However, in certain cases the Board of Management is authorized, with the approval of the Supervisory Board, to exclude the shareholders' statutory subscription rights for one or more capital increases under the authorized capital. This shall apply, for example, if the capital increase is effected against cash contributions and the issue price of the new shares is not significantly lower than the stock market price of the shares of the same class and carrying the same rights already traded on the stock market at the time of final determination of the issue price within the meaning of Section 203, para. 1 and para. 2 and Section 186, para. 3, sentence 4 of the German Stock Corporation Act and the total pro rata amount of registered share capital represented by the new shares issued in accordance with this paragraph with exclusion of subscription rights pursuant to Section 186, para. 3, sentence 4 of the German Stock Corporation Act does not exceed 10% of the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

The Board of Management shall decide on the further content of the share rights and the conditions of the issuance of shares with the approval of the Supervisory Board.

Authorization to acquire and use treasury shares in accordance with Section 71, para. 1, no. 8 of the German Stock Corporation Act

By resolution of the General Shareholders' Meeting on June 9, 2022, the Board of Management was authorized, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 10% of the share capital. The shares acquired on the basis of this authorization, together with other shares in the company which Brenntag SE has already acquired and still holds, may at no time account for more than 10% of the respective registered share capital. The authorization may be exercised in whole or in part, once or several times. It took effect at the close of the General Shareholders' Meeting on June 9, 2022 and shall be valid until June 8, 2027. If the shares are purchased on the stock exchange, the purchase price (excluding incidental costs) may not be more than 10% higher or lower than the arithmetic mean of the share prices (closing auction prices of Brenntag SE shares in XETRA trading or a comparable successor system) on the Frankfurt Stock Exchange on the last five trading days prior to the purchase or the entering into an obligation to purchase. In the case of acquisition by means of a public purchase offer, Brenntag SE may either publish a formal offer or issue a public invitation to submit offers for sale. The purchase price offered (excluding incidental costs) or the limits of the purchase price range per share determined by Brenntag SE (excluding incidental costs) may not exceed or fall below the arithmetic mean of the share prices on the Frankfurt Stock Exchange on the last five trading days prior to the publication of the purchase offer or the invitation to submit offers by more than 10%. The authorization may be exercised for any purpose permitted by law. The Board of Management was authorized, with the approval of the Supervisory Board, to withdraw the treasury shares acquired on the basis of the authorization pursuant to Section 71, para. 1, no. 8 of the German Stock Corporation Act without any further resolution by the General Shareholders' Meeting. The withdrawal may be limited to a portion of the shares acquired. The authorization to withdraw shares may be exercised more than once. The withdrawal of shares generally leads to a reduction in registered share capital. In derogation of this, the Board of Management may determine that the registered share capital shall remain unchanged and that instead the withdrawal shall increase the proportion of the registered share capital represented by the remaining shares in accordance with Section 8, para. 3 of the German Stock Corporation Act. In this case, the Board of Management is authorized to adjust the indication of the corresponding number in the Articles of Association. Treasury shares may, under certain circumstances, also be used subject to exclusion of the shareholders' subscription rights existing in principle and in particular by way of simplified exclusion of subscription rights as specified above.

Authorization to issue bonds and to create conditional capital

By resolution of the General Shareholders' Meeting on June 9, 2022, the Board of Management was authorized ("Authorization 2022"), with the approval of the Supervisory Board, to issue holder or registered convertible bonds or bonds with warrants as well as profit participation rights or profit participating bonds with option or conversion rights on one or more occasions up to June 8, 2027 for a total nominal amount of up to EUR 2,000,000,000 with or without limited term ("Bonds") and to grant the holders or creditors of the Bonds option or conversion rights to up to 15,450,000 new Brenntag SE shares with a pro rata total amount of the registered share capital of up to EUR 15,450,000 in accordance with the respective option or convertible bond conditions or profit participation right or participating bond conditions ("Conditions") to be determined by the Board of Management. In order to grant shares to the holders or creditors of Bonds, the registered share capital was conditionally increased at the General Shareholders' Meeting on June 9, 2022 by up to 15,450,000 no-par value registered shares conferring profit-sharing rights from the beginning of the financial year in which they were issued ("Conditional Capital 2022"); this equates to an increase in the registered share capital of up to EUR 15,450,000. The Bonds may, in addition to euros, also be issued in a foreign legal currency, subject to a limit of the corresponding equivalent value in euros, and by companies dependent on Brenntag SE or in which it holds a majority interest; in this case, the Board of Management was authorized, with the approval of the Supervisory Board, to assume the guarantee for the Bonds on behalf of Brenntag SE and to grant the holders of such Bonds option or conversion rights to Brenntag SE shares and to make other declarations and take other actions necessary for a successful issue. The issues of Bonds may be divided into partial Bonds each having equal rights. Bonds may only be issued against contribution in kind, provided that the value of the contribution in kind corresponds to the issue price and that this price is not significantly lower than the theoretical market value of the Bonds determined in accordance with recognized methods of financial mathematics. The Board of Management is authorized, under certain circumstances and with the approval of the Supervisory Board, to exclude shareholders' subscription rights to the Bonds. However, with regard to the exclusion of subscription rights against cash payment, this authorization shall apply only provided that the shares issued to fulfil the option or conversion rights and / or in the case of fulfilment of the conversion obligation represent no more than 10% of the registered share capital. Decisive for the threshold of 10% is the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

When convertible bonds, profit participation rights or profit participating bonds with conversion rights are issued, the holders are granted the right to exchange their Bonds for new Brenntag SE shares in accordance with the more detailed Conditions.

When bonds with warrants, profit participation rights or profit participating bonds with option rights are issued, one or more warrants shall be attached to each partial bond or each profit participation right or each participating bond, entitling the holder to subscribe for Brenntag SE shares in accordance with the more detailed Conditions.

New shares are issued at the option or conversion price to be set in accordance with the aforementioned resolution granting authorization.

In November 2015, Brenntag Finance B.V., in its capacity as issuer and with Brenntag SE as guarantor, issued a bond with warrant units in the amount of USD 500.0 million maturing on December 2, 2022 ("Bond (with Warrants) 2022"). It did so on the basis of the authorization resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Authorization 2014") to issue Bonds and grant the holders or creditors of the Bonds option or conversion rights for up to 25,750,000 new Brenntag SE shares representing a notional amount of up to EUR 25,750,000 in the registered share capital ("Conditional Capital 2014").

The warrants attached to the Bond (with Warrants) 2022 entitled the holder to purchase Brenntag SE ordinary shares by paying the strike price applicable at that time. The warrants to purchase Brenntag SE shares had not been exercised at the exercise date at the beginning of December 2022.

Significant agreements which take effect, alter or terminate upon a change of control of the company following a takeover bid

As at the reporting date, the most important component in Brenntag's financing structure is the Group-wide loan agreement concluded with a consortium of international banks. The total loan volume is described in the section "Capital structure". The main conditions are laid down in a syndicated facilities agreement entered into in January 2017. Under this agreement, individual lenders have the right to terminate the agreement if any person or group of persons acting in concert acquire directly or indirectly more than 50% of the shares issued or the voting rights in Brenntag SE. The right to terminate in the event of a change of control is preceded by a 30-day negotiating period on the continuation of the loan agreements. If the parties involved cannot reach agreement on the continuation of the loan agreements in this period, each lender can within ten days terminate his involvement as a lender in the agreement by giving notice of at least another 30 days and request payment of the outstanding loan amounts.

Section 5 of the bond terms and conditions and section 7 of the warrant terms and conditions relating to the bond with warrant units in the amount of USD 500.0 million issued by Brenntag Finance B.V. in November 2015 and maturing on December 2, 2022 (Bond (with Warrants) 2022) contained provisions governing a change of control. Bondholders were able to request that the bond be repaid early following an agreed period if one or more persons acting in concert within the meaning of Section 34, para. 2 of the German Securities Trading Act (WpHG) held 50% or more of the voting rights in Brenntag SE. The terms and conditions of the warrants issued with the bonds stated that, in the event of a change of control, the holders of the warrants could receive the right to purchase shares at a lower strike price during a specified period following the change of control. The size of the adjustment to the strike price declined over the term of the warrants and was set out in more detail in the terms and conditions of the warrants. As under the bond terms and conditions, a change of control occurred if one or more persons acting in concert within the meaning of Section 34, para. 2 of the German Securities Trading Act held 50% or more of the voting rights in Brenntag SE.

Section 5 of the conditions of issue relating to the Bond 2025 in the amount of EUR 600.0 million issued by Brenntag Finance B.V. in September 2017 also contains provisions governing a change of control, under which bondholders may request that the bond be repaid early if the rating is downgraded within a certain period of a change of control (in each case as defined in the conditions of issue).

Furthermore, section 5 of the conditions of issue relating to the Bond 2029 in the amount of EUR 500.0 million placed by Brenntag Finance B.V. in September 2021 and paid out in October 2021 (first issue under the newly established debt issuance program) also contains a provision governing a change of control, under which bondholders may likewise request that the bond be repaid early if the rating is downgraded within a certain period of a change of control (in each case as defined in the conditions of issue).

Section 5 of the loan agreement relating to the promissory note transaction placed by Brenntag SE in August 2022 for around EUR 640 million also contains provisions governing a change of control. In this case too, the lenders may request that the notes be repaid early if the rating is downgraded within a certain period of a change of control (as defined in the loan agreement).

Further information on the bonds and the conditions of issue can be found in the Investor Relations section of the website at www.brenntag.com.

Compensation agreements with members of the Board of Management or employees in the event of a takeover bid

There are no compensation agreements with members of the Board of Management or employees in the event of a takeover bid.

Corporate governance statement

The corporate governance statement required under Sections 289f, 315d of the German Commercial Code (HGB), including the corporate governance report, can be found in the Investor Relations section of the website at www.brenntag.com and in the section "To Our Shareholders".

Non-financial statement

The non-financial statement required under Sections 289b and 315b of the German Commercial Code (HGB) is available in a separate section of the Annual Report 2022 in the form of a combined separate non-financial report.

Consolidated

5 Financial Statements

185 —— 272

Consolidated income statement

in EUR m	Note	2022	2021
Sales	1.)	19,429.3	14,382.5
Cost of materials	2.)	–15,110.3	–11,003.5
Operating gross profit		**4,319.0**	**3,379.0**
Other operating income	3.)	92.4	49.0
Personnel expenses	4.)	–1,380.1	–1,205.3
Depreciation, amortization and impairment losses	18.) / 19.) / 20.)	–406.4	–373.5
Impairment losses on trade receivables and other receivables	13.)	–15.0	–7.5
Other operating expenses	5.)	–1,227.5	–1,099.3
Operating profit		**1,382.4**	**742.4**
Share of profit or loss of equity-accounted investments	21.)	1.6	1.0
Interest income		16.7	4.5
Interest expense	6.)	–108.8	–64.0
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	7.)	–7.6	–28.3
Loss on the net monetary position	8.)	–16.3	–
Other net finance costs	9.)	–33.1	–5.3
Net finance costs		**–147.5**	**–92.1**
Profit before tax		**1,234.9**	**650.3**
Income tax expense	10.)	–332.4	–188.9
Profit after tax		**902.5**	**461.4**
Attributable to:			
Shareholders of Brenntag SE		886.8	448.3
Non-controlling interests		15.7	13.1
Basic earnings per share in euro	**11.)**	**5.74**	**2.90**
Diluted earnings per share in euro	**11.)**	**5.74**	**2.89**

5.01 Consolidated income statement

Consolidated statement of comprehensive income

in EUR m	Note	2022	2021
Profit after tax		**902.5**	**461.4**
Remeasurements of defined benefit pension plans	26.)	64.0	26.2
Deferred tax relating to remeasurements of defined benefit pension plans	26.)	–19.9	–7.1
Items that will not be reclassified to profit or loss		**44.1**	**19.1**
Change in exchange rate differences on translation of consolidated companies	28.)	94.2	179.4
Change in net investment hedge reserve	33.)	–0.4	–9.6
Remeasurement of cross-currency interest rate swaps	33.)	–46.3	–21.5
Reclassification to profit or loss of hedging losses	33.)	36.7	13.4
Costs of hedging	33.)	1.5	7.2
Reclassification to profit or loss of costs of hedging	33.)	–0.8	–0.2
Deferred tax relating to those items	33.)	–0.3	0.3
Items that may be reclassified subsequently to profit or loss		**84.6**	**169.0**
Other comprehensive income, net of tax		**128.7**	**188.1**
Total comprehensive income		**1,031.2**	**649.5**
Attributable to:			
Shareholders of Brenntag SE		1,012.3	629.2
Non-controlling interests	28.)	18.9	20.3

5.02 Consolidated statement of comprehensive income

Consolidated balance sheet

ASSETS

in EUR m	Note	Dec. 31, 2022	Dec. 31, 2021
Current assets			
Cash and cash equivalents	12.)	1,046.1	705.0
Trade receivables	13.)	2,676.8	2,290.2
Other receivables	14.)	272.6	230.1
Other financial assets	15.)	20.2	22.8
Current tax assets		117.3	84.0
Inventories	16.)	1,773.8	1,621.9
		5,906.8	**4,954.0**
Non-current assets held for sale	17.)	13.5	4.1
		5,920.3	**4,958.1**
Non-current assets			
Property, plant and equipment	18.)	1,358.1	1,236.4
Intangible assets	19.)	3,459.3	3,358.8
Right-of-use assets	20.)	426.3	436.5
Equity-accounted investments	21.)	5.4	4.1
Other receivables	14.)	40.7	44.5
Other financial assets	15.)	24.4	26.1
Deferred tax assets	10.)	138.5	131.0
		5,452.7	**5,237.4**
Total assets		**11,373.0**	**10,195.5**

LIABILITIES AND EQUITY

in EUR m	Note	Dec. 31, 2022	Dec. 31, 2021
Current liabilities			
Trade payables	22.)	1,862.0	1,802.3
Financial liabilities	23.)	319.7	677.7
Lease liabilities	20.)	110.0	111.7
Other liabilities	24.)	664.9	573.1
Other provisions	25.)	154.8	187.3
Liabilities relating to acquisition of non-controlling interests	27.)	25.0	89.7
Current tax liabilities		97.6	84.3
		3,234.0	**3,526.1**
Liabilities associated with assets held for sale	17.)	4.0	–
		3,238.0	**3,526.1**
Non-current liabilities			
Financial liabilities	23.)	2,341.8	1,652.0
Lease liabilities	20.)	324.3	333.9
Other liabilities	24.)	4.9	6.5
Other provisions	25.)	166.1	146.6
Provisions for pensions and other post-employment benefits	26.)	119.1	183.3
Liabilities relating to acquisition of non-controlling interests	27.)	104.3	126.5
Deferred tax liabilities	10.)	271.8	225.3
		3,332.3	**2,674.1**
Equity	28.)		
Subscribed capital		154.5	154.5
Additional paid-in capital		1,491.4	1,491.4
Retained earnings		3,035.0	2,283.3
Accumulated other comprehensive income		71.6	–15.0
Equity attributable to shareholders of Brenntag SE		**4,752.5**	**3,914.2**
Equity attributable to non-controlling interests		50.2	81.1
		4,802.7	**3,995.3**
Total liabilities and equity		**11,373.0**	**10,195.5**

5.03 Consolidated balance sheet

Consolidated statement of changes in equity

in EUR m	Subscribed capital	Additional paid-in capital	Retained earnings	Exchange rate differences	Net investment hedge reserve
Dec. 31, 2020	**154.5**	**1,491.4**	**2,080.6**	**-182.4**	**5.6**
Dividends	–	–	-208.6	–	–
Business combinations	–	–	–	–	–
Transactions with owners	–	–	-56.1	–	–
Profit after tax	–	–	448.3	–	–
Other comprehensive income, net of tax	–	–	19.1	172.2	-9.6
Total comprehensive income for the period	**–**	**–**	**467.4**	**172.2**	**-9.6**
Dec. 31, 2021	**154.5**	**1,491.4**	**2,283.3**	**-10.2**	**-4.0**
Dividends	–	–	-224.0	–	–
Transactions with owners[1)]	–	–	44.8	5.2	–
Profit after tax	–	–	886.8	–	–
Other comprehensive income, net of tax	–	–	44.1	91.0	-0.4
Total comprehensive income for the period	**–**	**–**	**930.9**	**91.0**	**-0.4**
Dec. 31, 2022	**154.5**	**1,491.4**	**3,035.0**	**86.0**	**-4.4**

in EUR m	Cash flow hedge reserve	Deferred tax relating to cash flow hedge reserve	Equity attributable to shareholders of Brenntag SE	Equity attributable to non-controlling interests	**Equity**
Dec. 31, 2020	**–**	**–**	**3,549.7**	**61.9**	**3,611.6**
Dividends	–	–	-208.6	-0.4	-209.0
Business combinations	–	–	–	7.5	7.5
Transactions with owners	–	–	-56.1	-8.2	-64.3
Profit after tax	–	–	448.3	13.1	461.4
Other comprehensive income, net of tax	-1.1	0.3	180.9	7.2	188.1
Total comprehensive income for the period	**-1.1**	**0.3**	**629.2**	**20.3**	**649.5**
Dec. 31, 2021	**-1.1**	**0.3**	**3,914.2**	**81.1**	**3,995.3**
Dividends	–	–	-224.0	-1.4	-225.4
Transactions with owners[1)]	–	–	50.0	-48.4	1.6
Profit after tax	–	–	886.8	15.7	902.5
Other comprehensive income, net of tax	-8.9	-0.3	125.5	3.2	128.7
Total comprehensive income for the period	**-8.9**	**-0.3**	**1,012.3**	**18.9**	**1,031.2**
Dec. 31, 2022	**-10.0**	**–**	**4,752.5**	**50.2**	**4,802.7**

5.04 Consolidated statement of changes in equity

[1)] Includes the acquisition of the remaining shares (49%) in TEE HAI CHEM PTE LTD, Singapore in Q2 2022 (for further information, please refer to Note 28).

Consolidated cash flow statement

in EUR m	Note	2022	2021
	29.)		
Profit after tax		**902.5**	**461.4**
Loss on the net monetary position		16.3	–
Depreciation and amortization	18.) / 19.) / 20.)	406.4	373.5
Income tax expense	10.)	332.4	188.9
Income taxes paid		–344.9	–222.5
Net interest expense	6.)	92.1	59.5
Interest paid (netted against interest received)	29.)	–110.6	–49.5
(of which interest paid for leases)	20.)	(–11.2)	(–10.9)
Dividends received		0.3	0.1
Inventories		–94.1	–486.3
Trade receivables		–306.8	–501.2
Trade liabilities		15.2	412.2
Changes in working capital		–385.7	–575.3
Changes in other operating assets and liabilities		50.0	–13.2
Changes in provisions		–19.9	149.1
Non-cash change in liabilities relating to acquisition of non-controlling interests	7.)	7.6	28.3
Other non-cash items and reclassifications		10.2	–11.7
Net cash provided by operating activities		**956.7**	**388.6**
Proceeds from the disposal of other financial assets		0.8	2.5
Proceeds from the disposal of intangible assets and property, plant and equipment		21.7	8.8
Payments to acquire consolidated subsidiaries and other business units	29.)	–156.7	–420.5
Payments to acquire intangible assets and property, plant and equipment		–267.2	–199.3
Net cash used in investing activities		**–401.4**	**–608.5**
Repayments of liabilities relating to acquisition of non-controlling interests	29.)	–98.4	–16.5
Dividends paid to Brenntag shareholders		–224.0	–208.6
Profits distributed to non-controlling interests		–3.2	–2.1
Proceeds from borrowings	29.)	808.0	933.5
Repayments of lease liabilities		–139.4	–119.6
Repayments of borrowings		–568.8	–412.6
Net cash used in/provided by financing activities		**–225.8**	**174.1**
Change in cash and cash equivalents		**329.5**	**–45.8**
Effect of exchange rate changes on cash and cash equivalents		13.0	24.5
Reclassification into non-current assets held for sale		–1.4	–
Cash and cash equivalents at beginning of period	12.)	705.0	726.3
Cash and cash equivalents at end of period	**12.)**	**1,046.1**	**705.0**

5.05 Consolidated cash flow statement

Notes

Key financial figures by segment

The Brenntag Group is managed through two global divisions, Brenntag Specialties and Brenntag Essentials, which are each managed through geographically structured segments. Brenntag Specialties focuses on selling ingredients and value-added services to the selected industries, Nutrition, Pharma, Personal Care/HI&I (Home, Industrial & Institutional), Material Science (Coatings & Construction, Polymers, Rubber), Water Treatment and Lubricants. Brenntag Essentials markets a broad portfolio of process chemicals across a wide range of industries and applications. The global Brenntag Specialties division comprises the geographical segments EMEA, Americas and APAC.

The global Brenntag Essentials division comprises the geographical segments EMEA, North America, Latin America and APAC. The two divisions are supported by Brenntag Business Services, which have been allocated to "All other Segments". In addition, "All other Segments" combine the central functions for the entire Group and the activities with regard to the digitalization of our business. The international operations of BRENNTAG International Chemicals GmbH, which buys and sells chemicals in bulk on an international scale without regional boundaries, are also included here.

The following table shows the reconciliation of the reportable segments to the Group:

Period from January 1 to December 31 in EUR m	Brenntag Specialties	Brenntag Essentials	All other Segments	**Group**
External sales				
2022	7,947.4	10,720.9	761.0	19,429.3
2021	6,003.3	7,815.4	563.8	14,382.5
fx adj. change in %	26.2	28.3	35.0	27.7
Operating gross profit				
2022	1,678.3	2,608.6	32.1	4,319.0
2021	1,283.2	2,066.9	28.9	3,379.0
fx adj. change in %	24.8	17.7	11.1	20.3
Operating EBITDA				
2022	779.6	1,153.3	–124.3	1,808.6
2021	567.5	843.0	–65.9	1,344.6
fx adj. change in %	32.1	27.6	88.9	26.7
Operating EBITA (segment result)				
2022	738.0	910.8	–137.1	1,511.7
2021	534.9	619.6	–72.6	1,081.9
fx adj. change in %	32.9	36.7	89.1	31.5

5.06 Reconciliation of the reportable segments to the Group 2022/2021

The following table shows the segment information for the geographical segments of the global **Brenntag Specialties** division:

Period from January 1 to December 31 in EUR m	EMEA[1)]	Americas[2)]	APAC	Central activities[3)]	**Brenntag Specialties**
External sales					
2022	3,369.0	3,148.8	1,429.6	–	7,947.4
2021	2,753.0	2,170.0	1,080.3	–	6,003.3
fx adj. change in %	23.8	30.0	23.8	–	26.2
Operating gross profit					
2022	725.0	664.3	289.0	–	1,678.3
2021	594.5	459.2	229.5	–	1,283.2
fx adj. change in %	23.8	29.4	17.8	–	24.8
Operating EBITDA					
2022	335.0	297.2	148.6	–1.2	779.6
2021	276.5	180.3	111.8	–1.1	567.5
fx adj. change in %	24.1	47.7	23.8	20.0	32.1
Operating EBITA (segment result)[4) 5)]					
2022	323.9	281.3	134.0	–1.2	738.0
2021	269.6	169.9	96.5	–1.1	534.9
fx adj. change in %	23.0	48.4	29.5	20.0	32.9

5.07 Segment reporting on the global Specialties division 2022/2021

1) Europe, Middle East & Africa.
2) North and Latin America.
3) Central activities which are part of Brenntag Specialties but not directly attributable to any one segment.
4) In the course of operationalizing its strategy, Brenntag took the decision in the fourth quarter of 2022 to replace operating EBITDA with operating EBITA as its key performance indicator. Segment operating EBITA is calculated as segment EBITA adjusted for holding charges and special items.
5) Certain items of property, plant and equipment and right-of-use assets are not separable and support both divisions jointly. They have been allocated to a division (depending on the region) and are depreciated there. They are charged to the other division on the basis of fixed and variable monthly amounts.

The following table shows the segment information for the geographical segments of the global **Brenntag Essentials** division:

Period from January 1 to December 31 in EUR m	EMEA[1]	North America	Latin America	APAC[2]	Central activities[3]	Brenntag Essentials
External sales						
2022	4,292.6	4,779.7	861.4	787.2	–	10,720.9
2021	3,186.7	3,268.5	634.5	725.7	–	7,815.4
fx adj. change in %	33.7	30.7	22.5	0.6	–	28.3
Operating gross profit						
2022	969.6	1,342.5	176.9	119.6	–	2,608.6
2021	802.2	999.9	151.6	113.2	–	2,066.9
fx adj. change in %	20.2	20.0	5.0	–2.0	–	17.7
Operating EBITDA						
2022	474.7	578.1	60.7	41.4	–1.6	1,153.3
2021	330.8	414.7	53.2	45.0	–0.7	843.0
fx adj. change in %	42.6	24.6	2.9	–14.5	128.6	27.6
Operating EBITA (segment result)[4] [5]						
2022	367.5	468.5	42.8	33.6	–1.6	910.8
2021	222.4	317.9	38.7	41.3	–0.7	619.6
fx adj. change in %	63.9	31.7	–	–24.5	128.6	36.7

5.08 Segment reporting on the global Essentials division 2022/2021

[1] Europe, Middle East & Africa.
[2] Asia Pacific including the China and Hong Kong segment, which is presented separately internally.
[3] Central activities which are part of Brenntag Essentials but not directly attributable to any one segment.
[4] In the course of operationalizing its strategy, Brenntag took the decision in the fourth quarter of 2022 to replace operating EBITDA with operating EBITA as its key performance indicator. Segment operating EBITA is calculated as segment EBITA adjusted for holding charges and special items.
[5] Certain items of property, plant and equipment and right-of-use assets are not separable and support both divisions jointly. They have been allocated to a division (depending on the region) and are depreciated there. They are charged to the other division on the basis of fixed and variable monthly amounts.

Group key financial figures

in EUR m	2022	2021
Operating EBITDA	**1,808.6**	**1,344.6**
Payments to acquire intangible assets and property, plant and equipment[1]	–267.2	–199.3
Change in working capital[2][3]	–385.7	–575.3
Principal and interest payments on lease liabilities	–150.6	–130.5
Free cash flow	**1,005.1**	**439.5**

5.09 Free cash flow

[6] Prior year: additions to property, plant and equipment and intangible assets; prior-year figure adjusted for comparability.
[7] Definition of working capital: trade receivables plus inventories less trade payables.
[8] Adjusted for exchange rate effects and acquisitions.

in EUR m	2022	2021
Operating EBITDA	**1,808.6**	**1,344.6**
Depreciation of property, plant and equipment and right-of-use assets arising from leases	–296.2	–258.4
Impairment of property, plant and equipment	–0.7	–4.3
Operating EBITA (segment result)[1]	**1,511.7**	**1,081.9**
Net expense from special items	–19.8	–228.7
(of which expenses in connection with "Project Brenntag" and other strategic projects)	(–36.7)	(–34.7)
(of which reversal of / addition to provisions for excise duties)	(19.0)	(–175.5)
(of which addition to provision for legal risks)	(–2.1)	(–24.0)
(of which refund of social security charges paid in previous years in Brazil)	(–)	(5.5)
EBITA	**1,491.9**	**853.2**
Amortization of intangible assets[2]	–71.4	–58.9
Impairment of intangible assets	–38.1	–51.9
EBIT	**1,382.4**	**742.4**
Net finance costs	–147.5	–92.1
Profit before tax	**1,234.9**	**650.3**

5.10 Reconciliation of operating EBITDA to profit before tax

1) In the course of operationalizing its strategy, Brenntag took the decision in the fourth quarter of 2022 to replace operating EBITDA with operating EBITA as its key performance indicator. Operating EBITA of the reportable segments (EMEA, North America, Latin America and Asia Pacific) amounts to EUR 1,648.8 million (2021: EUR 1,154.5 million) and operating EBITA of All other Segments to EUR –137.1 million (2021: EUR –72.6 million).
2) For the period from January 1 to December 31, 2022, this figure includes amortization of customer relationships in the amount of EUR 48.2 million (2021: EUR 37.2 million).

in EUR m	2022	2021
Operating EBITA (segment result)	1,511.7	1,081.9
Average carrying amount of equity	4,543.1	3,802.8
Average carrying amount of financial liabilities and lease liabilities	3,120.2	2,363.4
Average carrying amount of cash and cash equivalents	–882.2	–645.7
ROCE[1]	**22.3%**	**19.6%**
ROCE[1] after special items	**22.0%**	**15.5%**

5.11 Determination of ROCE

1) ROCE stands for return on capital employed and is defined as EBITA / (the average carrying amount of equity plus the average carrying amount of financial liabilities less the average carrying amount of cash and cash equivalents). The average carrying amounts in the denominator are defined for a particular year as the arithmetic average of the amounts at each of the following five dates: the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

General information

As one of the world's leading chemical distributors with around 600 locations[1], Brenntag offers its customers and suppliers an extensive range of services, global supply chain management and a highly developed chemical distribution network in EMEA, North and Latin America as well as in the Asia Pacific region.

Brenntag SE has its registered office at Messeallee 11, 45131 Essen, Germany, and is entered in the commercial register at the Essen Local Court under commercial register number HRB 31943.

These consolidated financial statements of Brenntag SE were prepared by the Board of Management of Brenntag SE on March 6, 2023 authorized for publication and submitted to the Supervisory Board for approval at its meeting on March 7, 2023.

The consolidated financial statements of Brenntag SE are denominated in euros (EUR). Unless stated otherwise, the amounts are in millions of euros (EUR million). For arithmetic reasons, rounding differences of ± one unit after the decimal point (EUR, %, etc.) may occur.

1) The number of locations is recorded in a central database and includes all Brenntag operating sites, both its own and external. The number excludes purely office buildings, laboratories and external sites handling less than 300 tonnes p.a.

Consolidation policies and methods

Standards applied

The consolidated financial statements have been prepared in accordance with IFRSs (International Financial Reporting Standards), as adopted in the EU.

The IFRSs comprise the standards (International Financial Reporting Standards and International Accounting Standards) issued by the International Accounting Standards Board (IASB) and the interpretations by the IFRS Interpretations Committee (IFRS IC) and the former Standing Interpretations Committee (SIC).

The accounting policies applied comply with all the standards and interpretations existing and adopted by the EU as at December 31, 2022 whose application is mandatory. In addition, the German commercial law provisions to be applied in accordance with Section 315e, para. 1 of the German Commercial Code (HGB) were taken into account.

Due to the war in Ukraine, the Board of Management of Brenntag SE decided to halt the business operations of all Brenntag companies in Russia and Belarus until further notice.

As at December 31, 2022, the Brenntag companies in Russia reported cash and cash equivalents of EUR 15.5 million (of which EUR 2.6 million in euros, EUR 1.4 million in rubles and EUR 11.5 million in US dollars) which were only available to Brenntag for cross-border transfers subject to the applicable restrictions on foreign exchange transactions. As at December 31, 2021, the cash and cash equivalents of the Brenntag companies in Russia amounted to EUR 4.1 million.

The following revised and new standards issued by the International Accounting Standards Board (IASB) have been applied by the Brenntag Group for the first time:

First-time adoption in 2022

- Amendments to IFRS 3 (Business Combinations) regarding a reference to the Conceptual Framework
- Amendments to IAS 16 (Property, Plant and Equipment) regarding the presentation of proceeds before the intended use of an item of property, plant and equipment
- Amendments to IAS 37 (Provisions) regarding the definition of unavoidable costs of meeting the obligations under an onerous contract
- Annual Improvements to IFRSs (2018-2020 Cycle)

The amendments to IFRS 3 update a reference to the revised IFRS Conceptual Framework (2018) and add to IFRS 3 a requirement that an acquirer apply the requirements of IAS 37 (Provisions) or IFRIC 21 (Levies) in identifying liabilities assumed, with the exception of contingent liabilities acquired, to which the requirements of IFRS 3.23 continue to apply, under which they must be recognized even if it is not probable that there will be an outflow of economic resources. For acquired contingent assets, an explicit prohibition on recognition has been added.

The amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling products produced using that item of property, plant and equipment before its intended use. Proceeds must be shown in profit or loss, as must production expenditures incurred before the intended use of an item of property, plant and equipment, such as during testing for example.

The amendments to IAS 37 regarding the definition of unavoidable costs of meeting the obligations under an onerous contract specify that all costs directly attributable to a contract must be taken into account in determining whether the contract is onerous as defined by IAS 37. Costs that relate directly to a contract may be either incremental costs of fulfilling that contract (e.g. direct labor or materials) or other costs that relate directly to fulfilling the contract (e.g. depreciation charges for items of property, plant and equipment used in fulfilling the contract).

The annual improvements to IFRSs contain a number of minor amendments to various standards that are intended to clarify the content of the standards and eliminate any existing inconsistencies.

Neither the aforementioned revised standards nor the annual improvements to IFRSs have a material impact on the presentation of the Group's net assets, financial position and results of operations.

Probable first-time adoption in 2023

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies)
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12 regarding the prohibition on the recognition of deferred tax at initial recognition of an asset or liability

IFRS 17 will become effective on January 1, 2023 and replace IFRS 4, the interim standard in effect since 2005. The new standard sets out principles for the identification, recognition, measurement, presentation and disclosure of insurance contracts by insurers.

The amendments to IAS 1 are part of the IASB's Disclosure Initiative, the fundamental objective of which is to improve the quality of financial reporting. This also includes ridding the notes to IFRS financial statements of information that is irrelevant to users of the financial statements. In future, disclosures will be required only on material accounting policy information and not on significant accounting policy information. Information is regarded as "material" if it is decision useful to users of the financial statements.

The amendments to IAS 8 contain clarifications to help entities distinguish between accounting policies and accounting estimates.

The initial recognition exemption (IRE) generally places a prohibition on the recognition of deferred tax at initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit. The amendments to IAS 12 narrow the scope of the IRE. This means that, especially in the case of leases (recognition of the right-of-use asset and a lease liability) and in the case of decommissioning and restoration obligations (recognition as part of the cost of the asset and recognition of a liability), both deferred tax assets (to the extent that they are recoverable) and deferred tax liabilities are required to be recognized if the transaction gives rise to equal deductible and taxable temporary differences. It is no longer permitted to omit to recognize deferred tax.

Probable first-time adoption in 2024

- Amendments to IAS 1 regarding the classification of liabilities as current or non-current – not yet endorsed by the European Union
- Amendments to IFRS 16 regarding the lease liability in a sale and leaseback – not yet endorsed by the European Union

The narrow-scope amendment to IAS 1 clarifies that liabilities are classified as current or non-current based on the entity's rights in existence at the end of the reporting period.

Under the amendment, liabilities are classified as non-current if, at the end of the reporting period, the entity has a substantive right to defer settlement of the liability for at least twelve months after the reporting date. In assessing whether a (substantive) right exists, the entity does not consider whether it will exercise its right. Classification is unaffected by management's intentions in this regard.

Under the amendments to IFRS 16, an entity is required to subsequently measure the lease liability in such a way that it does not recognize any gain or loss that relates to the right of use it retains.

Brenntag is currently examining the effects of the amended standards on the presentation of the Group's net assets, financial position and results of operations. From a present perspective, they do not have a material impact on the presentation of the Group's net assets, financial position and results of operations.

Scope of consolidation

As at December 31, 2022, the consolidated financial statements include Brenntag SE and in addition 27 (Dec. 31, 2021: 28) domestic and 193 (Dec. 31, 2021: 203) foreign consolidated subsidiaries including structured entities.

The table below shows the changes in the number of consolidated companies including structured entities:

	Dec. 31, 2021	Additions	Disposals	Dec. 31, 2022
Domestic consolidated companies	29	–	1	28
Foreign consolidated companies	203	7	17	193
Total consolidated companies	**232**	**7**	**18**	**221**

5.12 Changes in scope of consolidation

The additions relate to entities acquired in business combinations under IFRS 3 and one entity established. The disposals are the result of mergers of companies no longer operating and liquidations.

Four (Dec. 31, 2021: three) associates are accounted for using the equity method.

A full list of shareholdings for the Brenntag Group in accordance with Section 313, para. 2 of the German Commercial Code (HGB) can be found in the Annex to the Notes.

In the case of two (Dec. 31, 2021: two) subsidiaries where Brenntag does not hold the majority of the voting rights, it nevertheless exercises its power to direct the relevant activities. The structured entities individually listed in the list of shareholdings in accordance with Section 313, para. 2 of the German Commercial Code (HGB) are a leasing company and a sales company.

Business combinations in accordance with IFRS 3

In March 2022, Brenntag acquired all shares in Y.S. Ashkenazi Agencies Ltd. based in Netzer Sereni, Israel, and its subsidiary Biochem Trading 2011 Ltd. Brenntag is thus continuing to expand its offering of specialty products and services for suppliers and customers in the high-growth Food & Nutrition and Personal Care markets and breaking into the Israeli market.

In August 2022, Brenntag acquired all shares in Prime Surfactants Limited and its subsidiary Prime Example Ltd based in Leeds, UK. Having established a leading position in surfactants in the UK personal care market, Prime Surfactants Limited is a good addition to Brenntag Specialties' Personal Care and HI&I business unit.

In November 2022, Brenntag acquired TechManagement Energy Services, LLC (TechManagement) headquartered in Odessa, Texas, USA. As well as its headquarters and its blending facility in Odessa, TechManagement has ten additional operating facilities in West Texas, New Mexico and Oklahoma. The acquiree's formulation and blending expertise and its state-of-the-art laboratory facilities are a welcome addition to Brenntag's energy services business in North America.

In December 2022, Brenntag acquired Ravenswood's Life Science and Coatings business. The company is headquartered in Bayswater, Australia, and operates additional sites in Australia and New Zealand. This acquisition extends Brenntag's presence in Australia and New Zealand and supports both its strategy in the nutrition segment and its aspirations to expand the service portfolio by offering additional blending capabilities.

The purchase price, net assets and goodwill relating to these business combinations break down as follows:

in EUR m	Tech Management	Ravenswood	Other entities	Total
Purchase price	**78.4**	**52.6**	**53.2**	**184.2**
of which consideration contingent on earnings targets	–	4.8	10.0	14.8
Assets				
Cash and cash equivalents	–	–	3.9	3.9
Trade receivables, other financial assets and other receivables	25.8	10.8	23.5	60.1
Other current assets	17.5	6.8	9.8	34.1
Non-current assets	28.2	13.8	17.7	59.7
Liabilities				
Current liabilities	9.0	2.5	24.7	36.2
Non-current liabilities	3.0	4.9	5.1	13.0
Net assets	**59.5**	**24.0**	**25.1**	**108.6**
of which Brenntag's share	59.5	24.0	25.1	108.6
of which non-controlling interests	–	–	–	–
Goodwill	**18.9**	**28.6**	**28.1**	**75.6**
of which deductible for tax purposes	18.9	–	–	18.9

5.13 Net assets acquired in 2022

Assets acquired and liabilities assumed in business combinations are normally recognized at their fair value at the date of acquisition. The multi-period excess earnings method was used to measure customer relationships. In particular, the estimate of the useful lives of customer relationships can affect their fair value.

For reasons of time, measurement of the assets acquired and liabilities assumed (among others customer relationships and deferred taxes) of the entities acquired in financial year 2022 has not yet been completed. There are no material differences between the gross amount and the carrying amount of the receivables. The main factors determining the goodwill are the above-mentioned reasons for the acquisitions where not included in other assets (e.g. customer relationships and similar rights).

Acquisition-related costs in the amount of EUR 1.5 million were recognized under other operating expenses.

Since their acquisition by Brenntag, the business units acquired in financial year 2022 have generated the following sales and the following profit after tax:

in EUR m	Tech Management	Ravenswood	Other entities	**2022**
Sales	23.8	3.4	47.7	74.9
Profit after tax	-1.2	0.1	1.4	0.3

5.14 Sales and profit after tax of the businesses acquired since acquisition

If the above-mentioned business combinations had taken place with effect from January 1, 2022, sales of about EUR 19,750 million would have been reported for the Brenntag Group in the reporting period. Profit after tax would have been about EUR 889 million.

The carrying amounts and annual amortization of the intangible assets held by the business units acquired in 2022 and contained in non-current assets, in each case at the exchange rate at the acquisition date, are as follows:

in EUR m	Tech Management	Ravenswood	Other entities	**Provisional fair value**
Customer relationships and similar rights				
Customer relationships	9.8	10.2	15.1	35.1
Annual amortization	2.5	2.6	3.1	8.2
Trademark	1.0	0.4	0.9	2.3
Annual amortization	1.0	0.1	0.3	1.4

5.15 Intangible assets acquired

Measurement of the assets and liabilities from the acquisition in financial year 2021 of the first tranche (67%) of Zhongbai Xingye Food Technology (Beijing) Co. Ltd., a specialty distributor of food ingredients based in Beijing, China, and a subsidiary has been completed.

There were no changes to the purchase price, net assets acquired or goodwill.

Measurement of the assets and liabilities from the acquisition in financial year 2021 of Storm Chaser Holding Corporation based in Wilmington/Delaware, USA, and its subsidiaries (“JM Swank”) has been completed.

The purchase price, net assets acquired and goodwill were adjusted as follows in the measurement period:

in EUR m	Provisional fair value	Adjustments	**Final fair value**
Purchase price	**256.1**	**0.1**	**256.2**
of which consideration contingent on earnings targets	–	–	–
Assets			
Cash and cash equivalents	0.6	–	0.6
Trade receivables, other financial assets and other receivables	40.0	–	40.0
Other current assets	34.8	–	34.8
Non-current assets	70.9	-0.2	70.7
Liabilities			
Current liabilities	40.5	-0.2	40.3
Non-current liabilities	11.5	–	11.5
Net assets	**94.3**	**-0.4**	**93.9**
of which Brenntag's share	94.3	–	94.3
of which non-controlling interests	–	–	–
Goodwill	**161.8**	**0.5**	**162.3**
of which deductible for tax purposes	–	–	–

5.16 Net assets acquired in 2021: JM SWANK

Measurement of the assets and liabilities from the acquisition in financial year 2021 of Matrix Chemical, LLC has been completed. The company is a solvents distributor and the largest distributor of acetone in North America.

The purchase price, net assets acquired and goodwill were adjusted as follows in the measurement period:

in EUR m	Provisional fair value	Adjustments	**Final fair value**
Purchase price	**45.6**	**–**	**45.6**
of which consideration contingent on earnings targets	–	–	–
Assets			
Cash and cash equivalents	–	–	–
Trade receivables, other financial assets and other receivables	35.1	–	35.1
Other current assets	36.4	–	36.4
Non-current assets	8.3	–	8.3
Liabilities			
Current liabilities	39.1	0.1	39.2
Non-current liabilities	3.5	–	3.5
Net assets	**37.2**	**0.1**	**37.3**
of which Brenntag's share	37.2	0.1	37.3
of which non-controlling interests	–	–	–
Goodwill	**8.4**	**–**	**8.4**
of which deductible for tax purposes	8.4	–	8.4

5.17 Net assets acquired in 2021: Matrix Chemical

Measurement of the assets and liabilities of the other entities and businesses acquired in financial year 2021 (Miroven S.r.l. based in Cernusco Sul Naviglio, Comelt S.p.A. based in Assago and Aquadepur S.R.L. based in Cogliate (Comelt) (all in northern Italy), ICL Packed Ltd. based in Grays, Essex, England, and Alpha Chemical Ltd. based in Dartmouth, Nova Scotia, Canada) has been completed.

The purchase price, net assets acquired and goodwill were adjusted as follows in the measurement period:

in EUR m	Provisional fair value	Adjustments	**Final fair value**
Purchase price	**58.4**	**0.1**	**58.5**
of which consideration contingent on earnings targets	–	–	–
Assets			
Cash and cash equivalents	1.3	–	1.3
Trade receivables, other financial assets and other receivables	14.7	–	14.7
Other current assets	4.0	–	4.0
Non-current assets	22.4	–	22.4
Liabilities			
Current liabilities	13.1	–	13.1
Non-current liabilities	13.1	–	13.1
Net assets	**16.2**	**–**	**16.2**
Goodwill	**42.2**	**0.1**	**42.3**
of which deductible for tax purposes	–	–	–

5.18 Net assets acquired in 2021: Other business combinations

Goodwill from the business combinations carried out in financial years 2021 and 2022 changed as follows:

in EUR m	Zhongbai Xingye	JM Swank	Matrix Chemical	Tech Management	Ravenswood	Other	**Goodwill**
Dec. 31, 2021	**66.8**	**169.8**	**8.8**	**–**	**–**	**43.0**	**288.4**
Exchange rate differences	–1.5	10.5	0.5	–1.3	–2.1	–2.0	4.1
Business combinations in 2022	–	–	–	18.9	28.6	27.9	75.4
Adjustments in the measurement period	–	0.5	–	–	–	0.1	0.6
Dec. 31, 2022	**65.3**	**180.8**	**9.3**	**17.6**	**26.5**	**69.0**	**368.5**

5.19 Change in goodwill

The net cash outflow in 2022 resulting from business combinations has been determined as follows:

in EUR m	
Purchase price	**184.4**
Less cash and cash equivalents acquired	3.9
Plus purchase price payments reclaimed	–8.9
Less purchase prices payable	14.9
Payments to acquire consolidated subsidiaries and other business units	**156.7**

5.20 Reconciliation of acquisition costs to payments to acquire consolidated subsidiaries and other business units

Consolidation methods

The consolidated financial statements include the financial statements – prepared according to uniform accounting policies – of Brenntag SE and all entities controlled by Brenntag. This is the case when the following conditions are met:

- Brenntag has decision-making power over the relevant activities of the other entity.
- Brenntag has exposure, or rights, to variable returns from its involvement with the other entity.
- Brenntag has the ability to use its decision-making power over the relevant activities of the other entity to affect the amount of the variable returns of the other entity.

Control may be based on voting rights or arise from other contractual arrangements. Accordingly, the scope of consolidation includes, in addition to entities in which Brenntag SE directly or indirectly controls the majority of voting rights, structured entities which are controlled as a result of contractual arrangements.

Inclusion in the consolidated financial statements commences at the date on which control is obtained and ends when control is lost.

Acquisitions are accounted for using the acquisition method in accordance with IFRS 3. The cost of an acquired business unit is considered to be the fair value of the assets given. Acquisition-related costs are recognized as an expense. Contingent consideration is recognized as a liability at the acquisition-date fair value when determining the cost. If Brenntag gains control but does not acquire 100% of the shares, the corresponding non-controlling interest is recognized.

Identifiable assets, liabilities and contingent liabilities of an acquiree that are eligible for recognition are generally measured at their fair value at the transaction date, irrespective of the share of any non-controlling interests. Any remaining differences between cost and the share of the net assets acquired are recognized as goodwill.

In the event of an acquisition in stages which leads to control of a company being obtained, or in the event of a share sale involving a loss of control, the shares already held in the first case or the remaining shares in the second case are measured at fair value through profit or loss. Acquisitions or disposals of shares which have no effect on existing control are recognized in equity.

Receivables, liabilities, expenses, income and intercompany profits or losses within the Brenntag Group are eliminated.

Associates and joint ventures of the Brenntag Group where Brenntag has significant influence or joint control are accounted for using the equity method. Significant influence is generally considered to exist when Brenntag SE holds between 20% and 50% of the voting rights either directly or indirectly. The same consolidation policies apply to companies accounted for using the equity method as to consolidated companies, whereby recognized goodwill is contained in the carrying amount of investments accounted for using the equity method. Brenntag's share of the profit/loss after tax of the companies accounted for using the equity method is recognized in the income statement. The accounting policies of the companies accounted for using the equity method were, as far as necessary, adjusted in line with the accounting policies of Brenntag.

Currency translation

Foreign currency receivables and liabilities in the single-entity financial statements are stated on initial recognition at the spot exchange rate at the date of the transaction. At the reporting or settlement date, foreign currency receivables and liabilities are translated at the closing rate. The resulting differences are recognized in profit or loss.

The items contained in the financial statements of a Group company are measured on the basis of the currency of the relevant primary economic environment in which the company operates (functional currency). The presentation currency of the Brenntag Group is the euro.

The single-entity financial statements of the companies whose functional currency is not the euro are translated into euros as follows:

Assets and liabilities are translated at the closing rate, income and expense at the annual average rate. Any differences resulting from currency translation are recognized in other comprehensive income. Goodwill and fair value adjustments resulting from the acquisition of foreign companies are assigned to the foreign company and also translated at the closing rate.

For some companies in Latin America and in the Asia Pacific region, the functional currency is the US dollar and not the local currency. Non-monetary items, primarily property, plant and equipment, goodwill and other intangible assets as well as environmental provisions, are translated from the local currency into US dollars using the exchange rate at the transaction date. Monetary items are translated at the closing rate. All income and expenses are translated at the average exchange rate for the reporting period with the exception of depreciation and amortization, impairment losses and reversals of impairment losses as well as income and expenses incurred in connection with environmental provisions. These are translated at the same exchange rates as the underlying assets and liabilities. The resulting foreign currency differences are recognized in profit or loss. After translation of the items in the single-entity financial statements into the functional currency, the US dollar, the same method is used for translation from US dollars into the Group currency, the euro, as for companies whose functional currency is the local currency.

The single-entity financial statements of foreign companies accounted for using the equity method are translated using the same principles.

The euro exchange rates of major currencies changed as follows:

	Closing rate		Average rate	
EUR 1 = currencies	**Dec. 31, 2022**	Dec. 31, 2021	**2022**	2021
Brazilian real (BRL)	5.6386	6.3101	5.4399	6.3779
Canadian dollar (CAD)	1.4440	1.4393	1.3695	1.4826
Swiss franc (CHF)	0.9847	1.0331	1.0047	1.0812
Chinese yuan renminbi (CNY)	7.3582	7.1947	7.0788	7.6282
Danish krone (DKK)	7.4365	7.4364	7.4396	7.4370
Pound sterling (GBP)	0.8869	0.8403	0.8528	0.8596
Polish zloty (PLN)	4.6808	4.5969	4.6861	4.5652
Russian ruble (RUB)	76.8960	85.3004	72.1436	87.1527
Swedish krona (SEK)	11.1218	10.2503	10.6296	10.1465
Turkish lira (TRL)	19.9649	15.2335	17.4088	10.5124
US dollar (USD)	1.0666	1.1326	1.0531	1.1827

5.21 Exchange rates of major currencies

Accounting and measurement policies

Revenue recognition

Revenue from contracts with customers is recognized using a five-step model in accordance with IFRS 15:

1. Identify the contract(s) with a customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the separate performance obligations
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized in the amount of consideration to which Brenntag expects to be entitled in exchange for goods or services. Variable consideration, such as cash discounts, discounts and rebates, is estimated and taken into account when determining the transaction price. Where relevant, the transaction price is allocated to individual performance obligations.

Revenue from the sale of goods or services is recognized when control of the goods or services transfers to the customer. Control transfers when the customer obtains control of the agreed goods or services and can obtain benefits from them. In a sale of goods, control usually transfers when the goods are collected by the customer or dispatched by Brenntag or a third party. In this case, revenue is recognized at a point in time. In cases where goods are delivered to a third party with the aim of resale to an end customer and the third party does not obtain control of the goods, revenue is not recognized until the goods are delivered to the end customer. Revenue from services is recognized over time.

If a discount (e.g. volume discount) is granted, revenue is recognized taking into account probable price reductions. The transaction price is determined taking into account past experience. Revenue is only recognized to the extent that it is highly probable that a reversal in the amount of revenue will not occur.

There are currently no significant financing components in the Brenntag Group. Payment terms are negotiated locally and reflect standard market practice. As there are no long-term performance obligations, the amount and timing of allocated transaction prices are not required to be disclosed for performance obligations that are unsatisfied as of the reporting date (practical expedient in IFRS 15.121).

Interest income is recognized as the interest accrues using the effective interest method.

Dividend income is recognized when the right to receive payment is established.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheques and deposits held with banks with an original term of three months or less.

Trade receivables, other receivables and other financial assets

Trade receivables that do not contain a significant financing component are initially recognized at the transaction price in accordance with IFRS 15. All other financial assets are measured on initial recognition at fair value (if applicable, including transaction costs). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For the purpose of subsequent measurement, financial assets are classified into one of three categories, depending on the business model for managing the financial assets and the contractual cash flow characteristics:

- Measured at amortized cost: Assets held in order to collect contractual cash flows, where those cash flows are solely payments of principal and interest
- Measured at fair value through other comprehensive income: Assets held in order to collect contractual cash flows and sell the assets, where those cash flows are solely payments of principal and interest
- Measured at fair value through profit or loss: Assets that do not meet the criteria of the two aforementioned categories.

Cash and cash equivalents, trade receivables, other receivables and receivables included in other financial assets are measured at amortized cost. There are no financial instruments measured at fair value through other comprehensive income. Securities and shares in entities where Brenntag does not have at least significant influence are measured at fair value through profit or loss, as are derivative financial instruments.

For fair value measurement, IFRS 13 provides a three-level hierarchy that reflects the extent to which the inputs used to determine fair value are market-based:

- Level 1: Fair value determined using quoted or market prices in an active market
- Level 2: Fair value determined using quoted or market prices in an active market for similar financial assets or liabilities, or other measurement methods for which significant inputs used are based on observable market data
- Level 3: Fair value determined using measurement methods for which significant inputs used are not based on observable market data.

Trade receivables are subsequently measured using provision matrices. Country-specific valuation allowances are determined for receivables in the same credit risk class (e.g. customer industries) based on historical credit losses and forward-looking estimates. In this context, credit risk is assessed primarily on the basis of the extent to which the receivables are past due. If there is objective evidence that trade receivables or other financial assets measured at amortized cost should be considered impaired, a specific valuation allowance reflecting the credit risk in question is recognized in profit or loss. The valuation allowances are always posted to an allowance account in the balance sheet. If a receivable is uncollectible, the gross amount and the valuation allowance are both derecognized.

A regular way purchase or sale of non-derivative financial assets is recognized at the settlement date. Derivative financial instruments are recognized in the balance sheet when Brenntag becomes a party to the contractual provisions of that instrument.

Financial assets are derecognized if the contractual rights to the cash flows from the financial asset have expired or have been transferred and Brenntag has transferred substantially all the risks and rewards of ownership.

Inventories

Inventories mainly comprise merchandise. They are initially recognized at cost. Production costs for the inventories produced through further processing are also capitalized.

Inventories are subsequently measured in accordance with IAS 2 at the lower of cost (on the basis of the average cost formula) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value also reflects effects of obsolescence or reduced marketability. Earlier valuation allowances on inventories are reversed if the net realizable value of the inventories increases again.

Property, plant and equipment

Property, plant and equipment is carried at cost of acquisition or construction and, except for land, depreciated over its estimated useful life on a straight-line basis. If major components of an item of property, plant and equipment have different useful lives, these components are accounted for separately and depreciated over their respective useful lives.

Acquisition costs include all expenditure directly attributable to the acquisition.

In accordance with IAS 16, future costs for any restoration obligation are recognized as an increase in the cost of acquisition or construction of the respective asset and a corresponding provision is established at the time of acquisition or construction of the item of property, plant and equipment.

In accordance with IAS 20, government grants and assistance for investments are deducted from the related asset.

The charges on property, plant and equipment include both depreciation charges and impairment losses.

When items of property, plant and equipment are sold, the difference between the net proceeds and the carrying amount of the respective asset is recognized as a gain or loss in other operating income or expenses.

Assets are depreciated over the following useful lives:

	Useful life
Land rights	40 to 50 years
Buildings	15 to 50 years
Installations and building improvements	8 to 20 years
Technical equipment and machinery	3 to 20 years
Vehicles	5 to 8 years
Other equipment, operating and office equipment	2 to 10 years

5.22 Useful lives of property, plant and equipment

Intangible assets

Intangible assets include customer relationships and similar rights purchased, the “Brenntag” trademark, other trademarks, software, concessions and similar rights as well as goodwill from the acquisition of consolidated subsidiaries and other business units.

Intangible assets acquired through business combinations are measured on initial recognition at their acquisition-date fair value.

Separately acquired intangible assets are carried at cost.

Acquired software licenses are recognized at cost plus directly attributable costs incurred to acquire and bring to use the specific software.

In addition to goodwill, the “Brenntag” trademark has an indefinite useful life as no assumption can be made about its durability or the sustainability of its economic use. The other intangible assets are amortized on a straight-line basis over their estimated useful lives. The following useful lives are assumed:

	Useful life
Concessions, industrial and similar rights as well as software and trademarks with definite useful lives	3 to 10 years
Customer relationships and similar rights	3 to 15 years

5.23 Useful lives of intangible assets

The charges on intangible assets include both amortization charges and impairment losses.

Leases

Under the rules in IFRS 16 (Leases), lessees are generally required to recognize leases in the balance sheet in the form of a right-of-use asset and a corresponding lease liability. In doing so, all contractual lease payments to the lessor are included in the measurement. Lease payments are not separated into payments for lease components and payments for non-lease components (e.g. payments for maintenance or servicing costs). When recognizing extension and purchase options, judgements need to be made. Lease payments from extension periods and exercise prices of purchase options are included in the measurement if the option is reasonably certain to be exercised.

In the income statement, leases are in these cases presented as a financing transaction, i.e. the right-of-use asset usually has to be depreciated on a straight-line basis and the lease liability adjusted using the effective interest method. For short-term leases with a term of twelve months or less and leases for which the underlying asset is of low value, there is an option to continue to recognize the lease as an expense in EBITDA. Brenntag exercises this option accordingly.

The leases at Brenntag relate mainly to land and buildings (warehouse and office space), vehicles and other plant and equipment. Leases are entered into for fixed terms of more than one year to 70 years in limited cases, but may also contain extension options.

The incremental borrowing rates were determined on the basis of a base rate plus a risk premium. The base rates in major currencies and countries were derived from interest rate swaps (if available) or government bond yields for a period of up to twenty years. For countries or currencies for which there were no reliable data available on which to base the determination, the euro base rate was adjusted to reflect a country risk premium.

Impairment testing of non-current non-financial assets

In accordance with IAS 36, non-current non-financial assets are tested for impairment whenever there is an objective indication that the carrying amount may not be recoverable.

Assets that have an indefinite useful life and are, therefore, not subject to amortization are also tested for impairment at least annually.

Impairment exists when the carrying amount of an asset exceeds the estimated recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the carrying amount is higher than the recoverable amount, the asset is written down to the recoverable amount.

If the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit (CGU) to which this asset belongs is determined and compared with the carrying amount of the CGU.

Impairments, except for impairments of goodwill, are reversed as soon as the reasons for the impairment no longer exist.

Goodwill is tested for impairment regularly, at least annually, after completion of the annual budget process by comparing the carrying amount of the relevant cash-generating unit with its recoverable amount.

If the carrying amount of a CGU exceeds the recoverable amount, an impairment exists in the amount of the difference. In this case, the goodwill of the relevant CGU would first be written down. Any remaining impairment would be allocated to the assets of the CGU in proportion to the net carrying amounts of the assets at the reporting date. The carrying amount of an individual asset must not be less than the highest of fair value less costs of disposal, value in use (in each case in as far as they can be determined) and zero.

Other provisions

In accordance with IAS 37, other provisions are recognized when the Group has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Non-current provisions are recognized at the present value of the expected outflow and their discounting is unwound over the period until their expected utilization. For provisions for long-service anniversary bonuses and pre-retirement part-time working arrangements, this is carried out bearing in mind actuarial principles or by obtaining external appraisals.

If the projected obligation declines as a result of a change in an estimate, the provision is reversed by the corresponding amount. Reversals of provisions for personnel expenses are recognized in personnel expenses. Provisions recognized as other operating expenses are reversed as other operating income.

Provisions are recognized for cash-settled share-based payments in accordance with IFRS 2. The Long-Term Incentive Program and the expiring long-term, virtual share-based remuneration program for the members of the Board of Management and the Long-Term Incentive Plan for Executives and Senior Managers are classified as cash-settled share-based payments. Provisions are established for the resulting obligations. The obligations are measured at fair value. They are recognized as personnel expenses over the vesting period during which the beneficiaries acquire a vested right (unconditional right). The fair value is remeasured at each reporting date and at the settlement date.

Provisions for pensions and other post-employment benefits

The Group's pension obligations comprise both defined contribution and defined benefit pension plans.

The contributions to be paid into defined contribution pension plans are recognized directly as expense. Provisions for pension obligations are not established as, in these cases, Brenntag has no additional obligation apart from the obligation to pay the premiums.

In accordance with IAS 19, provisions are established for defined benefit plans, unless the plans are multi-employer pension funds for which insufficient information is available. The obligations arising from these defined benefit plans are determined using the projected unit credit method, under which the expected benefits to be paid after retirement are determined taking dynamic measurement inputs into account and spread over the entire length of service of the employees participating in the plan. For this purpose, an actuarial valuation is obtained every year. The actuarial assumptions for the discount rate, salary increase rate, pension trend, life expectancy and cost increases for medical care used to calculate the defined benefit obligation are established on the basis of the respective economic circumstances. The plan assets measured at fair value are deducted from the present value of the defined benefit obligation (gross pension obligation).

Plan assets are assets where the claim to said assets has, in principle, been assigned to the beneficiaries. This results in the net liability required to be recognized or the net asset required to be recognized.

The discount rate is determined by reference to market yields at the end of the reporting period on fixed-rate senior corporate bonds. The currency and term of the corporate bonds taken as a basis are consistent with the currency and estimated term of the post-employment benefit obligations.

Life expectancy is determined using the latest mortality tables.

Pension costs are made up of three components:

Component	Constituents	Recognized in
Service cost	– Current service cost – Past service cost incl. gains and losses from plan curtailments – Gains and losses from plan settlements	Personnel expenses
Net interest expense	– Unwinding of discounting of defined pension obligation (DBO) – Interest income from plan assets	Interest expense
Remeasurements	– Actuarial gains and losses on DBO from experience adjustments and from changes in measurement inputs – Changes in value of plan assets not already contained in net interest expense	Other comprehensive income, net of tax

5.24 Pension cost components

As a result of the inclusion of the remeasurement components in other comprehensive income, net of tax, the balance sheet shows the full extent of the net obligation avoiding volatility in profit or loss that may result in particular from changes in the measurement inputs.

Multi-employer defined benefit plans are treated as defined contribution plans when insufficient information is available.

Trade payables, financial liabilities and other liabilities

Trade payables, financial liabilities (excluding derivative financial instruments and contingent purchase prices payable in business combinations) and other liabilities are classified as at amortized cost. They are initially recognized at their fair value net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Derivative financial instruments and contingent purchase prices payable in business combinations are initially recognized at fair value and subsequently measured at fair value through profit or loss.

Liabilities relating to acquisition of non-controlling interests

Liabilities relating to the acquisition of non-controlling interests include unconditional and contingent purchase price obligations relating to the acquisition of non-controlling interests as well as liabilities arising from limited partners' rights to repayment of contributions.

On initial recognition, they are recognized as a liability at their fair value (present value of the purchase price obligation) by reducing retained earnings. They are subsequently measured at amortized cost. Unwinding of discounting and changes in estimates of unconditional purchase price obligations and liabilities arising from limited partners' rights to repayment of contributions are recognized in profit or loss. Exchange rate effects are recognized in profit or loss or, in the case of net investment hedges, directly in equity.

Deferred taxes and current income taxes

Current income taxes for current and prior periods are recognized at the amount expected to be paid to or recovered from the taxation authorities.

Deferred taxes are determined in accordance with IAS 12 (Income Taxes). They arise from temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base, from consolidation adjustments and from tax loss carryforwards that are expected to be utilized.

Deferred tax assets are recognized to the extent that it is likely that future taxable profit will be available against which the temporary differences and unutilized loss carryforwards can be utilized.

No deferred taxes are recognized for the difference between the net assets and the tax base of subsidiaries (outside basis differences) provided Brenntag is able to control the timing of the reversal of the temporary difference and it is unlikely that the temporary difference will reverse in the foreseeable future.

Deferred taxes for domestic companies are calculated on the basis of the combined income tax rate of the German consolidated tax group of Brenntag SE of 32% (2021: 32%) for corporate income tax, solidarity surcharge and trade income tax, and for foreign companies, at local tax rates. These are tax rates which can be expected to apply on the basis of laws in the different countries that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are netted against each other if they relate to the same taxation authority, the company has a legally enforceable right to set them off against each other and they mature in the same period.

Bond with warrant units

The bond with warrant units consisting of the bond (Bond (with Warrants) 2022) and the warrant components was repaid in December 2022. Upon issue, these components were recognized separately at fair value, including transaction costs. The bond with warrant units was subsequently measured at amortized cost using the effective interest method.

The warrants constituted equity as they entitled the holder to acquire a fixed number of Brenntag shares at a specified strike price. Upon issue in November 2015, they were therefore taken directly to additional paid-in capital and recognized at fair value (warrant premium), including transaction costs. There was no subsequent measurement.

Subscribed capital

The subscribed capital is carried at its nominal value.

Assumptions and estimates

Preparation of the consolidated financial statements requires the use of assumptions and estimates which may affect the amount and presentation of assets and liabilities and income and expenses. These assumptions and estimates mainly relate to the following:

- the calculation and discounting of cash flows when impairment tests are performed;
- the probability of occurrence, interest rates and other measurement inputs used to measure provisions, particularly for environmental risks and defined benefit pension obligations;
- the amount of liabilities relating to the acquisition of non-controlling interests as well as the determination of interest rates (see the section "Standards applied");
- the assessment of whether purchase and extension options will be exercised when accounting for right-of-use assets in accordance with IFRS 16 (Leases).

Due to rising energy and supply costs in Europe, the trend in inflation in the USA and Europe, and lockdowns and the pandemic situation in China, Brenntag's business performance and the assumptions about its future free cash flow performance remain subject to uncertainties which may affect the recognition and amount of assets and liabilities stated in the balance sheet, particularly goodwill. Brenntag took account of the particularly volatile macroeconomic conditions by widening the ranges used in the sensitivity analyses compared with the previous year. However, except in the case of the cash-generating unit Latin America (BES), for which an impairment loss was recognized, the sensitivity analyses performed during goodwill impairment testing showed sufficient scope. As in the previous year, no goodwill impairment would have arisen if the free cash flow taken as a basis for goodwill impairment testing had been 15% lower (previous year: 10% lower), with all other conditions remaining the same. As in 2021, a 30% lower (previous year: 20% lower) growth rate over the entire planning period, with all other conditions remaining the same, and an increase of 1.5 percentage points (previous year: 1.0 percentage points) in the WACC (weighted average cost of capital after taxes) taken as a basis for goodwill impairment testing would likewise not have led to any impairment. In the case of the cash-generating unit Latin America (BES), the aforementioned sensitivity analyses would have resulted in an impairment loss on the other assets.

If the discount rates used to determine the environmental provisions had been one percentage point higher or lower and all other conditions had remained the same, the provision would have decreased by EUR 5.8 million (Dec. 31, 2021: EUR 5.3 million) or increased by EUR 6.6 million (Dec. 31, 2021: EUR 5.4 million), respectively.

Sensitivity analyses of defined benefit pension obligations are described in the section "Provisions for pensions and other post-employment benefits".

In the case of right-of-use assets under IFRS 16 (Leases), purchase and extension options are recognized if they are reasonably certain to be exercised. In this respect, the assessment is subject to a high degree of judgement. If circumstances change, the assessment of whether an option is reasonably certain to be exercised must be made anew.

Furthermore, assumptions are made as to the realization of future tax benefits from loss carryforwards and to the useful lives of intangible assets and property, plant and equipment.

The actual amounts may differ from the assumptions and estimates in individual cases. Adjustments are recognized when estimates are revised.

The global fight against climate change will lead not only to structural, regulatory and technological changes, but also to increased costs as a result of preventive technologies or government carbon taxes. This could potentially impact on accounting estimates and assumptions. Brenntag has established a global sustainability program and comprehensive governance structures with a view to driving the integration of numerous ESG matters into its business processes. There were no effects on the financial reporting or the estimates and assumptions made in financial year 2022.

Cash flow statement

The cash flow statement classifies cash flows by operating, investing and financing activities. The cash provided by operating activities is determined using the indirect method on the basis of the profit / loss after tax. Interest payments made and received, tax payments and dividends received are presented as components of cash provided by operating activities. The effects of acquisitions of consolidated subsidiaries and other business units as defined by IFRS 3 (Business Combinations) are eliminated from the individual items of the cash flow statement and combined under cash flow from investing activities. Under IFRS 16 (Leases), lease payments made are included in cash used in financing activities as repayments of borrowings and in cash provided by operating activities as interest paid. Payments under short-term leases or leases of low-value assets are a component of cash flow from operating activities. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet. The effect of exchange rate changes on cash and cash equivalents is shown separately.

Segment reporting

Segment reporting under IFRS 8 (Operating Segments) is based on the management approach. Reporting is based on the internal control and reporting information used by the top management to assess segment performance and allocate resources. In the course of operationalizing its strategy, Brenntag took the decision in the fourth quarter of 2022 to replace operating EBITDA with operating EBITA as its key performance indicator.

Hyperinflation

In the interim consolidated financial statements for the period ended June 30, 2022, Turkey was for the first time required to be classified as a hyperinflationary economy in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies). This standard requires non-monetary assets and liabilities, the statement of comprehensive income and equity to be restated at the end of each reporting period by applying the price index applicable at the end of the reporting period. The balance of those adjustments is presented in profit or loss as a loss on the net monetary position. IAS 29 must be applied as if Turkey had always been hyperinflationary. Brenntag used the consumer price index published by the Turkish Statistical Institute (Dec. 31, 2021: 687 index points; Dec. 31, 2022: 1,129 index points). Effects of EUR 6.5 million arising on retrospective application as at January 1, 2022 and the inflation effect on equity of EUR 17.8 million were recognized as exchange rate differences in other comprehensive income. Inflation led to an increase in sales of EUR 53.3 million, an increase in cost of materials of EUR 42.1 million and, in the balance of the other income statement items, an increase in expenses of EUR 6.5 million. Inflation resulted in a loss on the net monetary position of EUR 16.3 million for 2022. Overall, the application of IAS 29 depressed profit after tax by EUR 11.6 million. The prior-year amounts in the balance sheet and the income statement of the subsidiary in Turkey, and therefore in the Group as well, were not restated.

Consolidated income statement disclosures

1.) Sales

Sales of EUR 19,429.3 million (2021: EUR 14,382.5 million) are almost entirely attributable to contracts with customers as defined by IFRS 15. Sales of EUR 1.4 million (2021: EUR 1.5 million) were generated with related parties.

Sales of EUR 19,349.8 million (2021: EUR 14,309.6 million) relate mainly to the sale of goods and sales of EUR 79.5 million (2021: EUR 72.9 million) to the provision of services. For the majority of the sales, therefore, control transfers at a point in time, which depends specifically on the terms of delivery agreed with the customer. Control usually transfers when the goods are collected by the customer or dispatched by Brenntag or a third party.

Of the sales revenues from the sale of goods, EUR 19,224.6 million (2021: EUR 14,212.4 million) are attributable to warehousing or direct business. Of the other revenues from the sale of goods in the amount of EUR 125.2 million (2021: EUR 97.2 million), EUR 115.5 million (2021: EUR 76.4 million) relate to consignment business. Revenue from consignment agreements is recognized when control of the goods transfers to either a distributor or the end customer.

For a breakdown of sales by operating segment, please refer to the “Key financial figures by segment” section of these notes to the consolidated financial statements.

Trade receivables reported in the amount of EUR 2,676.8 million (Dec. 31, 2021: EUR 2,290.2 million) are entirely attributable to contracts with customers. No contract assets are currently recognized in the Brenntag Group.

Liabilities from contracts with customers break down as follows:

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Contract liabilities under credit notes	14.6	16.3
Refund liabilities	29.1	19.9
Prepayments received	7.5	9.7
Total	**51.2**	**45.9**

5.25 Current contract liabilities from contracts with customers

2.) Cost of materials

Cost of materials amounts to EUR 15,110.3 million (2021: EUR 11,003.5 million) and comprises the cost of purchased goods and services. It includes expenses in the amount of EUR 30.5 million (2021: EUR 20.4 million) from valuation allowances on inventories.

3.) Other operating income

in EUR m	2022	2021
Income from the disposal of non-current assets	7.3	4.2
Income from the reversal of liabilities and provisions no longer required	40.5	14.9
Miscellaneous operating income	44.6	29.9
Total	**92.4**	**49.0**

5.26 Other operating income

Other operating income includes income of EUR 19.0 million from the reversal of provisions for alcohol and energy tax.

4.) Personnel expenses

Personnel expenses amount to EUR 1,380.1 million in total (2021: EUR 1,205.3 million). This line item includes wages and salaries totaling EUR 1,101.5 million (2021: EUR 964.5 million) as well as social insurance contributions of EUR 278.6 million (2021: EUR 240.8 million), of which pension expenses (including employer contributions to the statutory pension insurance fund) account for EUR 137.7 million (2021: EUR 119.5 million). Net interest expense from defined benefit plans is not included in personnel expenses but presented within net finance costs under interest expense. Personnel expenses for the share-based remuneration programs on the basis of virtual shares amount to EUR 15.3 million (2021: EUR 22.1 million).

The average number of employees breaks down as follows:

	2022	2021[1]
Brenntag Specialties	4,426	4,714
Brenntag Essentials	10,699	10,104
All other Segments	2,193	2,379
Total	**17,318**	**17,197**

5.27 Employees by division

[1] When the new operating model was introduced on January 1, 2021, not all employees had yet been allocated to a division. In such cases, employee allocation in 2021 was either simplified or decided based on expectations. As a result, the division averages calculated for 2021 differ from the averages for 2022, which are based on the completed employee allocation.

As at December 31, 2022, the Brenntag Group had a workforce of 17,540 (Dec. 31, 2021: 17,236). Of this figure, 1,685 (Dec. 31, 2021: 1,656) were employed in Germany.

5.) Other operating expenses

in EUR m	2022	2021
Carriage outwards	-323.8	-271.6
Property-related and other taxes	-42.4	-211.0
Maintenance and energy costs	-256.8	-182.8
Audit and advisory fees	-132.0	-60.4
Lease expenses	-76.0	-52.4
Other services	-58.9	-43.9
Insurance expenses	-51.8	-50.9
Miscellaneous operating expenses	-285.8	-226.3
Total	**-1,227.5**	**-1,099.3**

5.28 Other operating expenses

In the previous year, expenses for property-related and other taxes included expenses of EUR 175.5 million for excise duties arising from routine reviews of the tax on alcohol and energy conducted by the German customs authorities.

6.) Interest expense

in EUR m	2022	2021
Interest expense on liabilities to third parties	-86.0	-48.9
Expense from the fair value measurement of the cross-currency interest rate swap	-7.7	-2.3
Net interest expense on defined benefit pension plans	-1.9	-1.3
Interest expense on other provisions	-1.2	-0.5
Interest expense on leases	-12.0	-11.0
Total	**-108.8**	**-64.0**

5.29 Interest expense

7.) Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss

in EUR m	2022	2021
Change in call option and liabilities relating to acquisition of non-controlling interests recognized in profit or loss	-5.4	-26.6
Change in liabilities recognized in profit or loss arising from limited partners' rights to repayment of contributions	-2.2	-1.7
Total	**-7.6**	**-28.3**

5.30 Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss

For further information, please refer to Note 27).

8.) Loss on the net monetary position

The inflation effect on non-monetary items, the statement of comprehensive income and equity resulted in a loss on the net monetary position of EUR 16.3 million for financial year 2022.

9.) Other net finance costs

in EUR m	2022	2021
Exchange rate loss on foreign currency receivables and liabilities	-76.2	-26.5
Exchange rate gain on foreign currency derivatives	44.1	23.3
Miscellaneous other net finance costs	-1.0	-2.1
Total	**-33.1**	**-5.3**

5.31 Other net finance costs

10.) Income tax expense

in EUR m	2022	2021
Current income taxes	–324.7	–221.7
Deferred taxes	–7.7	32.8
(of which for temporary differences)	(–1.2)	(23.3)
(of which for tax loss carryforwards)	(–6.5)	(9.5)
Total	**–332.4**	**–188.9**

5.32 Income tax expense

The effective tax expense of EUR 332.4 million (2021: EUR 188.9 million) differs by EUR –62.7 million (2021: EUR –19.0 million) from the expected tax expense of EUR 395.2 million (2021: EUR 207.9 million). The expected tax expense results from applying the Group tax rate of 32% (Dec. 31, 2021: 32%) to profit before tax.

The reasons for the difference between the expected and the effective tax expense are as follows:

in EUR m	2022	2021
Profit before tax	1,234.9	650.3
Expected income tax expense (32%, 2021: 32%)	–395.2	–207.9
Difference due to tax base	–1.2	–0.7
Effect of different tax rates arising on the inclusion of foreign and domestic subsidiaries	110.6	67.1
Changes in valuation allowances on deferred tax assets / losses for which deferred taxes are not recognized / utilization of loss carryforwards	–14.6	–10.0
Changes in the tax rate and tax laws	–0.9	0.3
Expenses not deductible for tax purposes	–19.0	–25.9
Goodwill impairment loss Latin America (BES)	–11.2	–
Tax-free income	6.2	1.2
Share of profit or loss of equity-accounted investments	0.4	0.2
Prior-period tax expense	1.2	–6.9
Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	–2.1	–8.2
Other effects	–6.6	1.9
Effective tax expense	**–332.4**	**–188.9**

5.33 Tax expense reconciliation

Deferred taxes result from the individual balance sheet items and other items as follows:

in EUR m	Dec. 31, 2022 Deferred tax assets	Dec. 31, 2022 Deferred tax liabilities	Dec. 31, 2021 Deferred tax assets	Dec. 31, 2021 Deferred tax liabilities
Current assets				
Cash and cash equivalents and financial assets	15.2	8.5	13.5	8.9
Inventories	28.6	2.1	22.8	0.3
Non-current assets				
Property, plant and equipment and right-of-use assets	5.4	167.5	5.2	155.7
Intangible assets	23.7	202.0	16.5	188.2
Financial assets	9.7	19.5	11.9	6.9
Current liabilities				
Other provisions	13.9	0.4	12.3	0.4
Liabilities	75.7	4.4	70.0	5.6
Non-current liabilities				
Provisions for pensions	16.0	8.1	34.9	8.7
Other provisions	16.8	1.7	16.9	1.8
Liabilities	70.1	2.6	62.9	2.2
Special tax-allowable reserves		4.2	–	3.9
Loss carryforwards	97.1	–	92.6	–
Valuation allowances on loss carryforwards	-76.3	–	-64.6	–
Consolidation items	-0.7	7.5	–	6.6
Offsetting	-156.7	-156.7	-163.9	-163.9
Deferred taxes	**138.5**	**271.8**	**131.0**	**225.3**
Deferred tax liabilities (net)	**–**	**133.3**	**–**	**94.3**

5.34 Deferred tax assets and liabilities

Deferred tax assets and liabilities break down by maturity as follows:

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Deferred tax assets to be recovered after more than 12 months	13.6	22.7
Deferred tax assets to be recovered within 12 months	124.9	108.3
Deferred tax assets	**138.5**	**131.0**
Deferred tax liabilities to be recovered after more than 12 months	268.4	224.4
Deferred tax liabilities to be recovered within 12 months	3.4	0.9
Deferred tax liabilities	**271.8**	**225.3**
Deferred tax liabilities (net)	**133.3**	**94.3**

5.35 Deferred tax by maturity

Deferred tax liabilities (net) changed as follows:

in EUR m	2022	2021
Deferred tax liabilities (net) at Jan. 1	**94.3**	**115.8**
Exchange rate differences	3.9	3.3
Income / expense in profit or loss	7.7	-32.8
Income taxes recognized in other comprehensive income	19.8	6.7
Business combinations	7.6	1.3
Deferred tax liabilities (net) at Dec. 31	**133.3**	**94.3**

5.36 Change in deferred tax liabilities (net)

The existing tax loss carryforwards can be utilized as follows:

	Dec. 31, 2022		Dec. 31, 2021	
in EUR m	Loss carryforwards	of which loss carryforwards for which deferred taxes are not recognized	Loss carryforwards	of which loss carryforwards for which deferred taxes are not recognized
Within one year	4.0	(3.9)	1.2	(1.2)
2 to 5 years	19.7	(18.3)	9.5	(9.5)
6 to 9 years	1.5	(1.2)	8.6	(8.5)
More than 9 years	316.8	(206.5)	297.6	(205.8)
Unlimited	374.7	(343.7)	326.1	(272.5)
Total	**716.7**	**573.6**	**643.0**	**497.5**

5.37 Tax loss carryforwards

Deferred tax on loss carryforwards is measured based on the expected taxable income derived from the current mid-term planning, allowing for restrictions on loss carryforwards and their utilization (minimum taxation).

Deferred taxes of EUR 20.8 million (Dec. 31, 2021: EUR 28.0 million) were recognized for loss carryforwards of EUR 143.1 million (Dec. 31, 2021: EUR 145.5 million) which are likely to be utilized. They include deferred taxes of EUR 0.9 million (Dec. 31, 2021: EUR 0.2 million) from current-period tax losses. Loss carryforwards which are likely to be utilized also include US subsidiaries' loss carryforwards for state taxes totaling EUR 52.6 million (tax rate between 7% and 8%) (Dec. 31, 2021: EUR 44.3 million) and for federal taxes totaling EUR 54.0 million (Dec. 31, 2021: EUR 46.6 million).

No deferred taxes were recognized for loss carryforwards of EUR 573.6 million (Dec. 31, 2021: EUR 497.5 million) which are not likely to be utilized. This figure includes domestic corporation tax and trade tax loss carryforwards totaling EUR 341.1 million (Dec. 31, 2021: EUR 269.3 million) as well as US subsidiaries' loss carryforwards for state taxes totaling EUR 204.8 million (tax rate between 7% and 8%) (Dec. 31, 2021: EUR 205.8 million).

There are no longer any interest carryforwards which are not likely to be utilized (Dec. 31, 2021: interest carryforwards not likely to be utilized of EUR 1.6 million, for which no deferred taxes were recognized).

Temporary differences in connection with investments in subsidiaries for which no deferred tax liabilities were recognized amount to EUR 779.5 million (Dec. 31, 2021: EUR 558.1 million).

11.) Earnings per share

Basic earnings per share in the amount of EUR 5.74 (2021: EUR 2.90) are determined by dividing the share of profit after tax of EUR 886.8 million (2021: EUR 448.3 million) attributable to the shareholders of Brenntag SE by the number of shares outstanding (154.5 million).

The warrants from the bond (Bond (with Warrants) 2022) issued in November 2015 had a dilutive effect in 2021, as the average Brenntag share price was higher than the strike price of the warrants of EUR 72.2474. In December 2022, Brenntag repaid the Bond (with Warrants) 2022 in the amount of USD 500 million. As the Brenntag share price was lower than the strike price at the end of the exercise period in November 2022, the warrants did not have a positive intrinsic value and were not exercised. Therefore, no new shares were created.

Diluted earnings per share are calculated as follows:

in EUR m	2022	2021
Share of profit after tax attributable to Brenntag SE shareholders	886.8	448.3
Number of Brenntag SE shares	154.5	154.5
Basic earnings per share	**5.74**	**2.90**
Number of potential shares with a dilutive effect[1]	–	0.4
Number of shares	**154.5**	**154.9**
Diluted earnings per share	**5.74**	**2.89**

5.38 Diluted earnings per share

[1] Maximum number of shares that would be issued if the warrants were exercised less the number of shares that could be bought with the issue proceeds at the average price for the period.

Consolidated balance sheet disclosures

12.) Cash and cash equivalents

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Bank deposits	1,029.3	689.8
Cheques and cash on hand	16.8	15.2
Total	**1,046.1**	**705.0**

5.39 Cash and cash equivalents

13.) Trade receivables

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Trade receivables from third parties	2,676.7	2,290.2
Trade receivables from related parties	0.1	–
Total	**2,676.8**	**2,290.2**

5.40 Trade receivables

Trade receivables at the reporting date were past due and impaired within the following time bands:

in EUR m	not past due	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	more than 180 days	Dec. 31, 2022
Loss given default (%)	0.4	1.4	6.0	13.9	14.7	84.3	
Gross amount of trade receivables	2,252.8	330.9	66.7	27.3	17.7	37.5	**2,732.9**
Valuation allowance	9.6	4.5	4.0	3.8	2.6	31.6	**56.1**

5.41 Loss given default on trade receivables / Dec. 31, 2022

in EUR m	not past due	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	more than 180 days	Dec. 31, 2021
Loss given default (%)	0.4	1.8	6.0	13.4	11.9	74.3	
Gross amount of trade receivables	2,019.8	214.7	38.4	13.4	10.9	36.2	**2,333.4**
Valuation allowance	7.1	3.8	2.3	1.8	1.3	26.9	**43.2**

5.42 Loss given default on trade receivables / Dec. 31, 2021

Of the trade receivables, EUR 823.0 million (Dec. 31, 2021: EUR 685.0 million) are secured by trade credit insurance.

In EMEA and Latin America, most of the trade receivables are secured by trade credit insurance. In Asia Pacific, there is trade credit insurance for most of the receivables in certain countries. In North America as well as in some countries in EMEA, Latin America and Asia Pacific, either there is no trade credit insurance or only a relatively small proportion of the trade receivables are secured by trade credit insurance.

Impairment losses on trade receivables changed as follows:

	Accumulated impairment losses on trade receivables	
in EUR m	**2022**	**2021**
Jan. 1	**43.2**	**37.6**
Exchange rate differences / other	3.5	2.3
Added	17.8	10.6
Reversed	–3.1	–3.0
Utilized	–5.3	–4.3
Dec. 31	**56.1**	**43.2**

5.43 Change in impairment losses on trade receivables

14.) Other receivables

	Dec. 31, 2022		Dec. 31, 2021	
in EUR m		of which current		of which current
Other receivables in scope of IFRS 7:				
Receivables from packaging	10.7	(10.7)	9.7	(9.7)
Reimbursement claims – environment	4.4	(–)	3.7	(–)
Suppliers with debit balances	13.0	(13.0)	14.5	(14.5)
Receivables from insurance claims	2.3	(2.3)	1.8	(1.8)
Deposits	7.9	(7.9)	6.5	(6.5)
Receivables from commissions and rebates	12.3	(12.3)	25.3	(25.3)
Receivables from employees	0.8	(0.8)	0.7	(0.7)
Miscellaneous other receivables	57.2	(45.0)	41.3	(28.7)
Other receivables in scope of IFRS 7 total	**108.6**	**(92.0)**	**103.5**	**(87.2)**
Other receivables out of scope of IFRS 7:				
Prepayments	40.5	(40.4)	25.5	(25.5)
Value-added tax receivables	100.1	(94.8)	76.9	(72.3)
Receivables from other taxes	14.6	(6.3)	16.4	(7.1)
Non-current income tax receivables	3.6	(–)	2.7	(–)
Plan assets not netted with provisions for pensions	5.3	(–)	10.3	(–)
Prepaid expenses	40.6	(39.1)	39.3	(38.0)
Other receivables out of scope of IFRS 7 total	**204.7**	**(180.6)**	**171.1**	**(142.9)**
Total other receivables	**313.3**	**(272.6)**	**274.6**	**(230.1)**

5.44 Other receivables

15.) Other financial assets

	Remaining term		
in EUR m	1 year or less	more than 1 year	Dec. 31, 2022
Financial receivables from third parties	17.5	13.8	31.3
Derivative financial instruments at fair value through profit or loss	2.7	9.2	11.9
Debt instruments at fair value through profit or loss	–	1.4	1.4
Total	**20.2**	**24.4**	**44.6**

5.45 Other financial assets / Dec. 31, 2022

	Remaining term		
in EUR m	1 year or less	more than 1 year	Dec. 31, 2021
Financial receivables from third parties	13.2	20.5	33.7
Derivative financial instruments at fair value through profit or loss	9.6	3.9	13.5
Debt instruments at fair value through profit or loss	–	1.7	1.7
Total	**22.8**	**26.1**	**48.9**

5.46 Other financial assets / Dec. 31, 2021

16.) Inventories

Inventories break down as follows:

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Merchandise	1,693.0	1,559.4
Finished goods	34.8	24.3
Work in progress	1.6	1.8
Raw materials and supplies	44.4	36.4
Total	**1,773.8**	**1,621.9**

5.47 Inventories

17.) Assets held for sale and liabilities associated with those assets

Assets held for sale include property, plant and equipment held for sale totaling EUR 9.6 million (Dec. 31, 2021: EUR 4.1 million). The property, plant and equipment and other assets and liabilities of our South African subsidiary PROTANK (Proprietary) Limited, Durban, are also reported here, as Brenntag intends to sell the company within twelve months.

The assets and liabilities break down as follows:

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents	1.5	–
Trade receivables and other receivables	0.7	–
Deferred taxes	0.6	–
Property, plant and equipment and intangible assets	10.7	4.1
Assets held for sale	**13.5**	**4.1**
Trade payables, other liabilities and provisions	4.0	–
Liabilities associated with assets held for sale	**4.0**	**–**

5.48 Assets held for sale and liabilities associated with those assets

18.) Property, plant and equipment

in EUR m	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
Cost					
Dec. 31, 2020	**1,005.2**	**716.2**	**356.3**	**91.5**	**2,169.2**
Exchange rate differences	43.7	38.1	13.3	7.3	102.4
Business combinations	7.4	2.0	2.1	0.1	11.6
Other additions	15.0	36.4	40.3	102.5	194.2
Reclassification into non-current assets held for sale	-5.8	–	–	–	-5.8
Disposals	-9.3	-9.2	-34.0	-0.1	-52.6
Transfers	40.8	42.9	9.4	-91.4	1.7
Dec. 31, 2021	**1,097.0**	**826.4**	**387.4**	**109.9**	**2,420.7**
Exchange rate differences	22.0	16.0	6.1	2.5	46.6
Business combinations	4.7	2.7	9.8	–	17.2
Other additions	31.5	53.4	50.8	120.6	256.3
Reclassification into non-current assets held for sale	-11.2	-7.4	-0.7	–	-19.3
Disposals	-15.5	-9.5	-33.7	-0.6	-59.3
Transfers	40.7	50.4	15.7	-103.4	3.4
Dec. 31, 2022	**1,169.2**	**932.0**	**435.4**	**129.0**	**2,665.6**
Accumulated depreciation and impairment					
Dec. 31, 2020	**326.6**	**462.9**	**251.1**	**–**	**1,040.6**
Exchange rate differences	13.1	24.6	9.8	–	47.5
Depreciation	34.4	58.8	47.2	–	140.4
Impairment	4.1	0.2	–	–	4.3
Reclassification into non-current assets held for sale	-1.7	–	–	–	-1.7
Disposals	-7.5	-8.2	-31.4	–	-47.1
Transfers	0.5	-0.3	0.1	–	0.3
Dec. 31, 2021	**369.5**	**538.0**	**276.8**	**–**	**1,184.3**
Exchange rate differences	7.1	12.2	5.0	–	24.3
Depreciation	36.4	70.1	51.8	–	158.3
Impairment	0.7	–	–	–	0.7
Reclassification into non-current assets held for sale	-3.0	-5.4	-0.6	–	-9.0
Disposals	-11.8	-8.1	-31.9	–	-51.8
Transfers	-1.6	-1.7	4.0	–	0.7
Dec. 31, 2022	**397.3**	**605.1**	**305.1**	**–**	**1,307.5**
Carrying amounts at Dec. 31, 2021	727.5	288.4	110.6	109.9	1,236.4
Carrying amounts at Dec. 31, 2022	**771.9**	**326.9**	**130.3**	**129.0**	**1,358.1**

5.49 Property, plant and equipment

The net carrying amounts of the property, plant and equipment subject to impairment total EUR 2.2 million. Government grants total EUR 1.5 million (Dec. 31, 2021: EUR 1.6 million). Assets under construction total EUR 121.8 million (Dec. 31, 2021 : EUR 107.2 million), of which EUR 114.0 million (Dec. 31, 2021: EUR 100.0 million) is attributable to investments made during the financial year.

19.) Intangible assets

in EUR m	Goodwill	Trademarks	Customer relationships and similar rights	Software, licenses and similar rights	**Total**
Cost					
Dec. 31, 2020	**2,564.7**	**217.6**	**130.5**	**190.3**	**3,103.1**
Exchange rate differences	146.2	2.5	10.7	4.7	164.1
Business combinations	277.2	14.7	62.2	1.1	355.2
Other additions	–	–	0.2	19.8	20.0
Disposals	–	–	-11.2	-2.6	-13.8
Transfers	–	–	–	1.6	1.6
Dec. 31, 2021	**2,988.1**	**234.8**	**192.4**	**214.9**	**3,630.2**
Exchange rate differences	85.3	0.5	1.9	2.5	90.2
Business combinations	76.2	2.3	34.8	0.1	113.4
Other additions	–	–	0.1	7.9	8.0
Disposals	–	–	-25.5	-4.4	-29.9
Transfers	–	–	–	0.1	0.1
Dec. 31, 2022	**3,149.6**	**237.6**	**203.7**	**221.1**	**3,812.0**
Accumulated amortization and impairment					
Dec. 31, 2020	**–**	**17.3**	**66.8**	**81.1**	**165.2**
Exchange rate differences	–	1.6	4.7	2.8	9.1
Amortization	–	3.7	37.2	18.0	58.9
Impairment	–	–	–	51.9	51.9
Disposals	–	–	-11.2	-2.5	-13.7
Dec. 31, 2021	**–**	**22.6**	**97.5**	**151.3**	**271.4**
Exchange rate differences	–	–	0.2	1.5	1.7
Amortization	–	6.7	48.2	16.5	71.4
Impairment	38.1	–	–	–	38.1
Disposals	–	–	-25.5	-4.4	-29.9
Dec. 31, 2022	**38.1**	**29.3**	**120.4**	**164.9**	**352.7**
Carrying amounts at Dec. 31, 2021	2,988.1	212.2	94.9	63.6	3,358.8
Carrying amounts at Dec. 31, 2022	**3,111.5**	**208.3**	**83.3**	**56.2**	**3,459.3**

5.50 Intangible assets

The goodwill and the "Brenntag" trademark are assets with an indefinite useful life. They are tested regularly, at least annually, for impairment after completion of the annual budget process. The carrying amount of the "Brenntag" trademark is EUR 196.9 million as in the previous year.

The Brenntag Group is managed through two global divisions, Brenntag Specialties (BSP) and Brenntag Essentials (BES), which are each managed through geographically structured segments. These are the cash-generating units for the goodwill impairment test. Goodwill breaks down by cash-generating unit as follows:

in EUR m	**Dec. 31, 2022**	**Dec. 31, 2021**
EMEA (BSP)	591.4	564.3
Americas (BSP)	693.8	652.2
APAC (BSP)	303.7	274.2
EMEA (BES)	441.5	442.4
North America (BES)	960.4	901.4
Latin America (BES)	0.2	33.6
APAC excluding China and Hong Kong (BES)	50.2	49.4
China and Hong Kong (BES)	44.5	44.8
All other Segments	25.8	25.8
Group	**3,111.5**	**2,988.1**

5.51 Regional allocation of goodwill

The carrying amounts of the cash-generating units include right-of-use assets recognized under IFRS 16 (Leases). Fair value less costs of disposal is taken as the recoverable amount. This amount is determined on the basis of a recognized company valuation model. The company valuation model is based on cash flow plans, which are in turn based on the five-year plan approved by the Board of Management and applicable at the date of the performance of the impairment test, taking into account IFRS 16 (Leases). The five-year plan consists of a mid-term plan for the first three years prepared by management in collaboration with the subsidiaries and an extrapolation for the two following years performed by management. The fair value thus determined is required to be classified into Level 3 of the IFRS 13 measurement hierarchy.

The cash flow forecasts for the impairment test of the financial year ended December 31, 2022 were derived from the budget for 2023 and the plan years 2024 to 2027. The growth rates are based on management's past experience, expectations as to future trends in markets and costs as well as quantities and prices on the basis of external macroeconomic data, and the contribution to earnings expected from "Project Brenntag".

Fair value less costs of disposal for Latin America (BES) is EUR 297.4 million (Level 3 of the fair value hierarchy) and therefore less than the carrying amount. Therefore, a goodwill impairment loss of EUR 38.1 million was recognized. The impairment loss is due in particular to the lower income expected from the cash-generating unit in combination with the appreciable year-on-year increase in country risk premiums.

In the detailed planning period from 2023 to 2027, the average growth rates (CAGR) of the cash-generating units of Brenntag Specialties and Brenntag Essentials are between 4.0% and 14.4% (Dec. 31, 2021: between 6.3% and 16.8%).

After the, in some cases, much higher growth rates in the years 2023 to 2027 (detailed planning period), the planned growth rates for the period from 2028 onwards are 0.5% in EMEA BSP, 0.75% in Americas BSP, 1.0% in APAC BSP, 0.5% in EMEA BES, 0.75% in North America BES, 1.0% in Latin America BES, 1.0% in APAC excluding China and Hong Kong BES, and 1.0% in China and Hong Kong BES, (2021: 0.5% in EMEA BSP, 0.75% in Americas BSP, 1.0% in APAC BSP, 0.5% in EMEA BES, 0.75% in North America BES, 1.0% in Latin America BES, 1.0% in APAC excluding China and Hong Kong BES, and 1.0% in China and Hong Kong BES).

The region-specific WACC used to discount the cash flows thus determined is based on a risk-free interest rate of 2.00% (2021: 0.10%) and a market risk premium of 7.00% (2021: 7.75%). The estimates of daily yield curves published by the German central bank, the Bundesbank, are taken as a basis for determining the risk-free interest rate. The beta factor used and the capital structure are derived from a peer group. When unlevering, IFRS 16 (Leases) was reflected by making a retrospective adjustment to the leverage of the peer group companies. Furthermore, region-specific tax rates and country risk premiums (according to Damodaran) are used.

WACC in %	**2022**	**2021**
EMEA (BSP)	8.5	7.2
Americas (BSP)	8.2	7.0
APAC (BSP)	8.5	7.4
EMEA (BES)	8.2	7.0
North America (BES)	8.2	7.0
Latin America (BES)	11.0	8.8
APAC excluding China and Hong Kong (BES)	8.5	7.6
China and Hong Kong (BES)	8.2	7.0
All other Segments	8.2	7.0
Group	**8.3**	**7.1**

5.52 WACC by cash-generating unit

20.) Leases

Right-of-use assets arising from leases changed as follows:

in EUR m	Rights to use land and buildings	Rights to use vehicles	Other right-of-use assets	**Total**
Cost				
Dec. 31, 2020	**356.0**	**198.7**	**41.9**	**596.6**
Exchange rate differences	16.7	12.5	0.3	29.5
Business combinations	20.2	5.6	0.1	25.9
Other additions	37.4	48.9	17.8	104.1
Disposals	-16.1	-22.8	-9.7	-48.6
Transfers	-3.0	-1.0	–	-4.0
Dec. 31, 2021	**411.2**	**241.9**	**50.4**	**703.5**
Exchange rate differences	10.5	8.4	-1.0	17.9
Business combinations	4.8	0.2	0.1	5.1
Other additions	53.9	48.6	21.2	123.7
Reclassification into non-current assets held for sale	-1.2	–	–	-1.2
Disposals	-33.7	-38.0	-7.4	-79.1
Transfers	0.1	-0.9	-0.4	-1.2
Dec. 31, 2022	**445.6**	**260.2**	**62.9**	**768.7**
Accumulated depreciation				
Dec. 31, 2020	**82.2**	**76.7**	**19.0**	**177.9**
Exchange rate differences	5.2	5.0	0.3	10.5
Depreciation	56.3	51.1	10.6	118.0
Disposals	-9.6	-20.8	-8.5	-38.9
Transfers	-0.3	-0.2	–	-0.5
Dec. 31, 2021	**133.8**	**111.8**	**21.4**	**267.0**
Exchange rate differences	3.5	3.4	-0.5	6.4
Depreciation	67.8	53.6	16.5	137.9
Reclassification into non-current assets held for sale	-0.4	–	–	-0.4
Disposals	-26.9	-36.4	-7.0	-70.3
Transfers	0.1	1.8	-0.1	1.8
Dec. 31, 2022	**177.9**	**134.2**	**30.3**	**342.4**
Carrying amounts at Dec. 31, 2021	277.4	130.1	29.0	436.5
Carrying amounts at Dec. 31, 2022	**267.7**	**126.0**	**32.6**	**426.3**

5.53 Right-of-use assets

Extension options in the amount of EUR 81.1 million (Dec. 31, 2021: EUR 77.7 million) and purchase options in the amount of EUR 6.1 million (Dec. 31, 2021: EUR 6.9 million) were not included in the measurement of the right-of-use assets and lease liabilities, as it is not reasonably certain at the present time that they will be exercised. The extension options relate mainly to rights to use land and buildings, and the purchase options mainly to rights to use vehicles.

The following lease expenses were recognized in profit or loss:

in EUR m	2022	2021
Lease expense relating to short-term leases	-35.5	-25.7
Lease expense relating to variable lease payments	-10.2	-7.4
Lease expense relating to leases of low-value assets	-0.9	-1.3
Total	**-46.6**	**-34.4**

5.54 Lease expenses

As at December 31, 2022, future lease commitments for short-term leases amounted to EUR 16.6 million (Dec. 31, 2021: EUR 8.8 million), for variable lease payments to EUR 9.9 million (Dec. 31, 2021: EUR 8.9 million) and for leases entered into but not yet commenced to EUR 22.6 million (Dec. 31, 2021: EUR 7.2 million).

Interest expense on lease liabilities amounts to EUR 12.0 million (Dec. 31, 2021: EUR 11.0 million). Total payments for leases amounted to EUR 199.2 million in 2022 (Dec. 31, 2021: EUR 165.1 million). Further information on lease liabilities is provided in the sections “Financial liabilities” and “Reporting of financial instruments”.

21.) Equity-accounted investments

Equity-accounted investments changed as follows:

in EUR m	Investments in associates
Dec. 31, 2020	**3.2**
Net income from equity-accounted investments	1.0
Total comprehensive income	**1.0**
Dividends received	-0.1
Dec. 31, 2021	**4.1**
Net income from equity-accounted investments	1.6
Total comprehensive income	**1.6**
Dividends received	-0.3
Dec. 31, 2022	**5.4**

5.55 Change in equity-accounted investments

The financial year of the investments accounted for using the equity method is the calendar year.

22.) Trade payables

Trade payables of EUR 1,862.0 million (Dec. 31, 2021: EUR 1,802.3 million) include accruals of EUR 293.0 million (Dec. 31, 2021: EUR 326.5 million) for outstanding invoices.

23.) Financial liabilities

	Remaining term		
in EUR m	1 year or less	more than 1 year	**Dec. 31, 2022**
Liabilities under syndicated loan	5.1	546.8	551.9
Other liabilities to banks	217.8	0.1	217.9
Promissory notes (Schuldschein)	3.9	623.2	627.1
Bond 2025	1.8	597.4	599.2
Bond 2029	0.6	496.9	497.5
Derivative financial instruments	6.1	50.8	56.9
Other financial liabilities	84.4	26.6	111.0
Total	**319.7**	**2,341.8**	**2,661.5**
Lease liabilities	110.0	324.3	434.3
Cash and cash equivalents			1,046.1
Net financial liabilities			**2,049.7**

5.56 Financial liabilities / Dec. 31, 2022

	Remaining term		
in EUR m	1 year or less	more than 1 year	**Dec. 31, 2021**
Liabilities under syndicated loan	1.1	517.5	518.6
Other liabilities to banks	164.8	0.4	165.2
Bond 2025	1.8	596.4	598.2
Bond 2029	0.6	496.5	497.1
Bond (with Warrants) 2022	437.0	–	437.0
Derivative financial instruments	6.3	15.2	21.5
Other financial liabilities	66.1	26.0	92.1
Total	**677.7**	**1,652.0**	**2,329.7**
Lease liabilities	111.7	333.9	445.6
Cash and cash equivalents			705.0
Net financial liabilities			**2,070.3**

5.57 Financial liabilities / Dec. 31, 2021

The syndicated bullet loan is a loan agreement with a consortium of international banks. The syndicated loan is divided into different tranches with different currencies. As at December 31, 2022, it had a term ending in January 2024. While some subsidiaries are direct borrowers under the loan, others obtain their financing from intra-Group loans. The syndicated loan is guaranteed by Brenntag SE.

The liabilities under the syndicated loan break down as follows:

in EUR m	Remaining term	Interest rate above CDOR / LIBOR	Dec. 31, 2022
Currency			
CAD	Jan. 31, 2024	1.05%	55.4
USD	Jan. 31, 2024	1.05%	492.2
Total			**547.6**
Accrued interest			5.1
Transaction costs			–0.8
Liabilities under syndicated loan			**551.9**

5.58 Liabilities under syndicated loan / Dec. 31, 2022

in EUR m	Remaining term	Interest rate above CDOR / LIBOR	Dec. 31, 2021
Currency			
CAD	Jan. 31, 2024	1.15%	55.6
USD	Jan. 31, 2024	1.15%	463.5
Total			**519.1**
Accrued interest			1.1
Transaction costs			–1.6
Liabilities under syndicated loan			**518.6**

5.59 Liabilities under syndicated loan / Dec. 31, 2021

In addition to the above-mentioned tranches, the syndicated loan also includes two revolving credit facilities totaling EUR 940.0 million (Dec. 31, 2021: EUR 940.0 million), which were mostly unused as at December 31, 2022.

At the end of August 2022, Brenntag SE placed promissory notes with a nominal value of around EUR 640.0 million. These were issued at the nominal amount. Alongside five euro-denominated tranches with a total nominal value of EUR 390.0 million, the company also issued two US dollar-denominated tranches with a total nominal value of around EUR 250.0 million. The seven tranches have tenors of three, five and seven years and are due for repayment on August 29 and 30 of the respective year.

Five tranches carry floating interest rates, while two (euro) tranches have a fixed interest rate over the respective term. Interest payments are made quarterly for the floating-rate USD tranches, semi-annually for the floating-rate euro-denominated tranches, and annually for the fixed-rate euro-denominated tranches.

The liabilities under the promissory notes break down as follows:

in EUR m	Remaining term	Interest rate p.a. above EURIBOR / SOFR or fixed rate	**Dec. 31, 2022**
Currency			
EUR	Aug. 29, 2025	+0.75 pc points	60.0
	Aug. 30, 2027	+1.00 pc points	175.0
	Aug. 30, 2027	2.648%	75.0
	Aug. 30, 2029	+1.15 pc points	50.0
	Aug. 30, 2029	2.889%	30.0
Total			**390.0**
USD	Aug. 29, 2025	+1.25 pc points	65.6
	Aug. 30, 2027	+1.50 pc points	168.8
Total			**234.4**
Accrued interest			3.9
Transaction costs			–1.2
Liabilities under promissory notes			**627.1**

5.60 Liabilities under promissory notes / Dec. 31, 2022

The Bond 2025 issued in September 2017 in the amount of EUR 600.0 million matures in 2025 and bears a coupon of 1.125% with interest paid annually.

The Bond (with Warrants) 2022 issued in November 2015 was issued at 92.7% of par and bore a coupon of 1.875% p.a. with interest payable semi-annually. The discount (7.3% or USD 36.5 million) was the warrant premium on the warrants to purchase Brenntag SE shares issued together with the Bond (with Warrants) 2022. The warrant premium was recognized in the additional paid-in capital of Brenntag SE. The Bond (with Warrants) 2022 was fully repaid (including the discount) at maturity at the beginning of December 2022. The warrants to purchase Brenntag SE shares were not exercised.

In October 2021, Brenntag issued a further bond for EUR 500.0 million (Bond 2029). The bond has a maturity of eight years and carries an annual coupon of 0.50%. It is the first bond issue to take place under a EUR 3 billion debt issuance program newly established in 2021.

The Bonds 2025 and 2029 and the Bond (with Warrants) 2022 were issued by our Group company, Brenntag Finance B.V., Amsterdam, Netherlands.

24.) Other liabilities

	Dec. 31, 2022		Dec. 31, 2021	
in EUR m		of which current		of which current
Other liabilities in scope of IFRS 7:				
Liabilities from packaging	65.3	(65.3)	61.7	(61.7)
Customers with credit balances	31.6	(31.6)	32.5	(32.5)
Liabilities to insurance companies	24.6	(24.6)	20.5	(20.5)
Liabilities from sales deductions, rebates	29.1	(29.1)	19.9	(19.9)
Liabilities from the acquisition of assets	22.8	(22.8)	26.0	(26.0)
Miscellaneous other liabilities	127.8	(122.9)	72.7	(66.4)
Other liabilities in scope of IFRS 7 total	**301.2**	**(296.3)**	**233.3**	**(227.0)**
Other liabilities out of scope of IFRS 7:				
Liabilities to employees	228.8	(228.8)	203.5	(203.5)
Liabilities from value-added tax	89.0	(89.0)	67.5	(67.3)
Liabilities from other taxes	31.6	(31.6)	30.2	(30.2)
Deferred income	1.4	(1.4)	2.4	(2.4)
Liabilities from social insurance contributions	14.4	(14.4)	18.2	(18.2)
Miscellaneous other liabilities	3.4	(3.4)	24.5	(24.5)
Other liabilities out of scope of IFRS 7 total	**368.6**	**(368.6)**	**346.3**	**(346.1)**
Total other liabilities	**669.8**	**(664.9)**	**579.6**	**(573.1)**

5.61 Other liabilities

Other liabilities include accruals of EUR 81.1 million (Dec. 31, 2021: EUR 70.1 million).

25.) Other provisions

Other provisions changed as follows in financial year 2022:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Total
Jan. 1, 2022	**97.1**	**57.9**	**178.9**	**333.9**
Exchange rate differences	3.0	0.5	2.1	5.6
Additions from business combinations	–	0.2	–	0.2
Unwinding of discounting	0.9	–	0.3	1.2
Utilized	–6.9	–21.4	–22.7	–51.0
Reversed	–1.8	–5.1	–32.1	–39.0
Added	16.3	27.4	30.5	74.2
Transferred	0.3	–	–4.5	–4.2
Dec. 31, 2022	**108.9**	**59.5**	**152.5**	**320.9**

5.62 Change in other provisions

Other provisions have the following maturities:

in EUR m	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Dec. 31, 2022	Environmental provisions	Provisions for personnel expenses	Miscellaneous provisions	Dec. 31, 2021
1 year or less	12.2	16.3	126.3	154.8	12.7	23.3	151.3	187.3
1 to 5 years	37.4	39.0	13.6	90.0	33.9	29.0	13.9	76.8
more than 5 years	59.3	4.2	12.6	76.1	50.5	5.6	13.7	69.8
Total	**108.9**	**59.5**	**152.5**	**320.9**	**97.1**	**57.9**	**178.9**	**333.9**

5.63 Maturity of other provisions

Environmental provisions

The recognition and measurement of environmental provisions are coordinated centrally by external independent experts. The provision amounts are determined on the basis of individual cost estimates for each case. Allowance is made not only for the nature and severity of pollution but also for the conditions at the respective sites and the sovereign territories in which these sites are located.

Environmental provisions are stated at their present values. They are discounted at maturity-dependent, risk-free interest rates for the respective functional currencies. Increases in the future expenditure due to inflation are allowed for. The discount rates for environmental provisions range from 1.6% to 13.4%, depending on the currency (Dec. 31, 2021: from 0.0% to 12.5%).

As at December 31, 2022, environmental provisions total EUR 108.9 million (Dec. 31, 2021: EUR 97.1 million). They mainly relate to the rehabilitation of soil and ground water for current and former, owned and leased sites but also cover costs for further and accompanying measures such as necessary environmental inspections and observations. The provisions include EUR 20.7 million (Dec. 31, 2021: EUR 20.6 million) for contingencies for which a cash outflow is not likely but nevertheless possible. In line with the requirements of IFRS 3, these contingencies have entered the balance sheet largely through the purchase price allocation in connection with the acquisition of the Brenntag Group by funds advised by BC Partners Limited, Bain Capital, Ltd. and subsidiaries of Goldman Sachs International at the end of the third quarter of 2006.

Due to the nature and the large number of parameters which have to be considered when determining environmental provisions, there are uncertainties in their measurement. This applies both to the amount and the timing of future expenditure. However, based on the information available at the time of preparation of the financial statements, it can be assumed that the environmental provisions are reasonable and any additional amounts incurred would not have any material effect on the net assets, financial position and results of operations of the Group.

In some cases, special agreements have been reached which ensure that the cost of any future environmental work necessary will be borne by third parties. If receipt of payment from the third party is virtually certain provided Brenntag meets its obligations, these claims to reimbursement are recognized. They are generally measured in the same way as the corresponding provisions. The amount recognized does not exceed the amount of the provision. The claims to reimbursement recognized at December 31, 2022 amount to EUR 4.4 million (Dec. 31, 2021: EUR 3.7 million).

Provisions for personnel expenses

Provisions for personnel expenses primarily contain obligations arising from future variable and individual one-time payments, payments in connection with employee long-service anniversary bonuses, early retirement regulations and pre-retirement part-time work compensation. Provisions for virtual share-based remuneration programs are also presented under this item. These programs are long-term bonus systems for members of the Board of Management of Brenntag SE, on the one hand, and for executives and senior managers of the Brenntag Group, on the other.

Long-term virtual share-based remuneration program for the members of the Board of Management and Long-Term Incentive Plan for Executives and Senior Managers (LTI Plan)

Details of the long-term, variable remuneration for the members of the Board of Management are provided in the section “Related parties”.

For the period from 2013 to 2020, an LTI Plan was offered to a group of managers which is to be redefined every year by the Board of Management of Brenntag SE. The term of the program is divided into a one-year performance period and a general vesting period of three years. The total bonus pool amount available for one annual tranche of the LTI Plan basically depends on the change in operating EBITDA in the performance period; further amounts can be assigned to the bonus pool at the discretion of the Board of Management. Restrictions exist to the extent that the bonus pool may not exceed 0.675% of the actual operating EBITDA. On the basis of this bonus pool, the number of virtual shares is determined for each plan participant pro rata based on the average price of the Brenntag shares and the annual salary of the participant in relation to the total annual salaries of all participants. After expiry of the vesting period, the plan participants receive remuneration resulting from the virtual shares allocated multiplied by the average Brenntag share price, adjusted for dividends, capital transactions and stock splits. Payment per virtual share must not exceed 250% of the average share price, on the basis of which the number of virtual shares was determined.

In 2021, a new LTI Plan was set up for selected members of the Brenntag Group’s Global Leadership Team (GLT). This special long-term incentive program is aimed at retaining GLT members and motivating them to ensure and share in the long-term success of “Project Brenntag” and therefore the Brenntag Group. These selected GLT members are conditionally entitled to a bonus payment depending on their LTI target bonus and the achievement of a defined EBITDA target for financial year 2023. 50% of the bonus payment is in cash and 50% in the form of virtual shares of the company. Following a holding period of a further year, the virtual shares are converted into a cash payment.

Provisions for share-based remuneration total EUR 37.9 million as at December 31, 2022 (Dec. 31, 2021: EUR 31.0 million) and disaggregate into the following maturities:

in EUR m	Dec. 31, 2022	Dec. 31, 2021
1 year or less	5.8	8.8
1 to 5 years	32.1	22.2
Total	**37.9**	**31.0**

5.64 Provisions for share-based remuneration

Miscellaneous provisions

Miscellaneous provisions include provisions of EUR 60.0 million (Dec. 31, 2021: EUR 81.5 million) in connection with routine reviews of the tax on alcohol and energy being conducted by the German customs authorities. In addition, other provisions primarily include provisions for compensation payable, provisions for restoration obligations and provisions for risks from legal proceedings and disputes.

Provisions for current and likely litigation are established in those cases where reasonable estimates are possible. These provisions contain all estimated legal costs as well as the possible settlement costs. The amounts are based on information and cost estimates provided by lawyers (for details, please see the section entitled Legal proceedings and disputes).

26.) Provisions for pensions and other post-employment benefits

There are both defined contribution and defined benefit pension plans for the employees of the Brenntag Group. The pension obligations vary depending on the legal, tax and economic circumstances in the respective country and the employee's years of service with the company and pay grade.

Defined contribution plans

A large number of the employees of the Brenntag Group will receive benefits from the statutory social insurance fund, into which the contributions are paid as part of their salary. In addition, various other pension fund commitments exist at the companies of the Brenntag Group. As the company has no further obligations after payment of the retirement pension contributions to the state social insurance fund and private insurance companies, these plans are treated as defined contribution plans. Current pension contribution payments are recognized as expense for the relevant period. In financial year 2022, pension expenses in the Brenntag Group for employer contributions to the statutory pension insurance fund and for non-statutory defined contribution plans amounted to a total of EUR 108.6 million (2021: EUR 91.7 million).

In the USA, subsidiaries of the Brenntag Group pay into defined benefit plans maintained by more than one employer (termed multi-employer plans). These multi-employer defined benefit plans are accounted for in the consolidated financial statements as defined contribution plans because the information required to use defined benefit accounting is not available in a timely manner and in sufficient detail. Furthermore, there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual participating employers, which is necessary for accounting for defined benefit plans in accordance with IAS 19.

If other participating employers do not meet their payment obligations, Brenntag may be liable for the obligations of those employers. Any potential withdrawal from the plans by an entity may lead to that entity having to offset the potential shortfall relating to its share of the plan. The funding level of the individual plans ranged from about 15% to 102% as at December 31, 2022 (about 18% to 94% as at December 31, 2021). Brenntag Group subsidiaries account for approximately 0.06% to 1.26% of the total contributions (2021: approximately 0.06% to 1.54%), depending on the plan. Withdrawal from all plans at the present time would lead to an estimated one-time expense of approximately EUR 61 million or approximately USD 64 million (2021: approximately EUR 56 million or approximately USD 66 million). It is not intended to withdraw from any of these plans at this time.

In financial year 2022, contributions of EUR 2.9 million or USD 3.0 million (2021: EUR 2.4 million or USD 2.8 million) were paid. The contributions are included in the above-mentioned contributions for non-statutory defined contribution plans. In 2023, the contributions are expected to amount to approximately EUR 3.0 million.

Defined benefit plans

The defined benefit plans of the Brenntag Group are funded by provisions and largely covered by assets. The principal obligations (over 90% of the total volume) are in Switzerland, Germany, Canada and the Netherlands. The remaining obligations are spread over another eleven countries in the EMEA, Latin America and Asia Pacific segments.

Switzerland

In Switzerland, every employer is obliged by national law to set up a company retirement pension scheme. When determining the pension benefits, the minimum requirements of the Federal Law on Occupational Retirement, Surviving Dependents' and Disability Pensions (Bundesgesetz über die beruflichen Alters-, Hinterlassenen- und Invalidenvorsorge (BVG)) and the corresponding regulations are required to be observed.

The Swiss group company maintains a funded pension plan for its employees. The assets of this plan are held in two autonomous foundations. The foundation board is made up of equal numbers of employer and employee representatives. It is responsible for setting the investment strategy, for changes in the plan rules and in particular also for determining the financing of the pension benefits.

The pension benefits are based on the retirement assets accrued. The annual retirement credits and interest are credited to these retirement assets. On retirement, the insured person is obliged to take 30% of the accrued retirement assets in the form of a lump-sum payment and may choose whether to take the remaining 70% of the accrued retirement assets in the form of a life-long pension or another lump-sum payment. In addition to the retirement benefits, the pension benefits also include disability and surviving dependents' pensions. The insured person may also dispose of parts of their accrued retirement assets prematurely if this serves to improve their pension situation (for owner-occupied residential property). If there is a change of employer, the retirement assets are transferred to the pension scheme of the new employer.

The employee and employer contributions are set by the foundation board. According to the BVG, the employer pays at least 50% of the necessary contributions. In the case of Brenntag Schweizerhall AG, the employer pays some 70% of the contributions in accordance with the rules of the plan.

As the contributions to the pension plan that the employees in Switzerland pay are based on formal rules, the risk distribution between employee and employer is taken into account when measuring the obligation. In the case of Brenntag Schweizerhall AG, this leads to an only minor reduction in the present value of the benefit obligation.

Germany

The German group companies have retirement pension plans which are based on contractual provisions or works agreements:

The Employee Pension Plan 2000/2012 (Mitarbeiter Vorsorgeplan 2000/2012) is a pension plan funded by the employer. The employer awards an annual pension contribution of between EUR 250 and EUR 500 depending on length of service, which is converted into pension modules. The amount of the benefits depends on the pension modules accrued before retirement.

The Pension Scheme 2000/2012 for Executives (Leistungsordnung 2000/2012 für Führungskräfte) of the German Brenntag companies is a pension plan for executives funded by the employer in the form of individual commitments. The annual pension contribution depends on the pensionable remuneration (basis of assessment). The annual basis of assessment is the sum total of the fixed remuneration, Christmas and vacation allowances and bonuses but no more than three times the contribution assessment limit for the statutory pension system. The pension contribution is a maximum of 4% of the basis of assessment up to the contribution assessment limit plus a maximum of 10% for parts exceeding the contribution assessment limit. The annual pension contributions are converted into pension modules. The amount of the benefits depends on the pension modules accrued before retirement.

All employees have the option to convert pay components into an entitlement to pension benefits within the meaning of the German Company Pension Act (Betriebsrentengesetz (BetrAVG)) by participating in the Pension Plan Through Employee-funded Pension Commitments (Vorsorgeplan über mitarbeiterfinanzierte Versorgungszusagen). The annual pension contribution for participating employees is between at least EUR 250 and a maximum of 4% of the contribution assessment limit for the statutory pension system (Section 1a BetrAVG). The company also pays an additional pension allowance of 15% to the converted amount provided that the pension contribution comes from remuneration subject to statutory pension insurance contributions. Furthermore, through the Deferred Compensation Plan (DCP), employees have the option to convert pay components into an entitlement to pension benefits. The converted employee contributions are protected by pension liability insurance pledged to the employee who is entitled to the pension. With both employee-funded plans, the employees must decide every year on the pension contribution they wish to make.

In addition to the retirement benefits, the pension benefits also include surviving dependents' pensions and – except in the case of the Deferred Compensation Plan (DCP) – disability benefits.

The Pension Scheme 2000/2012 for Executives (Leistungsordnung 2000/2012 für Führungskräfte) is a pure retirement pension plan with a monthly life-long pension. With the other pension plans, the pension benefit is paid out as a lump sum or as an annual capital instalment spread over a maximum of five years or as a life-long pension.

Furthermore, in Germany, Brenntag still has isolated retirement and disability pension commitments under pension plans set up in the past. These commitments depend on the years of service and the pay grades of the respective employees. They are mainly commitments involving monthly pension payments.

Canada

In Canada, Brenntag maintains an employer-funded pension plan with a life-long monthly pension for employees who joined the company before December 31, 2011. The basis of assessment for calculating the annual pension is 1% of the average salary of the three highest annual salaries of the beneficiary multiplied by the number of years of service. In addition to the retirement benefits, the pension benefits include disability and surviving dependents' pensions.

The plan participants in the employer-funded pension plan who are under 50 or who have less than 15 years of service or less than 55 points (sum of age and years of service) must pay into a defined contribution plan newly set up in 2014 in order to continue to build up their retirement pension. Employer and employee pay equal portions of the contributions. The entitlements accrued up to the date of transition remain in place.

For employees in Canada who joined the company up to and including May 31, 2013, there is an employer-funded supplementary medical cost plan in retirement as well as a life insurance payout of CAD 5,000 on retirement. As this plan has the characteristics of a pension, it is classified under pensions and other post-employment benefits.

Netherlands

Company pension systems play a prominent role in the Netherlands as the pay-as-you-go statutory pension scheme only provides a basic pension.

The companies maintain a funded retirement plan for their employees. When there is a change of employer, the credit balance from the plan assets can be transferred to the pension scheme of the new employer or remains in the previous company's pension scheme. About 20% of the retirement pension plan is funded by the employee and about 80% by the employer. Depending on the employer's commitment, the basis of assessment for calculating the annual pension is the last salary before the employee reaches retirement age or the average salary over the employee's active career before reaching retirement age. The amount calculated from the basis of assessment is multiplied by the years of service. The retirement pension plan is a pure pension plan with a life-long monthly pension. In addition to the retirement benefits, the pension benefits include disability and surviving dependents' pensions.

Risks arising from defined benefit pension plans

Brenntag is exposed to risks arising from the plans. An increase in life expectancy, an increase in salaries and the adjustment of pensions in line with inflation as required by law in Germany, or an increase in medical costs in Canada, would lead to higher cash outflows and, in combination with falling discount rates, in each case to higher present values of the defined benefit obligation. There is investment risk in Switzerland primarily with regard to the proportion of the plan assets invested in shares. There is no investment risk in Germany or the Netherlands as the plan assets consist solely of insurance policies. In Canada, the plan assets consisting of external fund shares are in principle exposed to investment risk. In order to minimize this risk, the plan assets in Canada are subject by law to an audit every three years to establish whether the assets invested are sufficient to fund the pension obligations.

Actuarial parameters applied

The plan assets are measured at fair value. The calculation of the present value of the benefit obligations is based on the following main actuarial parameters. When several countries are grouped together, the values are average values weighted by the present value of the respective benefit obligation:

in %		Switzerland	Germany	Canada	Netherlands	Other countries	**Weighted**
Discount rate	**2022**	**2.30**	**3.70**	**5.20**	**3.70**	**4.52**	**3.58**
	2021	0.30	1.00	3.20	1.00	2.14	1.24
Expected salary trend	**2022**	**1.50**	**2.50**	**3.25**	**2.50**	**3.73**	**2.40**
	2021	1.00	2.50	3.25	2.00	3.65	2.22
Expected pension trend	**2022**	**0.50**	**2.00**	**2.00**	**2.00**	**2.58**	**1.59**
	2021	0.00	1.75	2.00	1.75	2.24	1.37
Medical cost trend	**2022**	**n.a.**	**n.a.**	**5.40**	**n.a.**	**n.a.**	**5.40**
	2021	n.a.	n.a.	6.00	n.a.	n.a.	6.00

5.65 Actuarial parameters applied

As inflation has actually been much higher since the last pension adjustment dates, for pensioners in Germany for whom adjustments are made in line with the changes in the consumer price index, an additional valuation premium of 8.09% is included for the above-average pension adjustments for the coming years that have accrued but not yet been made. The effects of applying the premium to reflect the pension adjustment status amounted to EUR 1.5 million as at December 31, 2022.

With respect to life expectancy, the Heubeck 2018 G mortality tables (generational tables) are taken as a basis in Germany. The BVG 2020 generational mortality tables are used in Switzerland. We use the “Prognose Tafel AG2020” table in the Netherlands and the “CPM-2014Priv generational mortality table” in Canada.

Provisions for pensions and other post-employment benefits by country

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2022**
Present value of the defined benefit obligation	103.6	112.4	56.8	48.4	23.0	344.2
Fair value of plan assets	-121.9	-25.4	-51.3	-43.9	-6.2	-248.7
Effect of the asset ceiling	18.3	–	–	–	–	18.3
Provisions for pensions and other post-employment benefits – net	**–**	**87.0**	**5.5**	**4.5**	**16.8**	**113.8**
of which assets recognized	–	–	5.0	–	0.3	5.3
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**–**	**87.0**	**10.5**	**4.5**	**17.1**	**119.1**

5.66 Provisions for pensions and other post-employment benefits by country / Dec. 31, 2022

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2021**
Present value of the defined benefit obligation	117.1	163.3	72.9	75.8	28.6	457.7
Fair value of plan assets	-123.1	-24.8	-68.5	-68.0	-6.3	-290.7
Effect of asset ceiling	6.0	–	–	–	–	6.0
Provisions for pensions and other post-employment benefits – net	**–**	**138.5**	**4.4**	**7.8**	**22.3**	**173.0**
of which assets recognized	–	–	10.3	–	–	10.3
Provisions for pensions and other post-employment benefits recognized in the balance sheet	**–**	**138.5**	**14.7**	**7.8**	**22.3**	**183.3**

5.67 Provisions for pensions and other post-employment benefits by country / Dec. 31, 2021

Pension obligations, plan assets and provisions for pensions and other post-employment benefits recognized in the balance sheet changed as follows:

Change in the present value of the defined benefit obligations

in EUR m	2022	2021
Present value of pension obligations at the beginning of the period	457.7	476.0
Exchange rate differences	6.1	11.4
Business combinations	–	0.5
Transferred	-0.3	0.6
Utilized	-17.9	-14.9
Service cost		
Current service cost	14.7	15.3
Past service cost	-0.2	-0.3
Employee contributions	1.6	1.3
Interest expense on the present value of the obligation	5.7	3.8
Settlements	–	-0.1
Remeasurement components		
Change in economic assumptions	-125.9	-33.9
Change in demographic assumptions	0.9	-6.1
Experience adjustments	1.8	4.1
Present value of pension obligations at the end of the period	**344.2**	**457.7**

5.68 Change in the present value of the defined benefit obligations

The present value of pension obligations totaling EUR 344.2 million (Dec. 31, 2021: EUR 457.7 million) includes pension obligations for members of the Board of Management amounting to EUR 5.7 million (Dec. 31, 2021: EUR 8.7 million) and for former members of the Board of Management amounting to EUR 8.2 million (Dec. 31, 2021: EUR 13.4 million).

The decrease in pension obligations attributable to the change in economic assumptions of EUR -125.9 million is due mainly to the discount rates being higher than at December 31, 2021 in all currency areas. The rates can be found in the table “Actuarial parameters applied”.

Change in the fair value of plan assets

in EUR m	2022	2021
Fair value of plan assets at the beginning of the period	290.7	281.5
Exchange rate differences	6.5	11.2
Transferred	–	0.4
Utilized	-13.0	-10.5
Employer contributions	6.9	8.8
Administrative costs for plan assets	-0.5	-0.5
Employee contributions	1.6	1.3
Interest income on plan assets	3.8	2.5
Settlements	–	-0.1
Remeasurement components	-47.3	-3.9
Fair value of plan assets at the end of the period	**248.7**	**290.7**

5.69 Change in the fair value of plan assets

Change in the effect of the asset ceiling

in EUR m	2022	2021
Asset ceiling at the beginning of the period	6.0	–
Exchange rate differences	0.4	0.2
Remeasurement components	11.9	5.8
Asset ceiling at the end of the period	**18.3**	**6.0**

5.70 Change in the effect of the asset ceiling

The asset ceiling is the result of a surplus in the plans in Switzerland, which does not give rise to any economic benefits in the form of refunds or reductions in future contributions.

Change in provisions for pensions and other post-employment benefits recognized in the balance sheet

in EUR m	2022	2021
Provisions for pensions and other post-employment benefits at the beginning of the period	173.0	194.5
Exchange rate differences	–	0.4
Business combinations	–	0.5
Transferred	-0.3	0.2
Utilized	-4.9	-4.4
Employer contributions	-6.9	-8.8
Current service cost	14.7	15.3
Past service cost	-0.2	-0.3
Administrative costs for plan assets	0.5	0.5
Net interest expense	1.9	1.3
Remeasurement components	-64.0	-26.2
Provisions for pensions and other post-employment benefits at the end of the period - net	**113.8**	**173.0**
of which assets recognized	5.3	10.3
Provisions for pensions and other post-employment benefits recognized in the balance sheet at the end of the period	**119.1**	**183.3**

5.71 Change in provisions for pensions and other post-employment benefits ecognized in the balance sheet

Recognized provisions for pensions include EUR 10.6 million (Dec. 31, 2021: EUR 14.8 million) for the supplemental medical cost plan in Canada. Pension costs recognized in the income statement for obligations under defined benefit plans total EUR 16.9 million (2021: EUR 16.8 million). Net interest expense is presented within net finance costs. Current service cost and administrative costs for plan assets are presented within personnel expenses, where the amounts of past service cost and the amounts from settlements are also recognized.

The present values of the defined benefit obligations break down as follows into active members, former employees with vested rights and pensioners, split according to the payout method, resulting in the following weighted average duration of the defined benefit obligations:

in EUR m	2022	2021
Present value of the pension obligations funded by plan assets, of which:	**246.9**	**322.2**
Active members with lump-sum payment	12.6	17.2
Active members with monthly pension	94.4	127.2
Active members with option to choose	14.5	26.8
Former employees with vested rights to lump-sum payment	8.8	12.5
Former employees with vested rights to monthly pension	2.4	3.5
Former employees with vested rights with option to choose	11.6	15.3
Pensioners with monthly pension	102.6	119.7
Present value of the pension obligations not funded by plan assets, of which:	**86.7**	**120.7**
Active members with lump-sum payment	23.4	30.8
Active members with monthly pension	19.4	33.0
Active members with option to choose	–	–
Former employees with vested rights to lump-sum payment	6.9	8.2
Former employees with vested rights to monthly pension	8.2	12.9
Former employees with vested rights with option to choose	–	–
Pensioners with monthly pension	28.8	35.8
Medical cost plan	**10.6**	**14.8**
Present value of the pension obligations at the end of the period	**344.2**	**457.7**
Weighted average duration of the pension obligations in years	**14**	**17**

5.72 Breakdown of the present values of defined benefit obligations by members

The pension payments to be made by the company directly amount to EUR 4.9 million in 2022 (2021: EUR 4.4 million). From a present perspective, the cash outflow resulting from pension payments made by the company directly will remain at a level of EUR 4 to 6 million over the long term. The pension payments expected to be made by the company directly in 2023 total EUR 5.7 million.

The fair value of the plan assets disaggregates into the following asset classes:

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2022**
Shares	20.1	–	8.3	–	2.0	30.4
Fixed-interest securities	12.7	–	42.2	–	0.7	55.6
Insurance policies	89.1	25.4	–	43.9	3.5	161.9
Cash and cash equivalents	–	–	0.8	–	–	0.8
Fair value of plan assets	**121.9**	**25.4**	**51.3**	**43.9**	**6.2**	**248.7**

5.73 Fair value of the plan assets by asset class / Dec. 31, 2022

in EUR m	Switzerland	Germany	Canada	Netherlands	Other countries	**Dec. 31, 2021**
Shares	22.3	0.1	9.9	–	2.0	34.3
Fixed-interest securities	14.0	–	58.1	–	0.9	73.0
Insurance policies	86.8	24.7	–	68.0	3.4	182.9
Cash and cash equivalents	–	–	0.5	–	–	0.5
Fair value of plan assets	**123.1**	**24.8**	**68.5**	**68.0**	**6.3**	**290.7**

5.74 Fair value of the plan assets by asset class / Dec. 31, 2021

The plan assets are solely for fulfilling the defined benefit obligations and constitute protection for pension entitlements, which is a legal requirement in some countries and is voluntary in other countries.

The structure of the plan assets is reviewed at regular intervals. All assets, which, in Brenntag's case, mainly consist of insurance policies, are tailored long-term to the amount and maturity of the pension commitments, taking investment risks and statutory regulations governing the investment of retirement assets into account.

Owing to the composition of the plan assets, investment risk at Brenntag is limited to securities traded in active markets (shares and fixed-interest securities). This part (2022: 34.6% of plan assets; 2021: 36.9% of plan assets) is subject to market fluctuations. All other assets are not traded in an active market.

The annual payments made into the plan assets, which, according to the plan rules, consist almost exclusively of obligatory payments, amount to EUR 6.9 million (2021: EUR 8.8 million). From a present perspective, the cash outflow resulting from contributions made by the company will remain at a level of EUR 7 million to EUR 8 million over the long term. Payments into plan assets for financial year 2023 are expected to total EUR 7.2 million.

Sensitivity analysis of the present value of the defined benefit obligation

The sensitivity analysis takes into account in each case the change in an assumption and the resulting effects on the defined benefit obligations, the other assumptions remaining the same as in the original calculation.

in EUR m	2022	2021
Discount rate		
Increase by 0.5 percentage points	-24.3	-32.9
Decrease by 0.5 percentage points	26.8	37.9
Expected salary trend		
Increase by 0.5 percentage points	2.1	3.3
Decrease by 0.5 percentage points	-2.0	-2.6
Expected pension trend		
Increase by 0.5 percentage points	6.1	8.3
Decrease by 0.5 percentage points	-5.7	-7.7
Medical cost trend		
Increase by 0.5 percentage points	0.7	1.2
Decrease by 0.5 percentage points	-0.6	-1.1

5.75 Sensitivity analysis of the present value of the defined benefit obligation

A 10% decrease in the mortality rates leads to an increase in life expectancy, depending on the individual age of each beneficiary. That means, for example, that the life expectancy of a 63-year-old employee as at December 31, 2022 increases by about one year. In order to determine the sensitivity of longevity, the mortality rates for the beneficiaries were reduced by 10%. If the mortality rates decreased by 10%, the present value of the defined benefit obligation would increase by EUR 8.2 million (2021: EUR 10.5 million).

27.) Liabilities relating to acquisition of non-controlling interests

Liabilities relating to the acquisition of non-controlling interests break down as follows:

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Liabilities relating to acquisition of non-controlling interests	127.1	214.4
Liabilities arising from limited partners' rights to repayment of contributions	2.2	1.9
Total	**129.3**	**216.3**

5.76 Liabilities relating to acquisition of non-controlling interests

Liabilities relating to the acquisition of non-controlling interests decreased due to the acquisition of the remaining non-controlling interests in TEE HAI CHEM PTE LTD, Singapore. They consist mainly of liabilities relating to the acquisition of the remaining 33% of the shares in Zhongbai Xingye Food Technology (Beijing) Co., Ltd (EUR 81.2 million) as well as the remaining shares in RAJ PETRO SPECIALTIES PRIVATE LIMITED (EUR 25.0 million or 35%).

EUR 106.3 million (Dec. 31, 2021: EUR 181.2 million) of liabilities relating to the acquisition of non-controlling interests have been included in net investment hedge accounting. Exchange rate-related changes in the liabilities included in net investment hedge accounting are recognized within equity in the net investment hedge reserve. Of the liabilities relating to the acquisition of non-controlling interests, EUR 25.0 million (Dec. 31, 2021: EUR 89.7 million) are current.

The effects of the change in liabilities relating to the acquisition of non-controlling interests recognized in profit or loss are presented in Note 7.).

28.) Equity

Capital management

The aim of capital management at Brenntag is to optimally deploy the resources used to ensure the company's continued existence and, at the same time, to generate a reasonable return on capital – measured by ROCE – for the shareholders in line with market conditions.

In 2022, the Group generated ROCE of 22.3% (2021: 19.6%).

in EUR m	2022	2021
Operating EBITA	1,511.7	1,081.9
Average carrying amount of equity	4,543.1	3,802.8
Average carrying amount of financial liabilities and lease liabilities	3,120.2	2,363.4
Average carrying amount of cash and cash equivalents	-882.2	-645.7
ROCE[1)]	22.3%	19.6%
ROCE[1)] after special items	**22.0%**	**15.5%**

5.77 Determination of ROCE

[1)] For the definition of ROCE, see the "Group key financial figures" section.

Brenntag monitors the appropriateness of borrowings inter alia through the ratio of net financial liabilities to operating EBITDA (leverage). Brenntag generally considers leverage of approximately 2x to be appropriate. Due to an exceptionally good business performance in 2022, the ratio was once again well below that level at 1.1x as at December 31, 2022.

We will monitor changes in leverage going forward and examine how we can create an optimum capital structure. In addition to current business performance and the trend in chemicals prices, our analysis also takes into account relatively large cash payments, such as those for acquisitions.

in EUR m	2022	2021
Non-current financial liabilities and lease liabilities	2,666.1	1,985.9
Current financial liabilities and lease liabilities	429.7	789.4
Cash and cash equivalents	–1,046.1	–705.0
Net financial liabilities	2,049.7	2,070.3
Operating EBITDA	1,808.6	1,344.6
Net financial liabilities / operating EBITDA	**1.1x**	**1.5x**

5.78 Net financial liabilities / Operating EBITDA

Subscribed capital

As at December 31, 2022, the subscribed capital of Brenntag SE totaled EUR 154,500,000 (Dec. 31, 2021: EUR 154,500,000). The share capital is divided into 154,500,000 no-par value registered shares (Dec. 31, 2021: 154,500,000 no-par value shares), each with a notional value of EUR 1.00 (Dec. 31, 2021: EUR 1.00).

According to article 7, para. 3 of the Articles of Association of Brenntag SE, any right of shareholders to certification of their shares is excluded to the extent permitted by law and that certification is not required under the rules of any stock exchange on which the share is admitted to trading. The company is entitled to issue share certificates embodying several shares (consolidated certificates). Pursuant to Section 67, para. 2 of the German Stock Corporation Act (AktG) in conjunction with Article 9, para. 1 (c) (ii) of Council Regulation (EC) No 2157/2001 on the Statute for a European company (“the SE Regulation”), only those persons recorded in the company’s share register will be recognized as shareholders of Brenntag SE. For purposes of recording the shares in the company’s share register, shareholders are required to submit to Brenntag SE the number of shares held by them, and, in the case of individuals, their name, address and date of birth, or in the case of legal entities, their company name, business address and registered offices. All shares confer the same rights and obligations. At the General Shareholders’ Meeting, each share has one vote and accounts for the shareholders’ proportionate share in the net income of Brenntag SE. Excepted from this rule are any treasury shares held by Brenntag SE that do not entitle Brenntag SE to any membership rights. Brenntag SE does not currently have any treasury shares. The shareholders’ rights and obligations are governed by the provisions of the German Stock Corporation Act (which apply to an SE as a European stock corporation by way of the reference to other relevant provisions contained in Article 9 of the SE Regulation), in particular by Sections 12, 53a ff., 118 ff. and 186 of the German Stock Corporation Act.

Additional paid-in capital

The additional paid-in capital amounts to EUR 1,491.4 million (Dec. 31, 2021: EUR 1,491.4 million).

Retained earnings

Retained earnings include cumulative profit after tax and the remeasurement component of the defined benefit pension plans including deferred taxes. Transactions with owners are also recognized here. The latter are effects of share purchases and sales which have no influence on existing control and are recognized in retained earnings.

As proposed by the Board of Management and the Supervisory Board, the ordinary General Shareholders’ Meeting of Brenntag SE on June 9, 2022 passed a resolution to pay a dividend of EUR 224,025,000.00 (2021: EUR 208,575,000.00). Based on 154.5 million shares, that is a dividend of EUR 1.45 (2021: EUR 1.35) per no-par value share entitled to a dividend.

At the General Shareholders’ Meeting on June 15, 2023, the Board of Management and the Supervisory Board will propose that the balance sheet profit of Brenntag SE amounting to EUR 309,000,000.00 be used for the distribution of a dividend of EUR 2.00 on each share of no-par value share entitled to the dividend for the fiscal year 2022 and to appropriate to retained earnings such amount of the balance sheet profit, if any, allotted to shares of no-par value with no dividend entitlement for the fiscal year 2022 at the time of the adoption of the resolution on the appropriation of the balance sheet profit for the fiscal year 2022 by the General Shareholders’ Meeting.

Other components of equity / Non-controlling interests

Exchange rate differences include effects of EUR 6.5 million arising on retrospective application of IAS 29 (hyperinflation) in Turkey and the inflation effect on equity of EUR 17.8 million in financial year 2022.

Other components of equity comprise the cumulative gain/loss from exchange rate differences, the net investment hedge reserve and the cash flow hedge reserve.

The cumulative gain/loss from exchange rate differences contains the differences from the translation of the financial statements of foreign companies into the Group currency (euro), which are recognized in other comprehensive income. The foreign exchange gains of EUR 91.0 million recognized here in financial year 2022 (2021: foreign exchange gains of EUR 172.2 million) resulted primarily from the appreciation of the US dollar against the euro.

Exchange rate differences from liabilities included in net investment hedge accounting are recognized within equity in the net investment hedge reserve.

The cash flow hedge reserve contains the effective portion of the cumulative fair value changes in derivative financial instruments included in cash flow hedge accounting.

Non-controlling interests comprise the shares of non-Group shareholders in the equity of consolidated entities. Non-controlling interests changed as follows:

in EUR m	Subscribed capital, retained earnings and additional paid-in capital	Exchange rate differences	Non-controlling interests
Dec. 31, 2020	**67.7**	**–5.8**	**61.9**
Dividends	–0.4	–	–0.4
Business combinations	7.5	–	7.5
Transactions with owners	–8.2	–	–8.2
Profit after tax	13.1	–	13.1
Other comprehensive income, net of tax	–	7.2	7.2
Total comprehensive income for the period	**13.1**	**7.2**	**20.3**
Dec. 31, 2021	**79.7**	**1.4**	**81.1**
Dividends	–1.4	–	–1.4
Transactions with owners	–43.2	–5.2	–48.4
Profit after tax	15.7	–	15.7
Other comprehensive income, net of tax	–	3.2	3.2
Total comprehensive income for the period	**15.7**	**3.2**	**18.9**
Dec. 31, 2022	**50.8**	**–0.6**	**50.2**

5.79 Change in non-controlling interests

Non-controlling interests decreased by EUR 50.0 million due to the acquisition of the remaining non-controlling interests in TEE HAI CHEM PTE LTD, Singapore. The EUR 1.6 million increase in non-controlling interests at Brenntag Saudi Arabia Limited had an opposite effect.

The assets, liabilities, sales and profit after tax (in each case 100%) of Zhongbai Xingye (33% non-controlling interest) and RAJ PETRO SPECIALTIES PRIVATE LIMITED (RAJ) (35% non-controlling interest) are shown below:

in EUR m	Zhongbai Xingye	RAJ
Assets		
Current assets	146.7	142.8
Non-current assets	11.2	15.1
Liabilities		
Current liabilities	113.9	83.8
Non-current liabilities	2.7	24.3
Net assets	**41.3**	**49.8**
Income statement		
Sales	216.9	286.8
Profit after tax	14.3	6.4

5.80 Subsidiaries with non-controlling interests / 2022

in EUR m	Zhongbai Xingye	RAJ	Tee Hai
Assets			
Current assets	96.2	127.1	51.6
Non-current assets	22.6	17.7	73.9
Liabilities			
Current liabilities	84.5	73.3	19.9
Non-current liabilities	6.0	25.6	16.0
Net assets	**28.3**	**45.9**	**89.6**
Income statement			
Sales	81.5	217.1	98.6
Profit after tax	3.6	11.5	4.9

5.81 Subsidiaries with non-controlling interests / 2021

Powers of the Board of Management to issue or repurchase shares

Authorization to create authorized capital

By resolution of the General Shareholders' Meeting on June 9, 2022, the Board of Management was authorized, with the approval of the Supervisory Board, to increase the share capital of Brenntag SE on one or more occasions until June 8, 2027 by a total of up to EUR 35,000,000 by issuing up to 35,000,000 new registered ordinary shares in return for cash contributions or contributions in kind. The shareholders shall generally be granted a subscription right. However, in certain cases the Board of Management is authorized, with the approval of the Supervisory Board, to exclude the shareholders' statutory subscription rights for one or more capital increases under the authorized capital. This shall apply, for example, if the capital increase is effected against cash contributions and the issue price of the new shares is not significantly lower than the stock market price of the shares of the same class and carrying the same rights already traded on the stock market at the time of final determination of the issue price within the meaning of Section 203, para. 1 and para. 2 and Section 186, para. 3, sentence 4 of the German Stock Corporation Act and the total pro rata amount of registered share capital represented by the new shares issued in accordance with this paragraph with exclusion of subscription rights pursuant to Section 186, para. 3, sentence 4 of the German Stock Corporation Act does not exceed 10% of the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

The Board of Management shall decide on the further content of the share rights and the conditions of the issuance of shares with the approval of the Supervisory Board.

Authorization to acquire and use treasury shares in accordance with Section 71, para. 1, no. 8 of the German Stock Corporation Act

By resolution of the General Shareholders' Meeting on June 9, 2022, the Board of Management was authorized, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 10% of the share capital. The shares acquired on the basis of this authorization, together with other shares in the company which Brenntag SE has already acquired and still holds, may at no time account for more than 10% of the respective registered share capital. The authorization may be exercised in whole or in part, once or several times. It took effect at the close of the General Shareholders' Meeting on June 9, 2022 and shall be valid until June 8, 2027. If the shares are purchased on the stock exchange, the purchase price (excluding incidental costs) may not be more than 10% higher or lower than the arithmetic mean of the share prices (closing auction prices of Brenntag SE shares in XETRA trading or a comparable successor system) on the Frankfurt Stock Exchange on the last five trading days prior to the purchase or the entering into an obligation to purchase. In the case of acquisition by means of a public purchase offer, Brenntag SE may either publish a formal offer or issue a public invitation to submit offers for sale. The purchase price offered (excluding incidental costs) or the limits of the purchase price range per share determined by Brenntag SE (excluding incidental costs) may not exceed or fall below the arithmetic mean of the share prices on the Frankfurt Stock Exchange on the last five trading days prior to the publication of the purchase offer or the invitation to submit offers by more than 10%. The authorization may be exercised for any purpose permitted by law. The Board of Management was authorized, with the approval of the Supervisory Board, to withdraw the treasury shares acquired on the basis of the authorization pursuant to Section 71, para. 1, no. 8 of the German Stock Corporation Act without any further resolution by the General Shareholders' Meeting. The withdrawal may be limited to a portion of the shares acquired. The authorization to withdraw shares may be exercised more than once. The withdrawal of shares generally leads to a reduction in registered share capital. In derogation of this, the Board of Management may determine that the registered share capital shall remain unchanged and that instead the withdrawal shall increase the proportion of the registered share capital represented by the remaining shares in accordance with Section 8, para. 3 of the German Stock Corporation Act. In this case, the Board of Management is authorized to adjust the indication of the corresponding number in the Articles of Association. Treasury shares may, under certain circumstances, also be used subject to exclusion of the shareholders' subscription rights existing in principle and in particular by way of simplified exclusion of subscription rights as specified above.

Authorization to issue bonds and to create conditional capital

By resolution of the General Shareholders' Meeting on June 9, 2022, the Board of Management was authorized ("Authorization 2022"), with the approval of the Supervisory Board, to issue holder or registered convertible bonds or bonds with warrants as well as profit participation rights or profit participating bonds with option or conversion rights on one or more occasions up to June 8, 2027 for a total nominal amount of up to EUR 2,000,000,000 with or without limited term ("Bonds") and to grant the holders or creditors of the Bonds option or conversion rights to up to 15,450,000 new Brenntag SE shares with a pro rata total amount of the registered share capital of up to EUR 15,450,000 in accordance with the respective option or convertible bond conditions or profit participation right or participating bond conditions ("Conditions") to be determined by the Board of Management. In order to grant shares to the holders or creditors of Bonds, the registered share capital was conditionally increased at the General Shareholders' Meeting on June 9, 2022 by up to 15,450,000 no-par value registered shares conferring profit-sharing rights from the beginning of the financial year in which they were issued ("Conditional Capital 2022"); this equates to an increase in the registered share capital of up to EUR 15,450,000. The Bonds may, in addition to euros, also be issued in a foreign legal currency, subject to a limit of the corresponding equivalent value in euros, and by companies dependent on Brenntag SE or in which it holds a majority interest; in this case, the Board of Management was authorized, with the approval of the Supervisory Board, to assume the guarantee for the Bonds on behalf of Brenntag SE and to grant the holders of such Bonds option or conversion rights to Brenntag SE shares and to make other declarations and take other actions necessary for a successful issue. The issues of Bonds may be divided into partial Bonds each having equal rights. Bonds may only be issued against contribution in kind, provided that the value of the contribution in kind corresponds to the issue price and that this price is not significantly lower than the theoretical market value of the Bonds determined in accordance with recognized methods of financial mathematics. The Board of Management is authorized, under certain circumstances and with the approval of the Supervisory Board, to exclude shareholders' subscription rights to the Bonds. However, with regard to the exclusion of subscription rights against cash payment, this authorization shall apply only provided that the shares issued to fulfil the option or conversion rights and/or in the case of fulfilment of the conversion obligation represent no more than 10% of the registered share capital. Decisive for the threshold of 10% is the registered share capital in the amount of EUR 154,500,000 (simplified exclusion of subscription rights). Details can be found in the Articles of Association of Brenntag SE, which are available in the Investor Relations section of the website at www.brenntag.com.

When convertible bonds, profit participation rights or profit participating bonds with conversion rights are issued, the holders are granted the right to exchange their Bonds for new Brenntag SE shares in accordance with the more detailed Conditions.

When bonds with warrants, profit participation rights or profit participating bonds with option rights are issued, one or more warrants shall be attached to each partial bond or each profit participation right or each participating bond, entitling the holder to subscribe for Brenntag SE shares in accordance with the more detailed Conditions.

New shares are issued at the option or conversion price to be set in accordance with the aforementioned resolution granting authorization.

In November 2015, Brenntag Finance B.V., in its capacity as issuer and with Brenntag SE as guarantor, issued a bond with warrant units in the amount of USD 500.0 million maturing on December 2, 2022 ("Bond (with Warrants) 2022"). It did so on the basis of the authorization resolved upon at the General Shareholders' Meeting on June 17, 2014 ("Authorization 2014") to issue Bonds and grant the holders or creditors of the Bonds option or conversion rights for up to 25,750,000 new Brenntag SE shares representing a notional amount of up to EUR 25,750,000 in the registered share capital ("Conditional Capital 2014").

The bond was offered only to institutional investors outside the USA. Shareholders' subscription rights were excluded. The warrants attached to the Bond (with Warrants) 2022 entitled the holder to purchase Brenntag SE ordinary shares by paying the strike price applicable at that time. The Terms and Conditions of the Bond (with Warrants) 2022 allowed Brenntag SE to settle exercised options both from the Conditional Capital 2014 and from the authorized capital described above or from the treasury shares it holds or to buy back the warrants.

The investor was able to detach the warrants from the bonds. The bond with warrant units, bonds detached from warrants and detached warrants were admitted to trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange. The warrants to purchase Brenntag SE shares had not been exercised at the exercise date at the beginning of December 2022.

29.) Consolidated cash flow statement disclosures

Net cash provided by operating activities of EUR 956.7 million (2021: EUR 388.6 million) was influenced by the rise in working capital of EUR 385.7 million (2021: EUR 575.3 million).

Of the net cash of EUR 401.4 million (2021: EUR 608.5 million) used in investing activities, EUR 267.2 million comprised payments to acquire intangible assets and property, plant and equipment. Payments to acquire consolidated subsidiaries and other business units consisted mainly of payments to acquire the shares in TechManagement Energy Services, LLC headquartered in Odessa, Texas, USA, in November 2022 and Ravenswood's Life Science and Coatings business headquartered in Bayswater, Australia, in December 2022. They also included cash inflows from repayments in connection with prior-year acquisitions.

Besides bank loans taken out and repaid as well as lease liabilities repaid, net cash used in financing activities of EUR 225.8 million (2021: net cash provided by financing activities of EUR 174.1 million) mainly included the cash inflow of around EUR 640.0 million from promissory notes (Schuldschein) taken out in August 2022 and the cash outflow of EUR 445.8 million for repayment of the Bond (with Warrants) 2022 at maturity in December 2022. A further EUR 224.0 million was used for the dividend payment to Brenntag shareholders and a further EUR 96.4 million to settle the liability relating to the acquisition of the remaining 49% of the shares in TEE HAI CHEM PTE LTD, Singapore.

At 7.5 in the reporting period, annualized working capital turnover[1] was lower than at the end of 2021 (8.3).

The loss on the net monetary position resulting from the application of IAS 29 (Financial Reporting in Hyperinflationary Economies) in Turkey depressed profit after tax by EUR 16.3 million. This non-cash effect is presented as an adjustment to net cash provided by operating activities as a separate line item. Other non-cash effects were adjusted in the respective line items in the cash flow statement insofar as they can be allocated. All other non-cash effects resulting from the application of IAS 29 were adjusted in other non-cash items and reclassifications and reduced net cash provided by operating activities by EUR 9.4 million. The notional loss of purchasing power of cash and cash equivalents resulting from the application of IAS 29 amounted to EUR 8.0 million in the reporting period of which a partial amount of EUR 3.3 million is attributable to the opening balance of cash and cash equivalents.

Of the interest payments, EUR 15.9 million (2021: EUR 4.0 million) relate to interest received and EUR 126.5 million (2021: EUR 53.5 million) to interest paid.

[1] Ratio of annual sales to average working capital: average working capital is defined for a particular year as the average of working capital at the beginning of the year, the end of each of the first, second and third quarters, and the end of the year.

Financial liabilities changed as follows:

in EUR m	**Dec. 31, 2021**	Net cash used in financing activities	Non-cash changes in lease liabilities	Business combina-tions in accor-dance with IFRS 3	Exchange rate differ-ences	Other	**Dec. 31, 2022**
Liabilities under syndicated loan	518.6	–	–	–	28.5	4.8	551.9
Other liabilities to banks	165.2	47.7	–	10.1	−5.1	–	217.9
Liabilities under promissory notes	–	639.8	–	–	−15.4	2.7	627.1
Bond 2025	598.2	–	–	–	–	1.0	599.2
Bond 2029	497.1	–	–	–	–	0.4	497.5
Bond (with Warrants) 2022	437.0	−445.8	–	–	36.6	−27.8	–
Derivative financial instruments	21.5	–	–	–	−0.3	35.7	56.9
Other financial liabilities	92.1	−2.5	–	3.7	−0.9	18.6	111.0
Financial liabilities	**2,329.7**	**239.2**	**–**	**13.8**	**43.4**	**35.4**	**2,661.5**
Lease liabilities	445.6	−139.4	114.3	5.0	8.0	0.8	434.3
Total	**2,775.3**	**99.8**	**114.3**	**18.8**	**51.4**	**36.2**	**3,095.8**
Dividends paid to Brenntag shareholders		−224.0					
Profits distributed to non-controlling interests		−3.2					
Settlement of liabilities relating to acquisition of non-controlling interests		−98.4					
Net cash used in financing activities		**−225.8**					

5.82 Change in financial liabilities in 2022

in EUR m	**Dec. 31, 2020**	Net cash provided by financing activities	Non-cash changes in lease liabilities	Business combinations in accordance with IFRS 3	Exchange rate differences	Other	**Dec. 31, 2021**
Liabilities under syndicated loan	477.8	-2.5	–	–	42.6	0.7	518.6
Other liabilities to banks	124.4	29.4	–	3.6	7.6	0.2	165.2
Bond 2025	597.3	–	–	–	–	0.9	598.2
Bond 2029	–	498.6	–	–	–	-1.5	497.1
Bond (with Warrants) 2022	398.3	–	–	–	31.5	7.2	437.0
Derivative financial instruments	11.4	–	–	–	-0.6	10.7	21.5
Other financial liabilities	30.2	-4.6	–	39.3	3.0	24.2	92.1
Financial liabilities	**1,639.4**	**520.9**	**–**	**42.9**	**84.1**	**42.4**	**2,329.7**
Lease liabilities	426.7	-119.6	94.4	26.2	18.1	-0.2	445.6
Total	**2,066.1**	**401.3**	**94.4**	**69.1**	**102.2**	**42.2**	**2,775.3**
Dividends paid to Brenntag shareholders		-208.6					
Profits distributed to non-controlling interests		-2.1					
Settlement of liabilities relating to acquisition of non-controlling interests		-16.5					
Net cash provided by financing activities		**174.1**					

5.83 Change in financial liabilities in 2021

30.) Segment reporting

The Brenntag Group is managed through two global divisions, Brenntag Specialties and Brenntag Essentials, which are each managed through geographically structured segments. Brenntag Specialties focuses on selling ingredients and value-added services to the selected industries, Nutrition, Pharma, Personal Care/HI&I (Home, Industrial & Institutional), Material Science (Coatings & Construction, Polymers, Rubber), Water Treatment and Lubricants. Brenntag Essentials markets a broad portfolio of process chemicals across a wide range of industries and applications. The global Brenntag Specialties division comprises the geographical segments EMEA, Americas and APAC. The global Brenntag Essentials division comprises the geographical segments EMEA, North America, Latin America and APAC. The two divisions are supported by Brenntag Business Services, which have been allocated to “All other Segments”. In addition, “All other Segments” combine the central functions for the entire Group and the activities with regard to the digitalization of our business. The international operations of BRENNTAG International Chemicals GmbH, which buys and sells chemicals in bulk on an international scale without regional boundaries, are also included here.

In the course of operationalizing its strategy, Brenntag took the decision in the fourth quarter of 2022 to replace operating EBITDA with operating EBITA as its key performance indicator. In contrast to operating EBITDA, operating EBITA also reflects depreciation of property, plant and equipment and right-of-use assets. For Brenntag, this is important primarily so that it can take into account the different depreciation profiles of Brenntag Specialties and Brenntag Essentials. Certain items of property, plant and equipment and right-of-use assets are not separable and support both divisions jointly. They have been allocated to a division (depending on the region) and are depreciated there. They are charged to the other division on the basis of fixed and variable monthly amounts. Brenntag uses operating EBITA to manage the segments, as it reflects the performance of the business operations well and is a key component of cash flow.

The aim is to continually grow operating EBITA throughout the business cycle. It is the operating profit as recorded in the consolidated income statement plus amortization of intangible assets, adjusted for certain items.

Brenntag adjusts operating EBITA for holding charges and for income and expenses arising from special items so as to improve comparability in presenting the performance of its business operations over multiple reporting periods and explain it more appropriately. Holding charges are certain costs charged between holding companies and operating companies. At Group level, these effects net to zero. Special items are income and expenses outside ordinary activities that have a special and material effect on the results of operations.

There are no significant non-cash items in the reporting period.

Impairment losses on property, plant and equipment in the amount of EUR 0.7 million (2021: EUR 4.3 million mainly EMEA (BES)) relate mainly to the EMEA (BES) segment. The goodwill impairment loss of EUR 38.1 million relates to the Latin America (BES) segment. There are no impairment losses on other intangible assets (2021: EUR 51.9 million “All other Segments”).

Non-current assets comprise property, plant and equipment, right-of-use assets and intangible assets. Non-current assets are allocated to the different countries as follows:

	Property, plant and equipment		Right-of-use assets		Intangible assets[1]	
in EUR m	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Germany	87.5	82.2	61.3	54.4	16.5	17.2
USA	435.7	351.8	167.5	175.2	56.0	63.0
Singapore	65.1	64.7	17.7	21.2	0.2	2.4
Canada	85.2	86.3	14.4	17.1	2.6	6.1
United Kingdom	62.9	48.5	39.2	37.8	14.4	14.8
France	92.4	90.0	8.7	10.7	0.5	0.5
Switzerland	38.6	39.0	2.1	1.6	0.2	0.3
Italy	55.2	54.1	22.6	26.3	1.2	3.0
Spain	46.5	47.5	9.8	10.2	0.1	0.2
China	90.9	103.1	1.3	2.4	12.8	20.9
Others	296.0	269.1	83.7	79.6	34.9	30.1
Total	**1,356.0**	**1,236.3**	**428.3**	**436.5**	**139.4**	**158.5**

5.84 Non-current assets by country

[1] Intangible assets excluding goodwill and "Brenntag" trademark.

The allocation of external sales to the different countries is shown in the following table:

	External sales	
in EUR m	2022	2021
Germany	1,945.4	1,538.2
USA	6,783.8	4,580.7
Canada	733.6	558.8
France	605.4	476.4
Italy	739.7	599.8
United Kingdom	793.6	596.1
Poland	647.5	514.9
China	705.7	573.2
Others	6,474.6	4,944.4
Total	**19,429.3**	**14,382.5**

5.85 External sales by country

31.) Other financial obligations and contingent liabilities

As at December 31, 2022, purchase commitments in respect of property, plant and equipment amounted to EUR 5.1 million (Dec. 31, 2021: EUR 6.6 million) and, as in the previous year, had a remaining term of one year or less. Information on lease obligations as at December 31, 2021 can be found in the sections "Leases" and "Reporting of financial instruments".

In connection with the elimination of environmental damage, as at December 31, 2022, there were contingent liabilities with a fair value of EUR 5.4 million (Dec. 31, 2021: EUR 5.0 million).

32.) Legal proceedings and disputes

Brenntag SE and individual subsidiaries have been named as defendants in various legal actions and proceedings arising in connection with their activities as a global group. Sometimes, Brenntag is also the subject of investigations by the authorities. Brenntag cooperates with the relevant authorities and, where appropriate, conducts internal investigations regarding alleged wrongdoings with the assistance of in-house and external counsel.

The decision issued by the French Competition Authority in 2013 in relation to the allocation of customers and coordination of prices was set aside by a court of appeal due to procedural errors at Brenntag's request in February 2017. In December 2020, the court imposed a fine of EUR 47 million. Brenntag has lodged an appeal against the decision. Regarding the investigation also ongoing at the French Competition Authority concerning whether BRENNTAG SA has illegally made use of its market position, a decision by the Authority is still pending. Based on current knowledge, Brenntag assumes that claims for civil liability arising from the above-mentioned proceedings are not sufficiently substantiated.

As a global company, Brenntag has to comply with the country-specific tax laws and regulations in each jurisdiction. Tax exposures could result in particular from current and future tax audits of our German and foreign subsidiaries. These exposures are generally reflected in the balance sheet by recognizing provisions.

The German Group companies Brenntag GmbH and BCD Chemie GmbH were or are currently the subject of routine reviews of the tax on alcohol and energy conducted or being conducted by the German customs authorities for the years 2014 to 2018. As a result, in financial year 2021, tax decision notices relating to alcohol tax were received for the years 2014 to 2016 in the amount of EUR 94.0 million and the appropriate taxes were paid. Legal redress was sought against the decisions. In 2021, Brenntag took the precaution of recognizing an amount of EUR 81.5 million in the balance sheet for the outstanding years under review. The findings of the review relate only to formal errors. At no time were there doubts concerning the tax-free use of alcoholic products by our customers. Brenntag believes that, in most cases, it will be successful in seeking legal redress. The authorities have continued their reviews of BCD Chemie GmbH for 2016 to 2017 and of Brenntag GmbH for 2017 to 2018. Under a tax audit notice issued in 2022, Brenntag GmbH is also the subject of a review for 2021. There are as yet no significant findings.

The energy tax review at BRENNTAG GmbH for the years 2016 and 2017 was completed in 2022 and tax decision notices totaling EUR 2.5 million were issued. This led to the reversal of the provision of EUR 19.0 million recognized in the previous year.

Also considering the above-mentioned appeal, it is not possible at present to conclusively predict whether further tax assessments will be made. As at December 31, 2022, EUR 60.0 million had been recognized in the balance sheet as a precaution for the outstanding years under review. With the support of external experts on excise duties, Brenntag examines the extent to which comparable excise duty risks also exist in other European countries. Ultimately, this analysis did not bring to light any circumstances that require the company to take precaution of recognizing amounts in the balance sheet for similar cases. Initial organizational improvements have already been implemented.

Given the number of legal disputes and other proceedings that Brenntag is involved in, it is possible that a ruling may be made against Brenntag in some of these proceedings. The company contests actions and proceedings where it considers it appropriate. Provisions are established for ongoing legal disputes on the basis of the estimated risk and, if necessary, with the help of external consultants. It is very difficult to predict the outcome of such matters, particularly in cases in which claimants seek indeterminate compensation. Any adverse decisions rendered in such cases may have material effects on Brenntag's net assets, financial position and results of operations for a reporting period. However, Brenntag currently does not expect its net assets, financial position and results of operations to be materially affected.

33.) Reporting of financial instruments

Carrying amounts and fair values by measurement category

The financial assets recognized in the balance sheet were allocated to the IFRS 9 measurement categories as follows:

in EUR m	Dec. 31, 2022			
Classification of financial assets:	At amortized cost	FVTPL[1]	**Total carrying amount**	**Fair value**
Cash and cash equivalents	1,046.1	–	1,046.1	1,046.1
Trade receivables	2,676.8	–	2,676.8	2,676.8
Other receivables	108.6	–	108.6	108.6
Other financial assets	31.3	13.3	44.6	44.6
Total	**3,862.8**	**13.3**	**3,876.1**	**3,876.1**

5.86 Classification of financial assets by measurement category / Dec. 31, 2022

[1] Financial assets at fair value through profit or loss.

in EUR m	Dec. 31, 2021			
Classification of financial assets:	At amortized cost	FVTPL[1]	Total carrying amount	Fair value
Cash and cash equivalents	705.0	–	705.0	705.0
Trade receivables	2,290.2	–	2,290.2	2,290.2
Other receivables	103.5	–	103.5	103.5
Other financial assets	33.6	15.2	48.8	48.8
Total	**3,132.3**	**15.2**	**3,147.5**	**3,147.5**

5.87 Classification of financial assets by measurement category / Dec. 31, 2021

[1] Financial assets at fair value through profit or loss.

The majority of the financial assets measured at amortized cost have remaining terms of less than one year. Their carrying amounts at the reporting date approximate their fair values.

Of the other receivables recognized in the balance sheet, EUR 204.7 million (Dec. 31, 2021: EUR 171.1 million) are not financial assets as defined by IFRS 7. They are mainly receivables from value-added tax and other taxes, prepaid expenses and prepayments.

The classification and measurement of the financial liabilities recognized in the balance sheet are shown in the table below:

in EUR m	Dec. 31, 2022			
Classification of financial liabilities:	At amortized cost	FVTPL[1]	**Total carrying amount**	**Fair value**
Trade payables	1,862.0	–	1,862.0	1,862.0
Other liabilities	301.2	–	301.2	301.2
Liabilities relating to acquisition of non-controlling interests	129.3	–	129.3	129.2
Financial liabilities	2,575.7	85.8	2,661.5	2,495.5
Total	**4,868.2**	**85.8**	**4,954.0**	**4,787.9**

5.88 Classification of financial liabilities by measurement category / Dec. 31, 2022

[1] Financial liabilities at fair value through profit or loss.

in EUR m	Dec. 31, 2021			
Classification of financial liabilities:	At amortized cost	FVTPL[1]	Total carrying amount	Fair value
Trade payables	1,802.3	–	1,802.3	1,802.3
Other liabilities	233.3	–	233.3	233.3
Liabilities relating to acquisition of non-controlling interests	216.2	–	216.2	217.0
Financial liabilities	2,288.6	41.1	2,329.7	2,356.6
Total	**4,540.4**	**41.1**	**4,581.5**	**4,609.2**

5.89 Classification of financial liabilities by measurement category / Dec. 31, 2021

[1] Financial liabilities at fair value through profit or loss.

The majority of the trade payables and other liabilities measured at amortized cost have remaining terms of less than one year. Their carrying amounts at the reporting date therefore approximate their fair values. The fair values of the bonds measured at amortized cost under financial liabilities were determined using quoted or market prices in an active market (Level 1 of the fair value hierarchy). The fair values of the other financial liabilities measured at amortized cost were determined using the discounted cash flow method on the basis of inputs observable on the market (Level 2 of the fair value hierarchy). The liabilities relating to the acquisition of non-controlling interests were determined on the basis of recognized company valuation models. The company valuation models are based on cash flow plans (Level 3 of the fair value hierarchy). The fair values of foreign exchange forwards and foreign exchange swaps are determined by comparing forward rates and discounted to present value (Level 2 of the fair value hierarchy).

The fair value of the cross-currency interest rate swaps is determined in two steps. First, the expected future cash flows are discounted using maturity-matched market interest rates according to the currency. In the second step, the cash flows discounted in foreign currency (US dollar) are then translated into the reporting currency (EUR) at market exchange rates (Level 2 of the fair value hierarchy). The value of a call option to acquire non-controlling interests is calculated from the intrinsic value and the time value of the option. The intrinsic value of the call option is calculated as the difference between the enterprise value and the strike price. The time value reflects the optionality of movements in the future strike price and the future enterprise value of the non-controlling interests. This is illustrated by way of a Monte Carlo simulation and the fair value of the option then determined (Level 3 of the fair value hierarchy).

Of the other liabilities recognized in the balance sheet, EUR 368.6 million (Dec. 31, 2021: EUR 346.3 million) are not financial liabilities as defined by IFRS 7. They are mainly liabilities to employees, liabilities from value-added tax and other taxes, as well as deferred income.

The allocation of the financial assets and liabilities recognized in the balance sheet at fair value to the levels of the IFRS 13 fair value hierarchy is shown in the table below:

in EUR m				
Hierarchy level	Level 1	Level 2	Level 3	**Dec. 31, 2022**
Financial assets at fair value through profit or loss	1.4	2.7	9.2	13.3
Financial liabilities at fair value through profit or loss	–	56.9	28.9	85.8

5.90 Financial instruments according to fair value hierarchy / Dec. 31, 2022

in EUR m				
Hierarchy level	Level 1	Level 2	Level 3	**Dec. 31, 2021**
Financial assets at fair value through profit or loss	1.7	9.6	3.9	15.2
Financial liabilities at fair value through profit or loss	–	21.5	19.6	41.1

5.91 Financial instruments according to fair value hierarchy / Dec. 31, 2021

Liabilities resulting from contingent consideration arrangements of EUR 29.3 million (Dec. 31, 2021: EUR 19.6 million) relate to liabilities for contingent purchase prices payable in business combinations. The amount of the contingent purchase price component required to be recognized at fair value is contingent on the earnings achieved by the acquired business and is limited in both the lower (EUR 0.0 million) and the upper (EUR 29.3 million) range.

Liabilities resulting from contingent consideration arrangements changed as follows:

in EUR m	**2022**	**2021**
Jan. 1	**19.6**	**1.5**
Exchange rate differences	–0.3	0.8
Added	1.7	–
Reversed	–0.7	–
Business combinations	10.0	17.3
Purchase price payments	–1.0	–
Dec. 31	**29.3**	**19.6**

5.92 Change in liabilities resulting from contingent consideration arrangements

The call option to acquire non-controlling interests was recognized in the amount of EUR 9.2 million (Dec. 31, 2021: EUR 3.9 million) on the basis of the mean of the Monte Carlo simulations. The minimum is EUR 0.0 million (Dec. 31, 2021: EUR 0.0 million) and the maximum EUR 31.0 million (Dec. 31, 2021: EUR 15.6 million).

The net gains/losses from financial assets and liabilities broken down into measurement categories are as follows:

in EUR m	2022								
	Interest			At fair value		Currency translation			
Measurement category:	Income	Expense	Change in liabilities relating to acquisition of non-controlling interests and call option recognized in profit or loss	Gains	Losses	Gains	Losses	Impairments, net	**Net gain/ loss**
Financial assets measured at amortized cost	16.7	–	–	–	–	153.4	-202.4	-15.0	-47.3
Financial liabilities measured at amortized cost	–	-84.8	-12.9	–	–	81.6	-108.8	–	-124.9
FVTPL[1]	–	-7.7	5.3	121.4	-77.3	–	–	–	41.7
Total	**16.7**	**-92.5**	**-7.6**	**121.4**	**-77.3**	**235.0**	**-311.2**	**-15.0**	**-130.5**

5.93 Net gains/losses from financial assets and liabilities / 2022

[1] Financial assets and liabilities at fair value through profit or loss.

in EUR m	2021								
	Interest			At fair value		Currency translation			
Measurement category:	Income	Expense	Change in liabilities relating to acquisition of non-controlling interests recognized in profit or loss	Gains	Losses	Gains	Losses	Impairments, net	**Net gain/ loss**
Financial assets measured at amortized cost	4.5	–	–	–	–	52.6	-75.3	-7.5	-25.7
Financial liabilities measured at amortized cost	–	-47.7	-32.2	–	–	50.1	-53.9	–	-83.7
FVTPL[1]	–	-2.3	3.9	65.3	-42.0	–	–	–	24.9
Total	**4.5**	**-50.0**	**-28.3**	**65.3**	**-42.0**	**102.7**	**-129.2**	**-7.5**	**-84.5**

5.94 Net gains/losses from financial assets and liabilities / 2021

[2] Financial assets and liabilities at fair value through profit or loss.

Of the interest expense on liabilities to third parties contained in interest expense, EUR 1.2 million (2021: EUR 1.3 million) is interest expense which is not part of the effective interest on financial liabilities measured at amortized cost.

With the exception of valuation allowances on trade receivables and other receivables, net gains and losses on subsequent measurement are presented within net finance costs.

Offsetting of financial assets and liabilities

The gross amounts of financial assets and liabilities are offset on the basis of netting arrangements in the balance sheet as follows or they are subject to enforceable master netting arrangements or similar agreements that do not meet the requirements for offsetting in the balance sheet:

in EUR m	Gross amounts of financial assets and liabilities	Offsetting	Carrying amounts in the balance sheet	Enforceable master netting arrangements and similar arrangements	**Dec. 31, 2022 Net amount**
Trade receivables	2,699.0	-22.2	2,676.8	-4.6	2,672.2
Other financial assets	44.6	–	44.6	-1.1	43.5
Trade payables	1,869.6	-7.6	1,862.0	-4.6	1,857.4
Other liabilities	684.4	-14.6	669.8	-1.1	668.7
Financial liabilities	2,661.5	–	2,661.5	–	2,661.5

5.95 Offsetting of financial assets and liabilities / Dec. 31, 2022

in EUR m	Gross amounts of financial assets and liabilities	Offsetting	Carrying amounts in the balance sheet	Enforceable master netting arrangements and similar arrangements	**Dec. 31, 2021 Net amount**
Trade receivables	2,310.9	-20.7	2,290.2	-5.2	2,285.0
Other financial assets	48.8	–	48.8	-1.6	47.2
Trade payables	1,810.9	-8.6	1,802.3	-5.2	1,797.1
Other liabilities	591.5	-12.1	579.4	-1.6	577.8
Financial liabilities	2,329.7	–	2,329.7	–	2,329.7

5.96 Offsetting of financial assets and liabilities / Dec.31, 2021

Nature and extent of risks arising from financial instruments

According to IFRS 7, risks arising from financial instruments can typically be divided into currency risk, interest rate risk, credit risk and liquidity risk.

Currency risk

Currency risks arise particularly when monetary items or contracted future transactions are in a currency other than the functional currency of a company. Overall, this results in a surplus of (partly intra-Group) monetary assets over liabilities of EUR 296.4 million as at December 31, 2022 (Dec. 31, 2021: EUR 71.5 million). Foreign exchange forwards, foreign exchange swaps and cross-currency interest rate swaps are used as hedging instruments. The notional amount of the hedges used was EUR -231.4 million as at December 31, 2022 (Dec. 31, 2021: EUR -41.4 million). The foreign exchange forwards and foreign exchange swaps used have maturities of less than one year and are not included in hedge accounting. If the euro had been worth 10% more or less against all currencies as at December 31, 2022, translation of monetary items in foreign currency into the Group currency, the euro, allowing for the foreign exchange forward transactions and foreign exchange swaps still open on December 31, 2022, would have resulted in the following changes in net finance costs:

	2022		2021	
in EUR m	**+10%**	**-10 %**	+10%	-10 %
USD	-5.5	6.7	-3.7	4.5
GBP	-2.6	3.2	0.6	-0.7
PLN	2.0	-2.4	0.4	-0.4
Other currencies	2.2	-2.7	0.8	-1.1
Total	**-3.9**	**4.8**	**-1.9**	**2.3**

5.97 Sensitivity analysis currency risk

Liabilities relating to the acquisition of non-controlling interests in Raj Petro and Zhongbai Xingye are in each case included in a net investment hedge in accordance with IFRS 9.5.2 (c). The hedged items are the share of the net assets of Raj Petro and Zhongbai Xingye attributable to Brenntag. Exchange rate-related changes in the liabilities are recognized within equity in the net investment hedge reserve. An economic relationship exists in each case, as the hedging instrument and the hedged item have values that move in the opposite direction because of a change in the hedged currency risk. Any increase (decrease) in the Indian rupee (INR) or Chinese yuan renminbi (CNY) against the euro leads to an increase (decrease) in the net assets and an increase (decrease) in the INR- or CNY-denominated liabilities. The effectiveness of the hedging relationships was determined at inception of the hedging relationships and is regularly determined on a retrospective basis to ensure that there is an economic relationship between the hedged item and the hedging instrument. There was no hedge ineffectiveness as at December 31, 2022. If the euro had been worth 10% more or less against the Indian rupee (INR) as at December 31, 2022, the net investment hedge reserve would have increased by EUR 2.5 million (Dec. 31, 2021: EUR 4.2 million) or decreased by EUR 2.5 million (Dec. 31, 2021: EUR 4.2 million). If the euro had been worth 10% more or less against the Chinese yuan renminbi (CNY) as at December 31, 2022, the net investment hedge reserve would have increased by EUR 8.1 million (Dec. 31, 2021: EUR 7.3 million) or decreased by EUR 8.1 million (Dec. 31, 2021: EUR 7.3 million).

Net investment hedges at Dec. 31, 2022	**Raj Petro**	**Zhongbai Xingye**
Carrying amount of the portion of the liability relating to the acquisition of non-controlling interests included in the net investment hedge in EUR m	25.0	81.2
Carrying amount of the portion of the liability relating to the acquisition of non-controlling interests included in the net investment hedge in local currency (INR or CNY m)	2,205.7	597.8
Hedge ratio	1:1	1:1
Hedge rate EUR/INR or EUR/CNY	84.2292	7.195
Change in carrying amount (in net investment hedge reserve)	2.1	1.7
Change in value of hedged item used to determine hedge effectiveness	–2.1	–1.7

5.98 Net investment hedges Dec. 31, 2022

Net investment hedges at Dec. 31, 2021	**TEE HAI**	**Raj Petro**	**Zhongbai Xingye**
Carrying amount of the portion of the liability relating to the acquisition of non-controlling interests included in the net investment hedge in EUR m	66.8	41.5	72.9
Carrying amount of the portion of the liability relating to the acquisition of non-controlling interests included in the net investment hedge in local currency (SGD, INR or CNY m)	97.5	3,034.0	496.9
Hedge ratio	1:1	1:1	1:1
Hedge rate EUR/SGD, EUR/INR or EUR/CNY	1.6218	89.661	7.6244
Change in carrying amount (in net investment hedge reserve)	–3.7	–2.1	–3.9
Change in value of hedged item used to determine hedge effectiveness	3.7	2.1	3.9

5.99 Net investment hedges Dec. 31, 2021

In October 2021, Brenntag Finance B.V., Amsterdam, Netherlands, issued a EUR 500 million bond (Bond 2029). Brenntag Finance B.V. swapped most of the proceeds from the Bond 2029 for US dollars by way of cross-currency interest rate swaps and passed them on to Brenntag North America, Inc., Reading, USA, as an intra-Group loan. The intra-Group loan and the cross-currency interest rate swaps were included in cash flow hedge accounting so as to limit currency and interest rate risk in the consolidated financial statements.

Critical terms matching is used to assess the effectiveness of the hedging relationship. The economic relationship between hedged items and hedging instruments results from closely aligned terms. The cross-currency basis is not part of the hedging relationship and is recognized in a separate component of equity as a reserve for costs of hedging. The ineffective portions of the hedging relationship are determined using the hypothetical derivative method. They result mainly from counterparty risk and, if necessary, are recognized in profit or loss within net interest expense. In financial year 2022, this resulted in interest income of EUR 0.7 million (2021: interest expense of EUR 0.7 million).

The following table shows the changes in equity resulting from the hedging relationship:

in EUR m	Cash flow hedge reserve	Reserve for costs of hedging	Total	Deferred tax	**Cash flow hedge reserve incl. deferred tax**
Dec. 31, 2020	**–**	**–**	**–**	**–**	**–**
Changes in the fair value of hedging instruments and hedging costs	–21.5	7.2	–14.3	–	–14.3
Reclassification to profit or loss	13.4	–0.2	13.2	–	13.2
Deferred tax relating to those items	–	–	–	0.3	0.3
Dec. 31, 2021	**–8.1**	**7.0**	**–1.1**	**0.3**	**–0.8**
Changes in the fair value of hedging instruments and hedging costs	–46.3	1.5	–44.8	–	–44.8
Reclassification to profit or loss	36.7	–0.8	35.9	–	35.9
Deferred tax relating to those items	–	–	–	–0.3	–0.3
Dec. 31, 2022	**–17.7**	**7.7**	**–10.0**	**–**	**–10.0**

5.100 Change in cash flow hedge reserve

One significant component in the fair value measurement of the cross-currency interest rate swaps is the exchange rate of the underlying currencies (EUR/USD). As the exchange rate component – moving in the opposite direction to the hedged item – is designated as part of the hedging relationship, ceteris paribus, an assumed change in the exchange rate leads only to a change in the cash flow hedge reserve. If the euro had been worth 10% more or less against the US dollar as at December 31, 2022, the cash flow hedge reserve would have decreased by EUR 4.5 million or increased by EUR 5.5 million (December 31, 2021: increased by EUR 1.7 million or decreased by EUR 2.1 million).

Interest rate risk

Interest rate risks can occur due to changes in market interest rates. The risks result from changes in the fair values of fixed-rate financial instruments or from changes in the cash flows of variable-rate financial instruments.

Due to the two fixed-rate bonds and the partly fixed-rate promissory notes, just under 50% of the Brenntag Group's financial liabilities were hedged against the risk of interest rate increases as at December 31, 2022.

If the market interest rate at December 31, 2022 had been 300 basis points (2021: 25 basis points) higher or lower (relative to the total amount of variable-rate financial liabilities as at December 31, 2022), the negative impact on net finance costs would have been EUR 38.5 million or the positive impact EUR 32.8 million (2021: negative impact of EUR 1.7 million or positive impact of EUR 1.7 million).

Interest rate-related fair value changes in the cross-currency interest rate swaps have no impact on net income for the financial year due to the agreed swap rates and hedge accounting. Conversely, the current difference between the euro market interest rate and the US dollar market interest rate has a significant impact on the amount of the cash flow hedge reserve; as at December 31, 2022, the USD market interest rate was above the euro market interest rate. If the euro market interest rate at December 31, 2022 had been 25 basis points higher or lower with the US dollar market interest rate remaining unchanged, the cash flow hedge reserve would have decreased by EUR 5.9 million to EUR –15.9 million or increased by EUR 6.1 million to EUR –3.9 million (December 31, 2021: decreased by EUR 8.6 million or increased by EUR 8.8 million).

Credit risk

Non-derivative financial instruments entail credit risk when contractually agreed payments are not made by the contracting parties. The maximum credit risk on non-derivative financial instruments corresponds to their carrying amounts. The expected credit risk from individual receivables is allowed for by recognizing write-downs of the assets (see also Note 13.).

With the derivative financial instruments used, the maximum credit risk is the total of all positive fair values of these instruments as, in the event of non-performance by the contracting parties, losses on assets would be restricted to this amount.

Liquidity risk

Liquidity risk is the risk that the Brenntag Group may in future not be able to meet its contractual payment obligations. Due to the fact that the Brenntag Group's business is not subject to any pronounced seasonal fluctuations, there is relatively little fluctuation in liquidity during the financial year.

To ensure that the Brenntag Group can pay at all times, it not only has appropriate liquidity reserves in the form of cash and cash equivalents but also credit lines under the syndicated loan which can be utilized as needed. In order to identify the liquidity risks, the Group has a multi-annual liquidity plan which is regularly reviewed and adjusted if necessary.

In certain countries (e.g. China EUR 39.7 million (2021: EUR 24.3 million), South Africa EUR 10.5 million (2021: EUR 27.3 million), Russia EUR 15.5 million (2021: EUR 4.1 million) and India EUR 9.6 million (2021: EUR 9.6 million)), Brenntag has local cash and cash equivalents at its disposal for cross-border transfers only subject to the applicable restrictions on foreign exchange transactions.

The undiscounted cash flows resulting from financial liabilities are shown in the following table:

		Cash flows 2023–2028 ff.					
in EUR m	**Carrying amount Dec. 31, 2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028 ff.**
Trade payables	1,862.0	1,862.0	–	–	–	–	–
Other liabilities	669.8	664.9	0.4	–	–	–	4.5
Liabilities relating to acquisition of non-controlling interests	129.3	25.7	85.5	22.6	–	–	–
Liabilities under syndicated loan	551.9	5.1	546.8	–	–	–	–
Other liabilities to banks	217.9	217.8	0.1	–	–	–	–
Promissory notes (Schuldschein)	627.1	5.7	5.7	131.3	5.2	423.9	82.8
Bond 2025	599.2	6.8	6.8	606.8	–	–	–
Bond 2029	497.5	2.5	2.5	2.5	2.5	2.5	502.5
Bond (with Warrants) 2022	–	–	–	–	–	–	–
Lease liabilities	434.3	122.5	93.4	68.8	44.9	31.9	134.7
Derivative financial instruments	56.9						50.8
of which cash inflows	–	453.8	–	–	–	–	–
of which cash outflows	–	483.7	–	–	–	–	–
Other financial liabilities	111.0	84.4	14.1	7.8	3.5	1.2	–
Total	**5,756.9**	**3,027.3**	**755.3**	**839.8**	**56.1**	**459.5**	**775.3**

5.101 Future cash flows from financial liabilities / Dec. 31, 2022

		Cash flows 2022–2027 ff.					
in EUR m	**Carrying amount Dec. 31, 2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 ff.**
Trade payables	1,802.3	1,802.3	–	–	–	–	–
Other liabilities	579.4	573.1	2.1	–	–	–	4.3
Liabilities relating to acquisition of non-controlling interests	216.2	90.6	46.4	78.7	11.6	–	–
Liabilities under syndicated loan	518.6	6.8	6.8	519.1	–	–	–
Other liabilities to banks	165.2	164.8	0.4	–	–	–	–
Promissory notes (Schuldschein)	–	-	-	-	-	–	-
Bond 2025	598.2	6.8	6.8	6.8	606.8	–	–
Bond 2029	497.1	2.5	2.5	2.5	2.5	2.5	502.5
Bond (with Warrants) 2022	437.0	449.8	–	–	–	–	–
Lease liabilities	445.6	121.8	90.3	69.3	53.0	32.3	132.7
Derivative financial instruments	21.5						15.2
of which cash inflows	–	492.7	–	–	–	–	–
of which cash outflows	–	501.9	–	–	–	–	–
Other financial liabilities	92.1	66.1	11.8	7.4	3.9	2.9	–
Total	**5,373.2**	**3,293.8**	**167.1**	**683.8**	**677.8**	**37.7**	**654.7**

5.102 Future cash flows from financial liabilities / Dec. 31, 2021

Derivative financial instruments

The notional amount and fair values of derivative financial instruments are shown in the table below:

	Dec. 31, 2022			**Dec. 31, 2021**		
in EUR m	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Foreign exchange forward transactions and foreign exchange swaps not included in hedge accounting	896.3	2.8	6.3	792.6	8.4	6.3
Cross-currency interest rate swaps included in hedge accounting	429.7	–	50.8	429.7	–	15.2
Call option	26.2	9.2	–	13.6	3.9	–

5.103 Derivative financial instruments

34.) Related parties

In the course of its normal business activities, Brenntag SE also obtains services from and provides services for related entities. These related entities are the subsidiaries included in the consolidated financial statements as well as associates accounted for using the equity method and their subsidiaries.

The following transactions with related parties were performed on terms equivalent to those that prevail in arm's length transactions:

in EUR m	2022	2021
Sales from transactions with associates	1.4	1.5
Goods delivered and services rendered by associates	0.4	0.5

5.104 Transactions with related parties

in EUR m	Dec. 31, 2022	Dec. 31, 2021
Trade receivables from associates	0.1	0.3
Trade payables to associates	–	–

5.105 Receivables from and payables to related parties

The transactions of Brenntag SE with subsidiaries included in the consolidated financial statements as well as between included subsidiaries have been eliminated.

Related persons are the members of the Board of Management and the Supervisory Board of Brenntag SE and members of their families.

Remuneration of the Board of Management

The total remuneration of the Board of Management consists of three components: a fixed Annual Base Salary, short-term, capped variable cash remuneration (Annual Bonus) and long-term, capped variable remuneration (Long-Term Incentive Bonus). In addition to the above-mentioned remuneration components, the members of the Board of Management receive pension benefits, contractually agreed benefits in kind and other benefits.

The Annual Base Salary is payable in twelve equal monthly instalments. If the service agreement begins or ends during a financial year, the Annual Base Salary for that financial year is payable on a pro rata temporis basis.

The Annual Bonus depends on Brenntag's business success in the past financial year. It is calculated based on achievement of the targets set for specific key performance indicators for the financial year. Under the Remuneration System 2020, the key performance indicators are organic EBITDA growth (60%), the improvement in working capital turnover (20%) and earnings per share growth (20%). In the case of the Remuneration System 2015, the key performance indicators are operating EBITDA (70%), working capital turnover (WCT; 15%) and conversion ratio (operating EBITDA/operating gross profit; 15%). An individual performance multiplier is also used to assess the performance of the Board of Management members. The individual performance multiplier is set by the Supervisory Board after each financial year in a range between 0.7 and 1.3. In doing so, the Supervisory Board takes into account the individual financial and non-financial performance that cannot be reasonably measured by applying KPIs. This refers to topics of environmental and social responsibility (e.g. succession planning, development of executive employees of the company, environmental responsibility, compliance) and sustainable corporate development (e.g. integration of acquisitions). The final payout amount is capped at max. 200% of the individual and contractually agreed target amount (Cap).

The remuneration system for Dr. Christian Kohlpaintner (CEO), Dr. Kristin Neumann, Henri Nejade, Steven Terwindt and Ewout van Jarwaarde includes, among other components, long-term variable remuneration in the form of virtual shares (Performance Share Units). The value of the payout depends on the relative performance of the Brenntag share compared with two peer groups and the absolute change in the Brenntag share price over a four-year performance period. The virtual shares are granted in annual tranches. Payout is made following completion of the performance period.

The annual virtual shares are awarded on January 1 of each financial year. The number of shares to be granted initially is calculated by dividing the individual and contractually agreed grant amount by the arithmetic mean of the Brenntag share closing prices in the Xetra trading system during the last three months before the start of the performance period. If the service agreement begins or ends during a financial year, the grant amount for that financial year shall be calculated on a pro rata temporis basis.

The number of virtual shares finally granted at the end of the four-year performance period depends on two performance criteria that are each weighted at 50%: the outperformance of the Total Shareholder Return (TSR) of the Brenntag share compared with the performance of the MDAX, or since the 2022 tranche compared with the performance of the DAX, and the average TSR of a selectively compiled peer group of global competitors.

Target achievement of each performance criterion is calculated by subtracting the performance of the MDAX/DAX or the average TSR of the selected peer group from the TSR of the Brenntag share. If the performance of the MDAX/DAX or the average TSR of the selected peer group equals the TSR of the Brenntag share, target achievement is 100%. If the TSR of the Brenntag share outperforms the MDAX/DAX or the average TSR of the selected peer group by 25% or more percentage points, target achievement is 150%. If the TSR of the Brenntag share underperforms the MDAX/DAX or the average TSR of the selected peer group by 25% or more percentage points, target achievement is 0%. Values in-between are determined by linear interpolation. Overall target achievement is calculated by multiplying the target achievement figures of the two performance criteria by their respective weightings and then adding together these two weighted target achievement figures.

The number of virtual shares finally granted at the end of the four-year performance period is calculated by multiplying the number of virtual shares initially granted by the overall target achievement.

The payout amount is determined by multiplying the number of virtual shares finally granted by the arithmetic mean of the Brenntag share closing prices in the Xetra trading system during the last three months prior to the end of the performance period plus dividend payments during the performance period. The payout amount is capped at max. 200% of the individual and contractually set target grant amount (Cap).

The remuneration system used for Dr. Christian Kohlpaintner (CEO), Dr. Kristin Neumann, Henri Nejade, Steven Terwindt and Ewout van Jarwaarde in 2022 differs from the remuneration system for Georg Müller and for Karsten Beckmann and Markus Klähn, neither of whom was a serving Board of Management member in 2022.

For the former members of the Board of Management of Brenntag SE who were appointed to the Board prior to 2020, there is a different remuneration system, which likewise includes a long-term share-based remuneration program (Long-Term Incentive Plan). In this case, the long-term variable remuneration is awarded every year and is partly based on the performance of the Brenntag share. On the basis of a contractually set Annual Target Amount, this remuneration component is subject to a vesting period of in each case three years. 50% of the Target Amount is contingent on the change in the value of the company's shares during these three years (External LTI Portion) and 50% is contingent on the long-term development of specific Group-wide KPIs (Internal LTI Portion).

50% of the External LTI Portion is measured by the absolute change in the total shareholder return for the company's shares during the vesting period (Absolute External LTI Portion), while the other 50% of the External LTI Portion is measured by the relative change in the total shareholder return for the company's shares in comparison to the performance of the MDAX or, since the 2021 tranche, the DAX during the vesting period (Relative External LTI Portion). For every percentage point by which the average share price on the last trade day of the vesting period exceeds or falls short of the average share price on the last trade day before the vesting period, the Absolute External LTI Portion is increased or decreased by 2%. For every percentage point by which the MDAX is over- or underperformed in the vesting period, the Relative External LTI Portion is increased or decreased by 3%. The overall External LTI Portion at the end of the relevant vesting period equals the sum of the Absolute External LTI Portion and Relative External LTI Portion. The Absolute External LTI Portion and Relative External LTI Portion may not be less than EUR 0. The External LTI Portion is capped overall at 200% of the contractually set Target Amount for the External LTI Portion.

The Internal LTI Portion is measured by the following KPI targets, which are agreed at the end of each financial year for the following vesting period in an LTI Bonus Plan: EBITDA, ROCE and earnings per share. At the end of each financial year during a vesting period, the achievement of the KPI targets in the particular financial year is calculated for a share of 1/3 of the Internal LTI Portion. For every percentage point by which the targets of a given KPI are over- or underperformed in the particular financial year, the Annual Internal LTI Portion is increased or decreased by 3%. This may also lead to a negative Annual Internal LTI Portion. The overall Internal LTI Portion at the end of the relevant vesting period equals the sum of the Annual Internal LTI Portions. The Internal LTI Portion is also capped at 200% of the contractually set Target Amount for the Internal LTI Portion. The overall Internal LTI Portion for a vesting period may not be less than EUR 0. The Long-Term Incentive Bonus for each financial year equals the sum of the External and Internal LTI Portions.

The Long-Term Incentive Bonus for each financial year is also capped at 200% of the Target Amount (LTI Cap).

Individual arrangements have been agreed with the members of the Board of Management with regard to building up pension entitlements. One member of the Board of Management receives an annual amount of EUR 300,000 and may decide at his own discretion how to use this money. The annual amount made available is paid in twelve equal monthly instalments, in each case at the end of the month. If the service agreement begins or ends during a financial year, the annual amount for that financial year will be granted on a pro rata temporis basis. For the purpose of building up pension entitlements, the other members of the Board of Management receive an annual amount of 13.5% of their Annual Base Salary and the short-term variable remuneration (on 100% target achievement, i.e. irrespective of the actual targets achieved). In the case of one member of the Board of Management, the relevant amount is transferred annually into the Deferred Compensation Contingency Plan of Brenntag SE. This plan also contains an arrangement for a widows and orphans pension which would amount to 60% and 20% respectively of the full pension entitlements. The pension liability insurance policy taken out with the Board of Management member as beneficiary are pledged to him. Another member of the Board of Management has the option either to use this amount in whole or in part for contributions to his French social insurance or to also pay it annually into the Deferred Compensation Contingency Plan of Brenntag SE. Further members of the Board of Management are paid out the relevant amount for building up pension entitlements every year and may decide at their own discretion how to use this money.

The members of the Board of Management also receive benefits in kind and other benefits, such as a company car, also for private use, or a car allowance and benefits for health care and long-term care insurance.

The following table shows the recognition of the Board of Management remuneration for the Board of Management members serving in each financial year:

in EUR m	2022	2021
Short-term benefits	5.8	5.6
Post-employment benefits	1.4	4.8
Share-based remuneration	7.2	8.5
Total	**14.4**	**18.9**

5.106 Liabilities recognized for Board of Management remuneration in accordance with IFRSs

For the Board of Management members serving in financial year 2022, the present value of defined benefit obligations is EUR 5.7 million (Dec. 31, 2021: EUR 8.7 million) and the fair value of plan assets EUR 4.3 million (Dec. 31, 2021: EUR 3.9 million). In this context, the capitalized surrender value of pension liability insurance is EUR 4.3 million (Dec. 31, 2021: EUR 3.9 million).

in EUR m	2022	2021
Short-term benefits	10.2	9.9
Post-employment benefits (excluding interest expense)	0.4	0.8
Share-based remuneration	0.8	5.6
Total	**11.4**	**16.3**

5.107 Board of Management remuneration expense in accordance with IFRSs

The service agreements of the Board of Management members end automatically on specified dates without any notice of termination being required. The employment of Board of Management members may only be terminated prematurely for good cause or by mutual agreement. If employment is terminated prematurely, the service agreement limits any severance pay to the value of twice the total annual remuneration, but no more than the amount of remuneration that would be paid until the end of the term of the service agreement. As at December 31, 2022, the maximum amount of severance payable would have been EUR 29.0 million (Dec. 31, 2021: EUR 21.2 million). A post-contractual non-compete clause has been agreed with several Board of Management members who are incentivized under the Remuneration System 2020. The post-contractual non-compete clause applies for a period of 24 months after the termination of the service agreement. During this period, these Board of Management members receive a continuous payment amounting to 75% of their Annual Base Salary. Any earnings pursuant to Section 74c of the German Commercial Code (HGB) are deducted from this payment. There are no separate change-of-control arrangements.

For former members of the Board of Management, the present value of defined benefit obligations is EUR 7.9 million (Dec. 31, 2021: EUR 12.9 million) and the fair value of plan assets EUR 6.3 million (Dec. 31, 2021: EUR 7.2 million). In this context, the capitalized surrender value of pension liability insurance is EUR 6.3 million (Dec. 31, 2021: EUR 7.2 million).

In accordance with the German Commercial Code (HGB), the total remuneration of the Board of Management members serving in financial year 2022 amounts to EUR 11.5 million (2021: EUR 15.3 million).

Of the total remuneration, an amount of EUR 1.3 million (2021: EUR 5.4 million, in each case the fair value at the grant date) is attributable to share-based remuneration programs.

Detailed information on the Board of Management remuneration systems and the remuneration of each member of the Board of Management is provided in the remuneration report.

In financial year 2022, the cost of pension commitments (defined benefit plans) under the German Commercial Code (HGB) to former members of the Board of Management amounted to EUR 0.2 million (2021: EUR 0.9 million). In addition, income of EUR 0.0 million (2021: EUR 0.3 million) was recognized. The income in financial year 2021 is mainly attributable to a reduction in remuneration entitlements from the Long-Term Incentive Bonus 2020 that was negotiated in the context of a supplement to the termination agreement.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board comprises purely fixed remuneration.

The members of the Supervisory Board each receive annual fixed remuneration in the amount of EUR 120.0k in addition to reimbursement of their expenses. The Chair of the Supervisory Board receives base remuneration of EUR 210.0k and the Deputy Chair EUR 150.0k. The Chair of the Audit Committee receives an additional EUR 85.0k per year and every other member of the Audit Committee an additional EUR 25.0k per year. The Chairs of the Presiding and Nomination Committee and the Transformation Committee receive an additional EUR 37.5k and every other member of the Presiding and Nomination Committee and Transformation Committee an additional EUR 25.0k per year.

The total remuneration of the members of the Supervisory Board due in the short term amounts to EUR 1.2 million for financial year 2022 (2021: EUR 1.2 million).

The Supervisory Board remuneration system and the remuneration of each member of the Supervisory Board are detailed in the remuneration report.

Apart from the aforementioned, there were no significant transactions with related persons.

35.) Fees for the auditors of the consolidated financial statements

The following fees for the services of the auditors of the consolidated financial statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, were recognized as expenses:

in EUR m	2022	2021
Financial statement audit services	1.6	1.8
Other assurance services	0.2	0.1
Tax advisory services	0.0	0.0
Other services rendered	0.0	0.0
Total	**1.8**	**1.9**

5.108 Fees for the auditors of the consolidated financial statements

Fees for financial statement audit services for financial year 2022 consist mainly of payments for the statutory audit of the consolidated financial statements, the review of the quarterly reporting and the statutory audit of the annual financial statements of Brenntag SE and its domestic subsidiaries.

Fees for other assurance services in financial year 2022 relate to the engagement to provide assurance on the Brenntag Group’s separate combined non-financial report and assurance services related to Brenntag SE’s Board of Management remuneration.

36.) Exemptions pursuant to Section 264, para. 3 / Section 264b of the German Commercial Code

For financial year 2022, the following subsidiaries of Brenntag SE are making use of the exemptions pursuant to Section 264, para. 3 and Section 264b of the German Commercial Code:

- Brenntag Holding GmbH, Essen
- Brenntag Germany Holding GmbH, Essen
- Brenntag Foreign Holding GmbH, Essen
- Brenntag Beteiligungs GmbH, Essen
- BRENNTAG GmbH, Duisburg
- BRENNTAG International Chemicals GmbH, Essen
- Brenntag Real Estate GmbH, Essen
- BCD Chemie GmbH, Hamburg
- CLG Lagerhaus GmbH & Co. KG, Essen
- Brenntag European Services GmbH & Co. KG, Zossen
- CM Komplementär 03-018 GmbH & Co. KG, Essen
- CM Komplementär 03-019 GmbH & Co. KG, Essen
- CM Komplementär 03-020 GmbH & Co. KG, Essen
- ACU PHARMA und CHEMIE GmbH, Apolda

37.) Declaration of conformity with the German Corporate Governance Code

On December 13, 2022, the Board of Management and Supervisory Board issued the declaration of conformity with the recommendations of the Government Commission "German Corporate Governance Code" for financial year 2022 as required by Section 161 of the German Stock Corporation Act. The declaration of conformity can be found in the section "To Our Shareholders" in Brenntag SE's 2022 annual report and can also be viewed at any time on the Brenntag SE website (https://corporate.brenntag.com/en/about/corporate-governance/corporate-governance-code/).

38.) Events after the reporting period

The most important component in the financing structure of Brenntag SE is the Group-wide syndicated loan agreement. As the existing loan would have matured in January 2024, Brenntag agreed a new syndicated loan totaling the equivalent of EUR 1.5 billion with a consortium of international banks in February 2023. The new loan has a term ending in 2028. It is based on variable interest rates with margins depending on the credit rating, and is divided into two revolving credit facilities – one credit facility in the amount of EUR 1 billion and a USD credit facility in the amount of USD 525.0 million (euro equivalent as at Dec. 31, 2022: EUR 492.2 million). For the first time, the margin is also linked to the achievement of certain Brenntag Group sustainability targets.

Essen, March 6, 2023

Brenntag SE
BOARD OF MANAGEMENT

Dr. Christian Kohlpaintner	Henri Nejade	Dr. Kristin Neumann
Steven Terwindt	Ewout van Jarwaarde	

Annex

Annex: List of shareholdings in accordance with Section 313, para. 2 of the German Commercial Code as at December 31, 2022

No.	Company	Domicile	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via no.
1	Brenntag SE	Essen				

Consolidated subsidiaries

No.	Company	Domicile	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via no.
Algeria						
2	Alliance Chimie Algerie SPA	Algiers	0.00	100.00	99.94	70
Argentina						
3	Brenntag Argentina S.A.	Buenos Aires	0.00	90.00 10.00	100.00	116 125
Australia						
4	Brenntag Australia Pty. Ltd.	Mulgrave	0.00	100.00	100.00	152
5	RAVENSWOOD INGREDIENTS PTY. LTD.	Mulgrave	0.00	100.00	100.00[2)]	4
Bangladesh						
6	BRENNTAG BANGLADESH FORMULATION LTD.	Dhaka	0.00	100.00	100.00	116
7	BRENNTAG BANGLADESH LTD.	Dhaka	0.00	100.00	100.00	116
8	BRENNTAG BANGLADESH SERVICES LTD.	Dhaka	0.00	100.00	100.00	7
Belgium						
9	BRENNTAG NV	Deerlijk	0.00	99.99 0.01	100.00	69 44
10	European Polymers and Chemicals Distribution BVBA	Deerlijk	0.00	100.00	100.00	132
Bolivia						
11	Brenntag Bolivia S.R.L.	Santa Cruz	0.00	90.00 10.00	100.00	116 124
Brazil						
12	Brenntag Quimica Brasil Ltda.	Guarulhos, Estado de Sao Paulo	0.00	100.00 0.00	100.00	116 124
13	Quimilog Transportes e Logística Ltda.	Brusque	0.00	100.00	100.00	12
Bulgaria						
14	BRENNTAG BULGARIA EOOD	Sofia	0.00	100.00	100.00	116
Chile						
15	Brenntag Chile Comercial e Industrial Limitada	Santiago	0.00	95.00 5.00	100.00	116 124
China						
16	Brenntag (Shanghai) Enterprise Management Co., Ltd.	Shanghai	0.00	100.00	100.00	116
17	Brenntag (Zhangjiagang) Chemical Co., Ltd	Zhangjiagang	0.00	100.00	100.00	84
18	Brenntag Cangzhou Chemical Co., Ltd	Cangzhou	0.00	79.40 20.60	100.00	26 84
19	Guangzhou Fan Ya Jia Rong Trading Co., Ltd.	Guangzhou	0.00	60.00 40.00	100.00	22 25
20	Guangzhou Wellstar Trading Co., Ltd.	Guangzhou	0.00	100.00	100.00	83
21	Shanghai Anyijie Chemical Logistic Co., Ltd.	Shanghai	0.00	100.00	100.00	26
22	Shanghai Jia Rong Trading Co., Ltd.	Shanghai	0.00	100.00	100.00	26
23	Shanghai Wellstar Trading Co., Ltd.	Shanghai	0.00	100.00	100.00	83

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
24	Shenzhen Wellstar Trading Co., Ltd.	Shenzhen	0.00	100.00	100.00	83
25	Tianjin Tai Rong Chemical Trading Co., Ltd.	Tianjin	0.00	100.00	100.00	22
26	Tianjin Zhong Yung Chemical Warehousing Co., Ltd.	Tianjin	0.00	100.00	100.00	84
27	ZhongYung (GuangDong) Chemical Distribution Service Co., Ltd	Dongguan	0.00	100.00	100.00	82
28	Zhongbai Food Technology (Shanghai) Co., Ltd	Shanghai	0.00	100.00	67.00	29
29	Zhongbai Xingye Food Technology (Beijing) Co., Ltd	Beijing	0.00	67.00	67.00	116
Costa Rica						
30	Brenntag Business Services Sociedad de Responsabilidad Limit	Heredia, Barreal	0.00	100.00	100.00	116
31	Quimicos Holanda Costa Rica S.A.	San Jose	0.00	100.00	100.00	116
Curaçao						
32	H.C.I. (Curaçao) N.V. i. L.	Curaçao	0.00	100.00	100.00	116
33	HCI Shipping N.V.	Curaçao	0.00	100.00	100.00	32
Denmark						
34	Aktieselskabet af 1. Januar 1987	Ballerup	0.00	100.00	100.00	35
35	Brenntag Nordic A/S	Ballerup	0.00	100.00	100.00	116
Germany						
36	ACU PHARMA und CHEMIE GmbH	Apolda	0.00	100.00	100.00	47
37	BBG - Berlin-Brandenburger Lager- und Distributionsgesellschaft Biesterfeld Brenntag mbH	Hoppegarten	0.00	50.00 50.00	100.00	38 47
38	BCD Chemie GmbH	Hamburg	0.00	100.00	100.00	47
39	BRENNTAG GmbH	Duisburg	0.00	100.00	100.00	47
40	BRENNTAG International Chemicals GmbH	Essen	0.00	100.00	100.00	47
41	Blitz 03-1161 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	46
42	Blitz 03-1162 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	54
43	Blitz 03-1163 GmbH	Mülheim an der Ruhr	0.00	100.00	100.00	55
44	Brenntag Beteiligungs GmbH	Essen	0.00	100.00	100.00	49
45	Brenntag European Services GmbH & Co. KG	Zossen	0.00	100.00 0.00	100.00	44 51
46	Brenntag Foreign Holding GmbH	Essen	0.00	100.00	100.00	44
47	Brenntag Germany Holding GmbH	Essen	0.00	100.00	100.00	44
48	Brenntag Global Services GmbH	Zossen	0.00	100.00	100.00	45
49	Brenntag Holding GmbH	Essen	100.00	0.00	100.00	1
50	Brenntag Real Estate GmbH	Essen	0.00	100.00	100.00	44
51	Brenntag Vermögensmanagement GmbH	Zossen	0.00	100.00	100.00	44
52	CLG Lagerhaus GmbH	Duisburg	0.00	100.00	100.00	47
53	CLG Lagerhaus GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	47 52
54	CM Komplementär 03-018 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	41 46
55	CM Komplementär 03-019 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	42 54
56	CM Komplementär 03-020 GmbH & Co. KG	Essen	0.00	100.00 0.00	100.00	43 55
57	CVB Albert Carl GmbH & Co. KG Berlin	Berlin	0.00	100.00 0.00	51.00	58 61
58	CVH Chemie-Vertrieb GmbH & Co. Hannover KG	Hanover	0.00	51.00 0.00	51.00	47 59

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
59	CVH Chemie-Vertrieb Verwaltungsgesellschaft mbH	Hanover	0.00	51.00	51.00	47
60	CVM Chemie-Vertrieb Magdeburg GmbH & Co. KG	Magdeburg	0.00	100.00 0.00	51.00	58 61
61	CVP Chemie-Vertrieb Berlin GmbH	Berlin	0.00	100.00	51.00	58
62	ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hüttenheim KG	Düsseldorf	0.00	94.00	94.00[3]	47
Dominican Republic						
63	BRENNTAG CARIBE S.R.L.	Santo Domingo	0.00	100.00 0.00	100.00	116 125
Ecuador						
64	BRENNTAG ECUADOR S.A.	Guayaquil	0.00	100.00 0.00	100.00	116 125
El Salvador						
65	BRENNTAG EL SALVADOR, S.A. DE C.V.	Soyapango	0.00	100.00 0.00	100.00	116 124
Finland						
66	Brenntag Nordic OY	Vantaa	0.00	100.00	100.00	116
France						
67	BRACHEM FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	49
68	BRENNTAG EXPORT SARL	Vitrolles	0.00	100.00	99.94	71
69	BRENNTAG FRANCE HOLDING SAS	Chassieu	0.00	100.00	100.00	67
70	BRENNTAG MAGHREB SAS	Vitrolles	0.00	100.00	99.94	68
71	BRENNTAG SA	Chassieu	0.00	99.94	99.94	69
72	METAUSEL SAS	Chassieu	0.00	100.00	99.94	71
73	Multisol France SAS	Villebon sur Yvette	0.00	100.00	100.00	69
74	Multisol International Services SAS	Sotteville Les Rouen	0.00	80.00 20.00	100.00	69 73
75	SOCIETE COMMERCIALE TARDY ET CIE. SARL i. L.	Vitrolles	0.00	51.00	50.97	68
Ghana						
76	Brenntag Ghana Limited	Accra	0.00	100.00	100.00	116
Greece						
77	Brenntag Hellas Chimika Monoprosopi EPE	Penteli	0.00	100.00	100.00	130
Guatemala						
78	BRENNTAG GUATEMALA S.A.	Guatemala City	0.00	99.97 0.03	100.00	116 125
Guyana						
79	ALPHA CHEMICAL GUYANA INC.	Georgetown	0.00	100.00	100.00	116
Honduras						
80	BRENNTAG HONDURAS, S.A.	San Pedro Sula	0.00	98.51 1.49	100.00	116 125
Hong Kong						
81	Brenntag Chemicals (HK) Pte Limited	Hong Kong	0.00	100.00	100.00	152
82	Hong Kong Dongguan Zhongrong Investment Co Limited	Hong Kong	0.00	100.00	100.00	84
83	WELLSTAR ENTERPRISES (HONG KONG) COMPANY LIMITED	Hong Kong	0.00	100.00	100.00	116
84	Zhong Yung (International) Chemical Co., Limited	Hong Kong	0.00	100.00	100.00	116
India						
85	Brenntag Ingredients (India) Private Limited	Mumbai	0.00	100.00	100.00	152
86	RAJ PETRO SPECIALITIES PRIVATE LIMITED	Mumbai	0.00	65.00	65.00	116

No.	Company	Domicile	Held directly % [1)]	Held indirectly % [1)]	Effective net holding % [1)]	Via no.
Indonesia						
87	PT. Brenntag	Jakarta Selatan	0.00	100.00	100.00	152
88	PT. Dharmala HCI i. L.	Jakarta	0.00	91.14	91.14	116
Ireland						
89	Brenntag Chemicals Distribution (Ireland) Limited	Dublin	0.00	100.00	100.00	211
Israel						
90	Biochem Trading 2011 Ltd.	Be'er Ya'akov	0.00	100.00	100.00[2)]	91
91	Y.S. Ashkenazi Agencies Ltd.	Be'er Ya'akov	0.00	100.00	100.00[2)]	116
Italy						
92	AQUADEPUR SRL	Cogliate	0.00	100.00	100.00	93
93	BRENNTAG S.P.A.	Assago	0.00	100.00	100.00	116
Canada						
94	BRENNTAG CANADA INC.	Toronto	0.00	100.00	100.00	127
Kenya						
95	Brenntag Kenya Limited	Nairobi	0.00	100.00	100.00	116
Colombia						
96	BRENNTAG COLOMBIA S.A.	Bogotá D.C.	0.00	94.87 4.15 0.41 0.38 0.19	100.00	116 124 127 125 121
97	BRENNTAG COLOMBIA ZONA FRANCA S.A.S.	Barranquilla	0.00	100.00	100.00	96
98	CONQUIMICA SAS	Itagui	0.00	100.00	100.00	96
Croatia						
99	BRENNTAG HRVATSKA d.o.o.	Zagreb	0.00	100.00	100.00	130
Latvia						
100	SIA BRENNTAG LATVIA	Riga	0.00	100.00	100.00	139
101	SIA DIPOL BALTIJA	Riga	0.00	100.00	100.00	198
Lithuania						
102	UAB BRENNTAG LIETUVA	Kaunas	0.00	100.00	100.00	139
Malaysia						
103	BRENNTAG BUSINESS SERVICES SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	116
104	BRENNTAG MALAYSIA SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	116
105	BRENNTAG SDN. BHD.	Kuala Lumpur	0.00	100.00	100.00	152
106	Brenntag Chemicals Malaysia Sdn. Bhd.	Kuala Lumpur	0.00	30.00	30.00	116
Morocco						
107	ALCOCHIM MAROC S.A.R.L.	Casablanca	0.00	100.00	99.94	70
108	BRENNTAG MAROC S.A.R.L associé unique	Casablanca	0.00	100.00	99.94	70
Mauritius						
109	Brenntag Chemicals Mauritius Limited	Port Louis	0.00	100.00	100.00	116
110	Multisol Mauritius Limited	Port Louis	0.00	100.00	100.00	215
Mexico						
111	AMCO INTERNACIONAL S.A. DE C.V.	Mexico City	0.00	100.00 0.00	100.00	112 113
112	BRENNTAG MÉXICO, S.A. DE C.V.	Cuautitlan Izcalli	0.00	100.00 0.00	100.00	116 124
113	BRENNTAG PACIFIC, S. DE R.L. DE C.V.	Tijuana	0.00	99.00 1.00	100.00	194 192
New Zealand						
114	BRENNTAG NEW ZEALAND LIMITED	Wellington	0.00	100.00	100.00	152

No.	Company	Domicile	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via no.
Nicaragua						
115	BRENNTAG NICARAGUA, S.A.	Managua	0.00	100.00 0.00	100.00	116 125
Netherlands						
116	BRENNTAG (Holding) B.V.	Amsterdam	0.00	74.00 26.00	100.00	120 46
117	BRENNTAG Coöperatief U.A.	Amsterdam	0.00	99.00 1.00	100.00	192 191
118	BRENNTAG Dutch C.V.	Amsterdam	0.00	99.90 0.10	100.00	116 124
119	Brenntag Finance B.V.	Amsterdam	0.00	100.00	100.00	116
120	Brenntag HoldCo B.V.	Amsterdam	0.00	100.00	100.00	49
121	Brenntag Nederland B.V.	Dordrecht	0.00	100.00	100.00	116
122	Brenntag Vastgoed B.V.	Dordrecht	0.00	100.00	100.00	121
123	DigiB B.V.	Amsterdam	0.00	100.00	100.00	116
124	H.C.I. Chemicals Nederland B.V.	Amsterdam	0.00	100.00	100.00	116
125	HCI Central Europe Holding B.V.	Amsterdam	0.00	100.00	100.00	116
126	HCI U.S.A. Holdings B.V.	Amsterdam	0.00	100.00	100.00	117
127	Holland Chemical International B.V.	Dordrecht	0.00	100.00	100.00	116
Nigeria						
128	Brenntag Chemicals Nigeria Limited	Matori-Lagos	0.00	90.00 10.00	100.00	116 125
Norway						
129	BRENNTAG NORDIC AS	Borgenhaugen	0.00	100.00	100.00	149
Austria						
130	Brenntag Austria GmbH	Vienna	0.00	99.90 0.10	100.00	131 44
131	Brenntag Austria Holding GmbH	Vienna	0.00	100.00	100.00	9
132	JLC-Chemie Handels GmbH	Wiener Neustadt	0.00	100.00	100.00	130
133	Provida GmbH	Vienna	0.00	100.00	100.00	130
Panama						
134	BRENNTAG PANAMA S.A.	Panama City	0.00	100.00	100.00	116
Peru						
135	BRENNTAG PERU S.A.C.	Lima	0.00	100.00 0.00	100.00	116 125
Philippines						
136	BRENNTAG INGREDIENTS INC.	Muntinlupa City	0.00	100.00	100.00	116
Poland						
137	BCD POLYMERS Sp. z o.o.	Suchy Las	0.00	100.00	100.00	10
138	BCD Polska Sp. z o.o	Warsaw	0.00	100.00	100.00	10
139	BRENNTAG Polska sp. z o.o.	Kedzierzyn-Kozle	0.00	61.00 39.00	100.00	9 130
140	Eurochem Service Polska sp. z o.o.	Warsaw	0.00	100.00	100.00	139
141	Fred Holmberg & Co Polska Sp.z o.o.	Warsaw	0.00	100.00	100.00	139
Portugal						
142	Brenntag Portugal - Produtos Quimicos, Lda.	Lordelo	0.00	73.95 26.05	100.00	46 116
Puerto Rico						
143	Brenntag Puerto Rico, Inc.	Caguas	0.00	100.00	100.00	116

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
Republic of Serbia						
144	Brenntag d.o.o. Beograd-Savski Venac	Belgrade	0.00	100.00	100.00	116
Romania						
145	BRENNTAG S.R.L.	Chiajna	0.00	100.00	100.00	125
Russia						
146	OOO BRENNTAG	Moscow	0.00	100.00	100.00	130
147	OOO MULTISOL	Moscow	0.00	100.00	100.00	214
Saudi Arabia						
148	Brenntag Saudi Arabia Limited	Riad	0.00	75.00	38.25	206
Sweden						
149	Brenntag Nordic AB	Malmö	0.00	100.00	100.00	116
Switzerland						
150	Brenntag Schweizerhall AG	Basel	0.00	100.00	100.00	69
Singapore						
151	BRENNTAG ASIA PACIFIC PTE. LTD.	Singapore	0.00	100.00	100.00	116
152	BRENNTAG PTE. LTD.	Singapore	0.00	100.00	100.00	151
153	DigiB Asia Pacific Pte. Ltd.	Singapore	0.00	100.00	100.00	123
154	TEE HAI CHEM PTE LTD	Singapore	0.00	100.00	100.00	116
Slovakia						
155	BRENNTAG SLOVAKIA s.r.o.	Pezinok	0.00	100.00	100.00	130
Slovenia						
156	BRENNTAG LJUBLJANA d.o.o.	Ljubljana	0.00	100.00	100.00	130
Spain						
157	BRENNTAG QUIMICA, S.A.U.	Dos Hermanas	0.00	100.00	100.00	69
158	Devon Chemicals S.A.	Barcelona	0.00	100.00	100.00	116
Sri Lanka						
159	BRENNTAG LANKA (PRIVATE) LIMITED	Athurugiriya	0.00	100.00	100.00	116
South Africa						
160	BRENNTAG SOUTH AFRICA (PTY) LTD	Midrand	0.00	100.00	100.00	116
161	FORMERBSA (PTY) LTD	Cape Town	0.00	100.00	100.00	116
162	LIONHEART CHEMICAL ENTERPRISES (PROPRIETARY) LIMITED	Cape Town	0.00	100.00	100.00	116
163	Multisol South Africa (Proprietary) Limited	Cape Town	0.00	100.00	100.00	215
164	PROTANK (Proprietary) Limited	Durban	0.00	71.10	71.10	160
South Korea						
165	Brenntag Korea Co., Ltd.	Gwacheon-si	0.00	100.00	100.00	46
Taiwan						
166	Brenntag Taiwan Co., Ltd.	Taipei	0.00	100.00	100.00	116
167	NEUTO CHEMICAL CORP.	Taipei	0.00	100.00	100.00	116
Tanzania						
168	Brenntag Tanzania Limited	Dar es Salam	0.00	99.99 0.01	100.00	116 125
Thailand						
169	Brenntag Enterprises (Thailand) Co., Ltd.	Bangkok	0.00	51.00 49.00	100.00	172 116
170	Brenntag Ingredients (Thailand) Public Company Limited	Bangkok	0.00	51.00 49.00	100.00	169 116

No.	Company	Domicile	Held directly % 1)	Held indirectly % 1)	Effective net holding % 1)	Via no.
171	Brenntag Lubricants (Thailand) Co., Ltd.	Bangkok	0.00	98.00 1.00 1.00	100.00	116 151 152
172	Brenntag Service (Thailand) Co., Ltd.	Bangkok	0.00	51.01 48.99	100.00	169 116
173	Thai-Dan Corporation Limited	Bangkok	0.00	99.90 0.05 0.05	100.00	170 169 172
Czech Republic						
174	Brenntag CR s.r.o.	Prague	0.00	100.00	100.00	130
Turkey						
175	BRENNTAG KIMYA TICARET LIMITED SIRKETI	Istanbul	0.00	100.00	100.00	130
Tunisia						
176	Brenntag Tunisie SARL	Fouchana	0.00	100.00	99.94	70
Uganda						
177	Brenntag Uganda Limited	Kampala	0.00	99.00 1.00	100.00	116 125
Ukraine						
178	TOB BRENNTAG UKRAINE	Kyiv	0.00	100.00	100.00	198
179	TOB TRIDE	Kyiv	0.00	100.00	100.00	130
Hungary						
180	BCB Union Kft.	Budapest	0.00	96.67 3.33	100.00	116 124
181	BRENNTAG Hungaria Kft.	Budapest	0.00	97.93 2.07	100.00	130 125
Uruguay						
182	BRENNTAG SOURCING URUGUAY S.A.	Colonia del Sacramento	0.00	100.00	100.00	116
USA						
183	Alphamin Inc.	Dallas/Texas	0.00	100.00	100.00	9
184	Altivia Louisiana, L.L.C.	St. Gabriel/ Louisiana	0.00	100.00	100.00	195
185	BWEV, LLC	Wilmington/ Delaware	0.00	100.00	100.00	189
186	Brenntag Global Marketing, LLC	Wilmington/ Delaware	0.00	100.00	100.00	192
187	Brenntag Great Lakes, LLC	Chicago/Illinois	0.00	100.00	100.00	126
188	Brenntag Latin America, Inc.	Wilmington/ Delaware	0.00	100.00	100.00	192
189	Brenntag Lubricants, LLC	Wilmington/ Delaware	0.00	100.00	100.00	192
190	Brenntag Mid-South, Inc.	Henderson/ Kentucky	0.00	100.00	100.00	192
191	Brenntag North America Foreign Holding, LLC	Wilmington/ Delaware	0.00	100.00	100.00	192
192	Brenntag North America, Inc.	Wilmington/ Delaware	0.00	100.00	100.00	116
193	Brenntag Northeast, LLC	Wilmington/ Delaware	0.00	100.00	100.00	192
194	Brenntag Pacific, Inc.	Wilmington/ Delaware	0.00	100.00	100.00	192
195	Brenntag Southwest, Inc.	Longview/Texas	0.00	100.00	100.00	192
196	Brenntag Specialties, LLC	Wilmington/ Delaware	0.00	100.00	100.00	192

No.	Company	Domicile	Held directly % [1]	Held indirectly % [1]	Effective net holding % [1]	Via no.
197	Coastal Chemical Co., L.L.C.	Abbeville/Louisiana	0.00	100.00	100.00	126
198	Dipol Chemical International, Inc.	New York/New York	0.00	100.00	100.00	130
199	JM Swank, LLC	Wilmington/Delaware	0.00	100.00	100.00	203
200	New Jersey Lube Oil, LLC	East Hartford/Connecticut	0.00	100.00	100.00	189
201	Storm Chaser Holding Corporation	Wilmington/Delaware	0.00	100.00	100.00	196
202	Storm Chaser Intermediate Holding Corporation	Wilmington/Delaware	0.00	100.00	100.00	201
203	Storm Chaser Intermediate Holding II Corporation	Wilmington/Delaware	0.00	100.00	100.00	202
204	TechManagement Energy Services, LLC	Dallas/Texas	0.00	100.00	100.00[2]	197
United Arab Emirates						
205	Raj Petro Specialties DMCC	Dubai	0.00	100.00	65.00	86
206	Trychem FZCO	Jebel Ali, Dubai	0.00	51.00	51.00	116
207	Trychem Trading L.L.C.	Port Saeed, Dubai	0.00	100.00	51.00	206
United Kingdom						
208	A1 Cake Mixes Limited i. L.	Dundee	0.00	50.00 50.00	100.00	213 211
209	Brenntag Colours Limited	Leeds	0.00	100.00	100.00	211
210	Brenntag Inorganic Chemicals Limited	Leeds	0.00	100.00	100.00	211
211	Brenntag UK Holding Limited	Leeds	0.00	100.00	100.00	69
212	Brenntag UK Limited	Leeds	0.00	100.00	100.00	211
213	Kluman and Balter Limited	Leeds	0.00	100.00	100.00	211
214	Multisol Europe Limited	Leeds	0.00	100.00	100.00	215
215	Multisol Group Limited	Leeds	0.00	100.00	100.00	216
216	Multisol Limited	Leeds	0.00	100.00	100.00	211
217	Murgatroyd's Salt & Chemical Company Limited	Leeds	0.00	100.00	100.00	210
218	PRIME EXAMPLE LTD	Leeds	0.00	100.00	100.00[2]	219
219	PRIME SURFACTANTS LIMITED	Leeds	0.00	100.00	100.00[2]	211
Vietnam						
220	BRENNTAG VIETNAM COMPANY LIMITED	Ho Chi Minh City	0.00	100.00	100.00	152
221	NAM GIANG COMMERCIAL SERVICE CO.,LTD	Ho Chi Minh City	0.00	0.00	0.00[3]	1

Investments accounted for using the equity method

Denmark						
222	Borup Kemi I/S	Borup	0.00	33.33	33.33	34
Germany						
223	SOFT CHEM GmbH	Laatzen	0.00	33.40	17.03	59
Thailand						
224	Berli Asiatic Soda Co., Ltd.	Bangkok	0.00	50.00	50.00	170
United Kingdom						
225	PURE SODIUM HYPOCHLORITE BIOCIDAL PRODUCTS GROUP LTD.	London	0.00	20.00	20.00	212

[1] Share in the capital of the company
[2] Business combination in accordance with IFRS 3
[3] Structured entity

6 Further Information

273 — 292

Responsibility statement 2022

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Essen, March 6, 2023

Brenntag SE
Board of Management

Dr. Christian Kohlpaintner | Henri Nejade | Dr. Kristin Neumann

Steven Terwindt | Ewout van Jarwaarde

Independent auditor's report

To Brenntag SE, Essen

Report on the audit of the consolidated financial statements and of the Group management report

Audit Opinions

We have audited the consolidated financial statements of Brenntag SE, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Brenntag SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of the disclosures marked as unaudited in section "Main elements of the internal control / risk management system" of the Group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code]] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2022, and of its financial performance for the financial year from January 1, to December 31, 2022,
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of the disclosures in section "Main elements of the internal control / risk management system" of the Group management report referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit were as follows:

1) Recoverability of goodwill
2) Accounting treatment of business combinations
3) Measurement of environmental provisions
4) Valuation of risks posed by excise taxes

Our presentation of these key audit matters has been structured in each case as follows:

1) Matter and issue
2) Audit approach and findings
3) Reference to further information

Hereinafter we present the key audit matters:

1) Recoverability of goodwill

1) Goodwill amounting to EUR 3.1 billion (27% of consolidated total assets) is reported under the “Intangible assets” item in the consolidated balance sheet of Brenntag SE. The Company allocates goodwill to the respective groups of cash-generating units. Goodwill is tested for impairment by the Company once a year as of the end of the reporting period, or when there are indications of impairment. The Company engaged an external expert to carry out the impairment testing. The basis for the measurement is generally the present value of the future cash flows of the respective group of cash-generating units, which is calculated as fair value less costs of disposal and compared against the carrying amount of the respective group of cash-generating units, including goodwill. Present values are calculated using discounted cash flow models. The business valuation model is based on cash flow projections, which in turn are based on the five-year plan approved by the executive directors and applicable at the time the impairment test is carried out. The planning is based on the executive directors’ fundamental growth assumptions, which are specified in detail by the budget managers in the context of bottom-up planning for the first three years and consolidated into a medium-term business plan at segment level. The Board of Management extrapolates them for a further two years taking into account information from the planning process. The discount rate used is the weighted cost of capital for the relevant group of cash-generating units. The result of this measurement depends to a large extent on the executive directors’ assessment of future cash inflows and the discount rate used, and is therefore subject to uncertainty. For this reason, and in connection with the EUR 38.1 million impairment loss recognized in relation to the Latin America (BES) cash-generating unit, assessing the recoverability of goodwill was of particular significance in the context of our audit.

2) As part of our audit, among other things we reviewed the method used to perform impairment tests and calculate the impairment loss, and assessed the calculation of the weighted average cost of capital. We assessed the appropriateness of the future cash inflows used in the calculation, among other procedures by comparing this information against the five-year plan adopted by the executive directors, as well as by reconciling the underlying assumptions with general and sector-specific market expectations. In this context, we also assessed whether the costs of Group functions were properly included in the impairment tests on the respective cash-generating units. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also focused our testing on the parameters used to determine the discount rate applied, and assessed the calculation model. We furthermore assessed the usability of the external opinion and the appropriateness of the raw data underlying the expert opinion, the assumptions made, the methods used and how consistent these were in comparison to prior periods. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3) The Company’s disclosures on goodwill are contained in section “19.) Intangible assets” of the notes to the consolidated financial statements.

2) Accounting treatment of business combinations

1) In fiscal year 2022, the Brenntag Group acquired Y.S. Ashkenazi Agencies Ltd. and its subsidiary Biochem Trading 2011 Ltd., each with registered office in Be'er Ya'akov (Israel), PRIME SURFACTANTS LIMITED and its subsidiary PRIME EXAMPLES LTD., with registered office in Leeds (United Kingdom), and TechManagement Energy Services, LLC, Dallas / Texas (United States). In addition, the Group acquired the Life Science and Coatings division of Ravenswood, Bayswater (Australia), as part of an asset deal. Taking into account net assets acquired of EUR 108.7 million attributable to Brenntag (in relation to 100%), the transactions generated EUR 75.4 million in goodwill acquired. In addition, the Group brought its valuation of the assets and liabilities resulting from prior-year acquisitions to a timely close in the reporting period with valuation adjustments relating to net assets acquired (EUR −0.4 million) and goodwill (EUR +0.5 million). Given the material overall effect of the amounts involved in the acquisitions on the net assets, financial position, and results of operations of the Brenntag Group and given the complexity of valuing the acquisitions, these were of particular significance in the context of our audit.

2) In reviewing the accounting treatment of the acquisitions, we began by inspecting and assessing the respective contractual agreements underlying the acquisitions and reconciled the purchase prices paid as consideration for the acquired business operations with the supporting payment documentation provided to us. We assessed the opening balance sheet figures underlying the above-mentioned acquisitions. We assessed fair values that were measured centrally (e.g., of customer relationships) by reconciling the numerical data with the original financial accounts and the parameters used. We also used checklists to establish whether the requirements set out in IFRS 3 for disclosures in the notes to the financial statements had been complied with in full. We also assessed the valuation adjustments made to the assets and liabilities resulting from the prior-year acquisitions. Based on these and other audit procedures performed and the information available, we were able to satisfy ourselves that the acquisition of the respective shares was properly presented.

3) The Company's disclosures on acquisitions are contained in the section entitled "Business combinations in accordance with IFRS 3" of the notes to the consolidated financial statements.

3) Measurement of environmental provisions

1) As of December 31, 2022, the environmental provisions recognized in the consolidated financial statements of Brenntag SE (primarily for the decontamination of soil and groundwater at current and former Company-owned or leased sites) amounted to EUR 108.9 million. The provisions also include contingent liabilities of EUR 20.7 million for which cash outflows are not likely but nonetheless possible. Due to purchase price allocations, these were reported in the consolidated balance sheet under acquisitions in accordance with IFRS 3. The recognition of environmental provisions at the subsidiaries was coordinated centrally by an external expert. In addition, another auditing firm assisted the Company in measuring the provisions and summarized the results in an expert report. The environmental provisions were recognized at the present value of the expected expenditures, taking into account future inflation-related increases. The provisions were discounted using interest rates for risk-free assets with matching terms for each functional currency. Due to the nature and large number of influencing factors that need to be taken into account when calculating environmental provisions, their measurement is subject to considerable uncertainties and as such was of particular significance overall in the context of our audit.

2) As part of our audit, among other things we assessed the appropriateness of the measurement models used and the assumptions. Accordingly, we evaluated and assessed the underlying future cash outflows calculated by the Group companies. We also reviewed measurement parameters (in particular inflation rates, discount rates and currency translation from the functional to the reporting currency) used by the Company. Furthermore, we reviewed and assessed the mathematical accuracy of the calculations and the appropriateness of the calculations performed by the other auditing firm in its sensitivity analyses. In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of properly measuring environmental provisions.

3) The Company's disclosures on the measurement of environmental provisions are contained in the sections entitled "Environmental provisions" and "Assumptions and estimates" of the notes to the consolidated financial statements.

4) Valuation of risks posed by excise taxes

1) As of December 31, 2021, the Group had recognized provisions totaling EUR 81.5 million for risks relating to alcohol and energy taxes at BRENNTAG GmbH and BCD Chemie GmbH. During the fiscal year, the German customs authorities completed their inspection relating to energy taxes at BRENNTAG GmbH for 2016 and 2017 and issued tax assessment notices in the total amount of EUR 2.5 million. The provisions recognized for this purpose in the previous year exceeded this amount by EUR 19.0 million, and as such Brenntag reversed the difference through profit or loss. The remaining provisions recognized in the financial statements amounted to EUR 60.0 million as of December 31, 2022. Due to the nature and large number of influencing factors that need to be taken into account when calculating provisions for excise taxes, their measurement is subject to considerable uncertainties and as such was of particular significance overall in the context of our audit.

2) As part of our audit, with the involvement of customs and excise tax experts we began by assessing the substance of the excise tax risks in respect of their existence and amount. We were given access to audit reports, tax assessment notices and other correspondence between the Brenntag companies and the customs authorities. In addition, we examined the external letters of confirmation from the tax advisors engaged by Brenntag. We evaluated and critically assessed the valuation assumptions and probabilities of occurrence underlying Brenntag's calculations of the provisions. We additionally assessed the accurate presentation of the utilisation and reversal of provisions established for the tax assessment periods 2016 and 2017. We believe that the valuation parameters and underlying valuation assumptions used by the executive directors are appropriate overall for the purpose of accurately measuring the provisions for excise tax risks.

3) The Company's disclosures relating to the provisions described and the circumstances are contained in sections "25.) Other provisions" and "32.) Legal proceedings and disputes" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the disclosures marked as unaudited in section "Main elements of the internal control / risk management system" of the Group management report as an unaudited part of the Group management report.

The other information additionally comprises

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial statement on the fulfillment of § 289b to 289e and of Sections 315b until 315c HGB
- the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the Supervisory Board is also responsible
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited Group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group management report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the electronic file Brenntag_SE_KA+ZLB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the Group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from January 1 through December 31, 2022 contained in the "Report on the Audit of the consolidated financial statements and on the Group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the Group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the Group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited Group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 9, 2022. We were engaged by the Supervisory Board on December 12, 2022. We have been the group auditor of Brenntag SE, Essen without interruption since the Company first met the requirements of a public-interest entity within the meaning of § 319a Abs. 1 Satz 1 HGB in financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited Group management report as well as the assured ESEF documents. The consolidated financial statements and the Group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited Group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the consolidated financial statements and the Group management report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Christiane Lawrenz.

Düsseldorf, March 6, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Christiane Lawrenz	sgd. ppa. Daniel Deing
Wirtschaftsprüferin	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

Segment reporting

Business performance of the Brenntag Group

			Change		
in EUR m	**2022**	**2021**	abs.	in %	in % (fx adj.)
Sales	19,429.3	14,382.5	5,046.8	35.1	27.7
Operating gross profit	4,319.0	3,379.0	940.0	27.8	20.3
Operating expenses	-2,510.4	-2,034.4	-476.0	23.4	16.1
Operating EBITDA	**1,808.6**	**1,344.6**	**464.0**	**34.5**	**26.7**
Depreciation of property, plant and equipment	-296.9	-262.7	-34.2	13.0	6.6
Operating EBITA (Segmentergebnis)	**1,511.7**	**1,081.9**	**429.8**	**39.7**	**31.5**
Net income / expense from special items	-19.8	-228.7	–	–	–
EBITA	1,491.9	853.2	–	–	–
Amortization of intangible assets	-109.5	-110.8	–	–	–
Net finance costs	-147.5	-92.1	–	–	–
Profit before tax	1,234.9	650.3	–	–	–
Income tax expense	-332.4	-188.9	–	–	–
Profit after tax	902.5	461.4	–	–	–

6.01 Business performance of the Brenntag Group 12 M 2022 / 2021

			Change		
in EUR m	**Q4 2022**	**Q4 2021**	abs.	in %	in % (fx adj.)
Sales	4,734.5	4,041.7	692.8	17.1	11.3
Operating gross profit	1,030.2	913.5	116.7	12.8	7.0
Operating expenses	678.1	567.2	110.9	19.6	13.0
Operating EBITDA	**352.1**	**346.3**	**5.8**	**1.7**	**-2.9**
Depreciation of property, plant and equipment	-80.6	-70.8	9.8	13.8	8.3
Operating EBITA (Segmentergebnis)	**271.5**	**275.5**	**-4.0**	**-1.5**	**-5.8**
Net income / expense from special items	-23.9	-124.6	–	–	–
EBITA	247.6	150.9	–	–	–
Amortization of intangible assets	-56.3	-19.1	–	–	–
Net finance costs	-45.3	-42.9	–	–	–
Profit before tax	146.0	88.9	–	–	–
Income tax expense	-40.4	-25.9	–	–	–
Profit after tax	105.6	63.0	–	–	–

6.02 Business performance of the Brenntag Group Q4 2022 / 2021

Period from January 1 to December 31 in EUR m	Brenntag Specialties	Brenntag Essentials	All other Segments	**Group**
External sales				
2022	7,947.4	10,720.9	761.0	19,429.3
2021	6,003.3	7,815.4	563.8	14,382.5
fx adj. change in %	26.2	28.3	35.0	27.7
Operating gross profit				
2022	1,678.3	2,608.6	32.1	4,319.0
2021	1,283.2	2,066.9	28.9	3,379.0
fx adj. change in %	24.8	17.7	11.1	20.3
Operating EBITDA				
2022	779.6	1,153.3	–124.3	1,808.6
2021	567.5	843.0	–65.9	1,344.6
fx adj. change in %	32.1	27.6	88.9	26.7
Operating EBITA (segment result)				
2022	738.0	910.8	–137.1	1,511.7
2021	534.9	619.6	–72.6	1,081.9
fx adj. change in %	32.9	36.7	89.1	31.5

6.03 Reconciliation of the Reportable Segments to the Group 12M 2022 / 2021

Period from October 1 to December 31 in EUR m	Brenntag Specialties	Brenntag Essentials	All other Segments	**Group**
External sales				
2022	1,897.5	2,686.4	150.6	4,734.5
2021	1,683.5	2,216.2	142.0	4,041.7
fx adj. change in %	7.9	14.2	6.1	11.3
Operating gross profit				
2022	370.7	653.8	5.7	1,030.2
2021	355.7	551.1	6.7	913.5
fx adj. change in %	0.2	11.5	–14.9	7.0
Operating EBITDA				
2022	136.7	257.4	–42.0	352.1
2021	150.3	208.5	–12.5	346.3
fx adj. change in %	–11.5	16.9	236.0	–2.9
Operating EBITA (segment result)				
2022	125.0	191.1	–44.6	271.5
2021	141.4	148.5	–14.4	275.5
fx adj. change in %	–13.9	21.7	209.7	–5.8

6.04 Reconciliation of the Reportable Segments to the Group Q4 2022 / 2021

Period from January 1 to December 31 in EUR m	EMEA[1]	North America	Latin America	APAC[2]	Central activities[3]	**Brenntag Essentials**
External sales						
2022	4,292.6	4,779.7	861.4	787.2	–	10,720.9
2021	3,186.7	3,268.5	634.5	725.7	–	7,815.4
fx adj. change in %	33.7	30.7	22.5	0.6	–	28.3
Operating gross profit						
2022	969.6	1,342.5	176.9	119.6	–	2,608.6
2021	802.2	999.9	151.6	113.2	–	2,066.9
fx adj. change in %	20.2	20.0	5.0	–2.0	–	17.7
Operating EBITDA						
2022	474.7	578.1	60.7	41.4	–1.6	1,153.3
2021	330.8	414.7	53.2	45.0	–0.7	843.0
fx adj. change in %	42.6	24.6	2.9	–14.5	128.6	27.6
Operating EBITA (segment result)[4] [5]						
2022	367.5	468.5	42.8	33.6	–1.6	910.8
2021	222.4	317.9	38.7	41.3	–0.7	619.6
fx adj. change in %	63.9	31.7	–	–24.5	128.6	36.7

6.05 Segment Reporting on the global Essentials division 12M 2022 / 2021

[1] Europe, Middle East & Africa.
[2] Asia Pacific including the China and Hong Kong segment, which is presented separately internally.
[3] Central activities which are part of Brenntag Essentials but not directly attributable to any one segment.
[4] Segment operating EBITA is calculated as segment EBITA adjusted for holding charges and special items.
[5] Certain items of property, plant and equipment and right-of-use assets are not separable and support both divisions jointly. They have been allocated to a division (depending on the region) and are depreciated there. They are charged to the other division on the basis of fixed and variable monthly amounts.

Period from October 1 to December 31 in EUR m	EMEA[1]	North America	Latin America	APAC[2]	Central activities[3]	**Brenntag Essentials**
External sales						
2022	1,087.1	1,214.3	205.9	179.1	–	2,686.4
2021	881.7	945.6	180.3	208.6	–	2,216.2
fx adj. change in %	23.1	14.9	4.9	–16.5	–	14.2
Operating gross profit						
2022	251.1	338.7	39.1	24.9	–	653.8
2021	210.1	268.7	41.6	30.7	–	551.1
fx adj. change in %	19.7	13.2	–13.9	–21.4	–	11.5
Operating EBITDA						
2022	121.6	120.6	10.1	5.8	–0.7	257.4
2021	85.3	98.5	13.7	9.7	1.3	208.5
fx adj. change in %	42.8	10.0	–30.4	–40.6	–146.2	16.9
Operating EBITA (segment result)[4] [5]						
2022	92.3	90.2	5.4	3.9	–0.7	191.1
2021	57.0	71.9	10.0	8.3	1.3	148.5
fx adj. change in %	62.4	12.8	–48.1	–55.2	–146.2	21.7

6.06 Segment Reporting on the global Essentials division Q4 2022 / 2021

[1] Europe, Middle East & Africa.
[2] Asia Pacific including the China and Hong Kong segment, which is presented separately internally.
[3] Central activities which are part of Brenntag Essentials but not directly attributable to any one segment.
[4] Segment operating EBITA is calculated as segment EBITA adjusted for holding charges and special items.
[5] Certain items of property, plant and equipment and right-of-use assets are not separable and support both divisions jointly. They have been allocated to a division (depending on the region) and are depreciated there. They are charged to the other division on the basis of fixed and variable monthly amounts.

Period from January 1 to December 31 in EUR m	EMEA[1]	Americas[2]	APAC	Central activities[3]	Brenntag Specialties
External sales					
2022	3,369.0	3,148.8	1,429.6	–	7,947.4
2021	2,753.0	2,170.0	1,080.3	–	6,003.3
fx adj. change in %	23.8	30.0	23.8	–	26.2
Operating gross profit					
2022	725.0	664.3	289.0	–	1,678.3
2021	594.5	459.2	229.5	–	1,283.2
fx adj. change in %	23.8	29.4	17.8	–	24.8
Operating EBITDA					
2022	335.0	297.2	148.6	–1.2	779.6
2021	276.5	180.3	111.8	–1.1	567.5
fx adj. change in %	24.1	47.7	23.8	20.0	32.1
Operating EBITA (segment result)[4] [5]					
2022	323.9	281.3	134.0	–1.2	738.0
2021	269.6	169.9	96.5	–1.1	534.9
fx adj. change in %	23.0	48.4	29.5	20.0	32.9

6.07 Segment reporting on the global Specialities division 12M 2022 / 2021

[1] Europe, Middle East & Africa.
[2] North and Latin America.
[3] Central activities which are part of Brenntag Specialties but not directly attributable to any one segment.
[4] Segment operating EBITA is calculated as segment EBITA adjusted for holding charges and special items.
[5] Certain items of property, plant and equipment and right-of-use assets are not separable and support both divisions jointly. They have been allocated to a division (depending on the region) and are depreciated there. They are charged to the other division on the basis of fixed and variable monthly amounts.

Period from October 1 to December 31 in EUR m	EMEA[1]	Americas	APAC[2]	Central activities[3]	Brenntag Specialties
External sales					
2022	790.5	745.8	361.2	–	1,897.5
2021	706.5	656.4	320.6	–	1,683.5
fx adj. change in %	14.3	1.6	8.0	–	7.9
Operating gross profit					
2022	158.0	148.5	64.2	–	370.7
2021	153.8	136.6	65.3	–	355.7
fx adj. change in %	6.2	–3.0	–5.7	–	0.2
Operating EBITDA					
2022	51.6	60.0	26.8	–1.7	136.7
2021	70.7	51.8	28.1	–0.3	150.3
fx adj. change in %	–22.9	3.2	–8.1	500.0	–11.5
Operating EBITA (segment result)[4] [5]					
2022	48.6	55.5	22.6	–1.7	125.0
2021	69.0	48.5	24.2	–0.3	141.4
fx adj. change in %	–25.6	1.7	–9.8	500.0	–13.9

6.08 Segment reporting on the global Specialities division Q4 2022 / 2021

[1] Europe, Middle East & Africa.
[2] North and Latin America.
[3] Central activities which are part of Brenntag Specialties but not directly attributable to any one segment.
[4] Segment operating EBITA is calculated as segment EBITA adjusted for holding charges and special items.
[5] Certain items of property, plant and equipment and right-of-use assets are not separable and support both divisions jointly. They have been allocated to a division (depending on the region) and are depreciated there. They are charged to the other division on the basis of fixed and variable monthly amounts.

Glossary

A

APAC | Asia Pacific, China and Hong Kong

B

BEST | BEST (Brenntag Enhanced Safety Thinking) is a global Brenntag initiative to improve the safety behaviour / the safety culture in the whole company.

Brenntag Business Services | Brenntag Business Services were introduced to support the two divisions, Brenntag Essentials and Brenntag Specialties, harmonize internal processes and intensify global collaboration. They have been allocated to "All other Segments".

Brenntag Essentials | The global division "Brenntag Essentials" markets a broad portfolio of process chemicals across a wide range of industries and applications at a local level.

Brenntag Specialties | The global division "Brenntag Specialties" is geared to expanding our market position as the leading supplier of specialty chemicals in six selected focus industries worldwide: Nutrition, Pharma, Personal Care/HI&I (Home, Industrial & Institutional), Material Science (Coatings & Construction, Polymers, Rubber), Water Treatment and Lubricants.

C

Conversion ratio | The conversion ratio at Brenntag is calculated as the quotient of operating EBITDA and operating gross profit. It represents one of the most important efficiency ratios.

D

Diversification | Diversification at Brenntag means a broad range as regards geography, end markets, customers, products and suppliers. This high degree of diversification makes Brenntag largely independent of individual market segments or regions.

Division | Since the beginning of 2021, we have been managing Brenntag through two global divisions: "Brenntag Essentials" and "Brenntag Specialties".

E

EMEA | Europe, Middle East & Africa

G

Global key accounts | At Brenntag, we take care of our key accounts at local, national, pan-regional and global level and develop and implement tailor-made concepts for their optimum supply with industrial and specialty chemicals. For our customers, this means they can concentrate on their core business, secure in the knowledge that they have a partner they can rely on.

H

Hub-and-spoke-system | Brenntag sites are generally operated using an efficient 'hub-and-spoke' model. Large bulk quantities are received at Brenntag's 'hub' locations which have large tank farms, warehouses and mixing and blending facilities, plus sometimes white room facilities. From our hubs we supply our 'spoke' facilities which accommodate smaller tank farms and warehouses and are located in close proximity to our customers to ensure prompt and smooth delivery.

I

IBC | IBC stands for intermediate bulk container. IBCs are used mostly for storing and transporting liquids. A capacity of 1,000 litres is typical.

ICTA | The ICTA (International Chemical Trade Association) was established in 2016 and replaced the ICCTA as the inter-national council for chemical trade associations. It represents the interests of over 1,300 chemical distributors worldwide. ICTA provides a worldwide network, coordinating work on issues and programmes of international interest across chemical trade associations.

Industrial chemicals | Industrial chemicals is the term used at Brenntag to distinguish standard chemical products that have specific properties and effects from → speciality chemicals. The manufacturer of the product is generally irrelevant for the user.

J

Just-in-time delivery | With just-in-time deliveries, the customer does not store supplies but orders the products as required (“just in time”) from the supplier.

L

Leverage | This term has various meanings in the world of finance. In this document, it refers to the ratio of net debt to operating EBITDA.

M

Mixing & blending | The term “mixing & blending” describes the mixing and formulation of solid and liquid chemicals in the correct mixing ratio with consistent quality as well as the filling of products in the desired packaging unit. Brenntag offers its customers not just distribution services but the complete mixing & blending of end products as a value-added service.

O

One-stop shop | One-stop shop means that our customers can obtain a comprehensive range of specialty and industrial chemicals and services from a single source.

Outsourcing | Outsourcing at Brenntag is understood to mean that chemical manufacturers pass on their small and medium-sized customers to Brenntag who then obtain their chemicals from Brenntag.

P

Packaging | Packaging refers to packing or packing material.

Packing drum | A packing drum is a packing unit in which a product is sold and delivered. Typical packing drum sizes are e.g. cans, barrels or → IBCs.

Project Brenntag | "Project Brenntag" comprises a holistic analysis of the company and, building on this, a broad-based transformation program.The core elements are the new operating model comprising two global segments with a strong focus on customer and supplier requirements, a distinct go-to-market approach derived from that, (infra-)structural topics as well as supporting people and change management measures.

R

REACH | REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) is a regulation of the European Union adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals.

Responsible Care/Responsible Distribution | Responsible Care/Responsible Distribution (RC/RD) is a global initiative of the chemicals industry and chemicals traders. It is a voluntary commitment to act responsibly and do more than is required by law: to promote sustainability, demonstrate product stewardship, make plants and the surrounding areas safer as well as improve occupational health and safety and environmental protection.

S

Segment | Component of an entity which is reported separately. In general, the definition is based on the internal reporting (management approach).

Sourcing activities | Brenntag has extensive experience and know-how in managing efficient sourcing relationships with national and international suppliers of chemical products.

Specialty chemicals | Specialty chemicals, which are often developed for customized applications, are distinguished from → industrial chemicals by their individual formulations. Which manufacturer produces the specialty chemical is of prime importance for the user.

Supply chain management | Brenntag provides large chemical producers and the processing industry with efficient logistics networks. We provide transport, warehousing and distribution and assist production and marketing processes. We warrant highest efficiency and best safety standards. We optimize supply chains, synchronize distribution, take on monitoring tasks, assume responsibility for VMI (Vendor Managed Inventory) and control and schedule follow-up orders for goods.

T

Together for Sustainability (TFS) | TfS (Together for Sustainability) is the name of an industry initiative founded by major companies of the chemicals sectors. The purpose is to develop and implement a global audit programme to assess and improve sustainability practices within the supply chains of the chemical industry.

Trademark | A trademark generally refers to a brand name and at Brenntag includes both the name and the logo.

TRIR | TRIR (Total Recordable Injury Rate) is an international industry widely used performance indicator, indicating how often employees sustain injuries in work-related accidents. It shows the number of persons with work-related injuries requiring medical attention above first-aid per one million hours worked.

Five-year overview

		2022	2021	2020	2019	2018
Sales	EUR m	19,429.3	14,382.5	11,794.8	12,821.8	12,550.0
Operating gross profit	EUR m	4,319.0	3,379.0	2,869.4	2,821.7	2,660.9
Operating EBITDA	EUR m	1,808.6	1,344.6	1,057.7	1,001.5	875.5
Operating EBITDA/operating gross profit	%	41.9	39.8	36.9	35.5	32.9
Operating EBITA	EUR m	1,511.7	1,081.9	805.3	757.9	753.5
Operating EBITA/operating gross profit	%	35.0	32.0	28.1	26.9	28.3
Profit after tax	EUR m	902.5	461.4	473.8	469.2	462.3
Earnings per share	EUR	5.74	2.90	3.02	3.02	2.98

6.09 Consolidated income statement

		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Total assets	EUR m	11,373.0	10,195.5	8,143.5	8,564.2	7,694.5
Equity	EUR m	4,802.7	3,995.3	3,611.6	3,579.0	3,301.2
Working capital	EUR m	2,588.6	2,109.8	1,346.6	1,767.7	1,807.0
Net financial liabilities	EUR m	2,049.7	2,070.3	1,339.9	2,060.5	1,761.9

6.10 Consolidated balance sheet

		2022	2021	2020	2019	2018
Net cash provided by operating activities	EUR m	956.7	388.6	1,219.0	879.3	375.3
Investments in non-current assets (capex)	EUR m	-267.2	-199.3	-201.9	-205.9	-172.2
Free cash flow[1]	EUR m	1,005.1	439.5	1,054.6	837.3	542.6

6.11 Consolidated cash flow

		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Share price	EUR	59.72	79.58	63.35	48.48	37.70
No. of shares (unweighted)		154,500,000	154,500,000	154,500,000	154,500,000	154,500,000
Market capitalization	EUR m	9,227	12,295	9,786	7,490	5,825
Free float	%	100.00	100.00	100.00	100.00	100.00

6.12 Key data on Brenntag shares

[1] Calculation based on operating EBITDA.

Financial Calendar 2023

May 10

2023

Quarterly Statement
Q1 2023

June 15

2023

General Shareholders‘
Meeting 2023

August 09

2023

Interim Report
Q2 2023

November 09

2023

Quarterly Statement
Q3 2023

The financial calendar is updated regularly. The latest dates can be found on our website at www.brenntag.com/financial_calendar

Issuer

Brenntag SE
Corporate Investor Relations
Messeallee 11
45131 Essen, Germany
Phone: +49 201 6496 2100
Fax: +49 201 6496 2003
E-Mail: IR@brenntag.de
Internet: www.brenntag.com

Design

MPM Corporate Communication Solutions
Part of RYZE Digital
Mombacher Straße 4
55122 Mainz, Germany
Phone: +49 61 31 95 69 0
E-Mail: info@mpm.de
Internet: www.mpm.de

Contact

Brenntag SE
Corporate Investor Relations
Phone: +49 201 6496 2100
Fax: +49 201 6496 2003
E-Mail: IR@brenntag.de

Information on the Annual Report
This translation is only a convenience translation. In the event of any differences, only the German version is binding. We would like to point out that the photographic material from this Annual Report may not be reproduced or reused. Full information on the photos used can be found on our website.

Information on rounding
Due to commercial rounding, minor differences may occur when using rounded amounts or rounded percentages.

Disclaimer
This report may contain forward-looking statements based on current assumptions and forecasts made by Brenntag SE and other information currently available to the company. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. Brenntag SE does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to adapt them in line with future events or developments.