

# PATHWAYS TO POSITIVE

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Performance & Sustainability  
Report 2020



**Firmenich**  
125 years of  
Timeless Emotions

# TABLE OF CONTENTS

<b>01</b>	<b>ABOUT FIRMENICH</b>	
	Firmenich at a glance	5
	Statement from our Chairman and CEO	6
	2020 Milestones	8
	Performance overview	9
	Business highlights	10
<b>02</b>	<b>INTEGRATING SUSTAINABILITY</b>	
	Statement from our Chief Sustainability Officer	15
	Megatrends	17
	Our Strategy	19
	Stakeholder engagement	22
	Partnerships	23
	Sustainability governance	24
<b>03</b>	<b>CARING ABOUT PEOPLE</b>	
	Spotlight: Finding ways to make life better	27
	Equipping our people for the future	29
	Human rights	34
	Diversity and equal opportunity	36
	Health and safety	39
<b>04</b>	<b>RESPECTING NATURE</b>	
	Spotlight: SmartProteins™	47
	Protecting biodiversity	49
	Fighting deforestation	55
<b>05</b>	<b>ACTING ON CLIMATE CHANGE</b>	
	Spotlight: Circular solutions	60
	Reducing CO <sub>2</sub> emissions and energy consumption	62
	Conserving water	67
	Cutting waste	70
<b>06</b>	<b>GROWING BUSINESS FOR GOOD</b>	
	Spotlight: Inclusive business	74
	Business integrity	76
	Responsible products	78
	Product safety and quality	80
	Responsible sourcing	84
	Responsible use of artificial intelligence	91
	Corporate governance and risk management	92
<b>07</b>	<b>ABOUT THE REPORT</b>	
	Materiality	95
	Our Value chain	97
	Our 2020 goals and progress over five years	98
	Key performance data	102
	About this report	104
	Independent assurance statement	105
	Glossary	106



01

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## ABOUT FIRMENICH

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- 1.1 Firmenich at a glance
- 1.2 Statement from our Chairman and CEO
- 1.3 2020 Milestones
- 1.4 Performance overview
- 1.5 Business highlights: Research and Development
- 1.6 Business highlights: Flavors
- 1.7 Business highlights: Perfumery and Ingredients

1.1

GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-10

## FIRMENICH AT A GLANCE



SALES GROWTH IN LOCAL CURRENCY (VS. FY19)<sup>1</sup>



PRIVately OWNED FLAVOR AND FRAGRANCE HOUSE



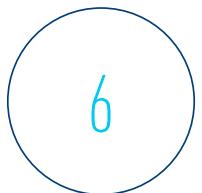
BILLION IN SALES



IN PERFUMERY AND INGREDIENTS<sup>2</sup>



IN FLAVORS<sup>2</sup>



R&D CENTERS



COLLEAGUES<sup>3</sup>



MARKETS

Firmenich is the world's largest privately-owned Flavor and Fragrance company, founded in 1895 and headquartered in Geneva, Switzerland. Driven by our purpose to create positive emotions to enhance wellbeing, naturally, we have designed many of the world's best-known fragrances and tastes, bringing delight to over four billion consumers every day. We are present across more than 140 markets, employ close to 10,000 colleagues, and operate 83 facilities around the world, including 45 manufacturing plants and six research and development (R&D) centers. This year, expanding our business reach, we announced three acquisitions and one strategic partnership. We also opened new facilities across the globe in six countries.

Taking our legacy into the future, sustainability is one of our "Firmenich Fundamentals" and lies at the heart of our strategy and business growth.

## 1.2

GRI 102-11, 102-14

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## STATEMENT FROM OUR CHAIRMAN AND CEO



Firmenich proved its resilience during Fiscal Year 2020 (FY20), creating value for its stakeholders while navigating the unprecedented challenges of the COVID-19 pandemic. We recorded industry-leading profitability, and accelerated our leadership in science and Environmental, Social, and Governance (ESG). The Group recorded CHF 3.9 billion in net sales, growing by +0.1% in Swiss Francs and +2.8% in local currency, compared to the prior year.

Despite the challenging environment, FY20 was a milestone year, consolidating our leadership in renewable, sustainable, and biodegradable ingredients. We expanded our reach with the largest acquisition in our history, Les Dérivés Résiniques et Terpéniques SA (DRT), a world-leader in pine-based, renewable, and sustainable ingredients. We also concluded other key strategic acquisitions, including acquiring Evonik Industries' CO<sub>2</sub> extraction business, which allows us to expand our capability for the safe, clean, and high-quality extraction of natural botanical molecules from biomass such as flowers, nuts, coffee, and tea.

Investing for the future, we entered the financial markets for the first time in our history, successfully raising the equivalent of CHF 2.9 billion in corporate bonds.

FY20 brings our Grow<sup>125</sup> strategic cycle to a conclusion. Throughout these four years, we have successfully demonstrated our ability to deliver steady revenue growth, while putting our entrepreneurial spirit to work to build new lines of business and advancing our environmental and social performance.

### BUSINESS RESILIENCE GUIDED BY PURPOSE

Guided by our fundamental values and purpose, we showed our resilience in the second half of FY20 as the global health crisis tested our business model, our supply chain, and our people in extraordinary ways. Our first priority remains the health and safety of all our colleagues worldwide, as well as business continuity and ensuring ongoing services and support to our customers and communities.



We successfully implemented extensive health and safety precautions across all our sites, and have remained operational as a provider of essential food and hygiene products. As a family business with a 125-year legacy of responsible business, our immediate action was to help our local communities by donating hand sanitizer to health and emergency services in five countries, including Switzerland.

## DIFFERENTIATING THROUGH INNOVATION

Research is our engine of growth, enabled by the highest proportion of investment in R&D in our industry, at an average of 10% of annual revenue. We put our leading science to work to enhance wellbeing and made significant headways in nutrition as well as renewable and sustainable ingredients. Our strong R&D has yielded us over 3,900 active patents.

To improve quality of life through nutrition, Firmenich's established taste modulation technologies can reduce up to 100% of added sugar naturally. These have enabled us to remove over one trillion calories from consumer food and beverage products. Furthermore, advancing vegan and flexitarian lifestyles, our unique SmartProteins™ solutions improve taste and texture, while matching the succulence of meat proteins in vegetarian and seafood alternatives.

Harnessing our leadership in sustainable ingredients from renewable sources, we launched Dreamwood™, our fourth white biotech ingredient and the first with cosmetic benefits, providing a sustainable alternative to botanical sandalwood oil. Working with our customers to accelerate access to sanitation, in FY20 the first affordable and

sustainable toilet cleaning products with our breakthrough malodor control technologies reached consumers in Bangladesh, India, and South Africa.

## ACCELERATING ESG LEADERSHIP

In the closing year of our 2015–2020 sustainability strategy, we continued to accelerate our leadership in ESG and enhance our long legacy as a responsible business. Our "Pathways to Positive" strategy closed with strong environmental results and positive developments on the ethics and social fronts. We refreshed our Code of Ethics, relaunched our Human Rights Policy and a new Responsible Sourcing approach – each to reinforce our commitment to doing business the right way. We maintained our industry leadership in safety performance, recording a TRC rate of 0.18, and 24 manufacturing plants achieved a full year with zero recordable injuries. And we continued to reinforce our pioneering diversity and inclusion agenda, notably reaching gender parity on our Executive Team.

Driven by ambitious, science-based targets, we became the first company in our industry to power all our operations globally with 100% renewable electricity. As we accelerated our journey towards a carbon-neutral future, we were one of the first companies to join the "Business Ambition for 1.5°C" coalition, and we received our second consecutive CDP triple "A" rating for climate change, water security, and forests, one of only six companies worldwide. Our commitment to the most ethical, traceable, and sustainable supply chain was further reinforced by the Platinum rating from EcoVadis. Furthermore, as a company that depends on nature for its most precious ingredients, we became a founding member of the One Planet Business

for Biodiversity Coalition (OP2B) to protect and restore biodiversity across our supply chains and product portfolios.

We are committed to continue to lead the industry in ESG performance, and we believe we are well positioned as we move towards our 2030 sustainability targets.

## GUIDED BY OUR VALUES AND THE SDGS

As a committed signatory of the UN Global Compact since 2008, and a UN Global Compact LEAD company since 2019, our actions will continue to be guided by its Ten Principles in the areas of human rights, labor, environment, and anti-corruption. Furthermore, the SDGs are firmly embedded in our growth strategy, providing scope for our action.

With our unique, 125-year legacy as a responsible business and family company, we were proud to receive the first-ever IMD-Pictet Sustainability in Family Business Award in recognition of our impact and our journey of continuous improvement. Our approach is anchored in our Fundamentals, which have guided us through our history and continue to signal the path for the future.

As creators of emotions through the senses of taste and smell, touching over four billion people around the world every day, we want to be positive in all senses: for our people, the planet, and society.

On behalf of the Board and our Executive Committee, we thank all of our colleagues for living our purpose every day.

PATRICK FIRMENICH,  
Chairman of the Board

GILBERT GHOSTINE,  
Chief Executive Officer

1.3

—  
2020 MILESTONESCaring about  
PEOPLE

1.  
—  
**DIVERSITY AND INCLUSION LEADER**  
ETHICAL CORPORATION RESPONSIBLE  
BUSINESS AWARDS

2.  
—  
**SIGNATORY TO THE  
UN GLOBAL COMPACT  
ACTION PLATFORM ON DECENT WORK**

3.  
—  
**JOINED THE GLOBAL  
APPRENTICESHIP NETWORK  
(GAN)**

4.  
—  
**ROYAL SOCIETY FOR THE  
PREVENTION OF ACCIDENTS (RoSPA)  
GOLD AWARD**

Respecting  
NATURE

1.  
—  
**LAUNCH OF SMARTPROTEINS™**

2.  
—  
**JOINED  
ONE PLANET BUSINESS  
FOR BIODIVERSITY (OP2B)**

3.  
—  
**COLLABORATION WITH A FINE  
FRAGRANCE CUSTOMER ON THE  
“FLOWER GEMS OF INDIA” INITIATIVE**

4.  
—  
**LAUNCH OF DREAMWOOD™**

Acting on  
CLIMATE CHANGE

1.  
—  
**FOUNDING MEMBERS OF THE  
“BUSINESS AMBITION FOR 1.5°C”**

2.  
—  
**CDP TRIPLE A SCORE  
SECOND YEAR IN A ROW**

3.  
—  
**100% RENEWABLE ELECTRICITY  
IN ALL OPERATIONS WORLDWIDE**

4.  
—  
**RoSPA DILMUN INTERNATIONAL  
ENVIRONMENTAL AWARD**



## PROGRESS KEY

- ● ● MORE TO DO
- ● ● ON TRACK
- ● ● MET



Caring about  
**PEOPLE**

1.4

-

## PERFORMANCE OVERVIEW



Respecting  
**NATURE**



Acting on  
**CLIMATE CHANGE**

## 2020 GOAL

## FY20 PROGRESS

Improve quality of life through nutrition, hygiene, and sanitation	● ● ●	300,000 metric tons of sugar reduction Over one trillion calories removed
Sustain and further improve our industry-leading safety performance by maintaining a Total Recordable Case (TRC) rate below 0.25	● ● ●	Improved our safety performance 57% vs. FY15 baseline and reached a TRC rate of 0.18
Certify all Firmenich sites for gender pay equality	● ● ●	Started the first renewal of EDGE certification in June 2020

## 2020 GOAL

## FY20 PROGRESS

Develop sustainable and cost-effective flavor and fragrance ingredients and technologies	● ● ●	Dreamwood™, a new perfumery ingredient obtained from 100% renewable carbon
Demonstrate leadership in environmental assessment of our ingredients and technologies	● ● ●	Demonstrated that encapsulates do not bioaccumulate in representative species of mussels, crustaceans, and earthworms

## 2020 GOAL

## FY20 PROGRESS

Reduce absolute Scope 1 and 2 CO <sub>2</sub> emissions by 20%	● ● ●	Reduced our Scope 1 and 2 emissions by 44.9% vs. FY15 baseline
Obtain 100% electricity for Level 1 sites from renewable sources of offsets	● ● ●	First company in the Flavor and Fragrance industry to reach 100% renewable electricity in all operations worldwide
Ensure all our manufacturing sites can claim zero waste-to-landfill <sup>4</sup>	● ● ●	Zero manufacturing waste-to-landfill



We master the full scientific continuum of smell and taste, innovating to shape superior consumer experiences: from our ingredients, our technologies, and our creation processes, all the way to understanding human perception. Chemistry has been the foundation of our work ever since we were founded 125 years ago. Today we embrace green chemistry, while white biotechnology, cell biology, materials science, analytical chemistry, and cognitive sciences are fundamental to the delivery of our sustainable innovations.

## RESEARCH AND DEVELOPMENT

### FY20 HIGHLIGHTS

- ▶ **Harnessed leadership in white biotechnology**  
Dreamwood™, a new perfumery ingredient obtained from 100% renewable carbon, is our fourth and latest white biotechnology ingredient. After more than a decade of research into the biosynthesis of the constituents of sandalwood trees, Dreamwood™ offers olfactory and cosmetic benefits demonstrated through rigorous laboratory testing (patent pending).
- ▶ **Created a sustainable white musk**  
Sorbettolide® fulfills key principles of green chemistry and relies on catalytic transformation. It is biodegradable and contains 63% carbon of renewable origin.
- ▶ **Shaped healthy taste solutions**  
Through a collaborative venture, we are developing new natural flavor ingredients that improve salt perception and enable reduction in sodium levels without the loss of taste. These ingredients target a wide range of food categories with a key focus on plant proteins and meat analogs.
- ▶ **Strived for the highest environmental standards**  
In developing new ingredients, we are dedicated to achieving minimal impact on the natural environment, including non-persistence. One of our future ingredients from the fruity olfactory family met the strictest environmental endpoints set out by the latest EU regulations.
- ▶ **Advanced eco-friendly fragrance encapsulates**  
We invested heavily in the development and testing of improved environmentally friendly solutions for encapsulated fragrances, in collaboration with leading partner institutes. We published research and shared best practices.
- ▶ **Developed antibacterial properties**  
More than 15 years of active research on hygiene and antibacterial properties led to developments for customers on Consumer Fragrances and oral care products.
- ▶ **Investigated human emotional and cognitive responses**  
We are working on new ways of understanding consumer feelings and behavior in response to ingredients, flavors, and fragrances, including their ability to revive positive memories and associations experienced in the past. For this purpose, our psychophysiology laboratory is testing innovative physiological and behavioral measurements.
- ▶ **Invested in state-of-the-art facilities**  
Reinforcing our global capabilities, we made a significant investment in a new biotechnology pilot plant as well as research facilities in Geneva.



We are experiencing a rapid transformation in diets, with health, nutrition, and naturals driving flavors business growth around the world. Our customer requests are as diverse as their tastes and preferences, and the role our flavorists, chefs, innovators, and scientists play in delivering world-class solutions is paramount. Today we are driven more than ever by our purpose: wellbeing, food safety, and creating positive emotions with every eating experience.

#### OUR 2020 FLAVOR OF THE YEAR

This year's Flavor of the Year, Classic Blueberry, honors our partner Pantone's® 2020 Color of the Year, Classic Blue. Blueberry immediately associates with wellbeing and comfort and will play a starring role in ushering in a new wave of food and beverage options for consumers around the world.

## 1.6

### BUSINESS HIGHLIGHTS

## FLAVORS

### FY20 HIGHLIGHTS

- ▶ **Mastered the new normal** by implementing a dual approach where we maintained constant communication with customers to ensure no delivery disruption and took early action to gain a deep understanding of consumer needs, attitudes, and behaviors during the COVID-19 pandemic. We interpreted the nuanced market dynamics of the short-term, identifying the first indicators of how future trends will be impacted by the pandemic. Our Human Insights team accelerated our understanding of the implications on consumer behavior through a comprehensive global study across 22 countries that will shape the food and beverage industry for the foreseeable future.
- ▶ **Completed the creation of a Naturals Platform**, which focuses on 10 tonalities, and makes available over 100 ingredients to our flavorists.
- ▶ **Addressed the unmet needs of flexitarian consumers** through Culinary Anthropology, a unique chef-to-shelf approach that is redefining the possibilities of plant protein-based foods. We are promoting flexitarian diets with our flavors and masking technology, and our unique understanding of fibers.
- ▶ **Opened new paths to sugar reduction**  
Our sugar reduction activities grew by 23% over the year. Our efforts to remove sugar from products that consumers love resulted in taking over one trillion calories out of their diets. Now, exciting new possibilities have been created through our partnership with Layn Natural ingredients, focused on Monk Fruit (Lo Han Guo), whose juice contains zero calories per serving and natural sweeteners between 150–200 times sweeter than sugar.
- ▶ **Grew dramatically in Savory**, led by our SmartProteins™ solutions for meat analogs and establishing our global understanding of the Flexitarian challenge. Through the texture expertise of our affiliate Campus, we have developed complete solutions using analog proteins for chicken nuggets, melting cheeses, meat balls, and burgers.
- ▶ **Delivered positive growth in Sweet Goods**, driven by Vanilla, Dairy, and a renewed consumer focus on dietary and nutrition.
- ▶ **Beverages** – Annual performance was significantly impacted by disruption in the Food Service sector in the second semester due to the pandemic. This was compensated by new naturals adoptions in core tonalities and great performance in sugar reduction during the year.



VILLA BOTANICA, GRASSE, FRANCE

Drawing from strong consumer insights on the new, post-COVID-19 world, we are transforming our Perfumery and Ingredients business. We are remodeling both product development and digital strategy with a clear focus on innovation, health and hygiene, wellbeing, and sustainability. The pandemic has renewed our commitment to positive impact, combining world-class research with unique creativity to develop new capabilities and solutions – from relevant, benefit-focused ingredients such as Dreamwood™ to new product formats and technologies such as Hi-Genie or Deodacil™.

## PERFUMERY AND INGREDIENTS

### FY20 HIGHLIGHTS

- ▶ **Recruited exceptional people** – There have been many important nominations this year: the arrival of Perfumery's first female President, Ilaria Resta; Felix Frowein as Senior Vice President, Consumer Fragrances; Cheryl Morano as President, Agilex Fragrances; and Sophie Labb  as Principal Perfumer, Fine Fragrance. This year also marked the retirement of Armand de Villoutreys, who served as President of the Perfumery and Ingredients division for a decade. We sincerely thank Armand for his remarkable tenure at Firmenich.
- ▶ **Reinforced our reputation in fragrance leadership** In our industry, we are the most committed to fragrance, with the highest percentage of revenues coming from the Perfumery and Ingredients segment. In 2019, we created renowned successes for customers, including the best-selling new men's fragrance of 2019.
- ▶ **Advanced pioneering #CreateForGood™ consciousness** Even prior to the COVID-19 crisis, Firmenich marked the dawn of a new era of conscious perfumery. In January 2020, we launched CreateForGood™ to deliver natural, sustainable, and sensorial fragrances that support consumers' aspirations for a healthy and responsible lifestyle. We have completed over 60 customer sessions and developed over 550 fragrances.
- ▶ **Created new centers of culture and innovation** We celebrated our 30-year anniversary in Turkey, as

well as three exclusive Fine Fragrance Ateliers in S o Paulo, Shanghai, and most recently Villa Botanica. This 40,000-square-meter atelier located in Grasse showcases our leadership in naturals where creators and customers can share inspiration and co-create.

- ▶ **Developed digital intelligence and automation** By leveraging creativity, consumer insights, digitalization, and machine learning, we delivered innovation, prediction, and augmented creation as well as speed, delight, and mass personalization. Our d-lab incubated over 12 major projects this year, collaborating with over 100 colleagues around the world. In addition, our new Perfumery Center of Excellence in Geneva features a fully automated sampling lab.

- ▶ **Strengthened our leadership in natural and sustainable ingredients** – The acquisition of DRT gives Firmenich the world's richest palette of renewable and sustainable ingredients. The acquisition of Evonik makes us the undisputed leader in supercritical fluid extraction (CO<sub>2</sub> extraction). We launched the innovative farming project Flower Gems of India with a luxury brand and Jasmine Concrete. Sharing Innovation 2020 showcased our creativity and technology, responsibility and sustainability. Finally, we launched a new breakthrough in ingredient transparency: EcoIngredient Compass, providing scores on renewability, biodegradability, and green chemistry for our iconic perfumery ingredients.



02

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## INTEGRATING SUSTAINABILITY

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2.1

Statement from  
our Chief Sustainability Officer

2.2

Megatrends

2.3

Our strategy

2.4

Stakeholder engagement

2.5

Partnerships

2.6

Sustainability governance



71%

OF COLLEAGUES TRAINED  
ON SUSTAINABILITY



10 COLLABORATIONS  
ON SUSTAINABILITY INNOVATION



LAUNCH OF THE  
SUSTAINABILITY ACADEMY

COMPLETED  
THE SDG ACTION MANAGER



## 2.1

GRI 102-11, 102-14

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## STATEMENT FROM OUR CHIEF SUSTAINABILITY OFFICER



This report marks the end of a five-year strategic cycle and journey that began in 2015 when we launched “Pathways to Positive.” That was the year the United Nations adopted the Sustainable Development Goals (SDGs), which we then made our compass for sustainability. The first five years of the SDGs transformation helped companies identify gaps and priorities in their approaches. However, progress has been too slow and too limited in scope.

At Davos 2020, the topic of environmental risks dominated its annual *Global Risks Report*, a first in the publication’s 15-year history. One week later, the UN SDG Action Campaign sent out a wakeup call that the world needs to do more to make the SDGs a reality.

Firmenich continues to respond, our commitment to the SDGs even stronger and moving faster in the wake of COVID-19, and the new fundamental need to protect our people and the larger community during a pandemic. To that effect, we invited colleagues to take a course on the SDGs and to answer questions on the SDG Action Manager evaluation (see page 20).

As a purpose-driven company that has strategically integrated the SDGs in our performance measurement, we are now ready to shape our new sustainable future driven by three principles:

1. Interdependence
2. Performance
3. Relevance

**INTERDEPENDENCE:** We recognize that environmental and social challenges can no longer be addressed in isolation. Climate change and nature loss have a direct impact on human health and wellbeing while accelerating poverty and exclusion. At the same time, poverty has a negative impact on environmental protection, for example when communities have to cut trees to survive or when they do not have access to proper sanitation. Climate, nature, and people need to coexist in harmony, and we believe that at the nexus of these global risks is the requirement for a more inclusive model of capitalism.

**PERFORMANCE:** We want to strengthen our tools and methodologies for collecting sustainability performance data. Sustainability is starting its digital transformation by connecting data along the value chain to improve transparency and design more impact-driven solutions. Storytelling is evolving into a narrative of fact-based and science-based sustainability. Sustainability is now more critical than ever to our company's performance.

**RELEVANCE:** Our sustainability decisions are not only grounded in our materiality matrix (see page 96) but are also fully aligned with the needs of our customers. Today we are evolving our corporate sustainability Center of Excellence into a network of experts driving sustainability at the product level to better serve our customers. Transversal teams are coming together from sourcing to research, from innovation to marketing and sales, to cater to the conscious consumer and invent purpose-driven fragrances and flavors that bring positive emotions to people.

Building on these three essential principles, we have designed a new Pathways to Positive approach (see page 19) comprising three systems: Caring about People, Respecting Nature, and Acting on Climate Change. In the coming years, we will take action with all our colleagues in the Firmenich Group. We will engage our suppliers even more in building responsible supply chains. We will build new sustainable solutions with our clients and collaborate with our competitors to make our industry more responsible.

The Performance and Sustainability Report you are currently reading is a central tool in our performance measurement approach. Building on progresses from our 2019 report, this year we made an effort to improve clarity, disclosure, and the reader experience. We invite you to share your remarks and feedback by contacting the Global Sustainability team.

Finally, we would like to convey our gratitude to Firmenich leadership, including our Chairman and CEO, who are sustainability thought leaders and who are fully engaged in our journey, challenging us every day to do more and better. We would also like to thank all our colleagues whose incredible work every day in the Firmenich Group made this report possible. Our heartfelt thanks also go out to the contributors to this report for their expert collaboration and sharing their annual progress.

We hope you enjoy this report as much as we have enjoyed preparing it. Sustainability is everyone's business, so let's work together.

DR. BÉRANGÈRE MAGARINOS-RUCHAT  
Chief Sustainability Officer, Firmenich

## 2.2

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MEGATRENDS

**The COVID-19 pandemic has shuffled priorities. Protecting both the planet and now people's health are the new benchmarks for doing business responsibly. Three megatrends are shaping our response and guiding our path forward.**

COVID-19 has had a significant impact on economies worldwide. The resulting financial and economic hardships mean that priorities in the post-pandemic world will shift to basic necessities such as food, health and wellbeing, driving greater focus on the hygiene and health economy, and the way we work, etc. Businesses have an important role to play in meeting these challenges and opportunities going forward, but they cannot act alone. The only way toward a healthy, resilient recovery is an inclusive one that factors in social and environmental impacts and pays heed to important megatrends that are meanwhile key to the prosperity and growth of responsible companies.

The first of these megatrends is **stakeholder capitalism**, a topic front and center at the 2020 World Economic Forum (WEF) in Davos, Switzerland, which called upon business to factor environmental, social, and governance (ESG) matters into how it views financial performance

and resilience. This focus on environmental and social risks and opportunities are prompting consumers to raise concerns about how we produce and consume. They increasingly expect **sustainable products for sustainable lifestyles**, the second major trend, which in turn requires companies to bring more transparency to their value chains. Third, as **technological disruption** transforms society, it also shapes the transition toward increased transparency and new ways of working. Reflecting on these megatrends and the paradigm shift they augur, we have designed a new three-pillar model as the basis of our responsible business strategy moving forward:

#### CARING ABOUT PEOPLE

We aim to redefine wellbeing with a strong focus on inclusion. Wellbeing is a key element of the Firmenich purpose: "to create positive emotions to enhance wellbeing, naturally." Inclusion is paramount to wellbeing in how it helps attract a range of diverse talents, enhances confidence, and grants employees a sense of belonging. Our People pillar prioritizes both wellbeing and inclusion because of how they contribute to a healthier, happier, and more productive workforce.

#### RESPECTING NATURE

Nature-positive business and the transformation of the food system strongly influence our strategy as we keep up with increasing demand for plant-based proteins and strive to make a positive impact on nature through enhancing and protecting biodiversity.

#### ACTING ON CLIMATE CHANGE

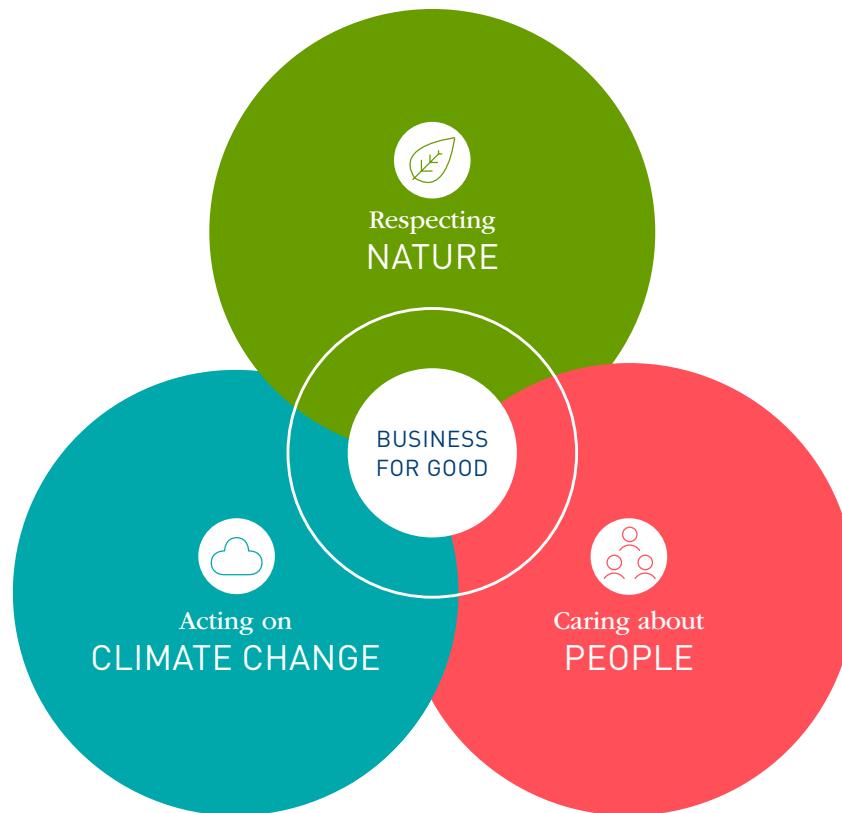
The net-zero emissions trend pushes companies to do more than just reduce emissions, a challenge that Firmenich is determined to meet and one it has embedded into its business model and commitments. The complementary trend of circularity furthers the transition toward a low-carbon economy and is now also a part of our business model and our efforts to find circular solutions for sustainable fragrances and flavors.



2.3

## – OUR STRATEGY

### 2030 FRAMEWORK



As the world copes with new economic, environmental, and social emergencies, the Firmenich Group is itself undergoing a radical transformation. These shifts and challenges call for a holistic approach that acknowledges both risks and opportunities.

Having completed our 2015–2020 strategic cycle (see our 2020 goals and our progress throughout this report), we have embarked on an in-depth review to shape the future of sustainability at Firmenich. Our ambitions include long-term goals and mid-term measurable targets. We began this journey by creating a new strategic framework that articulates our vision of stakeholder capitalism and positions an inclusive business model at the heart of our transformation.

A holistic approach to sustainability,  
integrating both risk mitigation and  
opportunities for innovation

Addressing corporate and product sustainability goals, our strategy is structured around three pillars: People, Nature, and Climate Change.



We have mapped the relevant UN Sustainable Development Goals to this framework and have followed a systems approach that focuses on areas we can influence, such as food systems and the sanitation economy. During the lockdown, we launched the new Firmenich Sustainability Academy, with 1,793 colleagues worldwide completing the UN Global Compact training on the SDGs. We engaged with 62 colleagues across the Group to collectively answer the hundreds of questions on the [SDG Action Manager](#) evaluation launched on January 29, 2020 by the UN Global Compact and B Corp. This in-depth exercise helped shape the foundations of our future Pathways to Positive strategy. The SDG Action Manager was an important step in our future strategy preparation, reassuring us that Firmenich is on track for full alignment with B Corp-certified companies.

## SDG ACTION MANAGER

Developed by  
 

## SUSTAINABLE DEVELOPMENT GOALS



3 GOOD HEALTH AND WELL-BEING



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



10 REDUCED INEQUALITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



15 LIFE ON LAND



17 PARTNERSHIPS FOR THE GOALS



“I am proud of Firmenich’s strong commitment to responsible business, the UN Global Compact Ten principles, and the Sustainable Development Goals (SDGs). I am convinced that social and environmental considerations are central to any company’s performance now and in the future. Firmenich demonstrates that innovation combined with integration of sustainability are part of a company’s recipe for success. I congratulate and thank Firmenich for its contribution to sustainable business as a member of the UN Global Compact over the past ten years. I look forward to ongoing joint engagement for a future worth living in.”



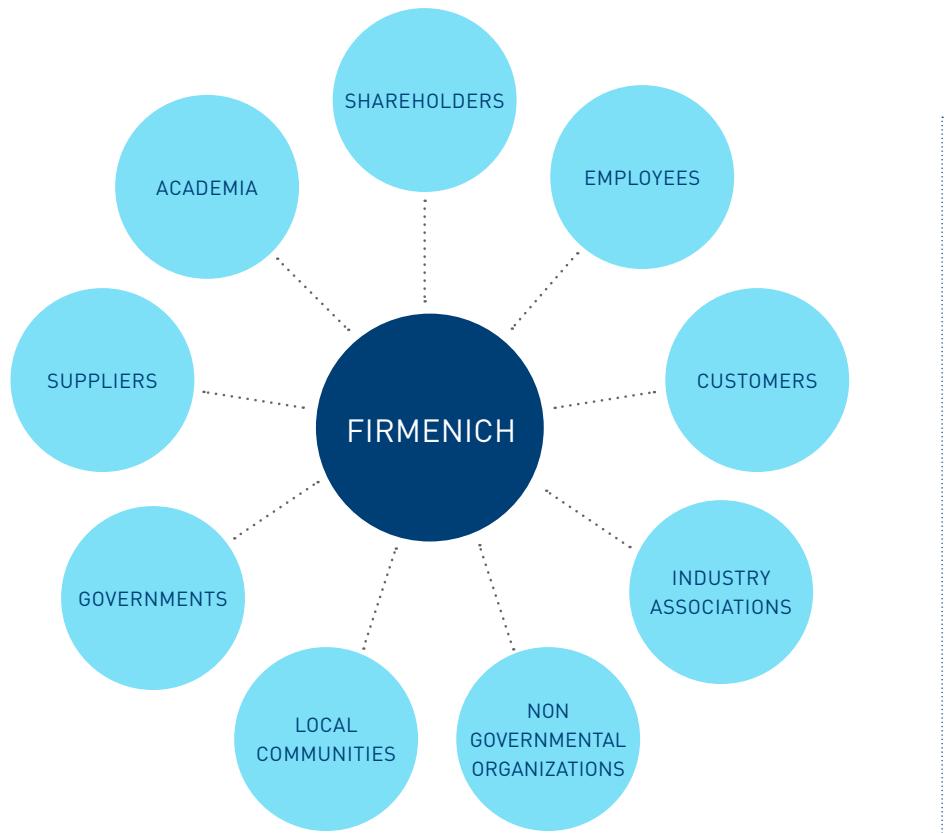
ANTONIO HAUTLE  
Executive Director  
Global Compact Network Switzerland

2.4

GRI 102-40, 102-42, 102-43, 102-44

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## STAKEHOLDER ENGAGEMENT



In the past ten years, we have made stakeholder engagement our sounding board, helping us to improve everyday.

Sustained, continuous engagement with all our stakeholders powers our inclusive business model. Stakeholder engagement not only defines our business strategy, it positions us to deliver on our sustainability commitments.

We follow a collaborative approach in working with stakeholders and cultivate long-term relationships with all of them. Over the years, the stakeholder groups we engage with have been strategically selected based on the following criteria:

- ▶ Shared values and goals
- ▶ Relevant and complementary expertise
- ▶ Ability to transform global systems

### OUR APPROACH TO STAKEHOLDER ENGAGEMENT

From informal dialogues to contractual partnerships, our relationships with stakeholders take different forms and are ongoing. More information is available [here](#).

2.5

GRI 102-12, 102-13

## PARTNERSHIPS



We have a partnership heritage because we strongly believe that partnerships between civil society and private and public organizations can scale up positive impact.

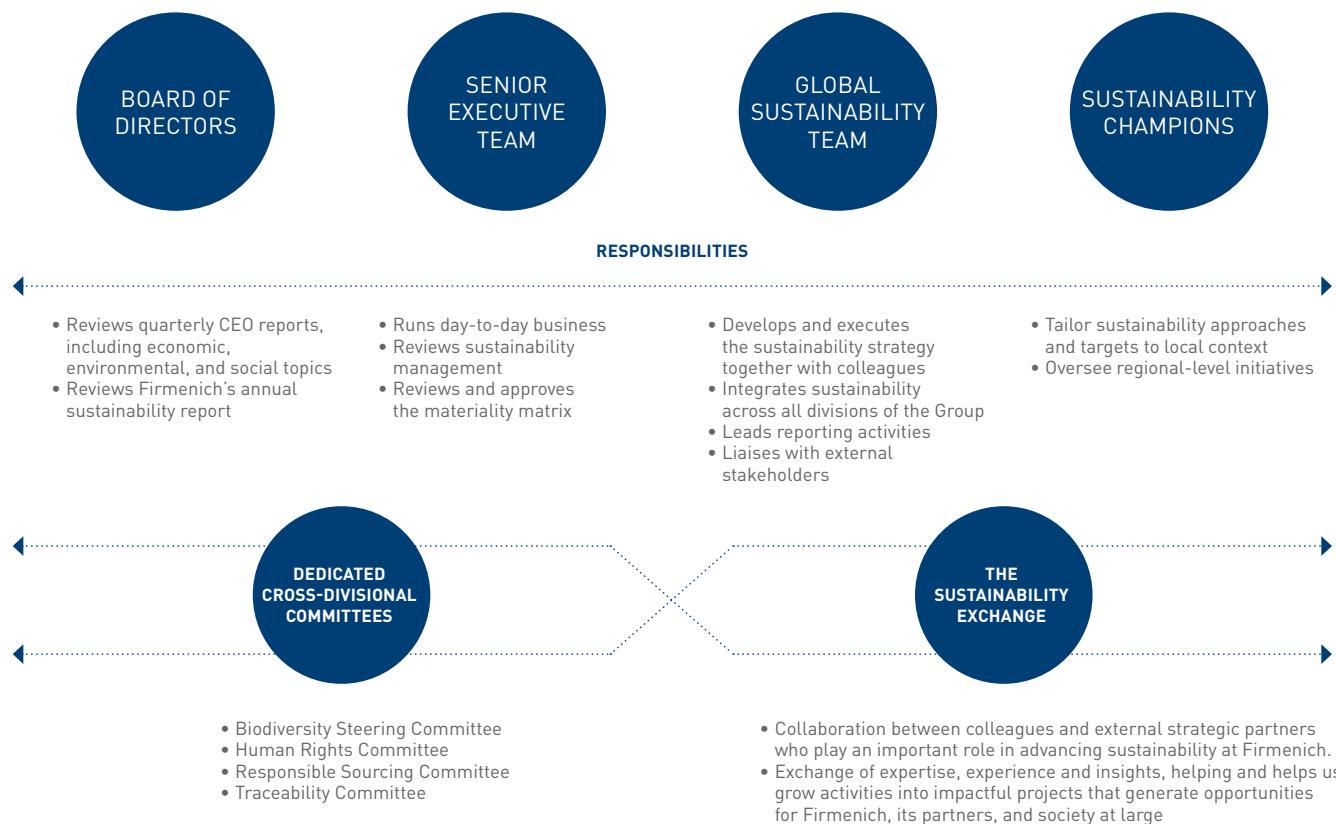
Firmenich can point to a long legacy of collaborative sustainability initiatives. We believe partnership is key to scaling up positive impact and consider it an integral component of our strategy to meet UN Global Goals.

For more information on our contribution and why we partner with these organizations, please consult our partnerships table [here](#).

2.6

GRI 102-20, 102-31, 102-32

## SUSTAINABILITY GOVERNANCE



For nearly two decades, sustainability has been a key pillar of the Firmenich Fundamentals. These past few years, we have evolved our sustainability governance mechanisms from formal structures to more collaborative processes.

Recognizing the strategic importance of sustainability for the business and its future activities, sustainability was elevated through the creation of a new position: Chief Sustainability Officer (CSO).

The CSO reports directly to the Chief Human Resources Officer (CHRO) and is responsible for the development and execution of the sustainability strategy while maintaining Firmenich's leadership position and sustainability performance. The CSO also reports progress to the Chief Executive Officer (CEO) on a quarterly basis.

The CSO supervises the Global Sustainability team and provides advice to company business leadership as well as the sourcing community.



03

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## CARING ABOUT PEOPLE

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We want to be creators of talent.

### SPOTLIGHT

Finding ways to make life better

3.1

Equipping our people for the future

3.2

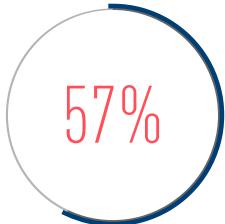
Human rights

3.3

Diversity and equal opportunity

3.4

Health and safety



57%

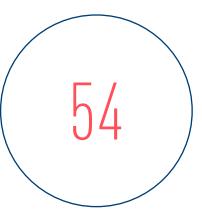
## IMPROVEMENT OF OUR SAFETY PERFORMANCE

(TOTAL RECORDABLE CASE RATE VS. FY15)



OVER  
ONE

## TRILLION CALORIES REMOVED



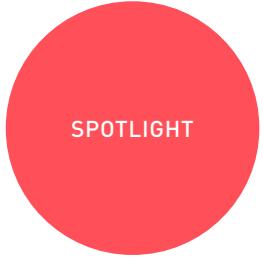
54

## BLIND AND VISUALLY IMPAIRED SENSORY PANELISTS HIRED AND TRAINED



## DIVERSITY & INCLUSION LEADER

ETHICAL CORPORATION RESPONSIBLE BUSINESS AWARD



SPOTLIGHT

# Finding ways to make life better

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The COVID-19 pandemic has made improving quality of life through sanitation, hygiene, and nutrition more important than ever.

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As the crisis unfolded early in 2020, we responded by transforming some of our manufacturing lines to produce hand sanitizer, increasing our production capacity to 100 metric tons of hand sanitizer. Our ramp-up in hand sanitizer output also helped us protect our own employees and front-line emergency staff.

In many countries where access to clean water and sanitation poses challenges, the pandemic has made the need for adequate access to these resources even more crucial. Following our five-year collaboration with the Toilet Board Coalition, we are now strengthening our work on sanitation through a focus on the circular sanitation economy.

In the areas of health and nutrition, our efforts to improve quality of life for all include a project to develop affordable fragrances and flavors for low-income populations. Building on our partnership with the Bill & Melinda Gates Foundation, we have been working with Archipel & Co on [Community Voices](#), a unique and inclusive market research initiative to understand these consumers' needs and preferences. Both our fragrance and flavors businesses are gleaning valuable information from [Community Voices](#), which conducts product testing across multiple sectors, including sanitation and nutrition. Testing was carried out in collaboration with NGOs in regions where there is a need

for inexpensive fragrance and flavors solutions. Consumer insights from these populations will be highly relevant and beneficial to our collaboration with the Global Alliance for Improved Nutrition (GAIN), whom we are working with to develop innovative nutritious products for low-income consumers.

Our work on nutrition also actively targets the problem of salt and sugar content in foods. High salt levels continue to be a global health concern and a major challenge for the food industry. Sugar reduction has been identified as a priority in the World Health Organization's guidelines for improved nutrition to reduce obesity. We are responding by developing new high-performance natural flavor ingredients to improve salt perception in low sodium applications. These innovations are produced from renewable raw materials converted using state-of-the-art bioconversions and will be launched in the near future. We are also accelerating our natural sugar reduction strategy in FY20, enabling companies to drastically reduce sugar worldwide while accommodating consumer preferences. We recently secured regulatory approval for a new flavor ingredient that enables the formulation of foods and beverages with reduced amounts of high fructose in corn syrup and other caloric sugars.

“From consumer marketing and business mentoring support to the women-centered sanitation enterprise ‘TI Bus’, to providing a range of bespoke professional development webinars to various sanipreneurs on topics such as design thinking and HR strategies, Firmenich’s unwavering commitment to support the Toilet Board Coalition’s Accelerator program is critical as we work to scale promising and innovative business models within the Sanitation Economy.”



JASMINE BURTON  
Sanitation Economy Accelerator  
and Pipeline Manager  
Toilet Board Coalition



### 3.1

GRI 102-7, 102-41, 401-1, 401-2, 404-1, 404-2, 404-3

## EQUIPPING OUR PEOPLE FOR THE FUTURE

We pay close attention to every single moment along the employment journey, positioning us to learn, prepare for the future, and create the right work environment for our people.

In 2020, our workforce numbered close to 10,000 colleagues. We hired 836 new employees and had a 9.7% turnover rate, 4.9% of which is voluntary turnover. Collective bargaining agreements cover 37% of employees.

### ATTRACTING TALENTS THROUGH SUSTAINABLE BENEFITS PROGRAMS

We provide competitive, sustainable, and innovative benefits programs offering protection, flexibility, and quality of life to our full-time and part-time employees worldwide. These programs comply with local regulations, cultural norms, statutory benefits, and market practices.

We follow global minimum standards that supplement or exceed country legislation. If local law is more beneficial, the country laws apply. This includes but is not limited to:

- ▶ **Healthcare coverage:** access to basic medical treatments reimbursed at minimum 75% of the costs and access to critical illness coverage
- ▶ **Retirement plans:** helping our employees save for their retirement in the best conditions
- ▶ **Death and disability coverage:** 24 months of salary paid to our employees or to their beneficiary
- ▶ **Parental leave:** we have stepped away from traditional maternity leave policies to focus on gender-neutral parental leaves for both childbirth and adoption. We recognize all models of family and the active role both fathers and mothers play in childcare.
- ▶ **Global business travel insurance:** a consistent level of coverage worldwide during business travel abroad, covering accident protection, medical emergencies, luggage insurance, trip cancellation, business private liability, crisis, and security evacuation



HOURS OF TRAINING\*  
DELIVERED IN FY20

\*EXCLUDING ON-THE-JOB LEARNING



OF OUR PEOPLE RECEIVE  
REGULAR PERFORMANCE  
AND CAREER  
DEVELOPMENT REVIEWS

## GROWING OUR TALENTS

Societal developments are rapidly transforming the business landscape. Our Human Resource practices are continuously evolving to stay relevant and meet the demands of a multigenerational workforce.

Our three-pronged, multifaceted approach to talents equips Firmenich with the ability to succeed in a changing market:

- ▶ Inspiring the present
- ▶ Unlocking our potential
- ▶ Transforming for tomorrow

### INSPIRING THE PRESENT

Our objective for the present is to engage and develop employees through dynamic solutions and training courses. We want to drive learning and growth opportunities for all and offer varied training opportunities and experiences that fit our employees' needs and spark changes in our corporate culture. Each employee receives an average of 6.3 hours of training per year.

In the second half of FY20, COVID-19 spurred us to enhance and highlight our learning culture. We created a learning space for all employees with resources for navigating the pandemic. Topics include working from home, physical and mental wellbeing, leading remote teams, etc.

We also increased online work collaboration tools and offered all our colleagues Resilience Booster webinars.

### UNLOCKING POTENTIAL

We strive to promote and strengthen the agility of our organization through internal mobility, collaboration, and employee reviews.

In June 2020, we launched a new tool that shifts how we look at feedback. The idea is to reimagine performance and talent management at Firmenich by inspiring a culture of professional growth and ongoing feedback. Our updated approach provides guidance on areas employees need to prioritize and promotes dialogue between employees and managers. The tool is available to all employees, particularly people managers, employees who indirectly manage teams, and prospective people managers.

### TRANSFORMING FOR TOMORROW

With an eye to the future, we are identifying the winning behaviors that will bolster Firmenich's position in the industry and actively create a working environment where employees can flourish.

A dynamic approach to training that sparks change and gives employees more tools to succeed

Feedback as a catalyst for growth and reimagining performance



## CASE STUDY

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# Shaping and advancing the Future of Work

Rapid technological disruption, demographic changes, and shifting workforce expectations are leading us to ramp up the way we work, learn, and serve our customers. We want to create an agile organization and an ecosystem that puts customers center stage and empowers employees to be aware of critical megatrends.

We began working on the Future of Work in 2019 through several initiatives. Collaborating with other leading companies, we participated in defining the [Future of Work Principles](#) for the World Business Council for Sustainable Development (WBCSD). The importance and relevance of this work has been endorsed by our CEO, who adopted these principles for Fermenich on September 11, 2019.

We then rolled out the Future of Work project in our company with a two-pronged approach. Firstly, we focus on our customers' expectations by providing them with unparalleled services, creating unique experiences and feelings, and ensuring the highest standards for our products. We also monitor our colleagues' employability by preparing them for any potential changes in requirements in relation to their roles, skills, and capabilities. Part of these efforts relies on a digital solution that factors in sustainability to offer increased visibility on our customers and projects as well as an economic overview of company activity. The tool also lets users explore and develop new skills and capabilities through networking and data analytics.

**125**

IDEAS SUBMITTED  
VIA 8 IDEATION CAMPAIGNS

**500**

ONLINE COURSES  
ON DIGITALIZATION

Keeping pace and moving online  
through a wide range of efforts to  
ease the shift to digital

Programs that guide our people on  
navigating the work transitions in  
their lives

## WINNING BEHAVIORS



Automation, digitization, and data will significantly impact 30% of our global workforce at manufacturing sites. To that end, we have launched a Plant Capability Development Program that aims to accelerate our plant transformation capabilities. The initiative focuses on developing leadership performance, growing our people through training and coaching, and optimizing the talent structure to maximize synergies between technology advances and talent capabilities.

### Sustaining retention through upskilling

We have implemented various upskilling initiatives to sustain the productivity and retention of our talents. Our efforts to improve digital proficiency include partnering with Ecole Polytechnique Fédérale de Lausanne (EPFL)

to offer online digital-related courses; organizing Digital Days across many affiliates; and upgrading to Office 365 to boost daily work efficiency. Workshops on project management and design thinking are organized yearly to build foundations and mindsets of the Future of Work. In FY20, we broadened awareness of digitalization and communicated more actively within Firmenich through digital newsletters, monthly digital innovation forums, and DigiTalks.

Firmenich also offers legally and culturally compliant programs to help our employees navigate the work transitions in their lives. For example, we support employees reaching the end of their career, including an early retirement program if they opt to leave before the legal age of

retirement. We also follow policies that promote reasonable, fair, and equitable treatment of employees being separated from Firmenich while protecting the interests of the Company.

**CASE STUDY**

## Promoting youth employment through work-based learning programs

As a family company, we want to transfer our heritage to the next generations by helping them acquire important job skills, adapt to their fast-changing world, and find career opportunities in the future. We have been offering apprenticeships and lifelong learning opportunities for some 60 years, an outcome of our conviction that dual educational training programs combining theory and practice are an extremely effective way to help young people enter the work world and build their employability.

Recognition for our responsible business approach has spurred us to develop more ways to enhance employability and build our apprenticeship programs across the Group. On May 12, 2020, we officially

joined the global management board of the Global Apprenticeship Network (GAN), a worldwide coalition of leading companies committed to promoting work-based learning programs. The GAN is instrumental in forging strong partnerships between companies and governments and opening up opportunities to young people around the world.

Firmenich is also a founding member of the Global Alliance for YOuth, a business-driven movement of 21 like-minded organizations, including Nestlé, Microsoft, and Adecco. The Alliance aims to help 15 million young people worldwide to build employability skills by 2022.



## 3.2

GRI 412-2

# HUMAN RIGHTS

Human rights are one of our key concerns, now more than ever. From ensuring health and safety during a pandemic to standing up for social justice, Firmenich contributes to multiple Global Goals toward protecting individuals and reducing inequalities.

## RESPECTING AND PROMOTING HUMAN RIGHTS IN CHALLENGING TIMES

The health crisis has accelerated our efforts to ensure that human rights guide our operations through a wide range of programs and activities, especially regarding health and safety (see pages 39 to 43) and employee wellbeing (see page 44). We were able to rapidly transform our work processes and develop recovery plans, particularly ensuring that our colleagues were safe wherever they were and remained highly motivated despite social distancing.

## ENGAGEMENT AND ADVOCACY

After signing and contributing to WBCSD's [CEO Guide to Business and Human Rights](#), we continued the dialogue with some of our customers to learn from each other's efforts and explore potential synergies. We also collaborated with the [Union for Ethical BioTrade \(UEBT\)](#), one of our biodiversity partners. Under the 2019-revised UEBT Standard consultation process, we gave input on scaling up the due diligence approach to human rights in the new Standard. The Standard is recognized and used by many of our customers and companies in the Flavor and Fragrance industry.

We have used our participation in both international forums and local events to take a stand for human rights. In March 2019, we sponsored the 18<sup>th</sup> International Film Festival and Forum on Human Rights, the leading international event dedicated to film and human rights. We also participated in the annual United Nations (UN) Forum on Business and Human Rights, where we had an opportunity to reiterate our commitment to gender equality. We presented our implemented measures, such as diverse interview panels or gender-neutral parental leave, all



It is our commitment  
to uphold the highest human rights standards  
across our activities and those  
of our broader value chain.

part of our work toward EDGE (Economic Dividends for Gender Equality) certification (see page 36). In early 2020, after launching our new Responsible Sourcing Policy, we actively participated in a Swiss event on human rights and responsible procurement. Jointly organized by the Swiss Confederation, Procure.ch, and twentyfifty, the event gave us the chance to learn more about the Swiss National Action Plan on human rights and discuss how, beyond corporate policies, to integrate human rights into procurement practices.

## TACKLING HUMAN RIGHTS IN THE SUPPLY CHAIN

Beyond direct operations, we took our commitment to human rights one step further by signing the United Nations (UN) Global Compact Action Platform for Decent Work in Global Supply Chains. The platform promotes decent work in global supply chains and demonstrates how labor and human rights are critical for achieving the

Sustainable Development Goals. Following the launch of the Decent Work Toolkit for Sustainable Procurement, the platform entered Phase II with a webinar series to explore how companies are connected to decent work deficits. This phase was particularly relevant for dealing with the pandemic. Companies were encouraged to support workers and facilitate business continuity to ensure economic recovery.

We have further integrated human rights in our supply chain through several initiatives, first and foremost EcoVadis, a platform collecting supplier data at the corporate level. By asking our suppliers to use EcoVadis, we will gain better visibility on their human rights practices. This will help us manage human rights risks and improve practices through corrective actions. Additionally, we strengthened our desktop audit questions on human rights. We are now looking into improving our audit processes through training that will build the Company's knowledge on human

Our commitment to human rights extends beyond our in-house policies and activities.

EcoVadis helps us promote respect for human rights along the supply chain.

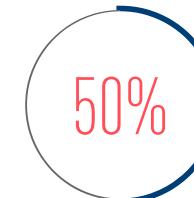
rights risks and empower our colleagues to identify such risks. We also looked at human rights at the project level. The Sustainable Juice Covenant helps us enhance project assessment quality and provides collective leverage to tackle systemic issues in agriculture. Finally, we have integrated human rights into our first pilot digital traceability tool to increase transparency along the supply chain (see page 87).



3.3

GRI 405-1

## DIVERSITY AND EQUAL OPPORTUNITY



OF FIRMENICH SENIOR LEADERSHIP ARE WOMEN

We welcome differences across physical and cultural boundaries, lifestyles, and management styles. This openness makes our teams creative powerhouses and positions us to respond to the needs of our customers around the world.

### OUR APPROACH TO DIVERSITY AND BELONGING

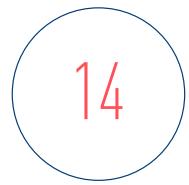
Diversity and belonging are part of our new [Code of Ethics](#) and our [Human Rights Policy](#). We are committed to provide equal opportunities and fair treatment in the workplace. We go to great lengths to foster a culture of belonging that makes our colleagues feel respected and valued. We use inclusive language in our job descriptions, we activate diverse sourcing channels, we leverage assessment tools to drive objective decision-making, and we implement diverse interviewer panels to reduce bias. Our hiring processes and practices are designed to advance equitable opportunity. Our robust approach to talent development,

compensation, and benefits packages ensure fair treatment and opportunities for all. We provide many avenues for learning at all levels (see page 30) to drive our winning performance culture (see page 32).

### OUR COMMITMENT TO GENDER EQUALITY AND WOMEN EMPOWERMENT

We are renewing our [EDGE](#) (Economic Dividends for Gender Equality) certification, which recognized us as a global gender-equal employer in 2018. EDGE certification goes beyond the issue of equal pay by recognizing an inclusive corporate culture and gender balance in recruitment, promotion, training, and mentoring.

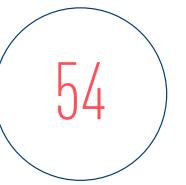
We have made huge strides in fostering an equal work environment that benefits all. We have achieved gender parity in our executive team, filling 50% of senior leadership positions with women. Our FirMatch program promotes



LOCAL ORGANIZATIONS ENGAGED TO CONNECT  
WITH DIFFERENTLY-ABLED PEOPLE



OF OUR WORKFORCE  
IS DIFFERENTLY-ABLED\*



BLIND AND VISUALLY IMPAIRED PANELISTS  
EMPLOYED IN SIX COUNTRIES

collaboration and mutual mentoring. We also uphold a family-friendly work environment to ensure that everyone receives fair treatment and equal opportunities to grow.

#### REMOTELY AGILE DURING COVID-19

Our FlexWork program delivers improved business performance while answering different needs at different stages of life. It became an essential tool for maintaining business continuity during the pandemic, ensuring that remote teams functioned effectively.

#### DIFFERENT ABILITIES: AN INTEGRAL PART OF OUR AGENDA

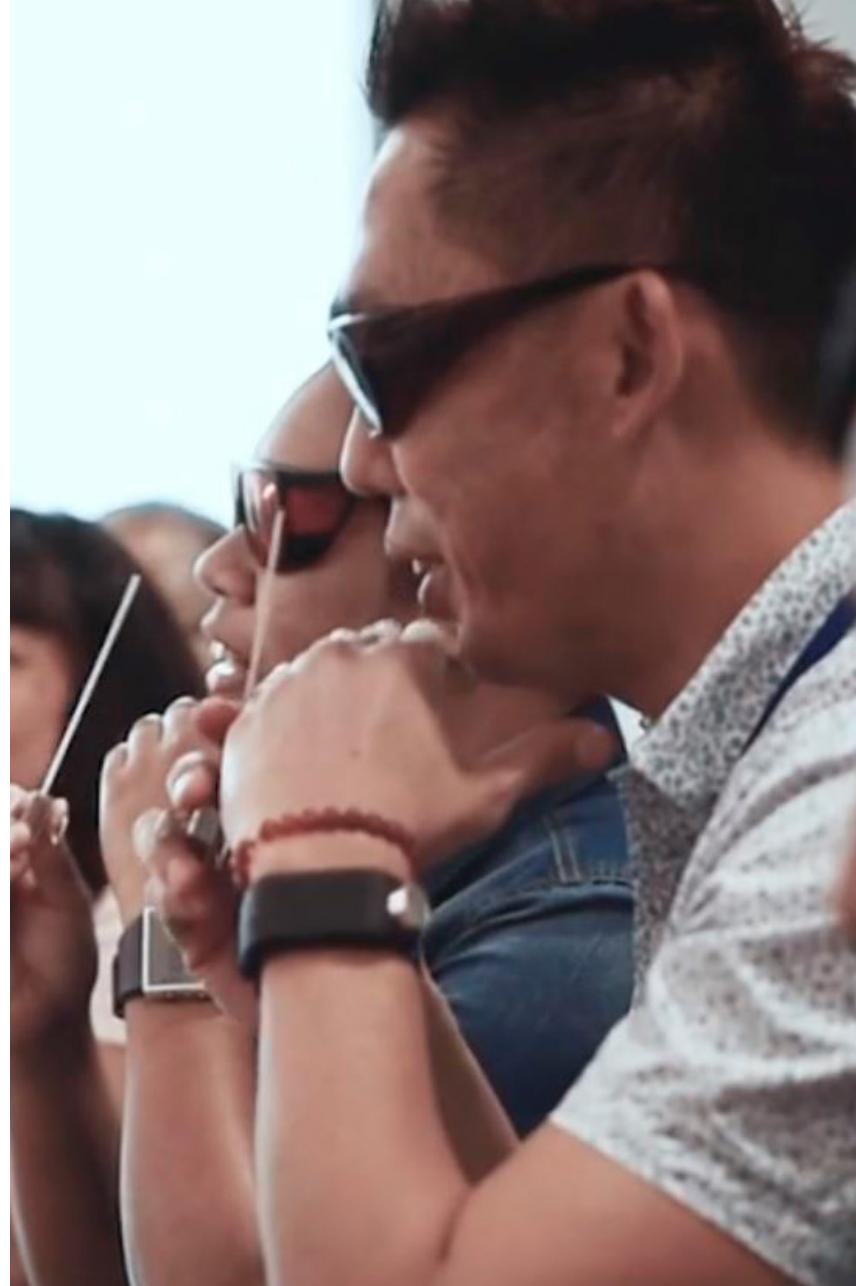
In 2016, we started employing blind and visually impaired professionals across our sensory panels worldwide. Thanks to these individuals' heightened sense and a more acute memory for taste and smell, we are sharpening our edge and expertise in sensory analysis, while offering fulfilling career opportunities to people with different abilities. Today, we partner with several organizations to connect with people of different abilities and help them expand their professional skillsets. For example, in 1979 we established a long-term, pioneering program with a local NGO (SGIPA) at our Swiss Headquarters to employ intellectually, differently-abled youngsters and young adults. 18 colleagues are currently employed through this partnership.

Drawing from this positive experience, our CEO joined The Valuable 500 movement in May 2019, alongside 25 other global business leaders from companies, including Unilever, Accenture, Microsoft, and Virgin Media. The initiative aims to encourage 500 of the world's leading companies to put differently-abled inclusion on their business leadership agenda. In December 2019, we announced our Valuable 500 commitment, which includes: delivering unconscious bias training; fostering an inclusive recruitment process; assessing physical accessibility at our sites; defining a catalog of reasonable workplace adjustments; and piloting a mental health program in Switzerland.

#### LGBTIQ+: EMBRACING AUTHENTICITY AND TACKLING DISCRIMINATION

In line with our values, we aim to contribute to a more open and tolerant society while respecting individual freedoms. We actively support the United Nations Standards of Conduct for Business to help tackle discrimination against LGBTIQ+ (Lesbians, Gays, Bisexuals, Transgender, Intersex, or Questioning) people in the workplace and the community. In FY20, we took concrete action by starting the certification process for the Swiss LGBTI Label, which distinguishes companies with a legitimate LGBTIQ+ inclusion policy. Our pledge to contribute to positive change was featured in an [RTS radio report](#) on February 19, 2020.

\*Based on current available data



## Belong

### Raising awareness across the organization: Belong and Better Together

In FY20, we launched Firmenich Belong, a company-wide awareness program to build initiatives that challenge stereotypes by helping us unlearn and re-learn beliefs and embrace diversity. We recognize that building a culture of Belonging is a journey. Accordingly, we are developing for FY21 a learning pathway with ongoing education and awareness actions on inclusive behaviors and competencies.

In 2020, Firmenich North America's "Better Together" initiative drove several strategic actions for our diversity, inclusion, and belonging strategy. Top priorities include building awareness, increasing capabilities, and establishing leadership structures to enhance our belonging culture. Our Belonging Council strengthens our inclusive culture through awareness-raising, education, and support of employee life-cycle events. For example, we have embedded belonging into talent acquisition through diverse interview panels; increased diversity learning and development; and have included "Better Together" content in core leadership learning programs. We have also formed a 10-person Black employee advisory team as part of Black Lives Matter to listen to and understand the perspectives of our Black team members and better guide decisions and actions.

### OUR ACTIONS TO MEET OUR VALUES

#### 01 BELONG WORKSHOP

Workshop launched in March 2020  
401 colleagues trained

#### 02 REACH ALL COLLEAGUES

Ultimate objective to reach all colleagues by December 2020

#### 03 BETTER TOGETHER

Strategic actions at Firmenich North America





## 3.4

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-8, 403-9, 403-10

# HEALTH AND SAFETY

People are our most precious asset. Protecting the health and safety of our employees and contractors is one of Firmenich's core values. The global pandemic has meant a redoubling of our efforts to keep everyone safe.

## OUR HEALTH AND SAFETY MANAGEMENT PRACTICES

Our health and safety (H&S) practices are built on a full integration of H&S performance goals within the Company's overall long-term business strategy. We follow a bottom-up approach to engage all employees in behavioral safety and a family values-based system which ensures that upper management is accessible to and supportive of H&S advocates within the Company.

More than 80% of our manufacturing sites<sup>5</sup> have been certified under the new [ISO 45001 standard](#). We aim for all sites to be certified by the end of 2020, contingent on any travel restrictions linked to COVID-19. ISO 45001 builds on existing standards and takes into account the interaction between an organization and its business environment. The standard advocates a risk-based approach

that ensures an organization is effective and undergoes continual improvement to meet its ever-changing context. Firmenich's ISO 45001 certification confirms that we are using comprehensive management systems to comply with all health and safety legal requirements and with our corporate principles and codes. Our management system applies to all employees, contractors, and partners, regardless of their role or work location.

## ROBUST HEALTH AND SAFETY PROCESSES

Firmenich uses a standardized risk assessment methodology at all sites. This risk assessment approach aims to identify, understand, estimate, control, and minimize hazards linked to Firmenich's activities. At Firmenich, the risk assessment process is supported by HS&E experts but owned by staff and management. This exercise is ongoing and continuously completed by any lesson learned or conclusion from incident investigation.

For example, fire is considered a significant potential hazard in our industry. Accordingly, we emphasize fire prevention and protection in operations, investments, and trainings. We regularly have our manufacturing sites and

At Firmenich, the safety of employees and partners working on our sites around the world is our utmost priority.

laboratories audited by third-party experts to evaluate fire risks and the adequacy of fire protection systems (i.e. fire detection, fire hydrants, and automatic sprinklers). In FY20, we invested CHF 2.2 million in our global fire protection capital investment program, continuing our focus on upgrading and expanding key safety features.

As mandated by our HS&E Management Principles and Operational Codes, our management and employees diligently report, investigate, and address incidents. We have been using safety alerts since 2011 to share lessons learned following significant incident investigations. These alerts are based on our root-cause analysis process, which has been upgraded to include quality as an evaluation criterion. We also use safety alerts for training and awareness-raising. On World Safety Day, we launched a new intranet page where safety alerts are posted and linked to their HSE Operational Codes, making it easier for sites to identify relevant alerts.

To track performance and drive continuous improvements, we lead regular quality, health, safety, and environment (QHS&E) audits at our manufacturing sites. These audits





MILLION INVESTED IN HEALTH  
AND SAFETY PROJECTS



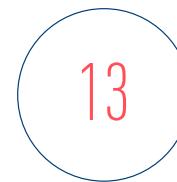
TOTAL RECORDABLE CASE  
(TRC) RATE (-57% VS. FY15  
BASELINE)<sup>6</sup>



LOST TIME CASE (LTC) RATE  
(-68% VS. FY15 BASELINE)<sup>7</sup>



MANUFACTURING SITES WITH  
ZERO RECORDABLE INJURIES



MANUFACTURING SITES  
ACHIEVED GREATER THAN  
ONE MILLION EXPOSURE  
HOURS INJURY FREE

are managed by trained local and international experts who assess QHS&E performance against our management systems, our mandatory principles and operational codes, and local and international regulations. In FY20, we conducted audits on eight sites, less than our normal activity, due to COVID-19 travel restrictions. Despite lockdown measures, we looked for ways to maintain our robust audit program by improving our remote follow-up on corrective and preventative action plans and by conducting quarterly reviews involving our sites and auditors.

#### MINIMIZING RISKS

Occupational health relies on occupational hygiene and medicine. We use a risk-based approach to keep the occupational illness frequency rate to a minimum and ensure our employees feel safe at work. Our process relies on exposure assessment and primary control measures to reduce employee exposure. For example, for chemical hazards, we developed a model to assess inhalation risk, implemented a global air monitoring program for chemicals, and established company-wide standards for ventilation systems.

In addition to occupational hygiene, we ensure that all our staff receives medical attention through our site medical services and external providers. Health concerns are reported globally by our medical services through our global Information Management System (IMS) tool. These reports are then investigated and followed up by corrective actions that are added to our risk assessment and roadmap.

In 2015, Firmenich created a Global Occupational Health Network comprising doctors, toxicologists, industrial hygienists, and Health, Safety and Environment (HSE) specialists. This cross-functional group reviews risk assessment updates and global procedures, setting priorities, and monitoring improvement programs. This network meets several times a year and shares all findings on an intranet page.

#### OUR PERFORMANCE

Our efforts to uphold the highest standards of health and safety accord with our family values and focus on protecting the health and safety of our people and the communities in our value chain. In FY20, during an unprecedented health crisis, we improved our industry-leading safety performance (TRC Rate) by 57% vs. FY15, an indicator that health and safety is top priority at Firmenich. Some of our FY20 achievements include:

- ▶ CHF 9.2 million invested in health and safety projects
- ▶ 0.18 Total Recordable Case (TRC) Rate (-57% vs. FY15 baseline)<sup>6</sup>
- ▶ 0.06 Lost Time Case (LTC) Rate (-68% vs. FY15 baseline)<sup>7</sup>
- ▶ 24 manufacturing sites with zero recordable injuries
- ▶ 13 manufacturing sites achieved greater than one million exposure hours injury free



## CASE STUDY

# Global pandemic response: producing hand sanitizer

When COVID-19 erupted, Firmenich immediately looked for ways to ensure the safety of our employees, contractors, and the communities in which we operate. One of our first responses was to produce and supply hand sanitizer to medical and emergency services in Switzerland and the United States.

Firmenich is present in more than 100 countries, and all our operations have been affected by the pandemic during most of 2020. Firmenich was deemed an essential business because we ensure the supply of crucial items: fragrances for home or body care products and flavor solutions for foods. To keep all our colleagues and business partners safe, we respected all local restrictions and proactively asked colleagues to limit cross-border travel

to business-critical activities. Already in January 2020, we replaced physical meetings in high-risk countries with virtual events. We also responded in the following ways:

- ▶ Anticipated local regulations with mandated work from home for all roles where feasible
- ▶ Equipped our sites with temperature testing and set clear rules on individual responsibility
- ▶ Promoted social distancing and alternated teams at our sites to reduce potential for close contact
- ▶ Provided our employees with face masks while also fostering training, education, and prevention

## A re-launch of our HS&E Management Principles and Operational Codes

Global Wellbeing Day: a chance to focus on how to live and work well

New ISO 45001 standard: over 80% of our manufacturing sites have been certified

## OUR APPROACH TO COMMUNICATION AND TRAINING

In FY20, we re-launched the Health, Safety and Environment (HS&E) Management Principles and Operational Codes to include nine new safety codes. This founding document was launched globally and ensures compliance with all applicable regulations; sets minimum standards throughout our value chain; and facilitates harmonization, effectiveness, and speed on our journey toward HS&E excellence. The document describes the required two-way communication on HS&E issues: between senior management and line management (at least weekly); and between line management and employees, contractors, and others (at least daily). It also lists mandatory HS&E training, re-training, and awareness procedures for employees and contractors and presents HS&E induction processes for new employees, visitors, and colleagues with new roles. Safety training averaged 19 hours per year over the past five years for every employee and supervised contractor in our Operations division.

## EMPLOYEE WELLBEING

Our culture of inclusiveness is key to enhancing the well-being of our colleagues. We want employees to be happy and engaged so they can help Firmenich thrive. We have launched a holistic wellbeing program that addresses the physical, mental, social, and financial wellbeing of our colleagues while promoting our Fundamentals (see page 106), purpose, and a healthy and resilient culture.

In June 2019, we launched our global wellbeing program with a Global Wellbeing Day to raise awareness about living well and taking care of ourselves. It gave our local teams a chance to communicate with our colleagues about existing resources and discuss challenges and encouraged them to embed our Wellbeing strategy in our corporate culture.

Beyond the strict precautions we implemented globally to protect everyone during COVID-19, we recognize the need to continually enhance our own wellbeing. Despite the current uncertainty, we want each of our colleagues to feel



## TOP SAFETY AWARD

In FY20, the [Royal Society for the Prevention of Accidents \(RoSPA\)](#) in the UK awarded Firmenich a Gold Award for our global health and safety performance. RoSPA Gold Award recipient organizations are recognized as world leaders in health and safety practice. Everyone at Firmenich is deeply committed to ensuring that all our colleagues everywhere can work safely and go home unharmed and healthy at the end of every workday. As a RoSPA Gold Award winner, we are driving up standards and setting new benchmarks for organizations everywhere.

## REINFORCING OUR LEADERSHIP IN SAFETY

Our General Counsel and Secretary of the Board was appointed to the Board of Directors of the National Safety Council, recognizing Firmenich's excellent safety track record.

positive, connected, confident, and mindful, be they working on site or from home. This priority led to the launch of FirLife, a digital platform to “Work, Live & Thrive through COVID-19” and beyond. In May 2020, we offered all our colleagues Resilience Booster webinars on tangible takeaways they can apply in their daily lives and going forward. We believe that each of us has a key role to play in building resilience that liberates our potential to be well and productive, especially in these challenging times.

### CREATORS OF POSITIVE EMOTIONS FOR CONSUMER WELLBEING

We are focused on our role and purpose as a creator of positive emotions to enhance the wellbeing of consumers globally. Drawing from Firmenich’s scientific expertise in the domain of emotion and cognitive sciences, our experts explore new knowledge and tools for use by our perfumers and flavorists to develop fragrances and flavors that stimulate measurable positive emotional effects. This expertise is developed in a new psychophysiology laboratory at the University of Geneva, where new ways of understanding consumer feelings in response to ingredients, flavors, and fragrances are tested without formal questions. Our recent studies support the existence of automatic and

unconscious associations between odorants and feelings, pointing to the power of aromas and perfumes to unlock subconscious memories and retrieve positive associations with past experiences. In a world of physical distancing, where the sense of touch now has to be limited to protect ourselves and others against viruses, our senses of taste and smell are reconnecting us to our emotions. The uplifting joy of perfumes and flavors has never been so important to keep consumers upbeat and give them ways to experience small everyday pleasures and a sense of comfort, safety, and care.

Our research shows how flavors and fragrances help us reconnect with positive memories and emotions.





04

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## RESPECTING NATURE

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Nature is the beginning  
and the end of everything we do.



### SPOTLIGHT

SmartProteins™

- 4.1 Protecting biodiversity
- 4.2 Fighting deforestation

## LAUNCH OF SORBETTOLIDE®

—  
A WHITE MUSK THAT FULFILLS KEY  
PRINCIPLES OF GREEN CHEMISTRY



## CEO COMMITMENT TO BUSINESS FOR NATURE

NAGOYA PROTOCOL

## COMPLETED DUE DILIGENCE ON ACCESS AND BENEFIT SHARING (ABS)

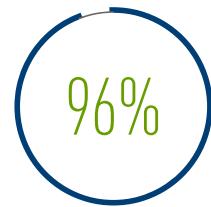
## LAUNCH OF DREAMWOOD™

—  
A NEW PERFUMERY INGREDIENT  
OBTAINED FROM 100% RENEWABLE CARBON

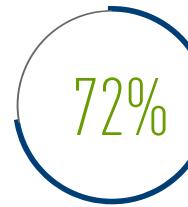


# SmartProteins™

The production of animal-based foods uses more than three-quarters of global agricultural land and negatively impacts the environment through deforestation and resource-intensive activities.



REDUCTION OF AGRICULTURAL LAND USE THROUGH THE CONSUMPTION OF GREEN PROTEINS<sup>8</sup>



OF CONSUMERS IN DEVELOPED MARKETS ARE SEEKING PLANT PROTEINS AS A SOURCE OF NUTRITION<sup>9</sup>

Conversely, plant-based proteins cultivated with regenerative agriculture practices positively impact nature, improving soil health and reviving biodiversity. At Firmenich, our innovative SmartProteins™ range is one of the ways we are supporting these developments and helping to conserve nature.

Concerned about the implications of animal farming, people are increasingly joining the ranks of conscious consumers. 2020 saw a growing interest in plant proteins, with “flexitarians” – people who reduce their meat consumption through credible, delicious, and sustainable protein alternatives – no longer niche, soy and pea proteins making up the bulk of currently available plant proteins. Yet consumers want variety, motivating the food industry to find solutions that combat monotony on the plate. We are doing our part by offering flavorful, convenient solutions and continuing to innovate in the search for other plant proteins to help preserve biodiversity.

Vegetarian and vegan burgers are only the first step in this transformation. Firmenich is working with partners to invent the next generation of animal-alternative dishes using a large variety of protein sources. These new foods

need to be tasty and not always copies of meat products. Our scientists, flavorists, and application experts are shaping this future and drawing inspiration from culinary trends and traditions worldwide. We have invested in consumer insights to understand the demand for more variety on the plate and on the planet, and work with producers to develop dishes for the families of today and tomorrow everywhere.

Firmenich has been at the vanguard of this revolution through its proprietary service Culinary Anthropology, a human insight-rooted program that applies design thinking to the kitchen. The program’s start point is an awareness that consumers experience tension when moving away from animal proteins. Using our masking, flavoring, and texture expertise, we find ways to create tasty, scalable products with high consumer acceptance for use at home or in restaurant kitchens. Local sourcing is key to ensuring these new proteins have a positive impact on biodiversity. Accordingly, we actively search for and develop protein sources from locally grown plants, such as various pulses native to a region.

“Firmenich knows that business success depends on nature and biodiversity as sources of molecules and innovations. The development of a wider range of green proteins illustrates Firmenich’s commitment to nature while contributing to better health for people.”



FLORENCE JEANTET,  
Managing Director  
One Planet Business for Biodiversity (OP2B)



## 4.1

GRI 304-2

# PROTECTING BIODIVERSITY

Protecting biodiversity and those whose livelihoods depend on it is fundamental to our business, pivotal to our innovation pipeline, and a core part of our natural sourcing programs.

Firmenich is committed to having a positive impact on nature and promoting its restoration, such as through soil regeneration or the protection of forests and beneficial ecosystems. Our strategic Nature pillar aims at strengthening this commitment across our business. We are working to meet the Convention on Biological Diversity (CBD) Post-2020 framework to reach net positive impact by 2030. By combining a wise use of natural resources with smart developments in green chemistry and white biotechnology, our vision is to positively contribute to biodiversity and avoiding any loss of nature. In June 2020, we participated in the virtual CEO Summit organized by the International Union for the Conservation of Nature (IUCN) and Business for Nature, expressing our support of their call to action for ambitious policies and commitments to reverse nature loss.

## PROTECTING BIODIVERSITY THROUGH SCIENCE AND INNOVATION

### PRODUCING SUSTAINABLE INGREDIENTS

In our efforts to reduce our environmental footprint across our operations, from sourcing to manufacturing and logistics, our R&D activities are the starting point because of their key role in creating responsible ingredients and improving production processes.

### White biotechnology ingredients

FY20 saw the launch of Dreamwood™, our newest exclusive captive perfumery ingredient produced using white biotechnology. Dreamwood™ offers a mystical, creamy, olfactive warmth signature with demonstrated cosmetic benefits. In addition to its olfactive qualities, Dreamwood™ is 100% natural, made with 100% renewable carbon, and ultimately biodegradable. It was developed using our in-house Access and Benefit Sharing (ABS) due diligence process, which is in line with the Nagoya Protocol. Dreamwood™ is the result of a scientific research program



DREAMWOOD™ IS 100% NATURAL  
AND MADE WITH RENEWABLE CARBON

"Industrial or white biotechnology uses enzymes and micro-organisms to make biobased products in sectors such as chemicals, food and feed, detergents, paper and pulp, textiles and bioenergy (such as biofuels or biogas). In doing so, it uses renewable raw materials and is one of the most promising, innovative approaches towards lowering greenhouse gas emissions."

Source: EuropaBio

White biotechnology paves the way to a future with more renewable ingredients.

Green chemistry is a global standard where people and nature are the priorities.

Our work in green chemistry has connected us with a whole range of organizations working in the field.

that started over 10 years ago to understand the natural biosynthetic pathway of the odorants in Sandalwood trees. This innovative captive complements our ingredient palette and does not replace any sandalwood oil, which we continue to source responsibly through our sourcing program (see pages 85 to 86). Dreamwood™ signals our attainment of the next level of excellence in sandalwood notes. Product development drew from the research of our Nobel Prize-winning Research Director, Leopold Ruzicka, who identified B-santalol as the primary odor contributor in East Indian Sandalwood oil in 1935.

As demonstrated through rigorous laboratory testing, this new ingredient also offers some of the cosmetic benefits commonly associated with sandalwood oil. Thanks to its antimicrobial effect and soothing properties on skin cells,<sup>10</sup> Dreamwood™ has the potential to produce positive benefit in specialty skin care products, including those for blemishes.

Our white biotechnology advances also include an optimization of the manufacturing of some green notes ingredients, achieved through important improvements in their biotechnological production from vegetable oils. Improved reaction

engineering has yielded a more competitive process with a significantly lower environmental footprint. Large amounts of food-grade materials used as processing aids were replaced with more efficient ones, thereby reducing the required quantities of raw materials and waste produced.

### Green chemistry

In FY20, we launched Sorbettolide®, a new generation of responsible white musks that fulfills three key principles of green chemistry: it is biodegradable, relies on efficient catalytic transformations, and is partially produced from renewable biomass.

The concept "green chemistry" was coined some 20 years ago. The green chemistry principles are the scientific foundation for maximizing efficiency and minimizing hazardous effects on health and the environment.<sup>11</sup> We use these green chemistry principles to responsibly create ingredients and guide our process optimizations.

Besides creating new ingredients, we are working on optimizing manufacturing processes, including that of Hedione®, one of Firmenich's most iconic ingredients,

used in a wide range of perfume types. The refinement of the Hedione® process has a long history at Firmenich, stretching back some 50 years. Considering that several thousand metric tons of Hedione® are produced every year, even incremental improvements to the process have a substantial impact on the ingredient's environmental profile. Additionally, we have also improved the processes used to manufacture Dynascone®, a powerful and diffusive ingredient used in all types of fragrances.

Beyond our in-house activities, we continue to advance our leadership in green chemistry through various organizations and events. In FY20, Firmenich became a member of SusChem Switzerland, the Swiss national platform that supports novel and pre-competitive scientific collaboration between academia and industry within Switzerland in the field of green and sustainable chemistry. Our participation provides Firmenich with greater visibility and collaborative opportunities. We also actively participated in the 2019 Swiss Green and Sustainability Chemistry Days, co-organized by the Swiss Chemical Society and SusChem.ch.



Firmenich is taking a holistic fact-based approach to designing and developing new ingredients with minimal environmental impact.

## MINIMIZING OUR IMPACT ON LIFE BELOW WATER

As we invest in improving environmentally friendly solutions with a minimal impact on nature, we are committed to contributing to SDG 14 (Life below Water).

### Eco-friendly fragrance encapsulates

While consumers around the world continue to be delighted with the long-lasting freshness provided by encapsulated fragrances, Firmenich maintains its heavy investment activity to improve our environmentally friendly solutions in this area, aligning our studies to the increasingly demanding requirements from authorities, customers, and the public. Thanks to the expertise of our scientists, new generations of further-improved capsules are now being developed and undergoing performance assessment by customers.

Our experts co-authored, published, and shared with regulators the reports from a three-part European Centre for Ecotoxicology and Toxicology of Chemicals (ECETOC) series aimed at forming a conceptual framework for polymer risk assessment. In addition to the results of the ecotoxicological tests conducted at the Fraunhofer Institute for Molecular Biology and Applied Ecology (IME) and reported in our 2019 sustainability report, ingestion and egestion studies have demonstrated that capsules do not bioaccumulate in representative species of mussels, crustaceans, and earthworms.

The selection of future eco-friendly formulations depends on an in-depth understanding of the polymeric material used for encapsulation. We collaborated with an academic partner to develop new advanced solid-state nuclear magnetic resonance tools for this purpose. While extensively testing the biodegradation profile of the encapsulation material, we demonstrated the importance of scientifically proving the comprehensive removal of fragrance for encapsulates to ascertain artifact-free biodegradation assays of the polymeric shell. Our findings were subsequently published in a peer-reviewed journal<sup>12</sup> and shared with regulators.

### Biodegradation

In 2020, we continue to actively assess the biodegradability of high-potential future ingredients as part of our GreenGate internal selection process of ingredients. Our continued efforts to develop environmentally friendly new ingredients have led us to investigate in-depth how rapidly natural mechanisms can transform materials into degradable intermediates under environmental conditions.

The findings were established for one of our future ingredients from the fruity olfactory family. The results met the strictest criteria on environmental endpoints set out by the latest European Union (EU) regulations.





## PROTECTING BIODIVERSITY THROUGH COMPLIANCE

### THE NAGOYA PROTOCOL

Our commitment to protecting biodiversity translates into action through our dedicated governance and specific processes that integrate biodiversity into all relevant operations. One of the aspects we focus on is due diligence on access and benefit sharing (ABS),<sup>13</sup> the core implementation mechanism of the Nagoya Protocol and an important means for having a positive impact on biodiversity.

Our Biodiversity Steering Committee, along with dedicated working groups led by internal experts, oversees our internal ABS due diligence activities. These involve looking at the different stages of a project, namely the sourcing of new samples during the research phase, before manufacturing, and before launch.

Following an in-depth review of our sample portfolio, we established that over 80% of it is not subject to ABS regulations at the time of access and utilization. For the remaining portfolio share, we have put in place clear actions to ensure that all our new ingredients and solutions are compliant with any applicable ABS regulations at the time of launch. While developing these tools, we conducted

internal training to share our due diligence approach with R&D and Innovation colleagues worldwide. We are continually working to improve our processes, including learnings from ongoing ABS permit application case studies.

To further support our commitment to the Nagoya Protocol Principles, we co-chair and have been collaborating with the International Fragrance Association (IFRA) and the International Organization of the Flavor Industry (IOFI) on a dedicated guidance published in April 2020. We actively participated in drafting this document entitled: "F&F Guidance on Nagoya Protocol and national ABS regulations." The document lays out a set of clear definitions for our industry and includes country factsheets to guide the user in navigating national regulations. It also provides an opportunity to engage with authorities where national regulations are unclear.

## PROTECTING BIODIVERSITY THROUGH SOURCING STRATEGIES

We work with our natural raw materials suppliers on how to best respect nature. Our new Responsible Sourcing Policy (see page 85), launched in December 2019, provides them with guidance on biodiversity protection. The policy guides how we structure our biodiversity management through our partnership with the Union for Ethical BioTrade (UEBT), which audits biodiversity risks at field level. We are also partnering with our suppliers on specific projects to drive positive biodiversity regeneration. For instance, we co-invested in programs promoting forest restoration in Guatemala (see page 57) and regenerative agriculture practices for jasmine smallholders in India (see page 54).

These practices, our presence in the field, and close relationships with our suppliers help us contribute to SDG 15 (Life on Land). We are particularly focused on target 15.2: to promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests, and substantially increase afforestation and reforestation globally.

## PROTECTING BIODIVERSITY THROUGH COLLECTIVE ACTION

In September 2019, One Planet Business for Biodiversity (OP2B), an international cross-sectorial, CEO-led business coalition, was launched at the United Nations Climate Summit in New York. We are one of the 18 founding members and are co-leading the institutional task-force. OP2B has a strong voice and mission: to encourage policy initiatives that transform current food and agriculture systems to better protect and restore biodiversity. The coalition focuses on three pillars, two of which we actively contribute to: regenerative agriculture practices; and enhancing management, restoration, and protection of high-value natural ecosystems. Through our participation, we learn more about good practices and can promote these in our supplier chains, along with our new Responsible Sourcing Policy. In addition to OP2B, we are also active at home in Switzerland with SwissBiz for Nature, and internationally with Business for Nature. Our work this year has been exploratory, making sure we integrate all the new trends and research on measuring biodiversity protection. This will lead to the integration of biodiversity key performance indicators in our future strategy.

GILBERT GHOSTINE, CEO, FIRMENICH

FOLLOWING THE LAUNCH OF THE INITIATIVE IN SEPTEMBER 2019,  
THE CEOs OF OP2B MET IN EVIAN IN JANUARY 2020, TO REAFFIRM  
THEIR COMMITMENT AND DESIGN THE OP2B STRATEGY.





## CASE STUDY

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# Flower Gems of India

Indian smallholding farmers shifting from traditional farming have been practicing conventional agriculture for roughly the last five decades. This resource-intensive model has depleted soil and ground water, decreased levels of soil microbes and micronutrients, while reducing the diversity of flora and fauna.

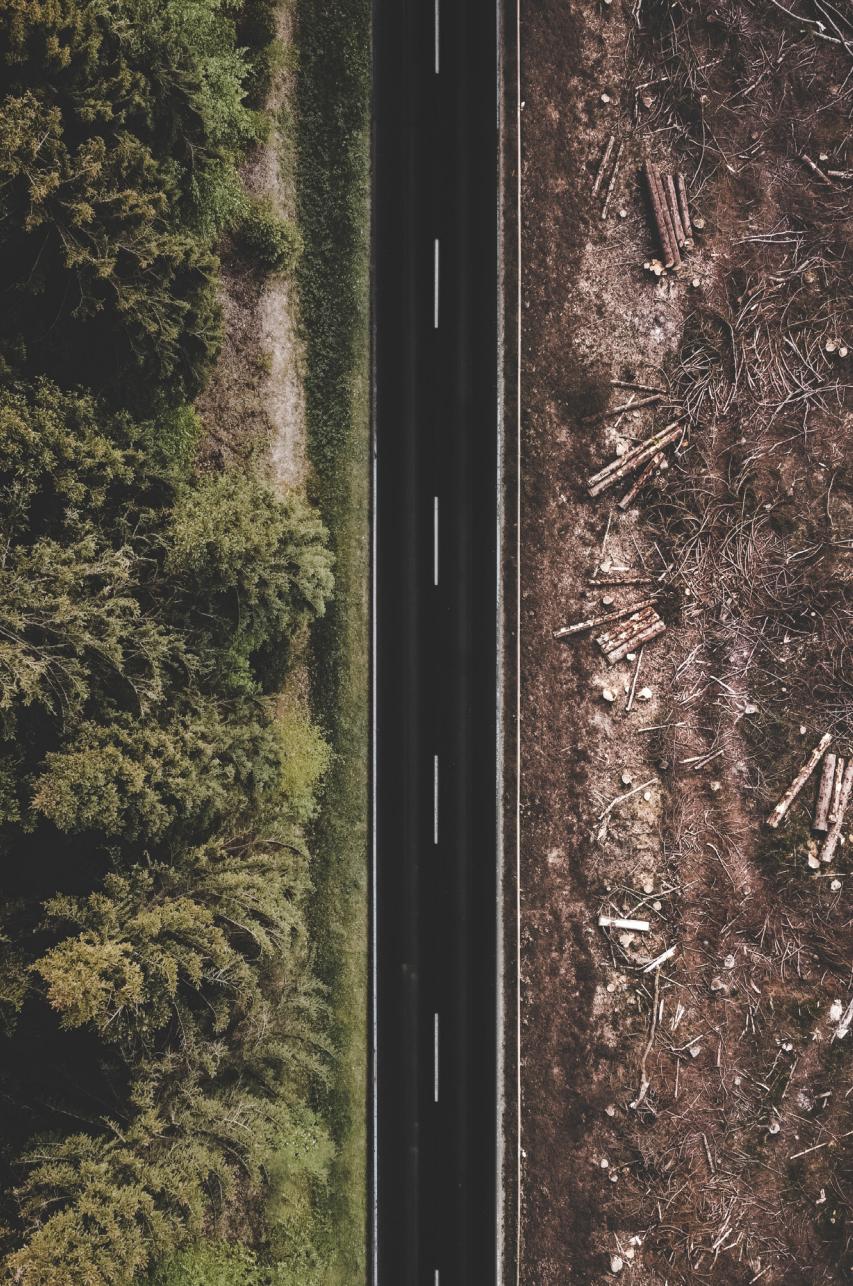
To combat these negative developments, Firmenich has forged a partnership with three entities: our strategic partner and supplier Jasmine Concrete EPL, the NGO Seva Trust, and a fine fragrance customer, who co-invested in the project. This innovative partnership, named Flower Gems of India, supports jasmine farmers in the districts of Tamil Nadu to adopt regenerative farming practices that ultimately help them remain economically resilient farm households.

Started in September 2019, the project has been working toward converting 100 floriculture farms into certified integrated organic farms over three years' time. The strategy is to provide organic conversion

services with direct investment to each farmer so that they can acquire rainwater harvesting equipment, build their farm soil through biomass mulching, and use compost pits or vermicompost beds. The conversion services also help the farmers to integrate livestock into their operations; create crop diversity through the allocation of irrigated or rainfed land for flowers, vegetables, cereals, and pulses; and provide them with 100 hours of training and demonstrations on organic farming.

Reducing cultivation costs and guaranteeing multiple revenue streams will eventually result in higher profits for farmers. The project will also make it possible to track improvement in the quality of flowers grown with organic cultivation methods and harvested with short supply chains.

One year later, the project is on track and farmers have already started realizing the benefit of shifting to sustainable and organic practices, as documented in the project's farm diary.



## 4.2

# FIGHTING DEFORESTATION

Forests are both a crucial ecosystem and source of livelihood for over one billion people. We work tirelessly to ensure that our supply chain protects this valuable resource against the menace of deforestation.

## DRIVING TRANSPARENCY IN THE SUPPLY CHAIN

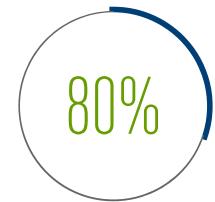
To help preserve forest ecosystems, Firmenich has used the Global Forest Watch (GFW) tool, a dynamic online forest monitoring system that helps companies, nonprofits, and advocates everywhere better manage forest risks for several natural resources. Companies can use this tool to design customized maps based on sourcing locations, analyze forest trends, and crowdsource data.

To further drive transparency in our supply chain, Firmenich also directly collaborates with suppliers and asks them to respond to [CDP Forest](#) disclosure surveys. Having access to primary data allows us to better understand policies, initiatives, risks, and gaps in our own supply chain and determine corrective actions. In 2019, only 543 companies

in the world disclosed their forest impact through CDP. We are proud to help increase transparency on such a crucial issue by involving our key suppliers.

In 2018, Firmenich joined the [Roundtable on Sustainable Palm Oil \(RSPO\)](#), a leading nonprofit committed to increasing the supply chain transparency of palm oil and preventing deforestation caused by unsustainable palm oil farming. In FY20, we reached a new milestone when our Flavors and Perfumery plants in Geneva, Switzerland became Firmenich's first RSPO Mass Balance (MB) certified sites. A two-year preparation followed by an audit with non-conformances led to the RSPO certification, which recognizes end-to-end palm oil supply chain sustainability and traceability.

In FY20, we also shared our reforesting expertise through the development of a video with our conservation partner. This video, to be released in FY21, aims to encourage other organizations to start and implement restoration projects.



OF THE WORLD'S TERRESTRIAL  
BIODIVERSITY CAN BE FOUND  
IN FORESTS<sup>14</sup>



OF THE TROPICAL FORESTS  
WORLDWIDE HAVE BEEN  
DESTROYED SINCE THE 1960s<sup>14</sup>



BILLION PEOPLE'S LIVES ARE  
IMPACTED BY DEFORESTATION  
AND FOREST DEGRADATION<sup>14</sup>

## ACCELERATING POSITIVE IMPACT WITH THE LIVELIHOODS FUNDS

Since 2011, Firmenich has been investing in the Livelihoods Funds together with eight other companies. The first fund, the Livelihoods Carbon Fund, leverages the carbon economy to finance sustainability projects. The Fund's projects aim to improve food security for rural communities and increase farmer revenues through ecosystem restoration, agroforestry, and rural energy programs.

In 2015, Firmenich joined the Livelihoods Fund for Family Farming (L3F). L3F focuses on improving productivity, incomes, and living conditions for smallholder farmers. For example, in Madagascar, we are part of a project to develop a sustainable model for regenerating vanilla production in a new sourcing area. The project's benefits are many: sustainably improving the livelihoods of vanilla growers; securing long-term traceability, quality, and production of vanilla; increasing food security for farmers; and promoting biodiversity conservation. As of FY20, our ongoing participation has led us to work with 1,802 vanilla farmers, encouraging them to use sustainable agricultural practices through initiatives such as training and technical support.

In 2018, Firmenich joined the second Livelihoods Carbon Fund alongside seven other companies. This fund aims to invest EUR 100 million, reach 2 million beneficiaries, and sequester 12 million metric tons of CO<sub>2</sub> over 20 years.



**CASE STUDY**

## Reforestation in Guatemala

The Cerro San Gil region of Guatemala is a natural reserve threatened by deforestation. In 2016, Firmenich invested with other companies in the first Livelihoods Carbon Fund. This project prevents deforestation in the reserve through the planting and protection of trees, which ensures carbon sequestration. It also supports the region's native Mayan communities by improving their earnings from the cardamom harvest. Under this effort, we helped connect our local partner Nelixia, the Livelihoods Fund, and Fundaecon, an NGO in charge of protecting the natural reserve.

7,000 trees were planted in 2017–2018, representing reforestation of 10% of the lands of participating farmers. This replanting of shade trees and good agricultural practices have benefited cardamom crop quality, yield, and plantation health. Positive outcomes motivated Firmenich and Nelixia to launch a second reforestation phase that began in June

2019. 30,000 trees will be planted over two years, promoting a new model of cardamom intercropping, with project monitoring handled by Fundaecon teams on the ground.

In less than three years, cardamom seed quality in this reforested environment has improved from “bulk quality” to “high-grade spice.” This translates into higher values on the market and improves producers’ income without having to expand agricultural fields into the natural reserve. In addition, these planted trees prevent both soil erosion and provide an additional source of revenue because a portion of them can be legally sold as timber wood.



05

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## ACTING ON CLIMATE CHANGE

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Aligning our goals with science,  
on a path to climate neutrality

### SPOTLIGHT

#### Circular solutions

5.1

Reducing CO<sub>2</sub> emissions and energy consumption

5.2

Conserving water

5.3

Cutting waste



## REDUCTION OF OUR SCOPE 1 AND 2 EMISSIONS

(VS. FY15)



TOP RANKING IN CDP  
WITH TRIPLE A



## RENEWABLE ELECTRICITY IN ALL OPERATIONS WORLDWIDE



SCIENCE-BASED TARGETS ALIGNED  
WITH A 1.5°C SCENARIO

 SPOTLIGHT

# Circular solutions

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Tackling climate change requires a fundamental shift to cutting emissions. Society and business must look beyond the take-make-waste linear model that has grown the economy but depleted natural resources.

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The concept of circularity is key to making the transition to a low-carbon economy a reality. With roots in the idea of cycles and inspired by nature's closed loop systems, circularity has become a non-negotiable for any business looking to the future.

At Firmenich, we are convinced that circularity is the way forward and are finding innovative methods to implement circular solutions along our value chain:

- ▶ Reducing waste during the production phase
- ▶ Identifying and using by-products from other industries
- ▶ Collaborating with other companies to redesign circular processes

We embrace circularity, whenever possible, by using upcycled, traceable, renewable, and/or biodegradable ingredients in tandem with green chemistry and white biotechnology. Upcycling gives commercial value to unwanted materials like waste. Traceable ingredients from farm to final product are a prerequisite to circularity. Renewable ingredients are made from a regenerating natural resource, securing supply and stability. Biodegradable ingredients decay without harming nature. We combine our circular methodology with processes in line with key green chemistry principles, which minimize the use and production of hazardous substances. We also draw from white biotechnology where renewable sources serve as raw materials. Our EcoScent Compass™, a holistic tool that measures fragrance sustainability factors, is one example of how we are bringing circularity to fragrance.

We also put circularity into practice by reusing the by-products of other industries. We have found ways to extract essential oils from fruit juice and fruit purée by-products, such as essential oils from discarded orange peels, remaining volatiles from fruit juice waste water, or volatile compounds from red fruit extracts. We also reuse discarded naturals, for example, purchasing unsold flowers on the Indian market at day's end, an effort that prevents waste of natural resources and helps support local farmers. If by-products cannot be successfully transformed into flavors and fragrances, we try to add value to them through other processes, such as energy production or compost.

We collaborate on circularity through projects such as the Toilet Board Coalition's (TBC) efforts to get communities to use portable toilets. Equipped with our malodor control technologies for reducing bad odors, we help communities change behavior and use portable toilets, the waste from which can be converted into valuable resources. We are also collaborating with TBC on an agriculture project about how to use organic fertilizers in regenerative agriculture. In 2020, we expanded our work with the coalition as chair of the agriculture group. Our investment in LOOP, a new disruptive reusable packaging company, is yet another example of our commitment to circularity, one which we intend to expand moving forward at all levels of our product development and manufacturing.

“Congratulations to Firmenich for achieving this position on CDP’s A List in 2019, and leading in environmental performance and transparency. The scale of the business risks from the climate emergency, deforestation and water insecurity are vast – as are the opportunities from addressing them – and it’s clear the private sector has a vital role to play at this critical time. The A List companies like Firmenich are leading the market in corporate sustainability, tackling environmental risks, and setting themselves up to thrive in tomorrow’s economy.”



PAUL SIMPSON  
CEO of CDP



## 5.1

GRI 302-1, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5

# REDUCING CO<sub>2</sub> EMISSIONS AND ENERGY CONSUMPTION

Since 1991, we have been on a journey of continuous improvement to lead real change in sustainable and environmentally responsible business, despite the challenges of COVID-19.

## SCIENCE-BASED VISION AND AMBITION

Firmenich is one of the founding members of “Business Ambition for 1.5°C”, a coalition of 194 visionary companies committed to a net-zero carbon future by 2050. To join the coalition, companies must set verifiable targets through the Science Based Targets initiative (SBTi), which independently assesses corporate emissions reduction targets against scientific best practices. Firmenich has set its emissions reductions at levels prescribed by the Special Report on Global Warming of 1.5°C (SR15) from the Intergovernmental Panel on Climate Change (IPCC).

Our science-based targets, validated in October 2019, are a 55% reduction in our absolute Scope 1 and Scope 2 emissions and a 20% reduction in our Scope 3 emissions from raw materials by 2030 vs. 2017. We have already met 71.3% of our Scope 1 and Scope 2 and 20.5% of our Scope 3 science-based targets.

## 100% RENEWABLE ELECTRICITY

In 2015, we set a goal to obtain 100% of electricity for Level 1 sites from renewable sources or renewable energy certificates (RECs). In 2020, following RE100 guidelines, we expanded the scope of this target to include smaller locations, going beyond Level 1 sites. We have met this more ambitious goal, and Firmenich’s operations worldwide are now powered by 100% renewable electricity. An industry first, this significant milestone is supported by RE100, a global initiative of the most influential companies committed to 100% renewable power. Led by The Climate Group in partnership with CDP, RE100 stipulates strict technical criteria on what qualifies as renewable energy. Firmenich joined RE100 in 2019 and has reached 100% renewable electricity consumption in all markets where it is currently possible to locally source renewable electricity in accordance with the RE100’s stringent guidelines. Furthermore, we purchase renewable grid electricity and collaborate with suppliers and governments to develop locally available green power, including on-site solutions such as wind power and solar energy.



We believe business and government must act together to make effective climate protection a reality.

Best opportunities for further improvements are through increased efficiency, renewables, and fuel-use changes.

## OUR LEADERSHIP IN CLIMATE

In FY20, we took our leadership one step further by:

- ▶ **Co-signing a letter to the Executive Director of the International Energy Agency (IEA)** that requests a central scenario to limit global warming to 1.5°C
- ▶ **Joining the 50 Sustainability & Climate Leaders project**, a coalition of businesses with the desire and leadership to take effective action against climate change
- ▶ **Winning** the renowned **Royal Society for the Prevention of Accidents (RoSPA) Dilmun International Environmental Award**, which recognizes our excellence in environmental management
- ▶ **Signing the "Uniting Business and Governments to Recover Better" statement**, calling on governments to imagine a better future grounded in climate action
- ▶ **Participating in developing Greenhouse Gas Protocol standards and guidance** on how companies should account for and report on bioenergy

## OUR PERFORMANCE

In FY20, we cut our Scope 1 and 2 CO<sub>2</sub> emissions by 21.1% compared to FY19, and 44.9% compared to our FY15 baseline. We already reached our 2020 goal to reduce absolute Scope 1 and Scope 2 CO<sub>2</sub> emissions by 20% last year and have been focusing on advancing on our science-based targets ever since. We have also reduced our Scope 1 and Scope 2 emissions by 39.2%; cut our Scope 3 emissions from purchased goods and services 4.1% vs. 2017; and are on our way to meet our 2030 science-based targets.

Our best opportunities for further improvements are through increased efficiency, renewables, and fuel-use

changes, areas we will focus on in the coming years. We will also install more meters to identify potential savings and explore new technologies to achieve our goals. Some of our FY20 projects include:

### South Africa

This year-round sunny region boasts readily accessible solar energy. In FY20, we installed solar photovoltaic panels at our South Africa location that will yield more than 315 MWh/year, about 70% of site total usage. This new project will save approximately 275 metric tons of CO<sub>2</sub> per year.

### United States

At our Saint Louis, U.S. manufacturing site, we have replaced high-pressure sodium lamps in production areas with LED lighting. This project will reduce electricity consumption by 2% and CO<sub>2</sub> emissions by 38 metric tons per year. The new lighting will also improve the work environment: studies indicate that LED lighting combined with natural light boosts morale and performance.<sup>15</sup>

### India

In Gujarat, India, we installed solar photovoltaic modules that will generate 121,320 kwh/year and reduce CO<sub>2</sub> emissions by 104 metric tons per year. This progress supports the government regional plan to exceed 30,000 MW of renewable energy by 2022<sup>16</sup> and Firmenich's pledge to use 100% renewable electricity worldwide.

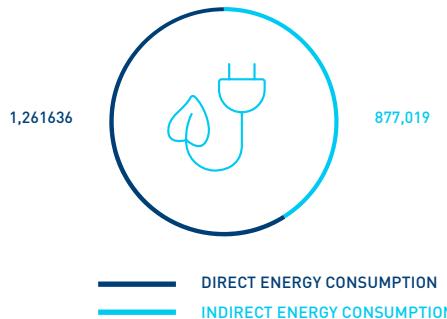
2020 TARGET	FY15	FY16	FY17	FY18	FY19	FY20
Reduce absolute Scope 1 and 2 CO <sub>2</sub> emissions by 20%*	146,010 metric tons	138,955 metric tons	132,307 metric tons	128,295 metric tons	101,930 metric tons	80,420 metric tons -44.9% against baseline
Obtain 100% of electricity for Level 1 sites from renewable sources or RECS**	41%	60%	61%	78%	86%	100% renewable electricity in all operations worldwide
Reduce rate of water use in stressed areas by 25%*	7.2 m <sup>3</sup> /metric ton	7.4 m <sup>3</sup> /metric ton	6.7 m <sup>3</sup> /metric ton	6.8 m <sup>3</sup> /metric ton	6.5 m <sup>3</sup> /metric ton	6.1 m <sup>3</sup> /metric ton -15.4% against baseline
Improve our waste efficiency <sup>17</sup> rate by 15%*	33.8 kg/metric ton	31.1 kg/metric ton	31.8 kg/metric ton	32.5 kg/metric ton	29 kg/metric ton	30.4 kg/metric ton -10.1% against baseline
Ensure all our manufacturing sites can claim zero waste-to-landfill	8.0%	6.2%	5.8%	5.1%	3.7%	Reached zero manufacturing waste-to-landfill
Develop a transparent supply chain via CDP vs. FY17	Supplier engagement and training	Supplier engagement and training	Asked 50 key suppliers to report their environmental impact through CDP vs. FY17	48% increase in number of suppliers asked to report vs. FY17	84% increase in number of suppliers asked to report vs. FY17	128% increase in number of suppliers asked to report vs. FY17

	TOTAL ENERGY CONSUMPTION (indirect and direct)	DIRECT ENERGY CONSUMPTION (heavy and light oil, LPG, natural gas, waste, biomass, and renewable energy generated on-site)	INDIRECT ENERGY CONSUMPTION (purchased electricity, heating, cooling, and steam)	NON-RENEWABLE ENERGY (indirect and direct)	RENEWABLE ENERGY (indirect and direct)
ABSOLUTE IN FY20 (in GJ)	2,138,656	1,261,636	877,019	1,298,990	839,666
INTENSITY IN FY20 (in GJ/metric ton of production)	9.1	5.4	3.7	5.5	3.6
INTENSITY IN FY19 (in GJ/metric ton of production)	9.1	5.5	3.6	6.0	3.1
INTENSITY IN FY15 (in GJ/metric ton of production)	10.3	6.3	4.0	8.8	1.5

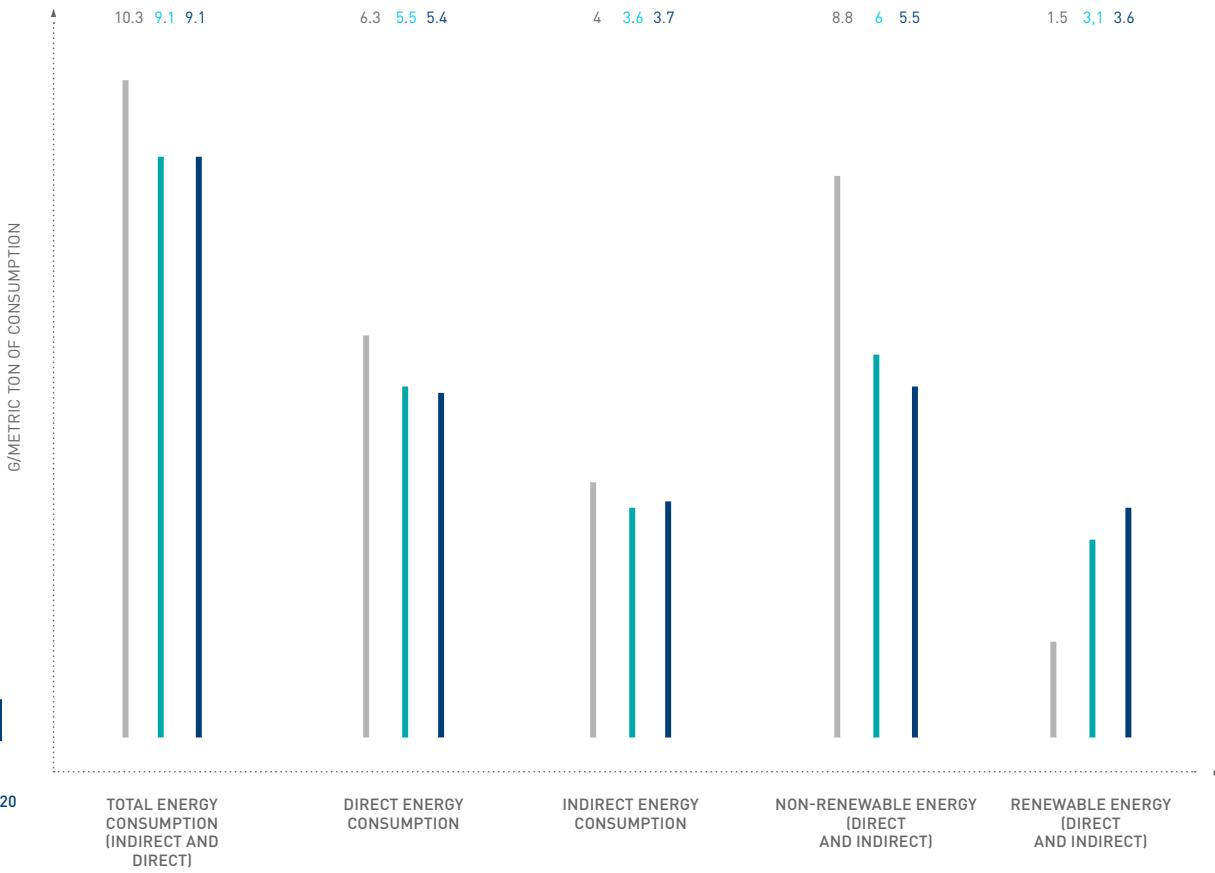
\* VS. FY15 BASELINE

\*\* A LEVEL 1 SITE IS ANY MANUFACTURING SITE WITH MORE THAN 50 EMPLOYEES, REGARDLESS OF THE NUMBER OF OTHER EMPLOYEES OR ANY OTHER SITE (E.G. OFFICES, LABS).

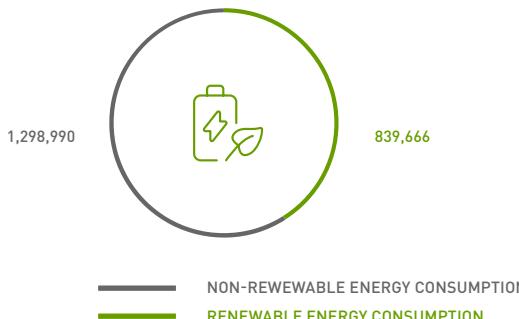
### DIRECT AND INDIRECT ENERGY CONSUMPTION (GJ)



### ENERGY INTENSITY



### NON-RENEWABLE AND RENEWABLE ENERGY CONSUMPTION (GJ) (INDIRECT AND DIRECT)



## ENVIRONMENTAL IMPACT IN OUR SUPPLY CHAIN

Scope 3 emissions<sup>18</sup> from outside our direct operations account for 96% of our total greenhouse gas emissions. Firmenich's main Scope 3 emissions come from purchased goods and services, business travel, employees commuting, and downstream transportation and distribution. Our most material source of Scope 3 emissions is purchased goods and services. Accordingly, we have set a science-based emissions reduction target of 20% by 2030 vs. 2017.

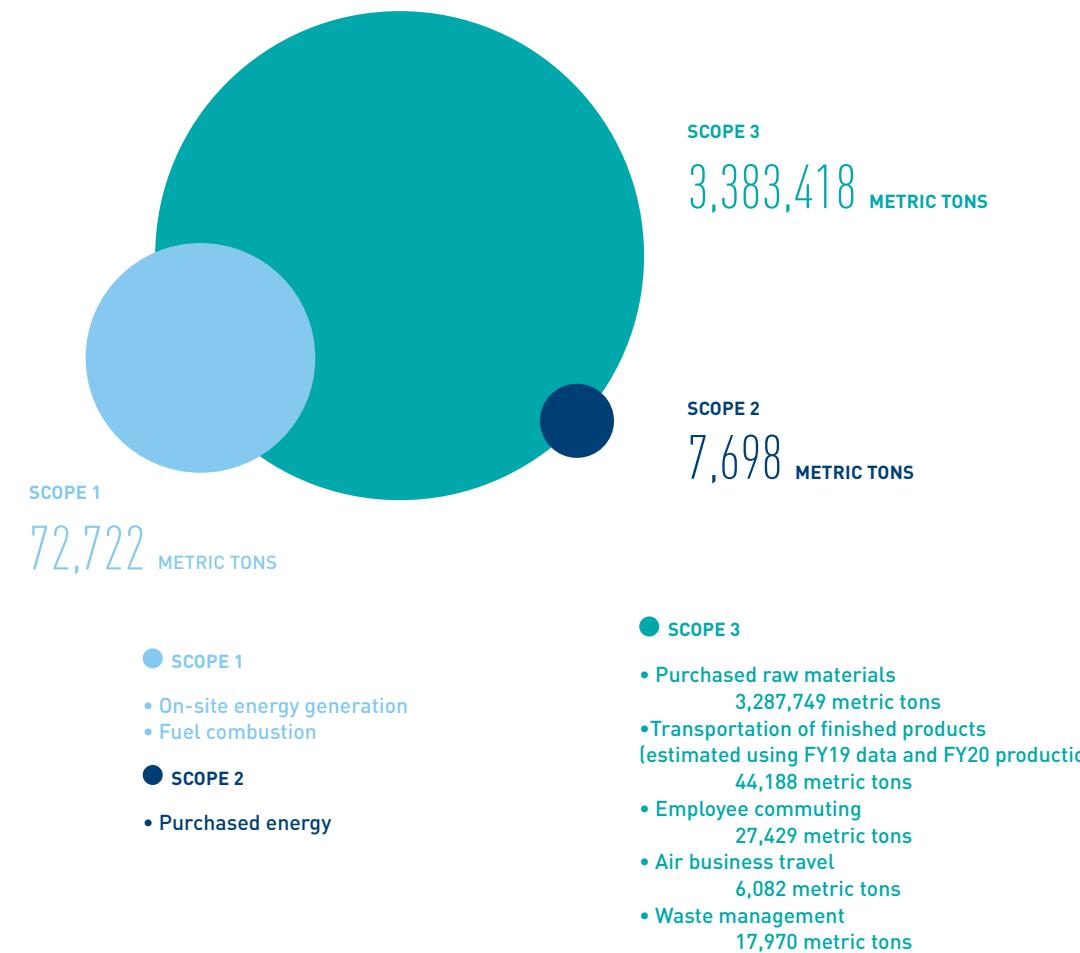
To reach this goal, we ask key suppliers to report their environmental data annually through the CDP platform. Primary data obtained through the CDP supply chain questionnaire brings us increased transparency and engagement in our supply chain regarding greenhouse gas emissions and reduction targets.

We will continue to ask more suppliers to disclose their data, as well as drive supplier engagement to build a transparent and environmentally responsible supply chain. In FY20, for all Firmenich suppliers reporting through CDP:

- ▶ More than 80% reported emission reduction activities – same as in FY19
- ▶ 63% engaged their own supply chain on climate change – a 10% increase vs. FY19
- ▶ 89% reported water targets – a 5 % increase vs. FY19
- ▶ 78% reported greenhouse gas reduction targets – a 17% increase vs. FY19

In FY20, we reached top ranking on the CDP Supplier Engagement Leaderboard. This recognition highlights our excellence in working with our suppliers to reduce environmental impact and risks across our value chain. We will continue to engage our suppliers and work toward carbon neutrality in our operations and beyond.

## OUR IMPACT ON CLIMATE CHANGE





## 5.2

GRI 303-1, 303-2, 303-3, 303-4, 306-1, 306-3, 306-5

# CONSERVING WATER

As a member of the UN Global Compact's CEO Water Mandate, we strive to reduce critical water risks across our operations by conducting annual assessments and increasing water-use efficiency.

## OUR WATER MANAGEMENT PRACTICES

Our fragrance and flavor solutions are manufactured and transported to our customers in concentrate formulas, requiring minimal water at our manufacturing sites. We measure our water use and aim to reduce total consumption globally, particularly in more water-stressed areas. We set standards above minimum regulatory requirements based on local, national, and international laws. All facilities follow local requirements on discharges, and we systematically set internal water quality standards based on local regulations.<sup>19</sup>

The availability of water is a widespread problem. 3.5 billion people could suffer from water scarcity by 2025, according to the World Resource Institute (WRI). Firmenich uses the [WRI's Aqueduct Water Risk Atlas](#) and the [Water](#)

[Risk Filter](#) from the World Wildlife Fund (WWF) to evaluate water risks and water use for all manufacturing sites. These tools help us understand how to preserve water supplies, such as restoring ecosystems, increasing efficiency, and reusing water. Ten Firmenich sites operating in water-stressed areas are more susceptible to water risk and are the focus of our conservation efforts.

In FY20, we reduced our water use in water-stressed areas by 15.4% vs. FY15. While we did not meet our goal to reduce water use in these areas by 25%, we are committed to meet this goal in FY22. We are also setting another ambitious water target for 2025 and have identified key initiatives to be implemented.

## MANUFACTURING SITES LOCATED IN WATER-STRESSED AREAS

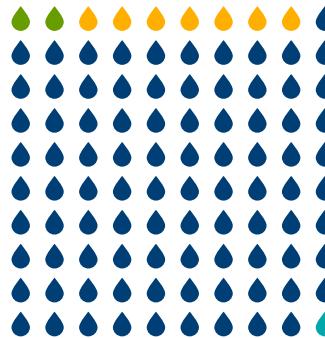


WATER WITHDRAWAL (m<sup>3</sup>)

- RECYCLED/REUSED WATER  
1% | 51,377 m<sup>3</sup>
- GROUNDWATER  
1% | 57,689 m<sup>3</sup>
- MUNICIPAL WATER  
32% | 1,509.772 m<sup>3</sup>
- SURFACE WATER  
66% | 3,150.785 m<sup>3</sup>

WATER WITHDRAWAL (m<sup>3</sup>)  
STRESSED AREAS ONLY

- RECYCLED/REUSED WATER  
2% | 11,955 m<sup>3</sup>
- GROUNDWATER  
7% | 37,946 m<sup>3</sup>
- MUNICIPAL WATER  
90% | 503.430 m<sup>3</sup>
- SURFACE WATER  
1% | 8,660 m<sup>3</sup>

Ensuring water availability and quality  
wherever we source and operate

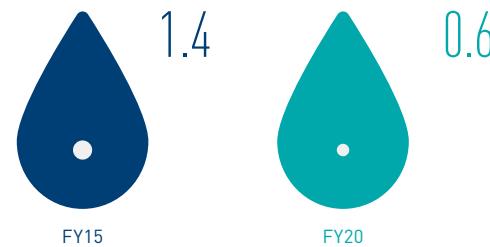
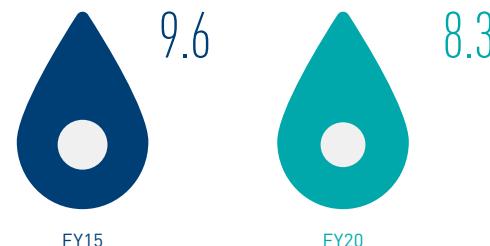
By focusing on water-stressed areas, we were able to achieve significant savings in our Kunming site in China. In late FY19, we installed a hybrid cooling tower that combines evaporative and non-evaporative technology to reduce overall water demand. We observed the first significant water savings in early 2020 – a reduction of almost 50% water use per metric ton produced. Lessons learned from this successful project will help us implement this new technology wherever weather and production are adequate.

## WATER DISCHARGE

Firmenich primarily uses water for cleaning and releases it after treatment into the water system. To ensure that our water discharge quality exceeds international and local regulations, we collect and report water discharge quality indicators required by law. Moreover, at the corporate level, we assess the chemical oxygen demand (COD) concentration of the water released back into the environment and ensure that this number improves year-over-year across our sites. We have chosen COD as our primary water quality indicator because it is most applicable to the wastewater generated at our facilities. COD indicates the amount of oxygen required to break down pollutants (organic substances) in water and allows us to better understand treatment requirements and quality after treatment.

In FY20, we had no unplanned water discharges or recorded significant spills.<sup>20</sup> Our used water goes to a treatment

plant or directly to the environment after onsite treatment. Whenever possible, we reuse water in accordance with local standards and national regulations. No water bodies and related habitats are significantly affected by our water discharges and/or runoff.

COD (kg per metric ton of production)  
TO ENVIRONMENTCOD (kg per metric ton of production)  
TO OFF-SITE TREATMENT

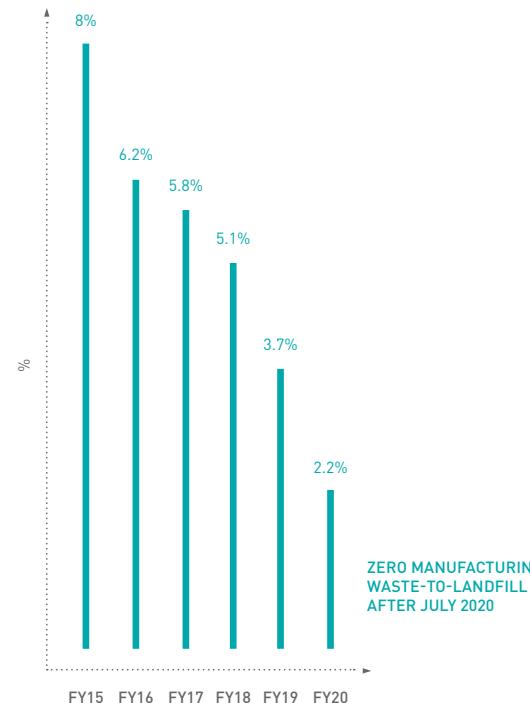


5.3

GR 306-1, 306-5

## CUTTING WASTE

ANNUAL PROGRESS OF % OF WASTE-TO-LANDFILL  
(MANUFACTURING SITES ONLY)



The way to a low-carbon economy is through sustainable production patterns that produce less waste. Besides our effort to reach zero manufacturing waste-to-landfill, we are also finding innovative ways to reduce our plastic footprint.

### REACHING ZERO WASTE-TO-LANDFILL

Despite the impact of COVID-19 on all countries in which we operate, our sites were still able to reach zero manufacturing waste-to-landfill. Three sites in the U.S. and Switzerland even went beyond and are pursuing zero-waste-to-landfill certification. These certifications help us ensure that our waste is effectively sorted, recycled, or burned for energy after it leaves our plants. The certification process of our Port Newark, NJ site revealed a potential for more waste sorting at one of our supplier's facilities, thus strengthening the Port Newark site to reach zero waste-to-landfill.

## PLAYING OUR PART IN REDUCING PLASTIC

Our taste solutions, ingredients, and fragrances reach our customers in large industrial containers. Steel drums and plastic totes can be cleaned and reused, and our plastic drums can be recycled. Sometimes, our taste or fragrance solutions are directly uploaded from our facilities to a trailer truck dedicated to transporting such goods, and then downloaded into a specific container at our customers' sites, achieving a seamless waste-free cycle.

According to the United Nations, the world produces around 300 million metric tons of plastic waste per year. We are a business-to-business company, and our largest plastic footprint comes from our product drums. Our sites are zero manufacturing waste-to-landfill, and our plastic drums are fully recyclable. Nevertheless, we are committed to addressing our plastic footprint in our operations, buildings, packaging, and labs.

► In our buildings and operations, all our manufacturing sites are zero waste-to-landfill. We have now banned all single-use plastics at all our locations.

1

### Zero manufacturing waste-to-landfill

2

### Single-use plastics banned in our cafeterias, meeting rooms, and reception areas

- In our packaging, we continue working on increasing the percentage of recycled content of our drums and collaborate closely with our drum suppliers. Our Quality, Operations, and Purchasing teams proactively ensure that these new drums use less virgin plastic without reducing product quality.
- Perfumery laboratories have launched a strategy to ban the use of single-use, non-recyclable plastic and replace it with reusable, recyclable, or biodegradable plastic, also ensuring that 100% plastic waste is sent to the recycling process. In FY20, a global audit and consolidation of plastic use in all perfumery labs was completed, priorities to address were identified, and a search for alternatives meeting the requirements was started.

We are doing our part to help reduce plastic waste, estimated by the UN to be 300M tons worldwide.

LOOP disrupts packaging with innovation by owning its reusable packaging to keep it out of the waste system.

In January 2020, in line with our commitment to eliminate single-use plastic, we invested jointly with impact investor Quadia in the pioneer packaging company LOOP. Supported by some of the largest consumer brands, LOOP is a new disruptive retail distribution service based on reusable packaging. LOOP retains ownership of its packaging, allowing brands to package their most consumed products with reusable materials. By handling packaging collection, storage, and cleaning for manufacturers, LOOP is the first of its kind to offer a global packaging circular solution.

Despite the pandemic and its implications for reusable packaging, LOOP sales have never been stronger. Effective cleaning in the LOOP packaging cycle plays an important role in reassuring consumers that reuse can be safe.



06

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## GROWING BUSINESS FOR GOOD

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Caring and creating long-term value  
for all our key stakeholders

### SPOTLIGHT

Inclusive Business

6.1

Business integrity

6.2

Responsible products

6.3

Product safety and quality

6.4

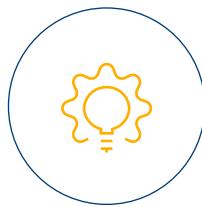
Responsible sourcing

6.5

Responsible use of artificial intelligence

6.6

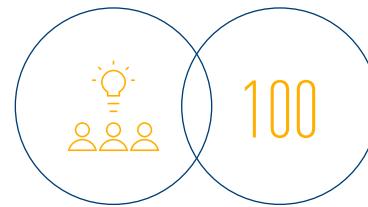
Corporate governance and risk management



ACHIEVED A CUSTOMER QUALITY INDEX (CQI) OF

# LESS THAN 1

PRODUCT DEFECT PER 1,000 SALES ORDERS



## RESPONSIBLE BUSINESS PROJECTS



## RESPONSIBLE SOURCING TRANSFORMATION

—  
FROM PROJECT-BASED APPROACH TO HOLISTIC APPROACH STRATEGY

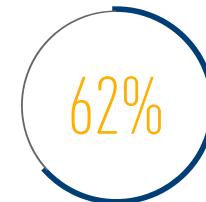
## CONTINUED IMPROVEMENT OF FIRMENICH'S ETHICS PROGRAM



SPOTLIGHT

# Inclusive Business

Growing and developing our business activity while addressing key societal needs and preserving the environment



OF GLOBAL ESG FUNDS OUTPERFORMED THE GLOBAL MARKET<sup>21</sup>

The last decades have seen a growing general distrust of business and exposed a lack of political will to address climate change and biodiversity protection. This has driven companies to take a more active role to restore consumer and employee trust. At the same time, we have seen a rise in political unrest and upheaval around the globe and a stronger awareness of ecological disasters. The principle under which a company's main responsibility is only toward its shareholders no longer holds true. Business is being asked to aspire to a higher purpose, bringing to the fore a new, inclusive form of capitalism called stakeholder capitalism.

The Davos Manifesto published in January 2020 made stakeholder capitalism its central theme. The idea is to create opportunities and value for all, addressing major challenges such as poverty, climate change, and beyond.

At Firmenich, convinced that business must be a force for good, we have championed an inclusive capitalism business model over the years. Through this approach, we actively address some of the world's greatest public health challenges, namely access to nutrition and hygiene while preserving the environment.

Early on, the COVID-19 crisis made clear the need for a more responsive societal and political framework, exposing vulnerabilities and a worldwide lack of readiness and

resilience. However, the pandemic also revealed the collective spirit of the global community. Businesses stepped up with products, services, and support, demonstrating the importance of solidarity and the need to address inequalities in the future. Our inclusive business model provided us a solid foundation to keep our business and manufacturing activities up and running during the pandemic outbreak and ensure that our teams around the world were fully protected.

While inclusive business sets the direction of our company, it also calls for wider and deeper integration of Environmental, Social, and Governance (ESG) performance. Inherent in an ESG approach is long-term decision-making, an imperative for transitioning to the low-carbon economy. ESG funds are meanwhile outperforming major stock indexes, signaling that a broader audience expects business to embrace the values driving ESG. As we enter a phase of recovery, we remain committed to do our part and work with governments to recover better. That includes deploying actions grounded in science, investing in resilience and most importantly, keeping people at the center of everything we do. Adopting the Sustainable Development Goals (SDGs) as our compass, our purpose will steer us to a collective and inclusive recovery. We will continue to respond to new demands and address current and future needs so that we can delight consumers of all ages and incomes with positive products for hygiene and nutrition.

“We support ambitious individuals and organizations to not just anticipate and manage social and environmental risks, but also harness the opportunities of sustainable innovation. As a winner of the IMD-Pictet Sustainability in Family Business Award, Firmenich is doing this along with proactively engaging with the next generation of responsible business leaders.”



JEAN-FRANÇOIS MANZONI,  
President of IMD Business School



## 6.1

GRI 102-16, 102-17, GRI 205-2

# BUSINESS INTEGRITY

Promoting a culture of ethics and business integrity is one of our top priorities. We design our processes to communicate our values, counter corruption, and ultimately promote peaceful and inclusive societies.

## VALUES, PRINCIPLES, AND STANDARDS

Firmenich's Global and local Ethics Committees support the Company's Business Ethics programs, including our corporate policies at the global and local levels. The Global Ethics Committee (GEC) is responsible for global oversight, direction, and decision-making regarding Business Ethics programs. The local Ethics Committees review and enhance ethics and integrity across the affiliates. The GEC is composed of the CEO and three other members of the senior management team.

Our Code of Ethics is the bedrock of our values and principles. Celebrating our 125<sup>th</sup> anniversary this year, we felt it was time to update our Code to reflect our philosophy and how our Fundamentals guide our day-to-day activities

when interacting with colleagues, business partners, and society at large. The revision of the Code of Ethics strengthens our compliance culture and maintains the highest standards of ethical behavior. The Code addresses new areas, aligned with prevailing risks and societal trends. Furthermore, it clearly defines roles and responsibilities to help line managers deploy the Code within their teams. The updated Code was launched in June 2020 with communication campaigns across Firmenich.

Complementing our Code of Ethics, we updated several internal and external policies designed to ensure business integrity. This year we have updated our Antibribery, Gifts and Entertainment, and hotline policies and have created a new policy on Conflicts of Interest.

We have developed online training available in nine languages, along with face-to-face courses and quizzes to engage our colleagues and relevant audiences. All new employees are also trained as part of their onboarding.

We must hold ourselves accountable to the highest ethical standards and operate every day with honesty, fairness and integrity.

A global antiharassment campaign was launched for all employees, including members of our senior management team and Board of Directors. The Business Ethics team has created a resource center to provide ongoing guidance and information to local Ethics Committees.

## OUR SPEAK UP CULTURE

Firmenich's "Speak Up" framework is designed to ensure we learn about potential breaches of policies, laws, and other misconduct in a timely manner. It also aims to reassure everyone that raising concerns is safe. Stakeholders are informed of this mechanism through our Code of Ethics and the Company's internet and intranet pages. It is our employees' responsibility to speak up if they have a concern or see anything that is not in line with our Fundamentals, policies, or applicable laws. We first advise the concerned individual to speak with a manager, or if not possible, contact local management, HR, Legal, or Business Ethics. If someone is unable or uncomfortable doing so, we have a 24/7 hotline available to all employees and business partners.

We use a platform (EthicsPoint) managed by a third party to centralize all incidents received through the hotline.

Speaking up is part of our culture. Our employees are the best resource for upholding our Fundamentals.

Reports are produced regularly to analyze trends on the use of the hotline, misconduct, and related risks. We consider each concern raised and keep track of all issues reported to the platform. Where required, we assign an investigator to examine the issues raised and address the concerns as per the findings. We provide claimants with feedback after the conclusion of the investigation, in accordance with the hotline policy. All concerns are treated confidentially, to the fullest extent permitted by law. We do not tolerate retaliation against anyone who, in good faith, seeks advice, raises a concern of misconduct, or cooperates in an investigation.

## ANTI-CORRUPTION

Our risk assessments show corruption could be an area of risk to the extent we work with third parties operating in countries with high levels of corruption and when public officials are involved. Internal teams coordinate efforts to identify and mitigate risks, and we have completed specific due diligence processes for some third-party groups.

Given the relevance of the fight against corruption for the Company, it is our priority to train and educate employees and management as well as conduct due diligence for

All employees can raise their concerns freely, confident they will be heard.

We make sure employees and management have the tools they need to identify corruption.

third parties in order to prevent corrupt practices.

Employees and management are trained, and policies are updated on a regular basis. Policies and training on bribery, corruption-related risks, and their prevention are provided to all employees across all affiliates and regions, including our senior management team. A global anti-bribery training designed for all employees and managers was launched in March 2020. For all training campaigns (e.g. antibribery and antiharassment), we follow up with General Managers locally to deepen understanding of the message in each affiliate. Moreover, relevant policies and procedures are communicated to all our business partners, who must adhere to our Code of Ethics. In addition, all third parties contracted by Firmenich and acting on behalf of Firmenich must adhere to our Anti-Bribery Policy. An internal audit is regularly conducted to verify adherence to our Business Ethics policies.



6.2

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## RESPONSIBLE PRODUCTS

Today's consumers demand responsible products. Our answer is and has been making sustainability a key feature in the design and production of our flavors and fragrances.

### ECOINGREDIENT COMPASS: TOWARD A TRANSPARENT INGREDIENT PALETTE

Our unique, high-performing iconic molecules covering all olfactive families are designed to inspire creators and bolster our customers' success. For more than 20 years, we made pioneering use of most of the green chemistry principles in our day-to-day research and ongoing improvements. This year again, we are taking our ingredient transparency to the next level with the debut of our EcoIngredient Compass. A first in the industry, the compass is a guide for understanding our ingredients according to the 12 principles of green chemistry. Building on the robust "Green properties" pillar of our EcoScent Compass™, the EcoIngredient Compass maps out three ingredient dimensions: carbon renewability, biodegradability, and a

composite score for most of the remaining green chemistry principles. We leverage science to build our future portfolio of ingredients, the EcoIngredient Compass marking the next step.

### CREATE FOR GOOD™: REINVENTING FRAGRANCE DESIGN IN THE ERA OF CONSCIOUS PERFUMERY

Consumers are increasingly embracing a healthy and sustainable lifestyle. This evolution is driven by globalization, digitalization, increased access to information, and a growing public awareness of climate change and population growth. Consumers want reassurance, authenticity, and responsible action. COVID-19 has only accelerated this shift to conscious consumption, making conscious perfumery more relevant than ever.

Conscious perfumery brings together the best of nature and science through an approach that is responsible, transparent, and sustainable, based on olfactive innovation

## Firmenich's CreateForGood™ is a unique fragrance design process for creating responsible yet sensorial fragrances that appeal to the Conscious Consumer

to create memorable sensorial experiences. Firmenich set out to embed these tenets in a reinvention of fragrance design, culminating in the launch of CreateForGood™.

This fragrance design approach draws from a thorough understanding of the Conscious Consumer as revealed in a proprietary survey of 5,000 consumers in four key regions. CreateForGood™ guides Firmenich customers on how to create natural and sustainable fragrances that respond to environmental, social, and ethical concerns.

The holistic approach of CreateForGood™ helps customers navigate the complexity and further integrate sustainability into their strategy to accelerate responsible, innovative product design. The approach also supports brands in substantiating claims around the notions of health, transparency, sustainability, and sensorial experience to enhance their competitive advantage with conscious consumers.

We conduct solution-driven sessions and tailor-made workshops for our customers globally, guiding them toward positive, impactful results. CreateForGood™ is consumer-centric and integrative, bringing in-house and

external multi-functional teams to the table. The design process implies new ways of working to build appropriate and meaningful solutions for a sustainable future. Collaboration is the way forward. By joining forces with our customers, we will accelerate the uptake of conscious perfumery.

### TRANSFORMATION OF NATURALS IN OUR FLAVORS PORTFOLIO

Consumer demand for naturals, label transparency, and origin traceability is on the rise. Our recent human insight research during COVID-19 shows this trend to be rapidly accelerating. People are increasingly focused on their overall wellbeing and boosting immunity through more intentional food and beverage choices. Flavors is responding with a series of critical initiatives to evolve our offering and partnering with customers to lead product response across key areas.

We enriched our naturals portfolio in all tonalities through our Naturals Platform activities. We made significant progress on life-cycle analysis traceability, comprehensive natural and organic ingredients labeling guidance for our customers, and information on source ingredients with no

Conscious consumers expect more from their products, including a high level of sustainability.

How to create good when designing a fragrance? It all starts with combining nature and science.

CreateForGood™ helps brands navigate their way to making products that are transparent, responsible, and successful.

flavor labeling. We also implemented several key projects aimed at increasing output and reducing waste in some of our largest categories.

We transformed our flavorist palette with over 100 new natural solutions by adding a robust portfolio of natural ingredients created for internal formulation and Clean Label suitability. We further developed new CO<sub>2</sub> extraction capabilities and innovative gentle extraction techniques, augmenting our clean label solutions with a new generation of eco-extracts.

Nutrition is one of our seven key Innovation Programs. Our Nutrition Innovation Program is focused on improving general health and wellbeing through initiatives using long-known immunity boosters, including botanicals, natural extracts, and prebiotic solutions.

Firmenich Flavors is also committed to the notion that consuming plant-based proteins and the flexitarian lifestyle are beneficial to people's health and the environment and has made great progress in both meat-alternative and green protein innovations (see page 47). Two of our seven Innovation Programs include meat and dairy analogs.



## 6.3

# PRODUCT SAFETY AND QUALITY

Product safety and quality are mainstays to our business. Our customers and end-consumers rely on us to deliver products that are safe and meet or exceed the highest standards of quality.

## PRODUCT SAFETY

Firmenich product safety and regulatory experts lead, support, and champion projects that protect consumers and the environment in a responsible way. In close collaboration with our R&D, we are proactive in investigating new approaches and publish and present our results for the scientific community to promote the acceptance of more advanced safety tests.

We engage proactively and transparently to share expertise and build collective understanding about product quality and safety regulations around the world. Our experts collaborate actively with members from other companies to continuously improve product safety data and ensure that our products are in compliance. This collaboration takes place through local and global industry associations, such as the International Fragrance Association (IFRA), the International Organization of the Flavor Industry (IOFI), the Research Institute for Fragrance Materials (RIFM), the European Flavor Association (EFFA), and scienceindustries (Business Association Chemistry Pharma Life Sciences).

## PROTECTING CONSUMERS

We continuously invest to increase the available data needed to ensure the safety of consumers and the compliance of our products:

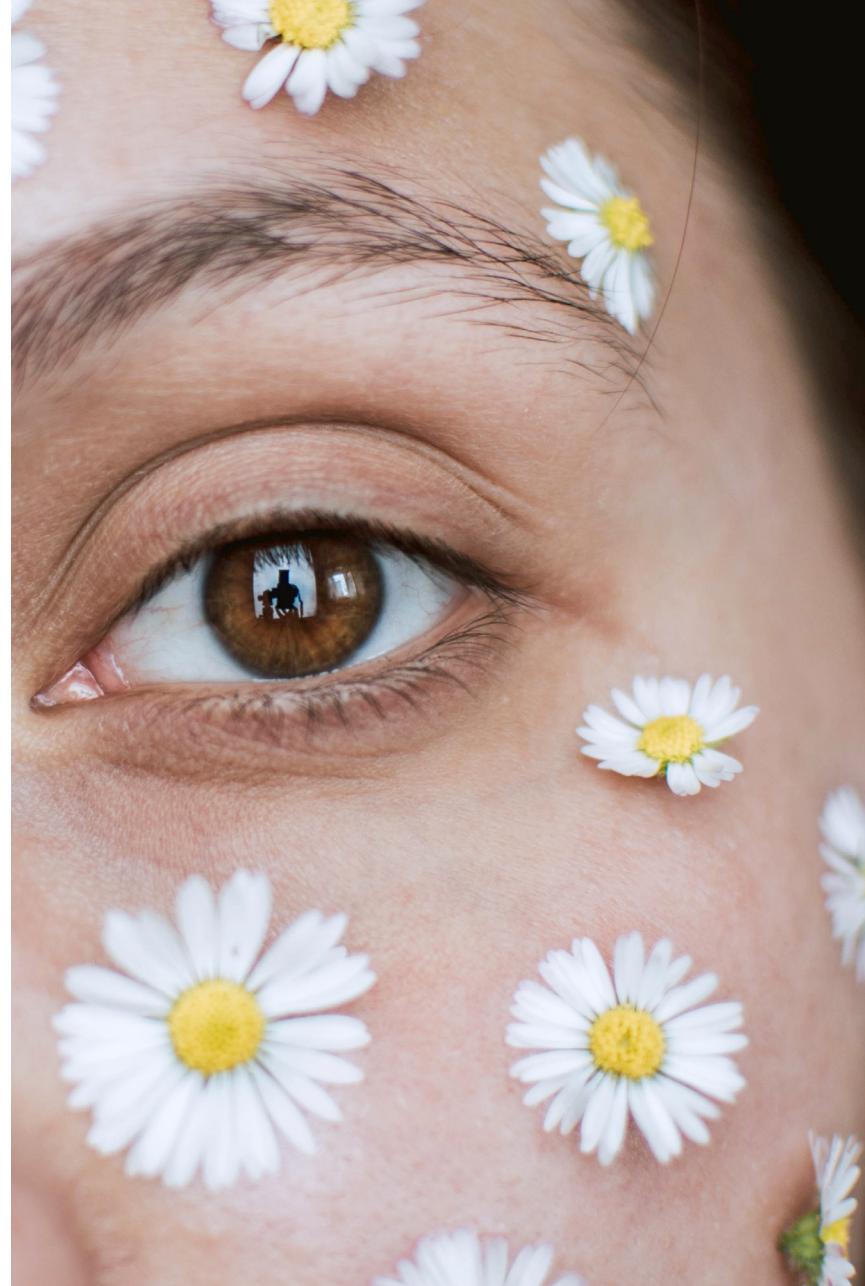
- ▶ Work to better understand the effects of continuous indoor exposure to fragrance on respiratory functions. The results from our collaboration with Monell Chemical Senses Center demonstrate through clinical measurements that air fresheners are well tolerated by consumers without adverse health effects. This finding has been presented at scientific conferences, and a publication is planned.
- ▶ Development of models to more accurately estimate exposure to flavor ingredients, including new data on frequency of use within a formula
- ▶ Successful U.S. pre-manufacture notices of new chemicals determined to not present an unreasonable risk under the Lautenberg Chemical Safety Act
- ▶ Inclusion of the entire Firmenich Perfumery palette under the new Eurasia chemical regulation and compliance with this new regulation
- ▶ Analytical techniques aimed at detecting and quantifying newly regulated compounds. Our analytical experts are always developing new approaches to manage these regulations and propose reliable and accurate solutions that ensure consumer safety and compliant creation possibilities for our perfumers.

Going a step further in ensuring regulatory compliance of our ingredients, we completed the full implementation of our new bespoke tool for tonnage and conformity tracking in several countries and are developing it for other regions around the world.

## PROTECTING ANIMALS AND THE ENVIRONMENT

Environmental assessment requires multiple tests to be conducted, some of which involve animal testing (e.g. bioaccumulation, environmental toxicology). Firmenich continues its efforts to develop animal-alternative methodologies for environmental assessment. In FY20, in collaboration with internationally renowned institute EAWAG, two new *in vitro* approaches have been published and are available to the entire scientific community.

In March 2020, we expanded on this activity by becoming the first company of the Flavor and Fragrance industry to launch a collaboration with the Humane Society International (HSI). This collaboration aims to promote the ban on animal testing for cosmetic safety assessments in major markets by 2023 and encourages the use of non-animal methods for chemical regulations around the world.





SALES ORDERS DELIVERED  
PRODUCT DEFECT-FREE

CHF 5.9

million invested  
in quality

ISO 17025  
CERTIFICATION

## PRODUCT QUALITY & PROTECTION

Firmenich's ambition to lead in customer satisfaction drives our outstanding performance in product quality and compliance, food safety, and service. From the ingredients we source to the fragrances and flavors we produce, product quality along with product safety is a priority at Firmenich.

## AUTHENTICATION OF NATURAL INGREDIENTS

Assessing and ensuring the authenticity of our natural products enhances transparency and reinforces customer trust. Authenticity covers different aspects: ensuring product identity, food fraud mitigation, and traceability, including geographical origin, process used, and naturalness status. Authentication supports responsible sourcing (see pages 84 to 86) and product quality, preserves our long-standing partnerships with strategic key suppliers, and promotes responsible purchasing practices. Thanks to in-depth analysis of authentic raw material qualities, we can comprehensively identify frauds and adulteration and propose competitive substitutes to mint formulas. We have expanded our assessment on the naturality of a key flavor ingredient and the detection of adulteration in vanilla and red fruits.

## FOCUSING ON EXCELLENCE IN PERFORMANCE

We continuously invest in expanding our analytical capabilities, which are used in support of our sensory expertise

throughout our product life cycles. These initiatives support our goal to assure a Customer Quality Index (CQI) of less than one product defect per 1,000 sales orders, year over year.

FY20 achievements include:

- ▶ Over 99.94% sales orders delivered product defect-free
- ▶ 31% product quality improvement (CQI) over the past three years
- ▶ ISO 17025 certification of our Central Analytical Laboratory in Mumbai, India
- ▶ CHF 5.9 million capital invested in quality

## QUALITY ASSURANCE

In FY20, Firmenich created a new global senior position for Supplier and Service Excellence to further build Quality Assurance throughout our value chain and unite Quality, Purchasing, and Business Continuity. In FY20, an updated Responsible Sourcing Policy was published. A new Firmenich Supplier Quality Expectations Manual will be released before the end of 2020.

We also launched the new Quality, Health, Safety, and Environment (QHS&E) Principles and Codes and completed training defining the minimum Quality and Food Protection standards across all sites and regions.

**CASE STUDY**

## Food Protection culture

Our Food Protection Program includes Food Safety, Food Defense, and Food Fraud. The Food Safety management system is designed to protect a company against accidental introduction of chemical, physical, radiological, allergen, and microbiological contamination. Food Defense (prevention of intentional adulteration to cause harm) and Food Fraud (prevention of intentional adulteration for economic gain) rely on employee behavior. In FY20, we developed a global Food Protection Culture Transformation program, involving local management teams in all regions where we operate.

Other achievements in Food Protection include:

- ▶ Zero end product recalls, zero consumers impacted, and zero customer Food Safety issues related to Firmenich products in the last five years
- ▶ FSSC Food Safety certification at all sites without any major issues reported by third-party auditors
- ▶ Long-held commitment to handwashing as a signatory to the [WASH Pledge](#), critical to success in preserving the health and safety of colleagues, customers, and communities during the COVID-19 crisis
- ▶ Celebrated Global Hand Washing Day in October 2019 and the second Global Food Safety Day in June 2020
- ▶ 11 awards in the last six years, including three awards in food protection culture transformation in 2020



## 6.4

414-1 AND 308-1

# RESPONSIBLE SOURCING

How we source ingredients is key to our sustainability efforts. Besides ensuring transparency, traceability, and sustainability, responsible sourcing positions us to have a positive impact on nature and people all along our value chain.

## TAKING RESPONSIBLE SOURCING TO THE NEXT LEVEL

Sourcing responsibly has always been a critical element in the work of all Firmenich buyers. In the past five years, we have created specialized programs to strengthen our responsible sourcing commitment, particularly with our natural ingredients suppliers.

In 2014, we launched our Naturals Together™ program, the first gathering of suppliers of natural raw materials in the industry. This supplier engagement platform promotes dialogue on natural sourcing best practices and related environmental, social, and economic topics. Naturals Together™ connects producers, Firmenich teams, our customers, and partners to collectively envision how a responsible future for the sector might look.

2015 saw the launch of our Deep Roots Program. For the past five years, we have reported progress in strengthening farming communities around the world through social and environmental projects. These initiatives build these communities' capacities and support their health and education systems. Certain projects will require additional support and will receive technical assistance from various Firmenich partners and customers. In addition, selected value chains will benefit from a digital traceability system that is currently under development (see page 87).

Both programs have contributed positively to the local communities and enhanced our responsible sourcing toolbox. Reaching the end of our five-year strategy cycle, we felt it was the right time to consolidate Naturals Together™ and Deep Roots into a holistically responsible sourcing strategy. The combined program involves all our buyers as well as experts in the areas of human rights, biodiversity, ethics, quality, risk management, and sustainability. As a result, in late 2019 and early 2020, we transformed our governance with the launch of a new end-to-end Responsible Sourcing Steering Committee, sponsored by our Chief Purchasing Officer and coordinated by our Chief Sustainability Officer.

We take responsible sourcing to the next level to support both people and nature.

Our new sourcing policy casts our sourcing partners in a key role to bring more responsibility to our value chain.

We now require our suppliers to report on the EcoVadis platform to ensure responsible sourcing all along our value chain.

The committee focuses on all aspects of our sourcing, including naturals, and has formalized our learning and best practices into a Responsible Sourcing Policy, together with rigorous independent assessment tools for its implementation.

## OUR FOUNDATION FOR SOURCING RESPONSIBLY

Our ambition is to operate the most traceable and responsible value chain, with all our actions guided by our Responsible Sourcing Policy. We are deploying this policy in both our operations and with our sourcing partners to make a positive impact on society and the planet.

December 2019 marked the launch of the Responsible Sourcing Policy, which is designed to engage our suppliers and partners on our sustainability journey. It extends our Code of Ethics and Business Conduct across our entire supply chain to support economic, environmental, and social responsibility dimensions.

The Responsible Sourcing Policy applies to global operations, also requiring that both direct and indirect suppliers align with the policy. While the policy's requirements apply only to our direct suppliers (Tier1), we expect them to cascade similar requirements to their own suppliers (Tier 2 and beyond).

The Responsible Sourcing Policy is built on three key principles – Integrity, Transparency, and Sustainability – and suppliers are required to commit to its six tenets:

1

Acting with integrity, compliance, and business ethics

2

Respecting human rights, people, health, and safety

3

Respecting the environment and biodiversity

4

Ensuring the highest standards of product safety and quality

5

Ensuring business continuity

6

Respecting confidential information



KEY SUPPLIERS ENGAGED ON ECOVADIS

## DEPLOYMENT OF OUR RESPONSIBLE SOURCING POLICY

Our Responsible Sourcing Policy applies to all types of materials, both raw and non-raw. It gives special focus to raw materials derived from natural and renewable resources, including palm oil, covered in two appendixes.

To implement this policy, we rely on our internal expertise on sourcing, risk management, and supplier excellence as well as the support of various partners. EcoVadis plays a key collaborative role here: we now require all our suppliers to report their responsible business performance on the EcoVadis platform. This helps us create a positive impact on value chains, ranging from our customers active on EcoVadis to our own performance, up to the performance of our suppliers. This independent data collection process provides more transparency and a better quality of comparable data on environmental and social impact.

The Responsible Sourcing Policy follows a step-wise approach to strengthen existing practices and programs and ensure that Firmenich requirements are properly communicated.

## SECURITY OF SUPPLY OF RAW MATERIALS

Security of supply of raw materials is crucial for Firmenich for anticipating and preventing supply shortages. Our Purchasing team uses the Sourcing Risk Cycle Process to predict and prevent risks or to mitigate potential impacts through proper assessment and continuity plans.

We launched a new Sourcing Risk Assessment tool in FY20, which generates sourcing risk dashboards to support decision-making on risks. This new tool triggers and monitors action plans to ensure the security of supply of raw materials. We also enhanced our Risk Inventory and Assessment tool by integrating additional ESG risk attributes, yielding better responsible sourcing deployment and a deeper understanding of the end-to-end sourcing process.

We continue to maximize our supply security by right-sizing the safety stock, driving greater contract coverage, working on single source reduction, assessing supplier business continuity plans, and reinforcing supplier audits. Additionally, we are developing in-house production capabilities for key raw materials when required.

## SUPPLIER ASSESSMENTS AND AUDIT PROGRAMS

Firmenich strongly believes that audit programs and supplier assessments enhance customer confidence in our supply chain and add integrity to our products. These efforts also help us reduce risk and maintain consistent quality across our offering.

### SUPPLIER ASSESSMENTS

Firmenich aims to source materials and services from reputable suppliers who are aligned with our values and key policies. Our Corporate Purchasing Policy guides our processes, starting with the Supplier Qualification process. Suppliers must meet several requirements: accept our Code of Conduct (CoC); acknowledge our Responsible Sourcing Policy; complete our Compliance Self-Assessment Questionnaire (CSAQ); and undergo supplier audits. The CSAQ questionnaire is mandatory and covers a wide range of topics, from social accountability to Health, Safety, and Environment (HSE). In FY20, 58% of our new suppliers completed the CSAQ.

**CASE STUDY**

## Ensuring traceability from farm to product

Building on our legacy of naturals program at source, we are currently pioneering innovative solutions at the “first mile” supply level to meet the demand for more transparency. Through the expertise and contribution of many Firmenich colleagues, we are piloting a new proprietary mobile application to ensure traceability from the farm to the final product. Our solution aggregates over 150 data points, including socio-economic data, agriculture practices, and farm profitability to create a profile of each supplier. The app can be fully adapted to each supply chain, and the data to be collected will be evaluated with our local partners. By tracking data at origin, we can better ensure compliance and respect for human rights versus the

more traditional audits or certifications. We can also compare data at different time points to measure our positive social and environmental impacts in ecosystems where we carry out sustainability projects.

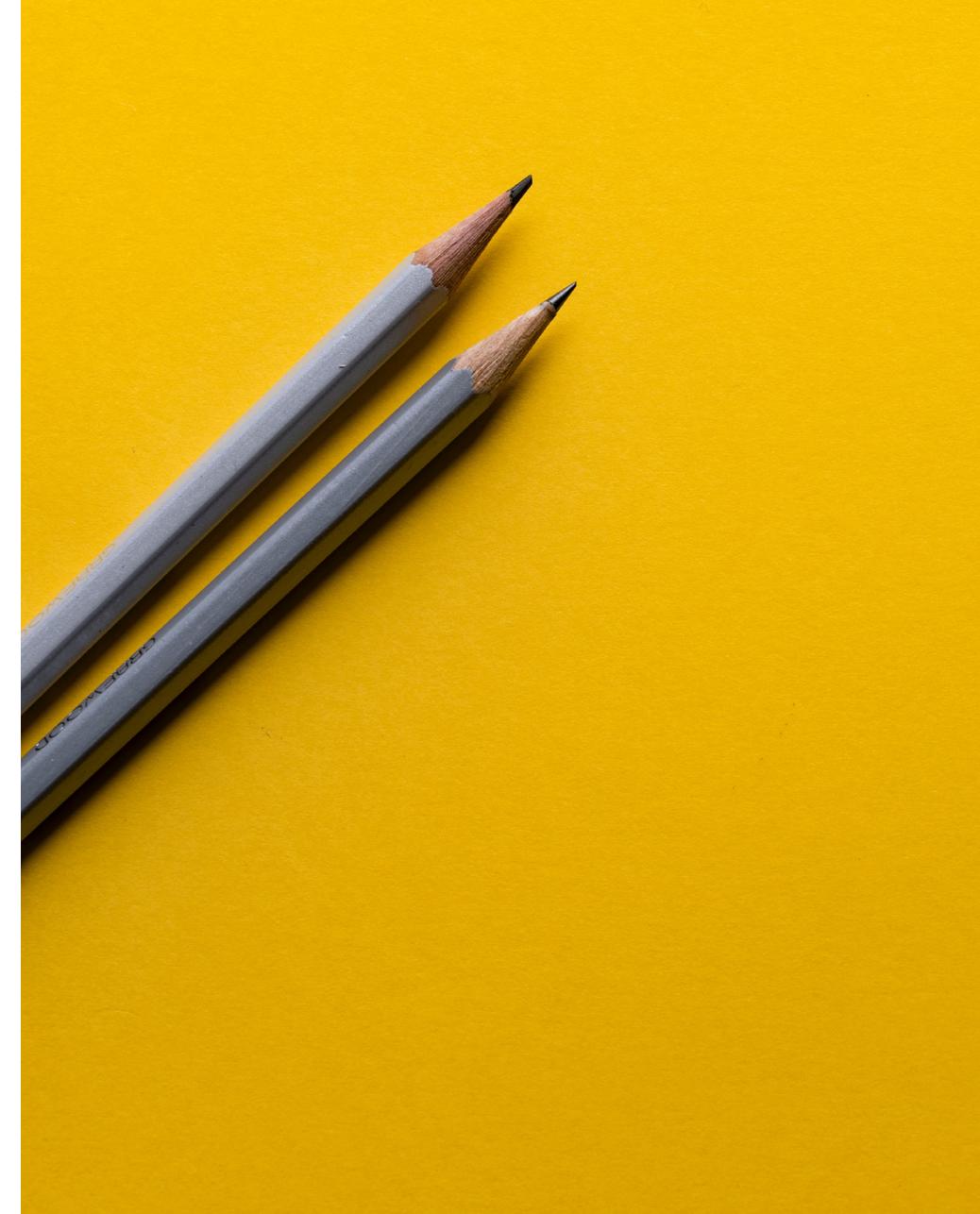
This program has been deployed in five supply chains in 2020: Elemi in the Philippines, Vanilla in Madagascar, Stevia in China, Patchouli in Guatemala, and Jasmine in India. As of July 2020, over 3,000 farmers are participating in this data collection initiative.

The Supplier Qualification process is monitored by the Supplier Excellence Program (SEP), whose mission is to mitigate risks, monitor the deployment of our Responsible Sourcing Policy, and communicate with our customers on our supplier excellence concept. In August 2019, we revamped this program and established a SEP Steering Committee to make management of the supplier qualification process more agile, analytical, and robust. The program is managed by a cross-divisional team and is sponsored by our Chief Operating Officer as well as our General Counsel and Secretary of the Board. The new SEP Steering Committee establishes a new governance model, defines the strategy, and better monitors the performance of the program.

#### AUDIT PROGRAMS

Our Supplier Audit Plan is defined using a risk-based approach and relies on the Geographical Information System (GIS) to map out the most strategic approach to deciding where and how to conduct supplier audits.

Despite the outbreak of COVID-19 in December 2019, we were still able to execute 100% of the Supplier Audit Plan. In January 2020, a Crisis Committee was established to guarantee business continuity and the health and safety of our employees. COVID-19 first impacted the Supplier Audit Plan in Asia, then Europe and the Americas. This event prompted the Supplier Excellence Program team to look for other viable alternatives to maintain the audit plan and ensure that even in challenging times, we uphold the mindset of protecting our products and our customers. Firmenich took the decision to quickly review the Supplier Desktop audit protocol and encouraged this process as an alternative to on-site audits impacted by COVID-19.

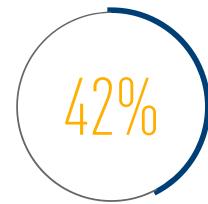




COC COVERAGE FOR RAW MATERIALS SUPPLIERS BY SPEND



COC COVERAGE FOR NON-RAW MATERIALS SUPPLIERS BY SPEND



RESPONSIBLE SOURCING ACKNOWLEDGMENT BY SPEND

In FY20, our Supplier Audit Program covered approximately 105 active manufacturers. For suppliers considered to be high risk, we prefer to audit in person or remotely through the desktop protocol. These audits are conducted by Firmenich's team of lead auditors in Purchasing and Quality, Health, Safety, and Environment (QHSE).

In addition to our supplier audit program, we also keep track and strengthen the Code of Conduct (CoC) coverage and the Responsible Sourcing Policy acknowledgment.

- ▶ CoC coverage for raw materials suppliers is 64% of the spend; and for non-raw materials suppliers, 24% of the spend.
- ▶ Since the launch of the Responsible Sourcing policy in FY20, we have already achieved acknowledgment of 42% of the spend, aiming for 100% by 2023.



## PLATFORMS DRIVING SUSTAINABLE SUPPLY CHAINS

### SEDEX

We have been a member of Sedex (Supplier Ethical Data Exchange ZC1084366) for 10 years, which we use as both supplier and buyer. The number of our supplier sites participating on Sedex has increased from 515 in FY19 to 653 in FY20. We also use Sedex risk assessment tools at our manufacturing sites.

### ECOVADIS

The EcoVadis platform relies on international responsibility standards, covering 200+ industries and 160+ countries. We are active on the platform as both supplier and buyer. In January 2020, we received the highest Platinum rating from EcoVadis by achieving our best-ever score of 83/100, which placed us in the top 1% of 65,000 assessed suppliers. In that same month, we began asking our suppliers to report on the EcoVadis platform. This will allow us to better scrutinize and support our suppliers as well as monitor the implementation of our Responsible Sourcing Policy.

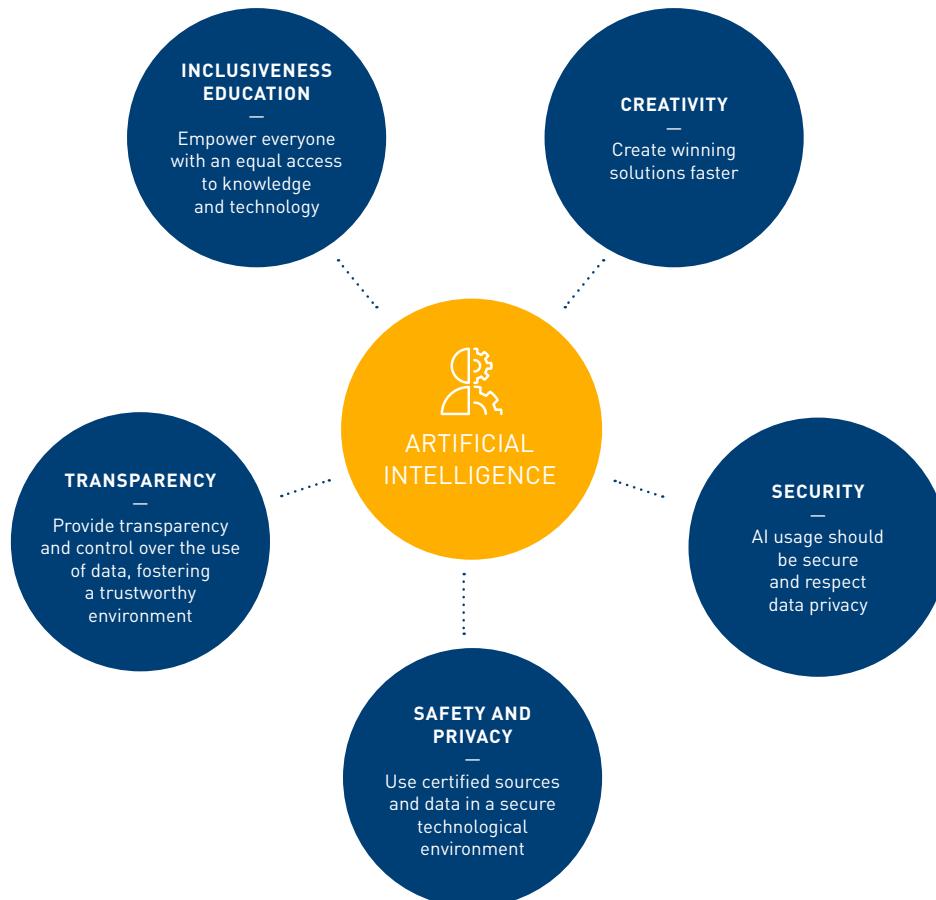
### CDP SUPPLY CHAIN

Firmenich is among the 125 CDP supply chain members working with over 13,000 suppliers on environmental issues. We use CDP to ask our suppliers to disclose and act on their environmental impact. The idea is to cascade down positive initiatives in the supply chain (see pages 55 to 57). In 2020, Firmenich was ranked by CDP as a global environmental leader, achieving triple "A" for climate change, water security, and forests.

“We are proud to work with Firmenich as they continue to raise the bar in their engagement as a sustainability performer. Setting and achieving ambitious targets for the use of 100% renewable electricity in their key markets, expanding their sustainable procurement initiative, and the recent launch of their EcoIngredient Compass tool are all examples of positive actions that are reflected in their Platinum level EcoVadis rating. This not only reassures their customers and stakeholders of their commitment to long-term value creation but also sets an example for their suppliers, whom they are now engaging through the EcoVadis sustainability rating and improvement network.”



PIERRE-FRANCOIS THALER,  
Co-CEO, EcoVadis



## 6.5 — RESPONSIBLE USE OF ARTIFICIAL INTELLIGENCE

We have developed an AI Charter that is deeply rooted in our company Fundamentals and aligned with our ethical standards.

We are increasingly using Artificial Intelligence (AI) in our daily business to future-proof our activities and gain a competitive advantage. In 2018, we partnered with the Ecole Polytechnique Fédérale de Lausanne (EPFL) to launch our digital lab, d-Lab. This ongoing project aims to bring innovation to Fragrance and Flavors design by pairing human creativity with digital technologies.

Artificial Intelligence refers to programming computers to simulate human intelligence activities, such as thinking, learning, and adapting. AI's potential to modify and enhance our lives is profound, and such a powerful technology brings up challenging questions regarding its use.

We are guided by the principles depicted here to the left.

## 6.6

GRI 102-11, 102-15, 102-18, 102-19, 102-22, 102-23, 102-24, 102-25, 102-26, 102-28, 102-30, 102-31, 102-32

# CORPORATE GOVERNANCE AND RISK MANAGEMENT

Our corporate governance structure comprises:

- ▶ A Board of Directors
- ▶ Board Committees, under which sit Internal and External Audit
- ▶ A senior executive team comprising eight senior executives and several committees

## BOARD OF DIRECTORS

### ROLE, STRUCTURE, AND COMPOSITION OF THE BOARD

The principal mission of the Firmenich Board of Directors is the oversight of the Company, ensuring the good performance of the Group, defining the organization, overseeing risk control and compliance with the law, organizing the accounting, financial control, and financial planning systems, and overseeing the management and maintenance of the Fundamentals. The Board sets strategic direction for Firmenich, appoints and oversees the CEO and executive committee, prepares for the general meeting, and approves major transactions and investments. The Firmenich Board consists of nine members, five of whom are Independent non-executive Directors and two of whom are currently women. A Director's mandate shall be for a term of three years (except in exceptional circumstances) and may be renewed for up to five consecutive mandates.

The Chairman of the Board is Patrick Firmenich, who is a family member and non-executive Director. He leads the Board of Directors, ensuring the Company moves forward with its strategy and activities. The Board members each bring their own unique skills and experience from across the Fragrance and Flavors industry, science-driven organizations, as well as consumer and fast-moving goods companies. Together, they have broad international experience. One Board member, the Vice-Chairman, brings specific skills related to economic, environmental, and social responsibility topics from previous roles, including Chief Sustainability Officer at major manufacturing companies holding top positions in the Dow Jones Sustainability Index. The Board delegates day-to-day business management to senior executives through the CEO, who is supported in his duties by the senior management team. That delegation is very broad and includes ensuring that the Fundamentals, the Code of Ethics, and the law are complied with, and implementing policies covering a range of issues, including people, safety, and environmental protection.

### NOMINATION OF BOARD MEMBERS

The Board proposes the appointment of new members within the limits set by the Articles of Association, the principles of Corporate Governance, and any other

applicable rules. The shareholders vote on the proposed nominees as part of the Annual General Meeting. For non-family Director candidates, the Board proposes individuals whose profiles will ensure that the Group operates well and that the Board maintains independence of judgment. Conflicts of interest, including cross-board memberships, are avoided and managed through the Governance and Compensation Committee (GCC). The Board evaluates its performance every three years. The last evaluation in 2020 was conducted with an independent external provider.



FROM LEFT TO RIGHT:

MR. MICHEL FIRMENICH, MR. RICHARD RIDINGER, DR. ANTOINE FIRMENICH, MS. BARBARA KUX (VICE CHAIRMAN), MR. PATRICK FIRMENICH (CHAIRMAN), MS. KAREN JONES CBE, DR. AJAI PURI, MR. PIERRE BOUCHUT, AND MR. ANDRÉ POMETTA.

## BOARD REVIEW OF ECONOMIC, ENVIRONMENTAL, AND SOCIAL RESPONSIBILITY TOPICS

The CEO reviews economic, environmental, and social responsibility topics as part of the quarterly CEO report to the Board. In addition, the Board reviews and approves the Firmenich annual Sustainability Report every year in September, providing feedback that is integrated into the final report issued in October.

## SENIOR EXECUTIVE TEAM

The executive team comprises eight members (including the CEO), drawn from each of Firmenich's key business functions: Flavors, Human Resources, Legal & Compliance, Operations, Perfumery & Ingredients, Research & Development, and Strategy & Global Services. The Executive Team is responsible for overseeing the business operations of the Group. To support our executive team, our senior leaders, factory managers, and General Managers each have a role in meeting our sustainability targets.



## RISK MANAGEMENT

Enterprise Risk Management (ERM) ensures we protect our company in appropriate, effective ways. The Risk Committee is a key pillar of our risk management, ensuring we properly identify, assess, and mitigate significant corporate risks. We complete a Corporate Risk assessment every two years and follow up on the emergence of new risks throughout the two-year cycle to refresh the Corporate Risk list on an as-needed basis. We leverage a risk universe aimed at covering all risk categories, including ESG risks (see our materiality matrix on page 96) and the results of the previous assessment. Our two-year cycle is aimed at identifying, assessing, mitigating, and reporting corporate risks under the oversight of the Risk Committee, a subcommittee of the senior executive team chaired by our CEO. The Enterprise Risk Management function reports to the Finance Audit and Risk Committee (FARC) on a yearly basis, providing an update on risk evolution and trends, and on the execution of risk mitigation strategies. The FARC is a Board-level committee chaired by a Board member. It assists the Board in fulfilling its oversight responsibilities relating to risk management, as stated in the Regulations of the Board of Directors. The FARC approves ERM governance and methodology, reviews and assesses the effectiveness of the Company's enterprise-wide risk assessment processes, and recommends improvements where appropriate.

### FROM LEFT TO RIGHT:

MR. ERIC NICOLAS (GROUP CHIEF OPERATING OFFICER), MS. MIEKE VAN DE CAPELLE (CHIEF HUMAN RESOURCES OFFICER), MS. JANE SINCLAIR (GENERAL COUNSEL AND SECRETARY OF THE BOARD), MR. GILBERT GHOSTINE (CEO), PR. GENEVIÈVE BERGER (CHIEF RESEARCH OFFICER), MS. ILARIA RESTA (PRESIDENT PERFUMERY), MR. EMMANUEL BUTSTRAEN (PRESIDENT FLAVORS), AND MR. BOET BRINKGREVE (PRESIDENT INGREDIENTS)

## FY20 CORPORATE RISKS



Cyber Security



Margin Erosion



Organic Growth



Geopolitics



Client Service



Law and Regulation Compliance



Acquisition – Integration



IP Strategy



Talent



Post-Pandemic Preparedness



Raw Material Sourcing



Third Party



Solution Innovation



07

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## ABOUT THE REPORT

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A central tool  
for performance measurement

7.1

Materiality

7.2

Our Value chain

7.3

Our 2020 goals and progress

7.4

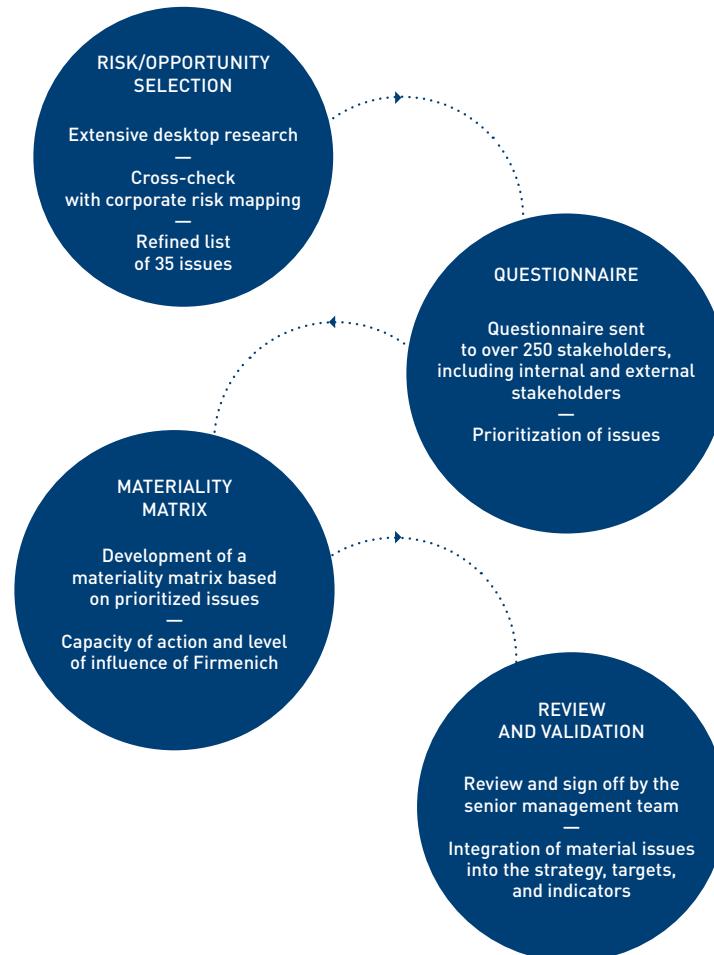
Key performance data

7.5

About this report

7.6

Independent assurance statement



## 7.1

GRI 102-46

—  
MATERIALITYDriving ESG impact  
and performance  
measurement

Firmenich has entered a new decade that will be decisive for meeting our sustainability goals. To bolster these efforts, we conducted the periodic review of our materiality assessment to ensure that we focus on the right priorities.

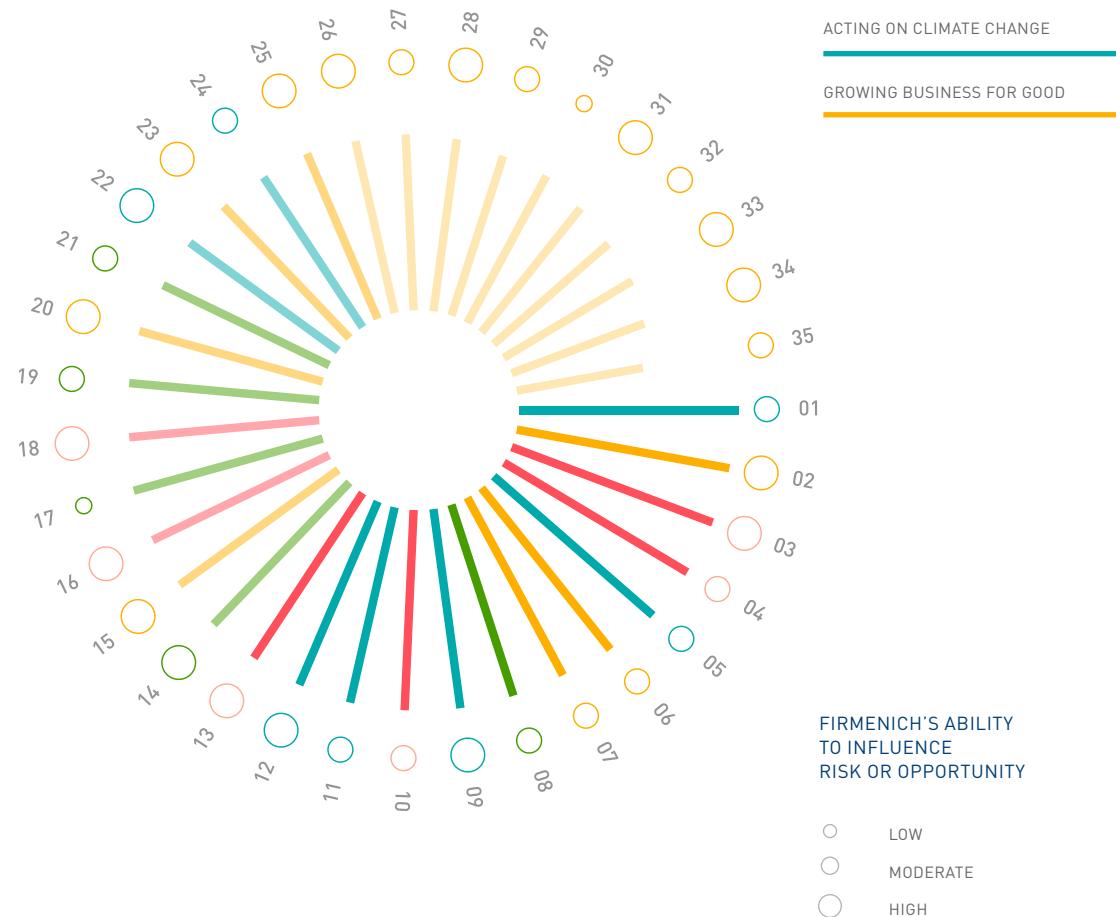
This assessment helps inform the direction of travel for our business, and serves as a basis for our strategy, targets, key performance indicators, and communications with different stakeholders. Our materiality assessment also provides input for our ongoing risk management processes. Moreover, this tool is extremely valuable to engage our colleagues and key stakeholders in our sustainability strategy.

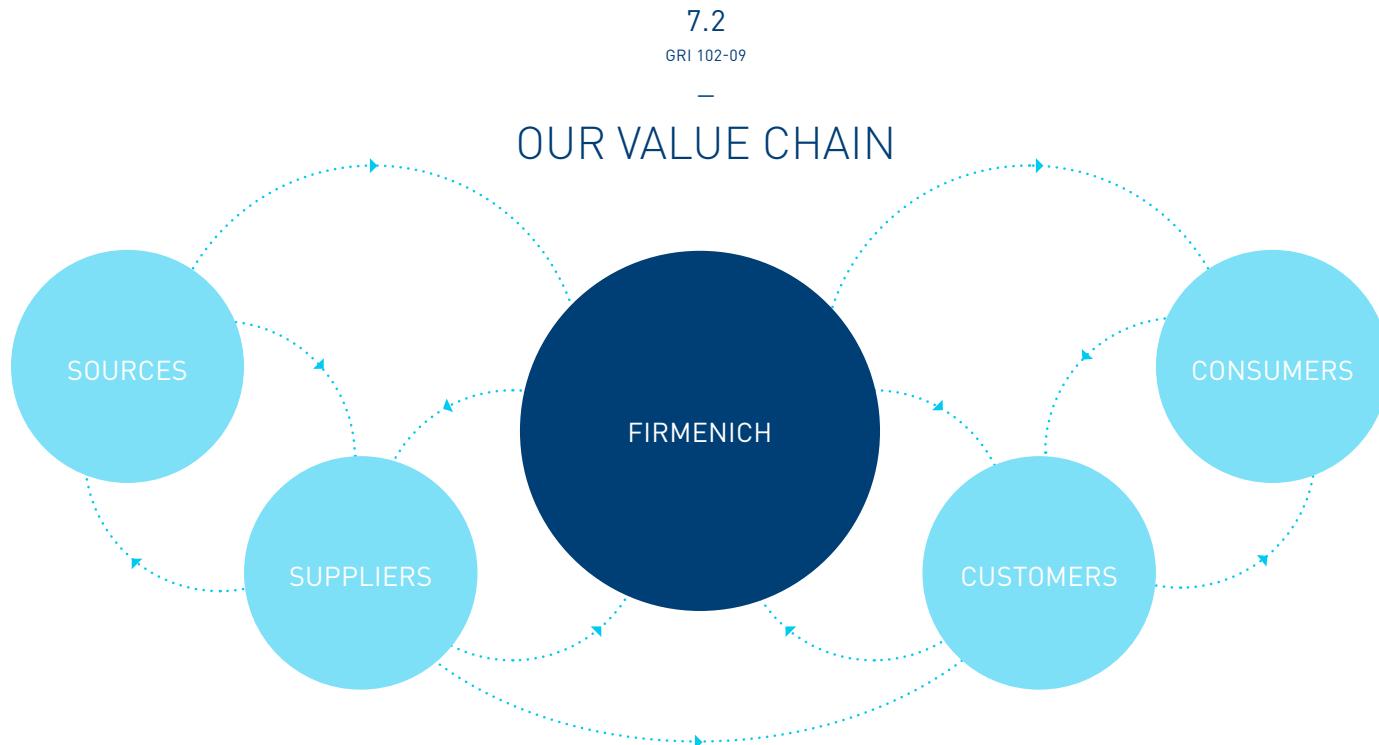
This assessment has helped us define the content of this report and engage with colleagues across the business on emerging issues. The report covers material issues rated as "high" and some issues rated as "medium." Issues rated as "low" are not covered in this report but are closely monitored.

- 01: Climate change mitigation & adaptation
- 02: Product safety & quality
- 03: Employee wellbeing & safety
- 04: Human rights protection
- 05: Water management
- 06: Responsible sourcing
- 07: Security of supply of raw material
- 08: Biodiversity preservation
- 09: Energy efficiency
- 10: Access to hygiene & sanitation
- 11: Single-use plastic
- 12: Waste management
- 13: Equal opportunities in hiring & promotion
- 14: Renewable raw material
- 15: Corporate reputation management
- 16: Attracting & retaining talents
- 17: Deforestation
- 18: Diversity & belonging
- 19: Future of food
- 20: Corporate transparency & reporting
- 21: Regenerative agriculture
- 22: Green science & eco-design
- 23: Bioethics
- 24: Product circularity
- 25: Contribution to the SDGs
- 26: Inclusive business model
- 27: Digital traceability
- 28: Conscious consumer demand
- 29: Artificial intelligence
- 30: Animal testing
- 31: Collaborations with non-profit partners
- 32: Organic certification
- 33: Philanthropic commitments
- 34: Consumer scanning app
- 35: Responsible luxury movement

**IMPACT ON  
FIRMENICH'S BUSINESS**

**IMPORTANCE TO  
STAKEHOLDERS**





### UPSTREAM - Natural resources, talented partners

We **SOURCE** raw and non-raw materials globally. In selected countries, we have developed social and environmental programs in partnership with our suppliers.

Our **SUPPLIERS** are requested to adhere to our Code of Conduct, our Human Rights Policy, as well as our Responsible Sourcing Policy, in addition to filling out a questionnaire covering social and environmental topics. We also ask suppliers to report on EcoVadis and on their environmental performance through the CDP supply chain program.

### OUR ACTIVITY - Creation, R&D, marketing and sales, operations

**FIRMENICH** - Research and Development and creation activities are at the heart of our business. How these relate to our impact on sustainability is managed through different channels, such as green chemistry principles, CreateForGood™, and a new nutrition program. Regarding our operations, all of our manufacturing sites are audited by an independent third party as part of the Sedex assessments, which include environmental and social criteria. Sustainability is also embedded in our sales and marketing activities and our Consumer Insights Program.

### DOWNSTREAM - Customers, consumers

We sell our products to a wide range of **CUSTOMERS**, from multinationals to small and medium enterprises. We uphold the highest standards of product safety and quality and communicate on our sustainability activities through annual sustainability reporting, collaboration projects, and ongoing dialogue, helping customers achieve their sustainability goals toward sustainable production and consumption.

Our **CONSUMER** Insights Program brings us unique insights about conscious consumers who are looking for more transparency and sustainable products. This innovative program enables us to develop products that meet the needs of consumers, including low-income consumers, while satisfying our customers' requirements and standards.

## PROGRESS KEY

- ● ● MORE TO DO
- ● ● ON TRACK
- ● ● MET

7.3

—  
OUR 2020 GOALS AND PROGRESS

2020 GOALS	PROGRESS	FY18	FY19	FY20
INTEGRATING SUSTAINABILITY				
Collaborate with at least 10 leading academic institutions on sustainability innovation	● ● ●	Conducted collaborative research, teaching, and mentoring with 10 leading academic institutions	Conducted collaborative research, teaching, and mentoring with 10 leading academic institutions	Conducted collaborative research, teaching, and mentoring with 10 leading academic institutions
Create a Firmenich Sustainability Academy to train 100% of our workforce on social and environmental topics	● ● ○	Launched Firmenich Connect and delivered face-to-face sustainability training to over 984 colleagues	Delivered face-to-face and online sustainability training to about 2,500 colleagues	Delivered face-to-face and online sustainability training and launched the Sustainability Academy in May 2020, reaching 71% of the workforce
CARING ABOUT PEOPLE				
Improve quality of life through nutrition, hygiene, and sanitation	● ● ●	TastePrint™ and Protein Shield flavors	<ul style="list-style-type: none"> <li>• Mobile toilets for Her</li> <li>• 215,000 metric tons of sugar removed</li> </ul>	<ul style="list-style-type: none"> <li>• 300,000 metric tons of sugar reduction</li> <li>• Over one trillion calories removed</li> </ul>
Deliver malodor control systems as home care products for base of pyramid consumers	● ● ●	Started the commercialization phase	Products commercialized in Bangladesh	Product commercialized in South Africa
Expand the innovative base of pyramid Consumer Insights program to Africa	● ● ●	External funding allowing consumer insights in several countries, including in Africa	Consumer insights conducted in Africa, including Kenya and South Africa	Consumer insights studies presented at the Pune Sanitation Summit in November 2019, reports publicly available
Extend our apprenticeship programs to all geographic regions	● ● ○	Extended our apprenticeship program to the United States after Switzerland	Apprenticeship programs implemented through the Global Alliance for Youth extending to the EU	Joined the Global Apprenticeship Network (GAN) to support the development of apprenticeship programs in new regions

2020 GOALS	PROGRESS	FY18	FY19	FY20
Audit and validate human rights across the Firmenich value chain	● ● ○	Identified Firmenich's salient human rights issues and published a Human Rights Policy Statement	<ul style="list-style-type: none"> <li>Conducted a full value chain mapping to refine the priority areas of work and published our Modern Slavery Statement</li> <li>Achieved an increase in supplier adhesion to Sedex from 432 in FY18 to 515 in FY19, covering human rights among others</li> </ul>	Extended EcoVadis to suppliers to collect additional human rights data and strengthened our desktop audit questionnaire by refining questions related to human rights
Certify all Firmenich sites for gender pay equality	● ● ●	Commitment to become a 100% certified gender equality employer by end of 2018 calendar year	Received Global EDGE certification in December 2018 covering gender pay equality and more	Started the first renewal of EDGE certification in June 2020
Formalize a program to further integrate people with disabilities throughout our business	● ● ●	Employed 30 visually impaired panelists out of a total of 100 panelists around the world	Hired and trained 77 blind and visually impaired sensory panelists across six countries	Hired and trained 54 blind and visually impaired sensory panelists across six countries
Sustain and further improve our industry-leading safety performance by maintaining a total recordable case (TRC) rate below 0.25	● ● ●	Improved our safety performance 51% vs. our FY13 baseline and reached a TRC rate of 0.21	Improved our safety performance 33% vs. FY14 baseline and reached a TRC rate of 0.18	Improved our safety performance 57% vs. FY15 baseline and reached a TRC rate of 0.18

## RESPECTING NATURE

Develop sustainable and cost-effective flavor and fragrance ingredients and technologies	● ● ●	Invested in state-of-the-art technology for real-time, online monitoring of chemical processes, greater energy efficiency, and less waste	<ul style="list-style-type: none"> <li>New chemical process of Paradisone®, improving its environmental profile</li> <li>Z11 HD using renewable sources of sugar as raw material and further chemical transformation</li> </ul>	<ul style="list-style-type: none"> <li>Dreamwood™, a new perfumery ingredient obtained from 100% renewable carbon</li> <li>Sorbitolide® a white musk that fulfills key principles of green chemistry</li> <li>Optimized manufacturing processes for Hedione® and Dynascone®</li> </ul>
Demonstrate leadership in the environmental assessment of our ingredients and technologies	● ● ●	EcoScent Compass™ designed, developed, and launched at World Perfumery Congress	<ul style="list-style-type: none"> <li>New GreenGate, embracing the overall degradability potential of our ingredients and strict environmental safety criteria</li> <li>Analytical results proving that the polymeric materials used to encapsulate fragrances are too hydrophilic to serve as vectors favoring the bioaccumulation of persistent toxic materials</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrated the importance of comprehensively removing fragrance from encapsulates to ascertain artifact-free biodegradation assays of the polymeric shell</li> <li>Demonstrated that encapsulates do not bioaccumulate in representative species of mussels, crustaceans, and earthworms</li> </ul>
Accelerate go-to-market through innovation partnerships	● ● ●	Developed in vitro assay to assess bioaccumulation potential	Introduction of new SmartProtein™ solutions for great-tasting, plant-based foods and beverages	ECETOC (Centre for Chemical Safety Assessment) series presenting a conceptual framework for polymer risk assessment

2020 GOALS	PROGRESS	FY18	FY19	FY20
Lead the industry in the operationalization of the Nagoya Protocol	● ● ●	Hired full-time biodiversity expert, sitting within the Legal & Compliance Division, with responsibility to continue to drive compliance with the Nagoya Protocol internally	Deployed a due diligence system on Access and Benefit Sharing (ABS)	<ul style="list-style-type: none"> <li>Completed due diligence on Access and Benefit Sharing (ABS) under the Nagoya Protocol</li> <li>IFRA-IOFI ABS guidance released</li> </ul>
Generate gold standard carbon credits through collaborative investments	● ● ●	Invested in a second Livelihoods Carbon Fund	Invested in the Livelihoods-Caruanas project, launched in 2018 by the Livelihoods Funds for Family Farming	Ongoing investment in two Carbon Funds

## ACTING ON CLIMATE CHANGE

Reduce absolute Scope 1 and 2 CO <sub>2</sub> emissions by 20% vs. FY15	● ● ●	12.1% decrease in FY18 vs. FY15	30.2% decrease in FY19 vs. FY15	44.9% decrease in FY20 vs. FY15
Obtain 100% of electricity for Level 1 sites from renewable sources or Renewable Energy Certificates (RECs)	● ● ●	78% of electricity from renewable sources or offsets	86% of electricity from renewable sources or RECs in all operations worldwide	First company in the Flavor and Fragrance industry to reach 100% renewable electricity
Develop a transparent supply chain via CDP	● ● ●	48% increase in number of suppliers asked to report vs. FY17	84% increase in number of suppliers asked to report vs. FY17	128% increase in number of suppliers asked to report vs. FY17
Reduce the rate of water use in water-stressed areas by 25% vs. FY15	● ● ○	5.6% reduction in FY18 vs. FY15	9.7% reduction in FY19 vs. FY15	15.4% reduction in FY20 vs. FY15
Improve our waste efficiency <sup>17</sup> rate by 15% vs. FY15	● ● ○	3.8% improvement in FY18 vs. FY15	14.2% improvement in FY19 vs. FY15	10.1% improvement in FY20 vs. FY15
Ensure all our manufacturing sites can claim zero manufacturing waste-to-landfill	● ● ●	36.3% reduction in waste-to-landfill in FY18 vs. FY15	53.8% reduction in waste-to-landfill in FY19 vs. FY15	Zero manufacturing waste-to-landfill

2020 GOALS	PROGRESS	FY18	FY19	FY20
GROWING BUSINESS FOR GOOD				
Maintain a best-in-class legal compliance program	● ● ●	Continued to promote our culture of ethics and legal compliance through the development of our human rights governance, our redeveloped Gift and Entertainment policy, and the launch of our Whistleblowing hotline	Continued to promote a culture of ethics and compliance by updating our policies and standards; raising awareness through training, communication, and guidance to strengthen governance; instructing managers to champion ethics; and making employees feel accountable	Continued improvement of Firmenich's ethics program by focusing on issues such as the,strengthening of the role of local ethics committees, updating and creating new policies, and further ,strengthening our third-party due diligence process
Develop sustainability projects with 50 customers globally	● ● ●	Developed projects with over 100 customers, ranging from multinationals to smaller companies, covering fragrance and flavors	Developed projects with over 100 customers, ranging from multinationals to smaller companies, covering fragrance and flavors	Developed projects with over 100 customers, ranging from multinationals to smaller companies, covering fragrance and flavors
Further improve our excellent product quality	● ● ●	Achieved a Customer Quality Index (CQI) of less than one product defect per 1,000 sales orders	Achieved a Customer Quality Index (CQI) of less than one product defect per 1,000 sales orders	Achieved a Customer Quality Index (CQI) of less than one product defect per 1,000 sales orders
Build 40 responsible sourcing projects with smallholder farming communities	● ● ○	27 responsible sourcing projects at source	31 responsible sourcing projects at source	Responsible sourcing FY20 evolution from project-based approach to an entire sourcing portfolio strategy

7.4

## KEY PERFORMANCE DATA

KEY INDICATORS	FY18	FY19	FY20
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CARING ABOUT PEOPLE			
Turnover rate	10.4%	9.4%	9.7%
% of women in total workforce	40%	40%	40%
Women filling leadership position	33%	33%	50%
Total Recordable Case (TRC) rate	0.21	0.18	0.18
CHF millions invested in H&S projects	27.7	10.6	9.2
Number of employees trained on social and environmental topics	984	2,500	5,448
Solutions improving quality of life through nutrition and sanitation	•TastePrint™ •Protein Shield flavors	•Mobile toilets for Her •215,000 metric tons of sugar removed	+1 trillion calories removed

RESPECTING NATURE			
Eco-friendly ingredients and methods developed	Invested in state-of-the-art technology for real-time, online monitoring of chemical processes, greater energy efficiency, and less waste	• New chemical process of Paradisone®, improving its environmental profile • Z11 HD using renewable sources of sugar as raw material and further chemical transformation	• Dreamwood™, a new perfumery ingredient obtained from 100% renewable carbon • Sorbettolide®, a white musk that fulfills key principles of green chemistry • Optimized manufacturing processes for Hedione® and Dynascone®
Operationalization of the Nagoya Protocol	Hired full-time biodiversity expert	Deployment of a due diligence system on Access and Benefit Sharing (ABS)	Operational due diligence process on Access and Benefit sharing (ABS)

### ACTING ON CLIMATE CHANGE

<b>Reduction in absolute Scope 1 and 2 emissions [vs. FY15]</b>	12.1% reduction	30.2% reduction	44.9% reduction
<b>% of renewable electricity</b>	78% of electricity from renewable sources	86% of electricity from renewable sources	100% of electricity from renewable sources in all operations worldwide
<b>Water reduction in water-stressed areas [vs. FY15]</b>	5.6% reduction	9.7% reduction	15.3% reduction
<b>Waste efficiency<sup>17</sup> [vs. FY15]</b>	3.8% improvement	14.2% improvement	10.1% improvement

### GROWING BUSINESS FOR GOOD

<b>CHF millions invested in product quality</b>	5.3	5.6	5.9
<b>Further improve our excellent product quality</b>	99.9% sales orders were delivered product defect-free	99.91% sales orders were delivered product defect-free	99.94% sales orders were delivered product defect-free
<b>Number of suppliers audited by Sedex</b>	432	515	653

## 7.5

GRI 102-45, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54

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# ABOUT THIS REPORT

**This report is intended for our stakeholders while meeting the needs of a specialist audience and is used for the continuous improvement of our reporting processes and disclosures. This report was prepared during the lockdown and was managed internally.**

Our financial results and sustainability initiatives are reported on a fiscal year basis. In this report, all references to "FY20" relate to the 12 months ending June 30, 2020. This report has been prepared in accordance with the Global Reporting Initiatives (GRI) Standards: Core option. Since 2006, we have reported annually on our sustainability performance and activities. Our most recent report was published in 2019. This report and our previous reports have been fully verified by a third party to ensure that information, data, and examples are accurate. This level of verification helps us make sure that we report only the facts and that we are protected from falsehoods and misinformation, whether intentional or unintentional. Our GRI Index, also verified by Société Générale de Surveillance (SGS), can be found on our [website](#).

The boundaries of this report are based on the materiality analysis published in this report and available in a separate document. These boundaries cover the global operations of the Firmenich Group, including affiliates and

both manufacturing and non-manufacturing locations.

In total, Firmenich owns 45 manufacturing plants. This number reflects the number of plants at the end of FY20. However, for reporting purposes, and considering that some of our plants have not yet been integrated in our data management system, we include data for 34 manufacturing sites in this report, also available in separate performance tables. We will gradually include more manufacturing sites as we continue to report environmental and social data.

The environmental data presented in this report covers 33 manufacturing plants and excludes one recently opened site. The one excluded site will be fully integrated in FY21. After we fully integrate any new facilities or acquisitions and have enough information to understand their impact, we will re-calculate our baseline data as needed, in accordance with the Greenhouse Gas Protocol guidance.

The workplace and HR data reported covers all operations owned or controlled by the Group (including production sites, sales offices, laboratories, administrative offices, or combinations of such facilities). The employee data is reported for both the fixed and temporary headcount, while new-hire and termination figures cover fixed employees only and do

not include acquisitions. Employment data excludes Agilex and VKL, and the total workforce number includes DRT. Data is sourced from SAP reports and HR Monthly Headcount files that were consolidated in July. We made an assumption on the employee categories to map Firmenich's career ladder levels against the GRI Standard categories: Directors (CL 16+), Middle Managers (CL 14-15), and Rest of the Workforce (CL 11-13).

To highlight our performance, the previous year's data and rolling five-year data are included in this report where relevant. Some of this data may differ from figures reported in previous sustainability reports. These variations reflect improvements made in the calculation and consolidation methods, as well as changes made once more accurate data became available. Any changes in data reporting below a 1% threshold are deemed not material to this report, unless they are found to be of sufficient importance to our management team. In these cases, the explanation for the variation will be detailed.

For any questions on the report, please contact:  
[global.sustainability@firmenich.com](mailto:global.sustainability@firmenich.com)



## ASSURANCE STATEMENT

### SGS SOCIÉTÉ GÉNÉRALE DE SURVEILLANCE SA REPORT ON SUSTAINABILITY ACTIVITIES IN THE FIRMENICH PERFORMANCE AND SUSTAINABILITY REPORT FOR 2020

#### NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Société Générale de Surveillance SA was commissioned by Firmenich to conduct an independent assurance of the Firmenich Performance & Sustainability Report 2020. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all text, and data in accompanying tables, contained in the report, data in accompanying tables including performance tables at the end of the report.

The information in the Firmenich Performance and Sustainability Report 2020 and its presentation are the responsibility of the directors and the management of Firmenich. SGS Société Générale de Surveillance SA has not been involved in the preparation of any of the material included in the Firmenich Performance and Sustainability Report 2020.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all Firmenich's stakeholders.

This report has been assured at a moderate level of scrutiny using our protocols for:

- evaluation of content veracity;
- evaluation of the report against the GRI Standards (current edition)

This year due to restrictions of the COVID-19 pandemic, there was no opportunity to for visits on-site or face-to-face interviews. Instead interviews were carried out remotely with interviewees located in different locations around the world. Data has been assured at corporate level; base data utilized in the calculation of the consolidated figures have not been assured.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of the assurance process.

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS Société Générale de Surveillance SA confirms our independence from Firmenich, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with Lead Quality, Environmental and Social Auditor and experience in the flavors and fragrance industry.

#### VERIFICATION/ ASSURANCE OPINION

On the basis that the methodology described, and the verification work performed, we are satisfied that the information and data contained within Firmenich Performance and Sustainability Report 2020 is accurate, reliable and provides a fair and balanced representation of Firmenich sustainability activities in financial year ending 2020.

The assurance team is of the opinion that the Report can be used by the Reporting Organization's Stakeholders. We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting.

#### GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES GRI Standard (current edition)

In our opinion the Firmenich Performance and Sustainability Report 2020 is presented in accordance with the core option for GRI Standards (current edition) and fulfils all the required content and quality criteria.

#### Principles

In our opinion the content of the report adheres to the four GRI Report Content Principles of Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness, and the six GRI Report Quality Principles of Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability.

#### General Standard Disclosures and Specific Standard Disclosures

We are satisfied that the General Standard Disclosures and Specific Standard Disclosures on Aspects identified as Material have been addressed in line with the core requirements of GRI Standards (current edition).

#### RECOMMENDATIONS

Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- Future reporting of Materiality Assessment should include a breakdown of the range of stakeholders by reply and issues raised where this would not impinge on confidentiality of the stakeholders.
- The number of "internal indicators" have greatly increased from FY19 report, the majority of them being associated with the Material Topics with no specific GRI standards. To allow comparability and transparency, it is recommended that the FY20 GRI "internal indicators" are consistently reported over a time-period and to justify why they are not used anymore, if they are deleted from future reporting.

Signed for and on behalf of SGS Société Générale de Surveillance SA - Geneva, September 2020

Stéphane ROMBALDI  
SGS Société Générale de Surveillance SA  
Certification & Business Enhancement

WWW.SGS.COM

## END NOTES

- 1** Growth rate in local currency including acquisitions
- 2** Based on Management estimates; Firmenich FY2020 vs. FY2019 key players revenue figures. Firmenich revenues include DRT and MG International on a full year proforma basis.
- 3** Including the acquisition of DRT
- 4** Manufacturing waste is defined as waste that is generated directly as part of the manufacturing process or waste generated from activities associated with manufacturing. This is inclusive of any spent product, raw material, chemical, and sample waste sent for disposal.
- 5** Excluding recent acquisitions
- 6** TRC includes ill health. Both TRC and LTC rates are per 200,000 exposure hours and include employees and supervised contractors. This year's TRC includes completed acquisitions: Agilex (NJ), Fragrance West (CA), Campus (Italy and Mexico), Flavourome (South Africa), Evonik (Germany).
- 7** Main injuries include thermal burns , cuts (punctures and lacerations), fractures, bruises, abrasions or contusions, and strains or sprains.
- 8** "Here's how the footprint of the plant-based Impossible Burger compares to beef." April 2019, Quantis
- 9** Source: Firmenich quantitative FASTSurvey with national representative sample of consumers in five country markets: USA, DE, FR, BR, MX
- 10** Laboratory tests, patent-pending
- 11** Anastas, P.T. and Warner, J.C. (1998). Green Chemistry: Theory and Practice. Oxford University Press: New York, p.30. By permission of Oxford University Press.
- 12** Quantification of Residual Perfumes by Py-GC-MS in Fragrance Encapsulates Polymeric Materials Intended for Biodegradation Tests, MDPI, February 7,2020
- 13** ABS is defined in the UN CBD Nagoya Protocol – 2014 and national regulations
- 14** "Deforestation and Forest Degradation", Issues Brief, International Union for Conservation of Nature, November 2017
- 15** "How LED Lighting Increases Employee Productivity and ROI", Amerlux
- 16** "Gujarat sets 30,000 MW renewable energy generation target by 2022." 5 November 2019, The Economic Times
- 17** Waste efficiency involves reducing waste generated and choosing disposal outlets that have a smaller environmental impact. The objective of this target is to both reduce waste and move waste from undesirable outlets (such as landfill and direct incineration) to outlets with less environmental impact (such as recycling and burning for energy recovery)
- 18** Emissions from outside our operations, upstream, and downstream in our value chain
- 19** Including profile of the receiving waterbody
- 20** An unplanned discharge is an unanticipated release to land or waterways. This does not include wastewater discharge permit excursion.
- 21** "No surprise : Sustainability Funds Outperform the Market – Despite COVID-19." *Responsible Investor*

## GLOSSARY

<b>ABS:</b> ACCESS AND BENEFIT SHARING	<b>GFW:</b> GLOBAL FOREST WATCH	<b>NGOS:</b> NON-GOVERNMENTAL ORGANIZATIONS
<b>AI:</b> ARTIFICIAL INTELLIGENCE	<b>GJ:</b> GIGAJOULE	<b>OP2B:</b> ONE PLANET BUSINESS FOR BIODIVERSITY
<b>CDP:</b> CARBON DISCLOSURE PROJECT	<b>GRI:</b> GLOBAL REPORTING INITIATIVE	<b>QHSE:</b> QUALITY, HEALTH, SAFETY, AND ENVIRONMENT
<b>CEO:</b> CHIEF EXECUTIVE OFFICER	<b>HR:</b> HUMAN RESOURCES	<b>R&amp;D:</b> RESEARCH AND DEVELOPMENT
<b>CHF:</b> SWISS FRANC	<b>H&amp;S:</b> HEALTH AND SAFETY	<b>RECS:</b> RENEWABLE ENERGY CERTIFICATES
<b>CHRO:</b> CHIEF HUMAN RESOURCES OFFICER	<b>HS&amp;E:</b> HEALTH, SAFETY AND ENVIRONMENT	<b>RIFM:</b> RESEARCH INSTITUTE FOR FRAGRANCE MATERIAL
<b>CO<sub>2</sub>:</b> CARBON DIOXIDE	<b>HSI:</b> HUMANE SOCIETY INTERNATIONAL	<b>ROSPA:</b> ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS
<b>COC:</b> CODE OF CONDUCT	<b>IEA:</b> INTERNATIONAL ENERGY AGENCY	<b>RTS:</b> RADIO TÉLÉVISION SUISSE
<b>COD:</b> CHEMICAL OXYGEN DEMAND	<b>IFRA:</b> INTERNATIONAL FRAGRANCE ASSOCIATION	<b>SBTi:</b> SCIENCE BASED TARGETS INITIATIVES
<b>CQI:</b> CUSTOMER QUALITY INDEX	<b>ILMAC:</b> PLATFORM FOR CHEMISTRY, PHARMACY AND BIOTECHNOLOGY	<b>SCIENCEINDUSTRIES:</b> SWISS BUSINESS ASSOCIATION CHEMISTRY PHARMA LIFE SCIENCES
<b>CSAQ:</b> COMPLIANCE SELF-ASSESSMENT QUESTIONNAIRE	<b>IMS:</b> INSTITUTE FOR MOLECULAR BIOLOGY AND APPLIED ECOLOGY	<b>SDGs:</b> SUSTAINABLE DEVELOPMENT GOALS
<b>CSO:</b> CHIEF SUSTAINABILITY OFFICER	<b>IOFI:</b> INTERNATIONAL ORGANIZATION OF THE FLAVORS INDUSTRY	<b>SEDEX:</b> SUPPLIER ETHICAL DATA EXCHANGE
<b>EAWAG:</b> SWISS FEDERAL INSTITUTE OF AQUATIC SCIENCE AND TECHNOLOGY	<b>IPCC:</b> INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE	<b>SEP:</b> SUPPLIER EXCELLENCE PROGRAM
<b>ECETOC:</b> EUROPEAN CENTRE FOR ECOTOXICOLOGY AND TOXICOLOGY OF CHEMICALS	<b>ISO:</b> INTERNATIONAL ORGANIZATION FOR STANDARDIZATION	<b>SGS:</b> SOCIÉTÉ GÉNÉRALE DE SURVEILLANCE
<b>EDGE:</b> ECONOMIC DIVIDENDS FOR GENDER EQUALITY	<b>IUCN:</b> INTERNATIONAL UNION FOR THE CONSERVATION OF NATURE	<b>SR15:</b> SPECIAL REPORT ON GLOBAL WARMING OF 1.5°
<b>EFFA:</b> EUROPEAN FLAVOR ASSOCIATION	<b>KWH:</b> KILOWATT HOUR	<b>TBC:</b> TOILET BOARD COALITION
<b>EPFL:</b> ECOLE POLYTECHNIQUE FÉDÉRALE DE LAUSANNE	<b>L3F:</b> LIVELIHOODS FUND FOR FAMILY FARMING	<b>TRC:</b> TOTAL RECORDABLE CASE
<b>ERM:</b> ENTERPRISE RISK MANAGEMENT	<b>LGBTIQ+:</b> LESBIAN, GAY, BISEXUAL, TRANSGENDER, INTERSEX, OR QUESTIONING	<b>UEBT:</b> UNION FOR ETHICAL BIOTRADE
<b>ESG:</b> ENVIRONMENTAL, SOCIAL AND GOVERNANCE	<b>LPG:</b> LIQUEFIED PETROLEUM GAS	<b>UN:</b> UNITED NATIONS
<b>EU:</b> EUROPEAN UNION	<b>LTC:</b> LOST-TIME CASE	<b>WBCSD:</b> WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT
<b>EUR:</b> EURO	<b>MWH:</b> MEGAWATT-HOUR	<b>WEF:</b> WORLD ECONOMIC FORUM
<b>FARC:</b> FINANCE AUDIT AND RISK COMMITTEE	<b>MW:</b> MEGAWATT	<b>WRI:</b> WORLD RESOURCES INSTITUTE
<b>FSSC:</b> FOOD SAFETY SYSTEM CERTIFICATION		<b>WWF:</b> WORLD WIDE FUND FOR NATURE
<b>GAIN:</b> GLOBAL ALLIANCE FOR IMPROVED NUTRITION		
<b>GAN:</b> GLOBAL APPRENTICESHIP NETWORK		
<b>GCC:</b> GOVERNANCE AND COMPENSATION COMMITTEE		
<b>GEC:</b> GLOBAL ETHICS COMMITTEE		

# OUR FUNDAMENTALS

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## CUSTOMERS



We fragrance and flavor our customers' products for our **mutual success**.

- Our customer intimacy is unique as we partner with our customers to transform their ambitions into reality.
- We anticipate consumers' desires, continuously reinventing the world of taste and smell.
- We deliver value through innovative products and services, placing decision-making as close as possible to our customers.

## PEOPLE



Our people are the heart of our Company. They are recognized for their **passion, talent, and commitment**.

- We strictly maintain the highest levels of personal integrity and ethical behavior.
- We value diversity and create an environment in which each colleague is empowered and encouraged to grow, enabling us to shape our future with confidence and imagination.
- We unite the finest talents and nurture an entrepreneurial team spirit to attain our strategic goals.

## CREATIVITY



**Creativity is our essence.**

- We create fragrances and flavors that inspire moments of pleasure and delight for consumers worldwide.
- We lead our industry in research and innovation, constantly driving incremental and breakthrough winning ideas and technologies.
- We apply our creativity to improve all parts of the business.

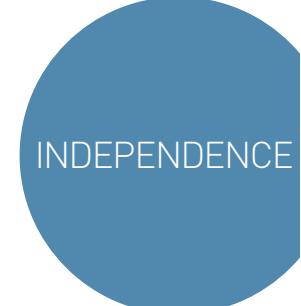
## SUSTAINABILITY



Our integrity and sense of individual and collective responsibility ensure our **long-term success**.

- We practice a sustainable business model for the wellbeing of present and future generations.
- We engage all our partners to build a responsible, sustainable, and traceable value chain.
- We strictly comply with all regulatory requirements and strive to achieve the highest international standards on quality, safety, and the environment.

## LEGACY



Our **independence** gives us the freedom to control our destiny.

- We are a family-owned company, committed to our independence.
- We take a long-term view of our business.
- We pursue a policy of financial strength, profitable growth, and return on assets.

FOR MORE INFORMATION, GO TO  
[www.firmenich.com/sustainability](http://www.firmenich.com/sustainability)

To contact us, please email  
[global.sustainability@firmenich.com](mailto:global.sustainability@firmenich.com)

