



balchem

Making the World a Healthier Place

.....
OUR 2020 SUSTAINABILITY REPORT

OUR VISION

We are committed to making the world a healthier place.

Our two sustainability objectives remain the same as we look to the future:

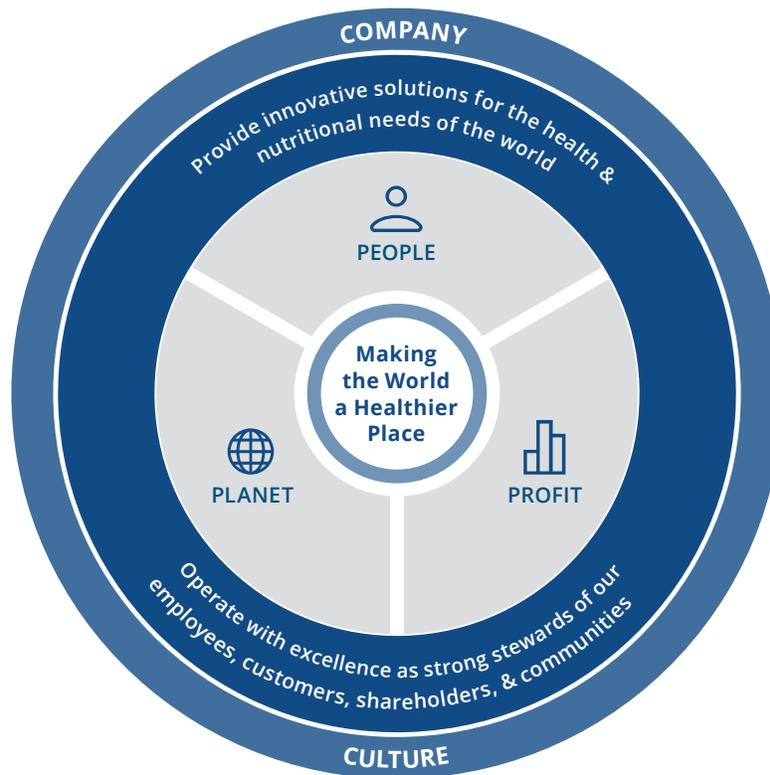
- Providing innovative solutions for the health and nutritional needs of the world
- Operating with excellence as strong stewards of our employees, customers, shareholders, and communities (our stakeholders)

Our vision is clear – to make the world a healthier place. Every day, Balchem is delivering trusted solutions that enhance health and

nutrition through science. One of our proud accomplishments is that we were able to impact 1.4 billion people around the world this year through human nutrition products and through people being fed by animals supplemented with our vital nutrients.

Our Sustainability Framework focuses on the most critical Environmental, Social, and Governance (ESG) topics relevant to our business and stakeholders. This report highlights our efforts within three pillars: People, Planet, and Profit. We welcome you to join our sustainability journey as we help make the world a healthier place.

Our Sustainability Framework



1.4 Billion People Reached in 2020

The total number of people impacted is calculated by the annual consumption of protein and the daily recommended doses of minerals, essential nutrients, and vitamins.

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MESSAGE FROM OUR CHAIRMAN AND CEO



MESSAGE FROM OUR CHAIRMAN AND CEO



Sustainability is at the heart of our company's vision to make the world a healthier place.



TO OUR EMPLOYEES, CUSTOMERS, SHAREHOLDERS, AND COMMUNITIES:

For over 50 years, Balchem has developed innovative solutions for the nutritional needs of the world. We do this while operating our facilities and businesses to the expectations of our employees, customers, shareholders, and communities. This was especially true in 2020, as the world was challenged with the coronavirus (COVID-19) pandemic. Managing our operations through this pandemic continues to be a key focus for our company and a true test of our ability to operate in a dynamic environment. I am extraordinarily proud of how Balchem has responded to this challenge and how we have proven our resilience and ability to execute not only in good times, but also in challenging times like we have today.

As a company, we had a very strong year strategically, financially, and relative to progressing our sustainability objectives. We remain focused on our two main objectives: providing innovative solutions for the health and nutritional needs of the world and operating with excellence as strong stewards of our stakeholders. Our areas of priority are included in this report and remain focused on our three sustainability pillars: People, Planet, and Profit.

In 2020, Balchem joined the United Nations Global Compact, confirming our support of their Ten Principles on human rights, labor, environment, and anti-corruption. Our commitment to the United Nations Global Compact Principles is another step in our continuous sustainability journey and achieving our vision of making the world a

healthier place. As a company, we are aligning our strategy with the Ten Principles and taking actions to increase our support of the United Nations' (UN) 17 Sustainable Development Goals (SDG's), as you will see mention of throughout the report. To support the effort in protecting our planet, we have also developed goals for both emissions and water usage reduction by 2030, as further detailed in this report.

Our investments in new product development, external studies, and new science are making a difference for the future advancement of our Human, Animal, and Plant Nutrition businesses. In 2020, approximately 1.4 billion people were positively impacted in some way by our products.

OUR THREE BUSINESS SEGMENTS



Human Nutrition and Health:

Provides chelated minerals, the essential nutrient choline, vitamins, microencapsulation, and food ingredients for the supplement, beverage, dairy, and bakery markets.



Animal Nutrition and Health:

Supplies science-based animal feed nutritional ingredients and solutions for better animal productivity and wellness.



Specialty Products:

Promotes human health by ensuring the safe and timely supply of critical sterilization technology to the medical and food industries as well as supplies chelated minerals to the micronutrient agricultural market.



MESSAGE FROM OUR CHAIRMAN AND CEO

We launched our Balchem Helping Hands initiative to further expand and support our corporate giving and employee volunteer programs in 2020. Examples of activities contained within the exciting new initiative are a corporate partnership with Vitamin Angels and our newly announced employee matching donation program. In addition, as part of the Helping Hands initiative, we have invested in technology to further encourage the growth of our employee volunteer program, a virtual platform where employees can share their time and locate opportunities to give back and volunteer in the local communities where we operate.

I am pleased with the continuous strengthening of our Corporate Governance Guide-

lines and the progress we have made to promote diversity and inclusion. The safety, health, and security of our stakeholders are of primary concern in the operation of our facilities. We have global initiatives to reduce employee injuries with the goal of being injury free and are proud of the progress we continue to make.

These accomplishments were made while delivering record financial performance in 2020. Our sustainability journey is one of continuous improvement. To confirm our commitment to environmental, social, and corporate governance (ESG), we continue to actively engage our customers, shareholders, and employees for input on the key priorities for Balchem's sustainability strategy. As you

will see in this report, we have continued to make important progress in the areas most critical to making the world a healthier place. At our core, we are a health and nutrition company.

I am proud of the contributions of all our stakeholders who are dedicated to our vision, and we are thankful for your interest in Balchem and our journey to ensure the long-term sustainability of our business and our stakeholders.

Ted Harris
Chairman and Chief Executive Officer





**ABOUT
OUR REPORT**



ABOUT OUR REPORT

Balchem solves today's challenges to shape a healthier tomorrow by operating responsibly and providing solutions for the health and nutritional needs of the world.

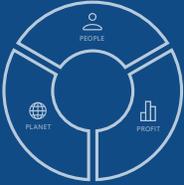
Our sustainability report highlights the progress made over the past year and demonstrates our dedication to continuous improvement. A diverse group of internal and external stakeholders were engaged to identify and prioritize the topics addressed within the report.

Our process included:

- Convening a cross-functional executive steering committee with representatives from business units, finance, investor relations, human resources, research and development (R&D), internal audit, supply chain, and operations
- Reviewing progress with management quarterly, an operating committee semi-annually, and our Board of Directors annually
- Engaging in ongoing interviews with executives and functional leaders around relevant sustainability topics
- Discussing with some of our largest shareholders and customers
- Reviewing leading standards and frameworks such as the *Global Reporting Initiative (GRI)*, *Sustainability Accounting Standards Board (SASB)*, and the *UN Sustainable Development Goals (SDGs)*

This report has been prepared in accordance with the GRI Standards: Core option. Unless otherwise noted, the scope of the metrics and information presented in this report is equivalent to those considered in our annual financial report and includes the operations of all subsidiaries. These metrics reflect the results of 12 months of operations ending on December 31, 2020.

Priority ESG Topics



<p>PEOPLE</p> <ul style="list-style-type: none">  Human Nutrition and Health  Animal Nutrition  Food Availability  Food Safety and Health Concerns  Human Capital  Environmental, Health, Safety, and Security  Community Involvement 	<p>PLANET</p> <ul style="list-style-type: none">  Materials Sourcing  Energy Management  Energy Management  Waste Management  Water Management  Safety and Environmental Stewardship of Chemicals and Genetically Modified Organisms 	<p>PROFIT</p> <ul style="list-style-type: none">  Foundation  Governance  Risk Management
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ABOUT OUR REPORT

PRIORITY SDGs



ZERO HUNGER

We have positively impacted over 1.4 billion people with our health and nutrition-based products.



GOOD HEALTH AND WELL-BEING

“At our core, we are a health and nutrition company.”

— Ted Harris, Chairman and CEO



GENDER EQUALITY

Balchem is committed to improving diversity and building an inclusive culture throughout our company.



CLEAN WATER AND SANITATION

Balchem both completed and launched several projects to conserve and recycle water in 2020.



AFFORDABLE AND CLEAN ENERGY

We are continuously looking for ways to improve our energy efficiency and reduce our environmental impact.



DECENT WORK AND ECONOMIC GROWTH

We believe that protecting the safety, health, and welfare of our employees and communities is the right thing to do.



RESPONSIBLE CONSUMPTION AND PRODUCTION

We are committed to responsible raw material sourcing and are continuously looking for ways to improve our energy efficiency and reduce our environmental impact.



CLIMATE ACTION

By 2030, Balchem commits to reduce our greenhouse gas (GHG) emissions and global water usage by 25%, versus our 2020 baseline.



PARTNERSHIPS FOR THE GOALS

In 2020, Balchem joined the United Nations Global Compact, confirming our support of their Ten Principles on human rights, labor, environment, and anti-corruption.



ABOUT OUR REPORT

OUR 2030 ESG GOALS

13 CLIMATE ACTION

7 AFFORDABLE AND CLEAN ENERGY

6 CLEAN WATER AND SANITATION

EMISSIONS REDUCTION

Balchem commits to reduce our GHG emissions by

25%

OPPORTUNITY EXAMPLES



Process improvements in spray drying by increasing feed solids



Reduce drying with product design (e.g., ReaShure®-XC)



Major consumer efficiency improvements (e.g., modernized boilers)



Use of renewable energy sources (e.g., Grimbergen solar project)

WATER CONSERVATION

Balchem commits to reduce our global water use by

25%

OPPORTUNITY EXAMPLES



Eliminate "once through" cooling water systems in Marano and Verona sites



Reduce water use in clean in place (CIP) systems with improved utilization and change to dry clean options



Condensate recovery systems

3



MEASURING OUR PROGRESS



MEASURING OUR PROGRESS

Making the World a Healthier Place



PEOPLE



PLANET



PROFIT



1.4 billion – number of people reached per year



10.8 billion – number of animals reached per year



28.2% – revenue from products developed in the past five years



1.04 – total recordable injury rate (TRIR)



3.75 GJ/ton – energy intensity (GJ of energy per ton of product produced)



\$703.6M – total revenue

76,802 (CO₂e metric tons) – scope 1 and scope 2 GHG emissions



26% – hourly employee turnover
7% – salary employee turnover



12.57 (CBM) – water intensity (cubic meters of water withdrawal per metric ton of product produced)



\$174.2M – adjusted EBITDA**

0.06% – water withdrawal from regions with high or extremely high baseline water stress



77% males, 23% females – employee diversity



99% – hazardous waste reused or recycled



\$84.6M – GAAP net earnings

\$2.60 – GAAP earnings per share

75% – hazardous material suppliers audited in the last 3 years*



75% – R&D focused on health and nutrition



100% – of palm oil sourced through RSPO (mass balance)



138% – free cash flow conversion

37% – raw materials from renewable resources



100% – manufacturing sites with local community engagement efforts



0 – product recalls



15.7% – 5-year total shareholder return (TSR) vs Russell 2000 Index

Note: Scorecard metrics represent priority focus areas, but additional metrics may be disclosed to satisfy analyst needs. The number of people reached is calculated by the daily recommended dose of vitamins and annual consumption of protein in 2020. *Balchem defines hazardous materials as ethylene oxide, trimethylamine, hydrochloric acid, anhydrous ammonia, propylene oxide, and carbon disulfide. **Adjusted EBITDA is defined as earnings before interest, other expenses/income, taxes, depreciation, amortization, stock-based compensation, acquisition-related expenses, indemnification settlements, legal settlements, and the fair valuation of acquired inventory.

4



PEOPLE



PEOPLE



“While the evolution to a more sustainable future doesn’t happen in one day, we are committed to the journey, holding ourselves and our suppliers to higher standards.”

— Jim Hyde, SVP-GM of Human Nutrition and Health

HUMAN NUTRITION AND HEALTH

During 2020, the COVID-19 pandemic affected every link in the food and nutrition supply chain. Balchem’s Human Nutrition and Health (HNH) employees remained committed to our essential roles in supplying the food and dietary supplement industries while prioritizing the safety of our people and the quality of the ingredients we manufacture.

Balchem products positively impact the lives of countless consumers every day, from coffee creamers and cereals that inspire the morning, to nutritional supplements that help provide the focus and vitality needed to get through the day. Sustaining health through nutrition is part of our commitment to *“solving today and shaping tomorrow.”*

Throughout our journey, we have pioneered and built the markets for choline and chelated minerals, which are verified by hundreds of human studies on our products. We lead in technology that reduces food waste through encapsulated preservation and strive to improve the taste, nutrition profile, and mouthfeel of sports drinks and snacks to enhance performance.

OUR DEDICATION TO TRANSPARENCY

Balchem leverages decades of expertise in proven science, product development, and market insights to create sustainable, winning solutions in health, well-being, and nutrition. We are dedicated to transparency in the products we create. One example is our use of Roundtable on Sustainable

Palm Oil (RSPO) certified Palm Oil as part of our ongoing commitment for product manufacturing in the United States. Using ingredients that are third-party certified is part of how we live our sustainability pledge every day. We also source UTZ-certified coffee and cocoa from suppliers associated with the Rainforest Alliance as part of our global commitment to sustainable farming practices. Using more sustainable purchasing protocols helps to ensure a sustainable supply for the future, support the people raising the crops, and create greater value through transparency. By being more transparent in our practices, Balchem can incrementally move forward and help advance the entire industry’s commitment to sustainability.

SAFE QUALITY INGREDIENTS

VitaCholine® in the forms of choline chloride USP and choline bitartrate USP, as well as Albion® chelated minerals, are all Non-GMO Project Verified (NGPV). Improving the bioavailability of our minerals through chelation helps ensure more of the actual mineral is absorbed within the digestive system for the body to use, compared to inorganic mineral forms that are harder to digest and absorb. In 2020, three of our

key organic mineral solutions (calcium, zinc, and magnesium glycine chelates) were self-affirmed as “generally recognized as safe” ingredients for human consumption. Subjecting Balchem products to this rigorous review process is another way we put safety first and help to ensure our customers receive the highest quality human-grade minerals.

Meeting the dietary requirements of our growing human population at every life stage by supporting optimal health through nutrition is key to sustainability. Focusing on nutrient density as the foundation for healthy eating, Balchem empowers our consumers with better-tasting, more nutritious food choices. Mineral and choline fortification allow food and supplement manufacturers to advance nutrition and support improved cognition and better brain benefits for all ages.¹



1) https://www.dietaryguidelines.gov/sites/default/files/2020-12/Dietary_Guidelines_for_Americans_2020-2025.pdf



PEOPLE



SUSTAINABILITY EFFORTS FOR FUTURE GENERATIONS

Our sustainability commitment extends to future generations through public and private partnerships for the betterment of human health with the University of North Carolina Chapel Hill (UNC) and its Nutrition Research Institute (NRI). NRI established a three-year postdoctoral program that was completed in 2020 with the creation of an on-site laboratory. This laboratory conducts further research pertaining to the essential nutrient choline and will educate future students in nutrient lifecycles to support healthier lives.

Good nutrition is the foundation of good health, and our HNH segment is dedicated to making nutrient-rich products for numerous wellness applications. In 2020, 75% of our R&D expenditures were focused on health and nutrition, demonstrating our continued commitment to shape a healthier world.

SUSTAINABLE OPERATIONS

We are advancing our sustainability efforts through our operations. Spray drying and agglomerating food and beverage products help to improve transportation efficiency and eliminate the transport of unnecessary liquid forms. Instead, Balchem is able to transport dry powdered forms. This helps reduce the total tonnage being shipped, increase efficiencies, and reduce the environmental impact of transportation. Our product lines include plant-based, vegan, NGPV, and organic solutions for the rapidly developing nutritional food market.

As reported by the United States Department of Agriculture (USDA) and United States Environmental Protection Agency (EPA),² an important way to limit food waste is to improve product development, storage, and delivery methods. Balchem contributes to the reduction in food waste through utilizing technology like the BakeShure®,

microencapsulated acids we provide for the baking industry. Our proprietary microencapsulation technology helps baked goods stay shelf-stable longer without preservatives. This will, in turn, translate to less food waste.

75%

Of R&D funds are focused on health and nutrition



Defiance, Ohio R&D Lab



²) <https://www.usda.gov/foodwaste/faqs>



PEOPLE



ADVANCING ANIMAL NUTRITION WHILE IMPROVING SUSTAINABLE PRODUCTION

Though 2020 was a difficult year in many ways, Balchem continued to move forward with both internal and university-based R&D efforts. Our dedication to meeting the nutritional needs of both production and companion animals took precedence as we adapted to the new challenges presented by COVID-19, adjusted inventory and production locations to ensure consistent supply, and maintained our focus on meeting the challenges of feeding an ever-growing population.

As a leader in animal nutrition technologies, we are driving the innovations that will change our future. We strive to help livestock producers accomplish more with less, discover unique products that will produce food more efficiently, and move us toward a more secure, sustainable food chain. Our extensive line of specialty nutrients helps support the health and productivity of many animals – ruminants, poultry, swine, horses, aquaculture, and companion animals – with products optimized for the unique needs of each species.

Our Animal Nutrition and Health (ANH) business segment provides nutritional products formulated with natural and nutritional ingredients, including choline chloride, amino acids, minerals, and a variety of other important supplements. Balchem's proprietary microencapsulation and chelation technologies ensure efficient delivery of essential nutrients to pets and livestock. Our animal products contribute to their overall health, growth, and performance, as well as the more responsible use of resources. ANH products allow for higher

protein production, which enables a growing global population to be fed more efficiently and reduces the net total animal environmental footprint.

Balchem's proprietary X encapsulation technology was commercialized in 2019 with the launch of AminoShure®-XM to the ruminant audience. The launch was the culmination of many years of research to develop a new encapsulation process. As a result of our efforts, AminoShure®-XM delivers methionine to ruminant animals more efficiently and cost effectively, allowing dairy farmers to produce high quality milk protein at a lower cost with fewer inputs. The X technology has helped the encapsulation process take a giant leap forward. Utilizing advanced coating techniques, X technology delivers a product with superior rumen and feed stability combined with metered intestinal release to ensure consistent absorption within the animal.

Balchem has now incorporated this technology into our ReaShure® product line and successfully launched ReaShure®-XC into the European, Middle Eastern, and African markets. With a new, highly refined, and concentrated core, ReaShure®-XC reduces the carbon footprint through lowered transportation costs and reduced emission while delivering proven production benefits to the cow.

Balchem doesn't feed only animals. We feed plants, too. Our plant micronutrient product line provides minerals for crops. Using a unique technology, we solve mineral deficiency in plants by delivering optimal min-

eral balance directly to the plant through a superior delivery system. The end result is healthier crops with larger yields and improved disease resistance. This approach also reduces the stress on land and water resources.



BALCHEM EDUCATION INITIATIVE

Balchem ANH has taken a lead role in educating nutritionists and producers by developing the Real Science Lecture Series and Real Science Exchange podcast series. Though both were initially geared toward nutritional topics, there has been a high interest in achieving net zero carbon emissions and sustainable on-farm practices.

Dr. Frank Mitloehner, Dr. Marina Von Keyserlingk, and Dr. Mike McCloskey are key figures in helping agriculture meet the sustainability and emissions goals needed to impact climate change. Each has shared their wisdom, insight, and recommendations with our audience of more than 15,000 nutritionists, producers, agriculture professionals, and enthusiasts who take part in the Real Science Lecture Series.

A Unique Podcast Discussing Hot Topics with Industry Experts





PEOPLE

FOOD SAFETY

At Balchem, we work to continuously delight our customers with the products we manufacture through a focus on product safety and quality. Working through the supply chain, we use a robust supplier approval program to assess and approve materials that are a good match for the process and the end customer requirements.

We use the knowledge of our people who are skilled in multiple different regulatory environments, including food, dietary supplements, and pharma - to find efficiencies and drive best-in-class practices across our quality management systems. Cross-site internal quality audits, as well as independent third-party audits, verify that our programs are robust and drive continuous improvement efforts. External audits include Safe Quality Food (SQF), United States Pharmacopeia (USP), International Safe Feed/Safe Food (FAMI-QS), ISO, and more.

We continuously invest in improving our quality and food safety programs. In 2020, we launched a site-based assessment of all causes of variability using tools like Statistical Process Control (SPC), increased testing and evaluation, raw material, and capability assessments. The Quality Improvement program both improves

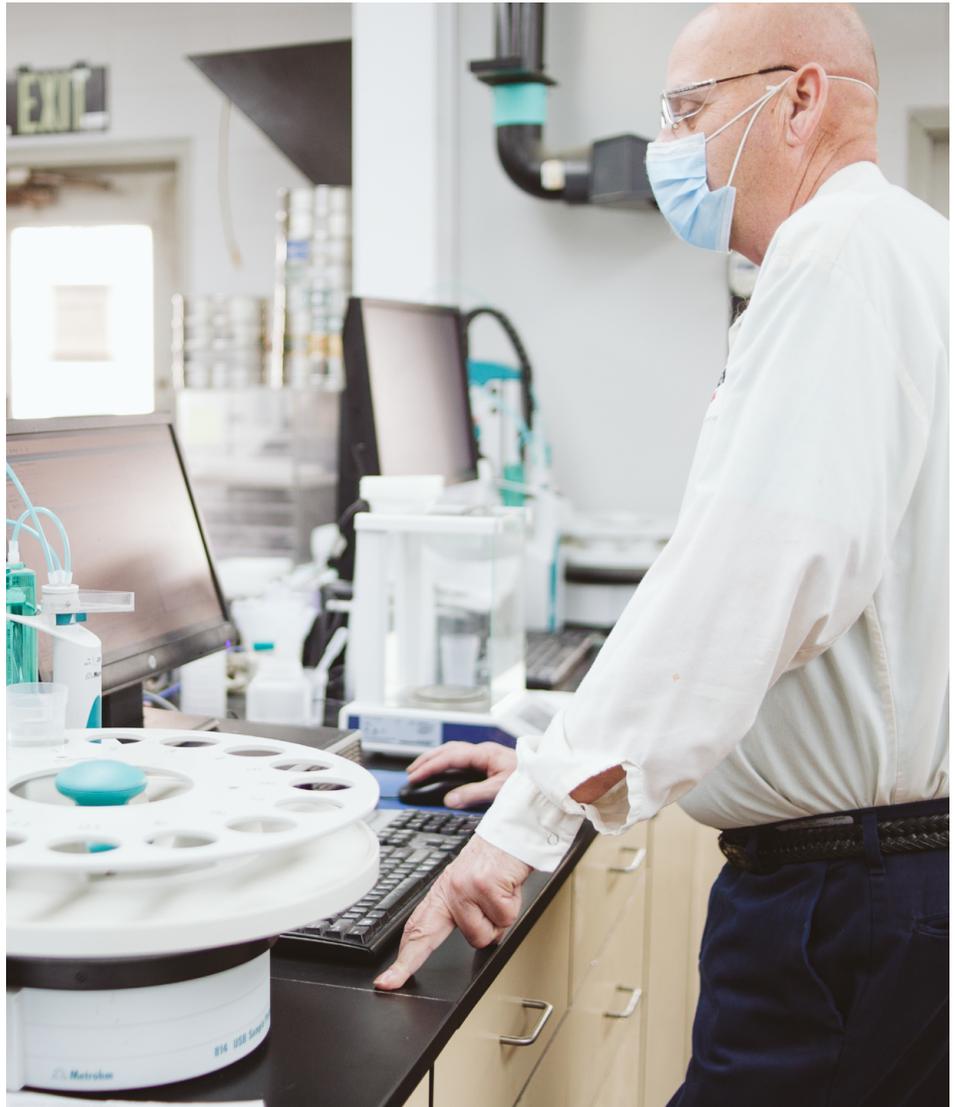
product conformity and reduces excess costs for rework and destruction. In 2021, we will complete the implementation of a single enterprise resource planning (ERP) system across all sites. Moving to electronically stored data within the ERP system and completing planned upgrades to the laboratory information management (LIM) systems will better support data review and statistical trending in real time.



Our safety and quality programs have helped our products achieve a 100% success rate. Balchem has not experienced any product recalls through 2020.



Defiance, Ohio Quality Testing Lab



Verona, Missouri Quality Testing Lab



PEOPLE

RAW MATERIAL SUPPLIERS

The COVID-19 pandemic underscored Balchem's commitment to work closely with our suppliers to establish a robust and sustainable supply chain. In 2020, we continued our supplier quality review and audit program through virtual and socially distanced audits. We also expanded quality specification reviews and supplier commitments to Balchem's Code of Conduct.

Balchem has an active raw material quality sourcing approval program. The program includes an evaluation of the supplier's quality program and the material being supplied, as well as verification of the supplier's preventative approach to food safety risks. In the food safety evaluation process, we consider how the product is made, how it is distributed, and the intended use.

As such, Balchem maintains ongoing measures of key quality performance metrics, including supplier issues, customer complaints, first-pass quality tracking, corrective action, and completion and follow-up site audits as required. We take customer feedback seriously and track customer complaints, complaint investigations, corrective actions, and customer communication of complaint resolution.

In 2020, Balchem completed UTZ certification, a program for sustainable farming, for over 40% of our raw cocoa material. This certification further ensures fair upstream sourcing and labor practices for a key raw material.



As the COVID-19 pandemic risks subside, Balchem will return to on-site supplier audits and expand our verification and certification programs.



Balchem's [Supplier Code of Conduct](#)

HOW WE MANAGE QUALITY THROUGHOUT OUR SUPPLY CHAIN



Step 1: Raw material sourcing, evaluation, and approval



Step 2: Site quality assurance program and manufacturing



Step 3: Transportation supplier qualification

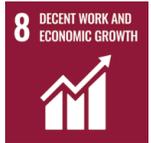


SUPPLIER SCORECARD

Quality tracking	Corrective action	Follow-up site audit



PEOPLE



Balchem is committed to providing a safe and collaborative work environment that encourages the growth and development of all employees.

HUMAN CAPITAL

Our employees are our most valued asset and fundamental to our success. We strive to develop employee skills and knowledge. The employee experience begins with an online onboarding portal, detailed information regarding Balchem’s benefit program offerings, and an employee handbook that provides extensive information on company policies. Training is facilitated through our online system and features employee self-service training modules that document the understanding and completion of assigned or required training. This system provides training for job-specific technical knowledge, regulatory requirements, and company policies, including Balchem’s Code of Conduct, anti-harassment and discrimination, foreign corrupt practices, antitrust, and various other compliance topics.

Our sponsored Employee Continuing Learning program offers a broad base of assistance for employees, including learning and development courses. Employees have access to healthy lifestyle discounts through our Wellness Center, as well as debt, legal, and financial counseling. Peak performance training and multiple online services and courses enable our employees to choose their own learning paths and work to achieve their future goals for education, finances, and overall well-being.

To ensure the development of Balchem’s future leaders in 2020, we expanded our leadership program offerings through eCornell. Balchem’s partnership with eCornell, a leader in online learning, contributes to our leadership development efforts

through their leadership- and expert-led courses. Members of Balchem’s leadership team had the opportunity to complete eCornell’s Diversity and Inclusion Certificate Program. This investment in our leaders will enhance our organization’s ability to further develop a culture that values diversity and embraces inclusion. We are continually increasing our awareness of behaviors that encourage engagement with those across a variety of backgrounds and perspectives. Additionally, our female leaders have an opportunity to take executive leadership courses with eCornell professors and other female leaders. This learning opportunity creates a unique community of female leaders and helps cultivate competencies and skills for career advancement throughout Balchem.

We are continuously working to extend education and outreach opportunities beyond Balchem to the community at large, including engagement with local schools to highlight various career opportunities or

local industry councils to collaborate and share best human capital practices within our industry. We provide financial support for employees to pursue degree programs, and on an annual basis, we award scholarships to support the education of employees’ children through the Balchem Sons and Daughters Scholarship Program.



BALCHEM SONS AND DAUGHTERS SCHOLARSHIP PROGRAM

Since the program’s inception in 2005, Balchem has proudly awarded \$138,000 in scholarships to children of employees to help them to achieve their educational goals. In 2020, we awarded 10 scholarships totaling \$20,000.

BALCHEM’S CORE VALUES



always doing the **RIGHT** thing



thinking **BIG** and acting small



collaborating and **GROWING** together



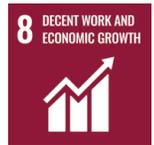
playing to **WIN**



staying focused on the **CUSTOMER**



PEOPLE



Through our Balchem Women’s Impact Network (BWIN), we offer a platform for all women at Balchem to feel empowered and have an opportunity to thrive both professionally and personally. The BWIN group meets regularly and shares a wide array of topics addressing leadership, business success, and networking.

Our annual performance review process is an important, objective-based dialogue to foster continuous growth and development by providing an opportunity to establish goals and deliver feedback relative to each employee’s performance. Balchem’s annual review process is closely aligned with a formal succession planning and talent review process designed to identify and develop the next generation of leaders. The results of our performance, talent, and succession planning practices are reviewed annually by Balchem’s leadership team and Board of Directors.

We are dedicated to providing full-time employees with a competitive compensation package that includes medical, dental, vision, and prescription benefits in addition

to a 401K matching program. Balchem provides financial support for health and wellness programs such as online financial wellness content, sponsored weight loss programs, and subsidized gym memberships. We also provide generous time off and leave benefits, which are important for ensuring our employees can enjoy a healthy balance between work and family time.

Diversity and inclusion are important elements of Balchem’s human resources strategy as evidenced by our Chairman and CEO’s recent commitment to the CEO Action pledge to advance diversity and inclusion in the workplace. Since 2016, Balchem’s gender and ethnic diversity have increased by 7% and 15% respectively. Additionally, female representation in our commercial, R&D, and corporate functions has risen to 52%. While we are pleased to see meaningful progress, Balchem remains committed to improving diversity and building an inclusive culture throughout our company.



Bridgeton, Missouri employees discussing safety and production plan



Established: 2018

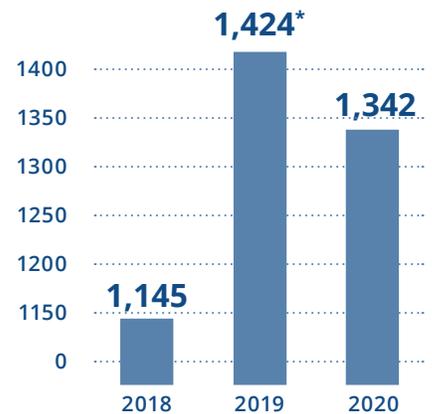
Vision: To inspire women of Balchem to capture their full potential.

Mission: To build a platform that informs, develops, and empowers all of us to thrive both professionally and personally.

Current Membership: 122

CEO **ACT!ON** FOR DIVERSITY & INCLUSION

EMPLOYEE HEADCOUNT (AS OF 12/31/20)



*Increase in headcount is a result of the Chemogas and Zumbro acquisitions in 2019.



2020 RETENTION RATE

92.5%

Employee retention

SALARIED

81.2%

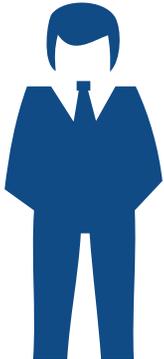
HOURLY



PEOPLE

2019-2020 GENDER DIVERSITY COMPARISON

MALE



EMPLOYEE DIVERSITY - GENDER



FEMALE



EMPLOYEE DIVERSITY - SALARIED



LEADERSHIP POSITIONS*



BOARD OF DIRECTOR POSITIONS



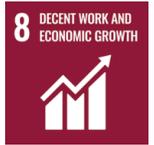
52%

Of our company is female excluding Supply Chain and Operations

*Leadership positions include employees at the level of Director and above.



PEOPLE



Protecting the safety, health, and welfare of our employees and communities is the right thing to do.

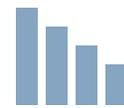
ENVIRONMENTAL, HEALTH, SAFETY, AND SECURITY

We are committed to good stewardship and continuous improvement in our Environmental, Health, Safety, and Security program. We develop standards and practices that enable our employees, contractors, visitors, and neighbors to operate in a safe, secure, and responsible work environment. We continually strive to achieve zero injuries and minimize releases to the environment. In 2020, our facilities reduced the number of recordable injuries by 12% and the recordable injury rate – based on the Occupational Safety and Health Administration (OSHA) standard calculation per hours of work – by 21%. We continue to grow the number of sites that have gone more than one year without a recordable injury, with 61% of our sites achieving this goal in 2020.

Our highest priority is to promote the health and wellness of our employees by building a strong injury prevention program centered around these pillars:

1. Ensuring employees take personal ownership for working safely and their team's safety
2. Reinforcing safe work as a standard
3. Using prevention techniques to identify risks and mitigating before they cause injuries
4. Making it easy for our team to choose safe work practices
5. Developing a culture and process for continuous improvement

In 2020, we expanded our prevention program elements by adding safety training compliance tracking, recognition programs for identifying unsafe situations, and a weekly safety “best practices” topic. These program elements were employed in our tool box talks and every site safety awareness engagement. Our Stop Taking Avoidable Risks (STAR) observation program also continued to grow with a 9% increase in safety observations. We believe the increase in STAR observations is an indication that our employees are incorporating safety in their day-to-day work.



Number of recordable injuries

↓ 12%

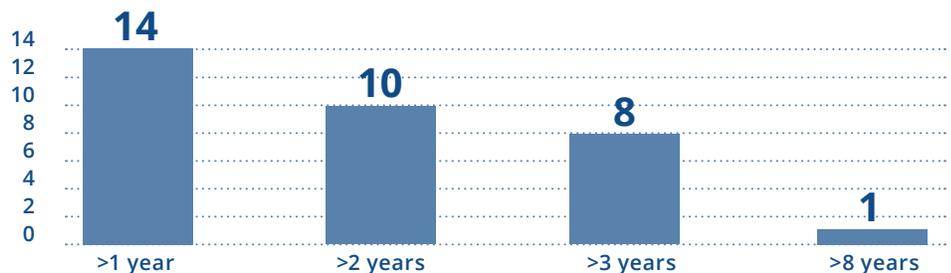
Recordable injuries rate

↓ 21%

SITES OVER ONE YEAR WITHOUT AN INJURY

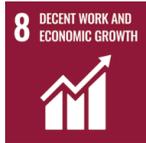
Our goal is zero injuries at all of our locations. We endeavor to build a culture and system that can achieve and sustain zero injuries. While safe work is achieved a day at a time, zero injury performance over longer periods is a result of the quality of our safety program, our leadership and our employees' commitments to excellence in employing injury prevention practices. Our lead site in Green Pond, South Carolina achieved eight years injury-free in 2020.

NUMBER OF SITES WITH ZERO INJURIES BY YEAR





PEOPLE



Our safety program identified lifting as an important ongoing risk for personal injury at our manufacturing sites. Now in our third year, we continue to implement lifting devices and automation with the goal to reduce all manual lifting or carrying across the company by 50%.

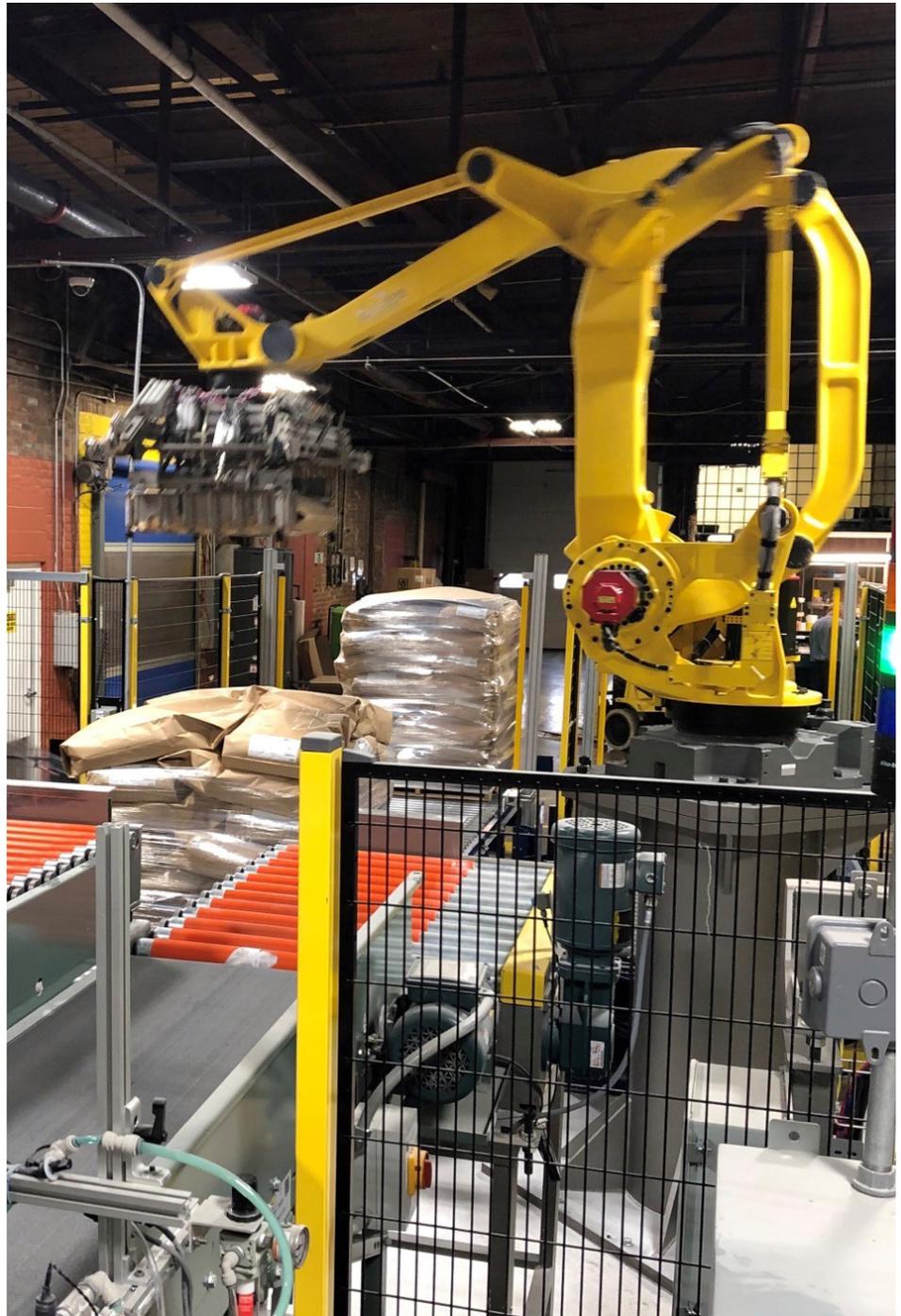
We completed several projects and a major investment at our Defiance, Ohio manufacturing site in 2020. We installed a material handling system to automate the transport to the warehouse and palleting of the output from two main production units. This was a multi-year project and automated the handling of over 35 million pounds of production. A similar project was also completed at our Lincoln, Nebraska manufacturing site.



REDUCING LIFTING INJURY RISKS

Over the last two years we have implemented major projects at over 60% of our sites to reduce workplace injury risk with employee lifting or carrying. Our goal is to reduce lifts in our facilities by 50%. These projects bring many benefits, such as making the work safer and providing a more positive work environment.

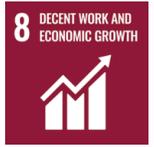
In 2020, Balchem specifically focused on site improvements at the following sites: Utah, Virginia, New York, Ohio, Minnesota, Iowa, Wisconsin, and Italy.



Defiance, Ohio robot continuing the use of automation to reduce lifting



PEOPLE



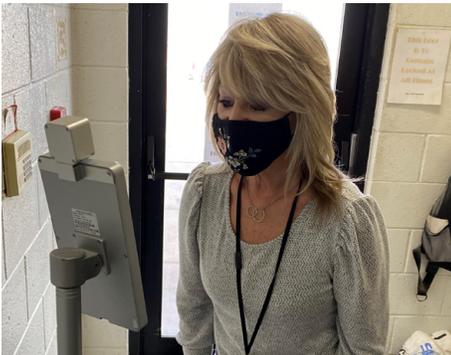
COVID-19 RESPONSE

In 2020, our facilities were designated critical operations for the economy during the pandemic. To ensure our employees' safety and maintain our role as a critical supplier to our communities, we implemented a rigorous COVID-19 prevention program that integrated safe work best practices from the Center for Disease Control and Prevention (CDC), local governments, leading authorities, and peer industry practices. A corporate-level leadership team was established to guide our efforts during the pandemic and to ensure resources were made available to employees. An operations steering team and site-based team facilitated our rapid response to this employee health risk. Balchem's program included two key elements: our people and our facilities.

We started by educating our employees on the risk factors and techniques to prevent exposure while at the workplace and at home, and the need for open recognition of any condition where an employee could be concerned with their health. Where possible, we moved employees working in the office to remote work from their homes and provided supporting technology. At our sites, we rapidly deployed new personal protective equipment (PPE) to support the requirement that all employees wear face masks. We expanded our protocols on personal hygiene to ensure employees used appropriate sanitation practices. Balchem also established the safe distance working requirements and individual employee daily contact documentation to enable a contact tracing system. Additionally, we installed body temperature checks for all workers and visitors upon entering the site with procedures to follow for personnel experiencing any unusual results. To help our team weather this crisis, employees were provided additional compensation, paid leave to support virus testing, close contact exposure incubation time, and sickness recovery time.

could be maintained. We established more frequent and additional cleaning for surfaces that could harbor the virus and protocols to ensure employees also used good personal sanitation practices. New controls were put in place to limit access to our sites and we increased the requirements for contractors and non-essential employees who were allowed access in an effort to reduce the risk of frequent contact.

While the communities in which we operate saw numerous exposure events, our protocols and procedures were very successful and there were no reported exposure events at our facilities.



Ogden, Utah site using a temperature scanner before allowing entrance

In our facilities, our teams modified personnel movement and meeting room use to ensure the recommended safe distance



Defiance, Ohio performing a Job Safety Assessment (JSA) with social distancing and COVID-19 protocols



COVID-19 PREVENTION ELEMENTS

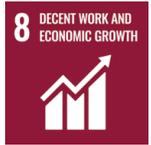
-  Employee education
-  Face masks
-  Social distancing
-  Employee temperature checks
-  Controlled entry
-  Enhanced cleaning



Green Pond, South Carolina gift distribution recognizing employment of COVID-19 protocols



PEOPLE



Partnering together to make the world a healthier place.

CORPORATE GIVING AND COMMUNITY INVOLVEMENT

At Balchem, we pride ourselves on being contributing active members of the communities in which we work. We contribute in a variety of ways, at the organizational level and as individuals. In 2020, we launched our Balchem Helping Hands initiative which includes Balchem’s philanthropic partnerships, a matching donation program, and an employee volunteering program.

In 2020, Balchem partnered with Vitamin Angels, a global public health nonprofit that distributes lifesaving vitamins and minerals to women and children in need around the world. With this partnership, we have already reached 100,000 women and children at risk of nutrient deficiencies in 74 countries across the world. While each of us has been touched by this year’s unprecedented events in unexpected ways, we have also encountered new ways to appreciate our shared humanity. Vitamin Angels remains steadfastly committed to improving access to nutrition interventions for underserved pregnant women and children.

Balchem’s Helping Hands Matching Donation Program supports our employees in their personal philanthropy and charitable giving by providing monetary matches (dollar for dollar) for non-profit organizations that align with Balchem’s vision to make the world a healthier place. In 2020, Balchem made matching donations to over 30 different charitable organizations in our communities.

Our Helping Hands Employee Volunteer Program was also launched in 2020. As part of this exciting program, we provided all employees with a new virtual platform that can be used to log and track volunteer hours

for both personal and work-related events. The platform has enabled collaboration and idea sharing across our locations and generated additional volunteering events. We are very proud of our employees who, considering all the challenges everyone has faced through this pandemic, were still able to give back to their communities in numerous ways.

During the 2020 holiday season, members of our corporate office in New Hampton, New York, and our remote sales team partnered with “Knock Knock Give a Sock”, which is an organization that works to humanize homelessness one sock at a time by bringing neighbors living in homeless shelters and homes together. The New Hampton site collected 227 pairs of socks with their sock drive, as well as winter hats and gloves, which were donated to a local shelter.



FLEECE BLANKETS

Our Lincoln site created fleece tie blankets which were donated to the Capital Humane Society in 2020. These blankets will be used in the dog and cat kennels to create a warm and comforting environment.



Lincoln, Nebraska employees making blankets for Capital Humane Society



PEOPLE

Other employee volunteer efforts included giving facility tours to emergency response teams from local fire departments, hosting winter coat drives, supporting local food banks, delivering meals to senior citizens, hosting “Relay for Life” charity walks, and volunteering at animal shelters. Balchem has various members of our team serving on community advisory panels and local emergency planning committees. This allows us to work side by side with city and county leaders to develop strong community emergency protocols and communication. We have several team members serving as volunteer firemen and emergency medical technicians. This interaction enables us to share developments and the growth of our facilities with our fellow community members while addressing any questions or concerns they may have.



Kooler KIDS

balchem

KOOLER KIDS

Balchem started the “Kooler Kids” program in 2020 to help support nationwide food banks purchasing refrigeration units. With Balchem’s support, the local food banks will be able to have the proper refrigeration equipment to store perishable goods and distribute to those in need. Refrigeration units will also help reduce food waste and dairy dumping. A large portion of Balchem’s initial donation will be geared toward food banks in our own communities.

BLESSING BOX



Our Green Pond facility installed a Blessing Box at the entrance to their facility which is available to any member of their community. The Blessing Box is stocked with non-perishable food items, basic toiletries, baby supplies, and anything else that might be considered a blessing to someone who finds themselves in need of necessities.

WATER BOTTLES FOR SCHOOLS



Our Green Pond team participated in an event called “Water Bottles for Schools” and delivered reusable water bottles to the Black Street Early Childhood Center to ensure every child had access to safe hydration breaks during the 2020-21 school year.



Green Pond, South Carolina employees with their Blessing Box



Green Pond, South Carolina employees packing water bottles for a local school

5



PLANET



PLANET



We are committed to responsible sourcing and to encouraging our suppliers to employ sustainable practices.

MATERIAL SOURCING

The raw materials and supplies that are used in our supply chain represent an important component to Balchem’s sustainability commitment. We are committed not only to ensuring that we work to increase our use of renewable raw materials and that all materials are manufactured within an ethically responsible framework, but that we also have a strong and diverse supply chain that supports our customers’ needs.

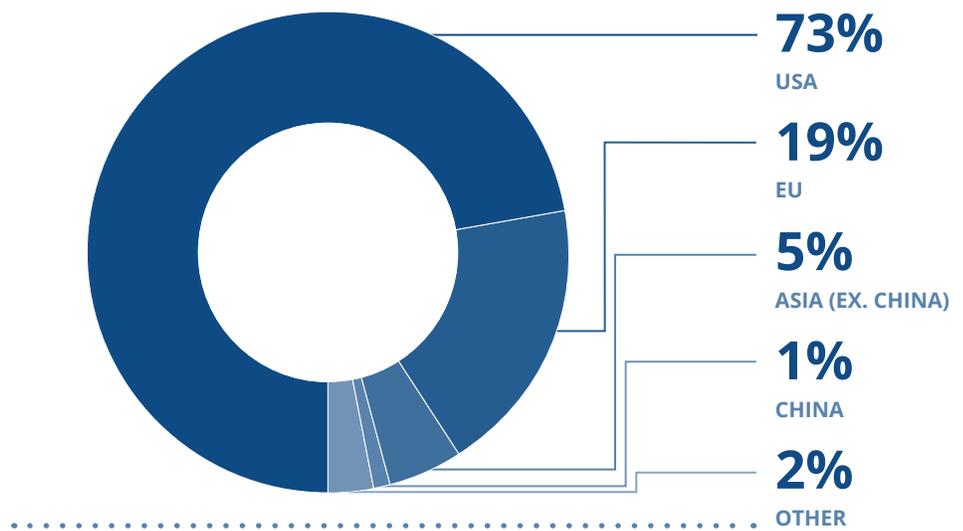
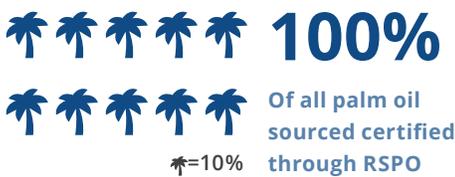
We are committed to aligning our supply chains to source regionally and finding sources that are near our facilities. Our commitment not only reduces our carbon footprint by reducing the energy used in transit, but also increases the strength of our supplier network by bringing us closer to

our upstream sources, allowing us to ensure quality, compliance, and strength of supply. This principle is illustrated through the fact that 95% of our raw materials originate in the United States or Europe, where the majority of our production occurs.

Balchem remains a committed member of the RSPO, as well as a member of Sedex. As a member of the RSPO, we source 100% of our palm oil needs from renewable (mass balance) sources. We also confirm our commitment to redeveloping our supply chain to 100% RSPO-certified material. As a member of Sedex, we comply with the principles of the Sedex Members Ethical Trade Audit (SMETA), which establishes best practices for environmental and business

ethics. Balchem is committed to ensuring compliance with SMETA at all of our facilities. Expanding on our commitment, we have updated our Modern Slavery and Human Trafficking Statement, which can be found on our website at www.balchem.com/modern-slavery-human-trafficking-statement.

We view our suppliers as integral partners in our supply chain, and in 2020, we reaffirmed our commitment to ensuring compliance to our Supplier Code of Conduct. This conduct is based on Balchem’s core values and requires commitment to sustainable business practices, which include our material supplier audit program and periodic on-site visits of chemical suppliers.



Regional diversity in raw materials and suppliers. We are committed to aligning our supply chains to source regionally and finding sources near our facilities.



PLANET



We are continuously looking for ways to improve our energy efficiency and reduce our environmental impact.

ENERGY MANAGEMENT

Balchem utilizes low energy-intensive manufacturing processes. We are committed to finding innovative improvements to further reduce energy requirements and minimize the associated greenhouse gas (GHG) emissions. As part of this commitment, we have established a program to reduce our GHG emissions by 25% by the year 2030 against our 2020 baseline. Our program is integrated with our corporate productivity initiative where a projected environmental impact is an important factor in selection. We recognize that projects that contribute to meaningful energy reductions are based on employing good science and stewardship, and result in improved profitability.

In 2020, our focus on energy efficiency projects included a broad array of initiatives: LED lighting projects, numerous individual equipment efficiency upgrades, the installation of our first solar power system, projects modernizing steam systems within several locations, and select consolidation of operations.

We continue to modernize our steam systems with the installation of a new high efficiency boiler and heat optimization system at our Verona, Missouri site, our largest facility in the US. The project was completed in the fourth quarter of 2020 and is expected to reduce the site's overall natural gas usage by 16%. At our Sleepy Eye, Minnesota manufacturing site, a low-pressure system was installed to reduce steam energy use when the main production facilities are not operating. Projects at other sites addressed opportunities to collect waste heat streams and return the water and heat for reuse.

Significant energy is consumed with low-use facilities and production systems. Beyond heating and lighting, start and stop operations generally have a higher energy intensity for a small output. Balchem actively seeks to identify these situations, and if determined to be a long-term issue, conducts consolidation studies looking for alternative and more efficient manufacturing solutions.



WEEKEND BOILER IN SLEEPY EYE

Cold Minnesota winters require adequate heat to pipes and facilities at all times – even when not in production. At the Sleepy Eye facility, where we have five-day operations, we are required to continue running our high-output boiler systems even when major production consumers are shut down. The boiler units in low-demand mode are also very inefficient. In 2020, the facility installed a low-pressure/low-output boiler system designed to maintain adequate building heat while significantly reducing the energy and cost during weekends.



25%

Our commitment for reducing our global GHG emissions by 2030



The new boiler at the Verona, Missouri site



Sleepy Eye, Minnesota boiler



PLANET



Several of these projects were implemented in 2020, the largest being the closure of the Owatonna, Minnesota site and the consolidation of production into the existing Albert Lea, Minnesota site. Closing this site is expected to reduce our natural gas use by 142,517 therms per year and electrical energy use by 1,905 gigajoules (GJ) per year.

Balchem analyzed our food production processes for opportunities to reduce energy required for heating and cooling. Chiller systems can be large energy consumers. In 2020, we implemented the next phase of modernizing chiller systems within our inclusions production system. The project replaced the old ammonia chiller system with a modern refrigerant system.

EFFICIENT COMPRESSOR SYSTEMS



Our operations use many pumps and compressors to move product, clean systems, and provide utilities. In an assessment of high-energy consumers, the Lincoln site identified the air compressor, which had a fixed-speed motor, as a large user. Much of the air was recycled and the unit mostly operated inefficiently. The site identified a spare variable-speed system at a sister site and installed the new unit in September 2020. The project is expected to save up to 300 GJ per year and result in significant cost savings.

SOLAR PANELS IN GRIMBERGEN



Our sustainability initiatives are focused on renewable energy strategies as we explore environmentally friendly and sustainable methods to power our buildings and facilities. In 2020, we implemented a solar panel project at our Grimbergen, Belgium facility as a pilot to learn how to best leverage solar power as a source. This system became operational in December 2020. It is rated at 24.8 kilowatts peak (kWp) and is expected to produce approximately 21,000 kWh per year.



Grimbergen, Belgium solar project



PLANET



Balchem facilities strive to reduce waste products and reuse and recycle packaging with the help of local businesses.

WASTE RECYCLING AND REDUCTION

Balchem understands the opportunity and benefit of smart waste saving for our business and communities. Our program has five main areas of focus for source reduction or recycling: hazardous waste,³ process waste, packaging waste, product disposal, and consumable waste. In 2020, we decreased disposal of unsaleable product by 90% via investments in processing equipment filtration and detection of foreign matter, complemented with process management and procedural changes. Significant cost savings came from both the decrease in landfill disposal costs and reduced product loss.

We continued our strong emphasis on recovering and recycling process-generated hazardous waste streams in 2020. With the addition of the Grimbergen, Belgium facility, We expanded our sustainability program focus to maintain our high recycle and reuse rates. All sites continue to promote and manage their consumable wastes, including safety supplies, lab supplies, pallets, plastic containers, and PPE by promoting reuse or source reduction where possible.



MANAGING HAZARDOUS MATERIAL SUPPLY AND USE

Balchem carefully selects and manages relationships with the companies chosen as raw material suppliers. We manage a robust Department of Transportation (DOT) compliance program for our fleet of drivers and require the same of our contract transportation providers.



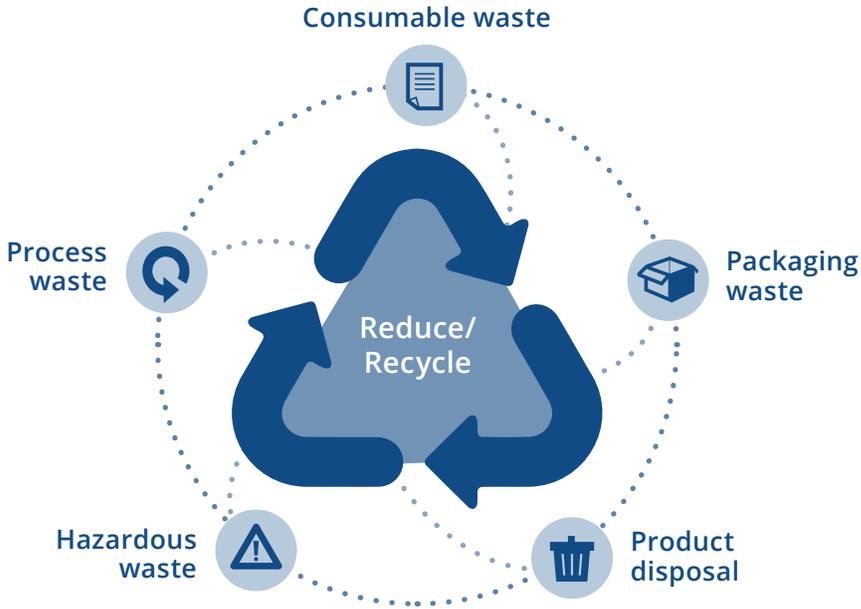
RECOVERY OF PRIMARY HAZARDOUS RAW MATERIALS³

We have recycled 99% of our primary hazardous raw materials from 2018 through 2020.



Gas cylinders recycled by Grimbergen, Belgium site

FIVE MAIN AREAS OF FOCUS FOR SOURCE REDUCTION OR RECYCLING



³ Balchem defines major hazardous materials as ethylene oxide, trimethylamine, hydrochloric acid, anhydrous ammonia, propylene oxide, and carbon disulfide.



PLANET



WATER MANAGEMENT

Balchem facilities operate in low-stress water regions. Our processes use limited amounts of water in our products and in the manufacturing process. As a food and nutrition business, we use water to clean and sanitize. To better understand our water usage, we have developed a more efficient mechanism for tracking how our water is consumed. This has allowed us to identify our current usage and brainstorm opportunities for reduction and reuse. By 2030, it is our goal to reduce our overall global water usage by 25% against our 2020 baseline.

We also launched several projects to conserve and recycle water in 2020. We identified a project at our Marshfield, Wisconsin facility to replace the Motor Control Center room cooling unit, which is expected to save two million gallons of water per year. We also designed a project in our Bridgeton, Missouri facility to modify pump seals, which

is estimated to reduce water usage by 0.9 million gallons per year. In addition, we will continue our network-wide improvement in our steam systems.

Balchem completed several projects in 2020 that allow our sites to reduce the use of cleaning water. At the Defiance, Ohio site, a protocol was developed to eliminate water cleanings between batches and use dry cleaning techniques instead. This protocol both reduces our cleaning water usage and frees up significant production time. In our Covington, Virginia site, we upgraded to an enclosed material handling system which eliminated quarterly cleanings of the equipment and area from escaping dust. We expect to continue to pursue opportunities for reducing water consumed in cleaning.

We are also continuing our water recovery projects related to steam condensate

recovery. In 2020, we completed the first phase of a condensate modernization at our Lincoln, Nebraska facility. This has resulted in recovering approximately 12% of the water used in making steam as condensate returned to the boiler. In 2021, we will be completing another project which will allow the plant to recover up to 50% of the water. The majority of the remaining steam is consumed by the process and cannot be recovered.

In the same vein, many of our processes use water for cooling and some processes generate water as a by-product. In January 2020, we implemented a facility operation to recover our process water from our choline manufacturing at our Verona, Missouri manufacturing facility. This major change resulted in recycling an estimated 4.3 million gallons of water through regional municipal facilities for community reuse.



The Covington, Virginia plant's dust reduction project is saving water via the material handling systems



25%

Our water conservation goal to reduce global usage by 25% by 2030

12.53 CBM

Water intensity (cubic meters of water withdrawal per metric ton of product produced)

0.06%

Water withdrawal from regions with high or extremely high baseline water stress

6



\$ PROFIT



PROFIT

“At our core, we are a health and nutrition company.”

— Ted Harris, Chairman and CEO

OUR FOUNDATION

At Balchem, it is our mission to build a stronger and more vibrant company that meaningfully contributes to making the world a healthier place by delivering trusted, innovative, and science-based solutions to the nutrition, health, and food markets. As we work to execute this mission, we have remained focused on creating long-term value by continuously seeking growth opportunities and managing our risks, which helps ensure our financial sustainability.

In 2020, we were able to effectively supply our customers with the important products and services they needed throughout the year and ultimately delivered record sales with contributions from both our organic and inorganic strategic growth initiatives. This really speaks to the resilience of both our employee base and our business model, which enabled us to further strengthen our capital structure while continuing to face and overcome significant challenges and uncertainties related to the global pandemic.

To further our efforts in making the world a healthier place, we have continued to advance the science around the nutritional and health benefits of our existing and future products. Among other things, we have invested in research which explores the benefits of prenatal choline in neurological development and cognition, the positive relationship between choline and DHA (an omega-3 fatty acid essential for healthy heart and brain function), and the possibilities of establishing a biomarker for choline in order to help detect choline deficiencies in humans. We also worked to build further awareness around existing

science and to better showcase to our customers how they can incorporate and benefit from our products. For example, several leading consumer brands have launched products in 2020 including and highlighting the health benefits of our VitaCholine® and Albion® minerals.

Within Animal Nutrition and Health, our scientists have continued to pursue the expanded application of our innovative products across both the ruminant and monogastric sectors, such as mature cow and calf immunity, neonatal in utero programming through choline supplementation, and greatly improved formulations for swine and poultry diets. In our companion animal portfolio, we are leveraging our microencapsulation and

inclusion technologies and enabling our customers to further innovate in the pet food space. We have had great success with our educational and science-based webinars, attracting high attendance to effectively reach and interact with an expanded target audience despite the pandemic.

Within Specialty Products, our Plant Nutrition business returned to healthy growth levels, benefiting from a good growing season in North America as well as new crop applications, geographic expansion, and significant growth achieved from our organic line of products that we recently bolstered with the addition of a new organic potassium.

In 2020, we also completed the integration of our two 2019 acquisitions, Chemogas N.V. (Chemogas) and Zumbro River Brand, Inc. (Zumbro). These acquisitions are now fully integrated and furthering our reach to medical device sterilization and food and beverage industry customers. All in all, it was another strong year in furthering our mission and we look forward to continuing this momentum into 2021 and beyond.



Bridgeton, Missouri R&D Lab

2020

28.2%

2019

24.7%

Revenue from products developed in the past five years



PROFIT

OUR GOVERNANCE

We have established leading practices in corporate governance. Each of Balchem's directors, other than our Chairman and CEO, Ted Harris, is independent, as defined by the National Association of Securities Dealers Automated Quotations' (NASDAQ) Marketplace Rules. All directors have attended 100% of our Board and Board Committee meetings during the course of the last ten years. We strongly encourage directors to also attend the annual stockholder meeting, leading to 100% of our directors attending the meeting in 2020. Our annual meetings have been held virtually since 2018, which offers the opportunity for increased attendance by shareholders and other interested parties. Going virtual also reduces materials and cost. These practices not only satisfy

regulatory requirements, but provide effective company oversight and management.

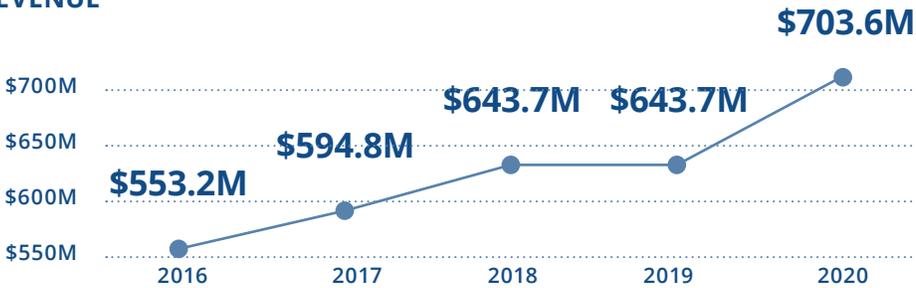
Our Board and management are compensated to enhance shareholder value. The compensation system, which is outlined in our annual proxy statement - www.balchem.com/investor-relations/financial-reports - aligns management and director compensation with financial results and shareholder return.

We are working to incorporate our Sustainability Framework into our everyday operations. A cross-functional executive steering committee, led by the Chairman and CEO, with additional representatives from our business units, finance, investor relations, human resources, R&D, internal audit, law, supply chain, and operations has been estab-

lished. The charter of the Board's Corporate Governance and Nominating Committee (CG&N Committee) requires the group to consider corporate social responsibility matters, including ESG.

The CG&N Committee periodically reviews Balchem's ESG strategy, initiatives, and policies. We have modified our Corporate Governance Guidelines to more accurately reflect our company's commitment to seeking and electing diverse board members. Additionally, the Sustainability Framework includes a Code of Ethics for Senior Financial Officers and a Code of Business Conduct and Ethics applicable to all our employees and directors. These documents are available at www.balchem.com/investor-relations/leadership.

REVENUE



ADJUSTED EBITDA*



5-YEAR TOTAL
SHAREHOLDER RETURN (TSR)
VS RUSSELL 2000 INDEX

15.7% (1,570 bps)

TSR measured from 2016 to 2020

*Adjusted EBITDA is defined as earnings before interest, other expense/income, taxes, depreciation, amortization, stock-based compensation, acquisition-related expenses, indemnification settlements, legal settlements, and the fair valuation of acquired inventory.



PROFIT

RISK MANAGEMENT

Balchem recognizes that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the company. Our Board provides direct risk oversight and the Board's Audit Committee provides direct oversight of our Enterprise Risk Management (ERM) program. Our ERM program is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Integrated Framework. Our Board, Audit Committee, and management regularly discuss our major risk exposures, the potential impact, and the management of these risks. The Audit Committee receives and arranges for the Board to receive periodic reports from management on areas of material risk, including financial, operational, legal, regulatory, and strategic risks.

While we do not have a Chief Risk Officer, the Audit Committee receives regular reports from the member of management tasked with understanding and monitoring key risk mitigation. The Chairman of the Audit Committee reports to the full Board with respect to Balchem's risk management efforts, which enables the Board to monitor risks and oversee risk mitigation efforts. The Compensation Committee also evaluates risk related to our compensation program.

2020

\$84.6M

GAAP net earnings

ESG FRAMEWORK POLICIES



As part of our continued risk management and governance practices, Balchem has several policies in place related to our ESG framework:

- Anti-bribery Policy
- California Consumer Privacy Act Policy
- Code of Business Conduct and Ethics
- Corporate Statement on Conflict Minerals
- Diversity and Inclusion Policy
- Environmental Compliance Policy
- Modern Slavery and Human Trafficking Statement
- Risk Management Policy
- Safety and Health Policy
- Supplier Code of Conduct



GAAP EARNINGS PER SHARE



FREE CASH FLOW CONVERSION*



*Free cash flow conversion = (cash flow from operating activities - capital expenditures)/net earnings

CONCLUSION



We are committed to operating responsibly and creating a sustainable future for our customers, suppliers, employees, communities, and shareholders.

We thank you for taking time and allowing us to share the work our company has done to integrate sustainability into our strategy operations and business decisions. We hope this report has provided a clear understanding of our progress over the past year. Balchem is committed to operating responsibly and creating a sustainable future for our customers, suppliers, and stakeholders.

Moving forward, we will continue to foster these fundamental principles broadly along the entire value chain, develop new ideas and technologies that help us work smarter, and help build a world that is a better place to live.

For more information about Balchem Corporation, please visit www.balchem.com.

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APPENDIX



APPENDIX: GRI INDEX

GRI INDEX

This report has been prepared in accordance with the GRI Standards: Core option. The issues addressed in this report were identified and prioritized by engaging a wide range of stakeholders internally and externally (see [About Our Report](#)). Through this process, we identified ESG topics that are material to our company, some of which are covered by GRI Standards. Those topics are included in this GRI Index. Based on availability of data, not all GRI disclosures are reported fully. For more information on GRI Standards, visit <https://www.global-reporting.org/standards>.

Disclosure Number Description Location and Notes

GRI 102: GENERAL DISCLOSURES 2016

ORGANIZATIONAL PROFILE

102-1	Name of the organization	<i>Our Vision</i>
102-2	Activities, brands, products, and services	<i>Message from Our Chairman and CEO</i>
102-3	Location of headquarters	2020 Annual Report
102-4	Location of operations	2020 Annual Report
102-5	Ownership and legal form	2020 Annual Report
102-6	Markets served	2020 Annual Report
102-7	Scale of the organization	2020 Annual Report
102-8	Information on employees and other workers	<i>People – Human Capital</i>
102-9	Supply chain	<i>Planet – Material Sourcing</i>
102-10	Significant changes to the organization and its supply chain	<i>About Our Report</i>
102-11	Precautionary principle or approach	<i>Profit</i>
102-12	External initiatives	Included throughout the report



APPENDIX: GRI INDEX

Disclosure Number	Description	Location and Notes
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ORGANIZATIONAL PROFILE (CONTINUED)

102-13	Membership associations	<p>Management is officers or members of, or support, the following associations:</p> <ul style="list-style-type: none"> • Advanced Medical Technology Association (AdvaMed) • American Animal Science Association • American Association of Analytical Chemists (AOAC) • American Association of Bovine Practitioners (AABP) • American Association of Veterinary Nutritionists (AAVN) • American Canine Sports Medicine Association (ACSM) • American Chemistry Council – Ethylene Oxide Safety Task Group • American Chemistry Council – Ethylene Oxide/Ethylene Glycols Management • American Chemistry Council – Toxicology Research Task Group • American Institute of Certified Public Accountants (AICPA) • American Society for Mass Spectrometry • American Society for Quality (ASQ) • American Society of Animal Science (ASAS) • American Spice Trade Association (ASTA) • Council of Industry - Southeastern NY • Ethylene Oxide Sterilization Association (EOSA) • International Association for Food Protection • Minnesota Food Protection Association • National Agri-Marketers Association (NAMA)
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STRATEGY

102-14	Statement from senior decision maker	<i>Message from Our Chairman and CEO</i>
102-15	Key impacts, risks, and opportunities	Included throughout the report, by topics



APPENDIX: GRI INDEX

Disclosure Number	Description	Location and Notes
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behavior	Balchem Corporation Code of Business Conduct and Ethics
102-17	Mechanisms for advice and concerns about ethics	Balchem Corporation Code of Business Conduct and Ethics
GOVERNANCE		
102-18, 102-20, 102-27	Governance structure	<i>Profit – Our Governance</i>
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	<i>Message from Our Chairman and CEO</i>
102-41	Collective bargaining agreements	Balchem has established good working relationships at the Verona, MO, Marano Ticino, Italy, and Bertinoro, Italy sites. In 2020, approximately 18% of our employees were represented by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	<i>About Our Report</i>
102-43	Approach to stakeholder engagement	<i>About Our Report</i>
102-44	Key topics and concerns raised	<i>About Our Report</i>
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	2020 Annual Report
102-46	Defining report content and topic Boundaries	<i>About Our Report</i>
102-47	List of material topics	<i>About Our Report</i>
102-48	Restatements of information	There have been no changes in reporting from the previous year.



APPENDIX: GRI INDEX

Disclosure Number	Description	Location and Notes
REPORTING PRACTICE (CONTINUED)		
102-49	Changes in reporting	There have been no changes in reporting from the previous year.
102-50	Reporting period	<i>About Our Report</i>
102-51	Date of most recent report	<i>About Our Report</i>
102-52	Reporting cycle	<i>About Our Report</i>
102-53	Contact point for questions regarding the report	sustainability@balchem.com
102-54	Claims of reporting in accordance with the GRI	<i>Appendix – GRI Index</i>
102-55	GRI content index	<i>Appendix – GRI Index</i>
102-56	External assurance	There is no external assurance obtained over the People and Planet pillars. Profit financial data that is listed in the 10-K has been audited.

GRI 301: MATERIALS 2016

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	<i>About Our Report</i>
103-2	The management approach and its components	<i>Planet – Material Sourcing</i>
103-3	Evaluation of the management approach	<i>Planet – Material Sourcing</i>

TOPIC-SPECIFIC DISCLOSURES

301-1	Materials used by weight or volume	<i>Planet – Material Sourcing</i> Total volume of materials (lbs): Renewable – 165.7M Non-renewable – 287M
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APPENDIX: GRI INDEX

Disclosure Number Description Location and Notes

GRI 302: ENERGY 2016

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	<i>About Our Report</i>
103-2	The management approach and its components	<i>Planet – Energy Management</i>
103-3	Evaluation of the management approach	<i>Planet – Energy Management</i>

TOPIC-SPECIFIC DISCLOSURES

302-3	Energy intensity	<p><i>Planet – Energy Management</i></p> <p>Prior year energy intensity included electricity use only. Current year energy intensity includes all energy sources.</p> <ul style="list-style-type: none"> • Electric Only EI .70 GJ/Ton (Produced) • Gas Only EI 3.05 GJ/Ton • Combined EI 3.75 GJ/Ton
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GRI 303: WATER AND EFFLUENTS 2018

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	<i>About Our Report</i>
103-2	The management approach and its components	<i>Planet – Water Management</i>
103-3	Evaluation of the management approach	<i>Planet – Water Management</i>

MANAGEMENT APPROACH DISCLOSURES

303-1	Interactions with water as a shared resource	We performed water scarcity research (refer to <i>Planet – Water Management</i>) and determined that there is less than 1% water withdrawn from high water stress areas.
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APPENDIX: GRI INDEX

Disclosure Number	Description	Location and Notes
TOPIC-SPECIFIC DISCLOSURES		
303-2	Management of water discharge related impacts	Balchem works with local municipalities as facilities discharge water into municipal sources, except for one location which is tightly controlled. We do not operate any plants that are located in high-stress water regions. The results of the water stress analysis (refer to <i>Planet – Water Management</i>) were shared with the steering committee, who oversees water management stewardship.
303-3	Water withdrawal	<i>Planet – Water Management</i> Total water withdrawn: 2020: 4,038,291 CBM Water intensity (cubic meters withdrawn per metric ton of products produced): 2020: 12.53 2019: 10.87 2018: 11.50

GRI 305: EMISSIONS 2016

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	<i>About Our Report</i>
103-2	The management approach and its components	<i>Planet – Energy Management</i>
103-3	Evaluation of the management approach	<i>Planet – Energy Management</i>

TOPIC-SPECIFIC DISCLOSURES

305-1	Direct (Scope 1) greenhouse gas emissions	<i>Planet – Energy Management</i>
305-2	Energy indirect (Scope 2) greenhouse gas emissions	<i>Planet – Energy Management</i>
503-4	Greenhouse gas emissions intensity	Total greenhouse gas emissions intensity (metric tons/revenue in millions): 2020: 109 2019: 116 2018: 115



APPENDIX: GRI INDEX

Disclosure Number	Description	Location and Notes
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GRI 306: EFFLUENTS AND WASTE 2016

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	<i>About Our Report</i>
103-2	The management approach and its components	<i>Planet – Waste Recycling and Reduction</i>
103-3	Evaluation of the management approach	<i>Planet – Waste Recycling and Reduction</i>

TOPIC-SPECIFIC DISCLOSURES

306-2	Waste by type and disposal method	<i>Planet – Waste Recycling and Reduction</i> Total weight of hazardous waste (metric tons): 319.7
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GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	<i>About Our Report</i>
103-2	The management approach and its components	<i>People – Food Safety</i>
103-3	Evaluation of the management approach	<i>People – Food Safety</i>

MANAGEMENT APPROACH DISCLOSURES

308-2	Negative environmental impacts in the supply chain and actions taken	<i>People – Food Safety</i> 75% of total hazardous waste suppliers have been audited in the past three years.
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APPENDIX: GRI INDEX

Disclosure Number Description Location and Notes

GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	<i>About Our Report</i>
103-2	The management approach and its components	<i>People – Environmental, Health, Safety, and Security</i>
103-3	Evaluation of the management approach	<i>People – Environmental, Health, Safety, and Security</i>

MANAGEMENT APPROACH DISCLOSURES

403-1	Occupational health and safety management system	<i>People – Environmental, Health, Safety, and Security</i>
403-2	Hazard identification, risk assessment, and incident investigation	<i>People – Environmental, Health, Safety, and Security</i> Refer to the JSAs and STAR program.
403-3	Occupational health services	<i>People – Environmental, Health, Safety, and Security</i> Refer to the JSAs and STAR program.
403-4	Worker participation, consultation, and communication on occupational health and safety	<i>People – Environmental, Health, Safety, and Security</i> Refer to the JSAs and STAR program.
403-5	Worker training on occupational health and safety	<i>People – Environmental, Health, Safety, and Security</i> Safety training is performed by employees on at least an annual basis and is also integrated into a daily practice with tool talks and pre-shift huddles. We have held safety days at sites where the site will spend the entire day on safety-related activities. Our leadership and Environmental, Health, Safety, and Security professionals receive continuing education.
403-6	Promotion of worker health	<i>People – Human Capital</i>
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<i>People – Environmental, Health, Safety, and Security</i>

TOPIC-SPECIFIC DISCLOSURES

403-9	Work-related injuries	<i>People – Environmental, Health, Safety, and Security</i>
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APPENDIX: GRI INDEX

Disclosure Number	Description	Location and Notes
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GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	<i>About Our Report</i>
103-2	The management approach and its components	<i>People – Human Capital</i>
103-3	Evaluation of the management approach	<i>People – Human Capital</i>

TOPIC-SPECIFIC DISCLOSURES

405-1	Diversity of governance bodies and employees	<i>People – Human Capital</i>
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GRI 413: LOCAL COMMUNITIES 2016

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	<i>About Our Report</i>
103-2	The management approach and its components	<i>People – Corporate Giving and Community Involvement</i>
103-3	Evaluation of the management approach	<i>People – Corporate Giving and Community Involvement</i>

TOPIC-SPECIFIC DISCLOSURES

413-1	Operations with local community engagement, impact assessments, and development programs	<i>People – Corporate Giving and Community Involvement</i>
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APPENDIX: SASB INDEX

SASB INDEX

This report reviewed the SASB framework as one of the key inputs for our material ESG topics. The below metrics are aligned with the SASB framework for the chemical industry, where Balchem is mapped by SASB. For more information on SASB standards, visit <https://www.sasb.org/standards-overview/>.

Code	Description	Location and Notes
SUSTAINABILITY ACCOUNTING STANDARDS BOARD		
GREENHOUSE GAS EMISSIONS		
RT-CH-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	<i>Measuring Our Progress and Appendix</i>
RT-CH-110a.2	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	<i>Planet – Energy Management</i>
WATER MANAGEMENT		
RT-CH-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with high or extremely high baseline water stress	<i>Measuring Our Progress and Appendix</i>



APPENDIX: SASB INDEX

Code Description Location and Notes

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (CONTINUED)

RT-CH-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	<i>Planet – Water Management</i>
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HAZARDOUS WASTE MANAGEMENT

RT-CH-150a.1	Amount of hazardous waste generated, percentage recycled	<i>Measuring Our Progress and Appendix</i>
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COMMUNITY RELATIONS

RT-CH-210a.1	Discussion of engagement processes to manage risks and opportunities associated with community interests	<i>People – Corporate Giving and Community Involvement</i>
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WORKFORCE HEALTH AND SAFETY

RT-CH-320a.1	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	<i>Measuring Our Progress</i>
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RT-CH-320a.2	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	<i>People – Environmental, Health, Safety, and Security</i>
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MANAGEMENT OF THE LEGAL AND REGULATORY ENVIRONMENT

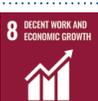
RT-CH-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	<i>Profit – Our Governance</i>
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APPENDIX: SDG INDEX

SDG INDEX

All United Nations Member States adopted the 2030 Agenda for Sustainable Development in 2015, providing a path for peace and prosperity for people and the planet. The 17 SDGs are an urgent call for action by all countries, and support from the private sector is an important piece to achieving these goals. This report reviewed the SDGs as one of the key inputs for our priority ESG topics. Our priority ESG topics relate to the following SDGs. For more information on the SDGs, visit <https://sustainabledevelopment.un.org/sdgs>.

SUSTAINABLE DEVELOPMENT GOALS INDEX	
PEOPLE	
	Animal Nutrition Food Availability
	Human Nutrition and Health
	Human Capital
	Environmental, Health, Safety, and Security Human Capital Community Involvement
PLANET	
	Water Management
	Energy Management
	Waste Management Safety and Environmental Stewardship of Chemicals and Genetically Modified Organisms Materials Sourcing Practices (e.g., palm oil, coffee, cocoa) Food Safety and Health Concerns
	Energy Management
	United Nations Global Compact Participant