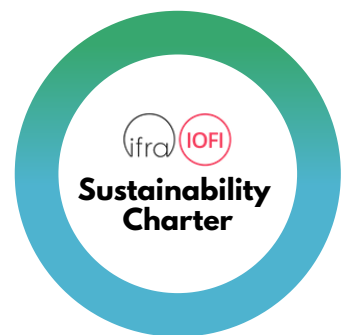




IFRA-IOFI Sustainability Report 2020-21



Introduction

Martina Bianchini & Sven Ballschmiede



Welcome to the first annual IFRA-IOFI Sustainability Report.

Formally launched last year, the Charter has been long in the making. Since 2016 we have worked with members and external experts to discuss, develop and refine the program and create an ambitious new approach to sustainability across the two industries.

The Charter is a voluntary framework that has been signed by 126 companies. It represents a collective commitment to making the difference for the planet, for people and for our business across five Focus Areas - responsible sourcing, reducing our environmental footprint, employee well-being, product safety, and transparency and partnerships.

In this Sustainability Report, we get an opportunity to present the state of play - how these companies are fulfilling or working towards the Commitments in the Charter.

The results are impressive, both in terms of the percentage of the industries by market share and in terms of individual companies (our industries including many small or medium-sized enterprises).

The results reflect the fact that many companies have long-standing sustainable development commitments and have been engaged in initiatives for many years. In the coming years we hope to further improve thanks to the Charter's collective framework and the tools provided to

help raise the bar across the industry.

We cannot ignore the political, economic and social context that accompanies this first annual Sustainability Report. The COVID-19 pandemic continues to dominate our lives and our businesses, and has emphasized the need for greater sustainability.

Although the Charter is a project that has been years in the making, its time has truly come: an opportunity to underline our sectors' commitment to more responsible sourcing and production, to employee well-being, and to economic sustainability.

We will continue to highlight and reinforce this commitment both through the Charter and in our work on public policy globally, including the EU Green Deal and the US Sustainability Agenda, as well as initiatives in Asia-Pacific and Latin America.

This first Sustainability Report represents a benchmark for us to measure progress in future years. We hope to see, in the next twelve months, more companies making progress along the sustainability path, and more companies committing to the Charter.

IFRA and IOFI will continue to provide signatories and all members with its best efforts, expertise and support to help maintain the fragrance and flavor industries' continuous efforts on sustainability, in the context of the United Nations Sustainable Development Goals.



Executive summary

This first IFRA-IOFI Sustainability Report is a significant milestone on the sustainability journey of the fragrance and flavor (F&F) industries.

Since 2016, IFRA and IOFI, as the global representative bodies of the F&F industries, have worked with members to develop a common Sustainability Charter.

The Charter seeks to define what sustainability means for our industries and creates a sectoral framework. Such frameworks are important value creators, helping to improve performance and raise the bar on sustainability across industries.

This report highlights the state of play of the F&F industries in the five Focus Areas of the Charter:

- Ensure responsible sourcing throughout the value chain
- Reduce our industries' environmental footprint and address climate change
- Enhance the well-being of employees and ensure a rewarding labour environment
- Be at the leading edge of product safety
- Be transparent and a reliable partner for society

The Charter was formally launched in July 2020 with around 100 signatory companies - a figure that exceeded expectations and that showed the interest and willingness of F&F companies to engage in a common initiative and make commitments on a series of shared goals.

Once the Charter was launched, the next step, in autumn 2020, was to invite all signatory

companies to participate in a baseline survey on their own performance against the five Charter Focus Areas in order to provide a representative picture of the overall sustainability maturity level of our industries.


Of the now 126 signatories to the Charter, more than 80 per cent responded to the 31-question survey on the five Focus Areas and 17 Commitments.

It should be noted that in the F&F industries, a relatively small number of large global multinational corporations represent more than four-fifths of the market, while the remainder is made up of small and medium-sized enterprises. The results therefore need to be interpreted with these market dynamics in mind.

The results will be a baseline against which we can measure progress in the industries. That overall picture is an impressive one: the results, which will be the baseline for future Sustainability Reports, show a high level of 'maturity' in the industries on sustainability.

Across the five Focus Areas, we consistently see more than two in every three companies having strategies in place, or in the pipeline, to address these sustainability challenges. When mapped against market share, the overwhelming majority of the F&F market has plans in place to improve its performance.

On **responsible sourcing**, the awareness and level of active engagement in the F&F industries is high. More than 70 per cent of respondents - including the companies that make up the vast majority of the market - engage in dialogue with



farmers and local communities, supporting equitable practices, community development and education.

The bulk of the market has advanced human rights and labor standards roadmaps, as well as biodiversity action plans. Our Toolbox of laws and sustainability programs provide the tools that will help other companies develop similar roadmaps and action plans.

On **environmental footprint and climate change**, the overall footprint of the F&F industries is relatively small and the industries exhibit a good environmental profile. More than 75 per cent of respondents, and more than 90 per cent of the F&F market by market share, have a global environmental strategy, implementing eco-design measures and acting to reduce consumption and waste.

Between a fifth and a third of respondents - again, representing the lion's share of the market - have waste roadmaps or are implementing new business practices to reduce energy and water consumption, greenhouse gas emissions and waste. Uptake of green chemistry principles is strong and has the capacity to grow.

IFRA and IOFI have taken steps to improve understanding of the concept of green chemistry by hosting a Masterclass for its members in March 2021 with one of the concept's founders, Dr John Warner.

On **employee well-being and offering a rewarding labor environment**, the F&F industries already demonstrate high standards. More than 70 per cent of respondents have occupational health

and safety strategies that go beyond implementation of regulatory requirements in place and nearly half are using internationally recognized evaluation tools.

Around half of respondents - including the biggest companies - exhibit best practice on occupational health and safety. This includes offering equal opportunities and fair treatment of all employees, promoting diversity and inclusion, and providing training and development opportunities to upgrade professional skills. The vast majority of the industries' employees benefit from this high standard.

The COVID-19 pandemic has presented many occupational health and safety challenges for the F&F industries, and IFRA and IOFI have supported member companies through the development of best practice guidance documents and by monitoring legislative and policy changes around the world.

F&F companies play an essential role in the two industries' value chains – delivering our products into high-quality food supply chains and the hygiene and cleaning product supply chains.

Consumers expect high-quality and reliable products that would contribute to their health and well-being at a time of crisis: the fragrance and flavor industries worked hard to deliver essential products to our customers and to consumers, keeping facilities open, supply chains working, and employees safe.

The F&F industries are already at the leading edge of **product safety** – a non-negotiable requirement. In addition to complying with our respective



Codes of Practice, compliance with existing regulations is crucial.

Dialogue helps to support product safety, and our survey highlights how more than 90 per cent of respondents engage in dialogue with downstream customers on product stewardship and how more than a quarter provide educational support in a proactive way to ensure optimum safety and strengthen confidence in the safe use of our materials.

On **transparency and partnerships**, more than three in four respondents have a global responsive governance strategy in place, including all the largest companies. More than three in every five respondents employ anti-corruption measures that go beyond legal requirements and approximately two-thirds are engaged in ongoing dialogue with political stakeholders, with almost every signatory company involved in some form of dialogue.

The impressive results provided by signatories complement the work done by IFRA and IOFI as global representative bodies of the F&F industries.

We are engaged in sectoral partnerships with organizations such as the Union for Ethical Biotrade and GIZ, a German development agency, to develop sustainability best practices.

IFRA and IOFI also support signatories by providing tools and information through

webinars, speaker sessions, and an online Toolbox with information on good practices, details of legal and regulatory frameworks and sustainability programs, and international disclosure standards.

In 2021, we will establish a new standing Sustainability Committee to further refine our common framework and drive the implementation of the Charter and improve its governance. We will also work to expand the geographical scope of the Charter and the number of signatories.

But our goals will remain consistent: to raise awareness in the sector, provide a common framework for action and implementation, build dialogue and partnerships and report on our progress. We ultimately seek to make a difference for the planet, for people and for our business through our common, sectoral sustainability framework.

We look to work with our customers, partners and stakeholders to design the safe and sustainable products of the future.

And, with a strong reference to the United Nations Sustainable Development Goals (SDGs), the fragrance and flavor industries will continue to use the Charter to contribute to public policy objectives and to communicate about our activities according to international reporting standards and the SDGs.



Results & Activities 2020-21

Introduction

Results & Activities 2020-21

About the Report

This first annual IFRA-IOFI Sustainability Report is an important one.

First, it provides an opportunity to **introduce the Sustainability Charter to a wider audience**: to share information about our journey to raise the bar for sustainability in our industries.

Second, it provides the **first data on the 'maturity level'** in our industries against the Commitments contained in the Charter. It sets the benchmark for future reports, allowing us to measure progress in the coming years and for signatory companies to drive improvement.

Part A: State of Play

The first part of the Report is based on a survey of signatory companies. More than 100 companies responded to the survey - a response rate of more than 80 per cent, covering the vast majority of the industries by market share. This feedback allows us to present a representative picture of sustainability across the industries.

The survey included 31 questions based on the five Focus Areas and 17 Commitments. Signatory companies gave a self-assessment of their sustainability efforts - an indication of whether they had programs in place or were planning initiatives; the extent to which they reported their work; and how they complied with

internationally-recognized norms and standards. The results of the survey are set out in two ways.

The principal metric is the **number of companies**. This approach allows us to assess progress across the industry, from small businesses to large multinationals, giving equal weighting to each company.

However, we believe that it is also important to give a more balanced impression of the sustainability profile of the industries by taking into account **market share**. We have therefore used available data to estimate the industries' overall sustainability profile based on the size of companies.

This part of the Report also includes further information on each Focus Area and maps each one against the relevant United Nations Sustainable Development Goals, also known as the SDGs or 'Global Goals'. (This mapping is based on our own assessment and may differ from individual company approaches.)

Part B: Our activities

The second part of the Report gives a short overview of the key events undertaken in 2020, including the formal launch of the Charter, the publication online of a 'Toolbox' of sustainability initiatives, programs and laws, and the creation of new groups to bring together signatories and oversee the development of the Charter.



FOCUS AREA 1

Responsible sourcing

About this focus area

Ensure responsible sourcing throughout the value chain

The fragrance and flavor industries have a key role to play in socio-economic development relating to the sourcing of raw materials – notably in relation to job creation, skills development and the improvement of employment prospects. This is especially important for people living far from the main centers of employment.

F&F companies must ensure respect for human rights and labor standards in our activities and products, as well as in our business relationships and in monitoring the activities of partners. In areas where there is political instability or even conflict, companies have to be especially vigilant.

In their operations and supply chains, F&F companies rely on a variety of ecosystem services that are generally classified as common property and/or public goods, and which must be protected. The protection and/or rehabilitation of biodiversity is an imperative as well as an opportunity to develop new projects and engage employees and wider communities.

As responsible industries, we should also seek to go beyond our core business activities by contributing to dynamic and positive change at a local level, whether through involvement in education or culture, community cohesion or wider technological development.

Results in summary

The survey results highlight good progress in the area of responsible sourcing: well over half of respondents already have a strategy in place; another fifth plan to create a strategy in 2021.

More than a third of respondents use internationally recognized evaluation tools, and when mapped against market share, well over 90% of the fragrance and flavor market is at this most advanced level.

More than 70% of respondents - including the companies that make up the vast majority of the market - engage in dialogue with farmers and local communities, supporting equitable practices, community development and education (Commitment 1.1).

Companies representing the vast majority of the market have developed roadmaps to identify, map and mitigate risks relating to labour standards (Commitment 1.2) - and we hope that in the coming years more companies will be able to join them.

Likewise, the 14 companies who have established biodiversity and ecosystem protection plans (Commitment 1.3) include the largest companies - meaning that F&F market as a whole demonstrates a strong attachment to respecting the natural world.



Activities under this Focus Area relate to a number of United Nations Sustainable Development Goals

The selected SDGs are ranked according to their relevance to the Charter

15 LIFE ON LAND



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



8 DECENT WORK AND ECONOMIC GROWTH



FOCUS AREA 2

Environmental footprint and climate change

About this focus area

Reduce our industries' environmental footprint and address climate change

Increasing concerns over climate change raised expectations of industry. Regulators, customers and other stakeholders want to know how we will anticipate issues, diminish risks, lower emissions and develop solutions. The fragrance and flavor industries are committed to a circular economy approach with practical measures that include limiting the environmental impact of their facilities and investing to comply with environmental rules.

Engaging in a circular economy approach requires us to rethink the old industry model and adapt it to changed societal expectations. For example, waste is becoming either a material resource or an energy resource (through recycling and energy recovery), with a circular economy approach allowing companies to create value and make savings by lowering waste treatment costs or reusing materials.

To ensure resource availability in the future, companies should ensure that the raw materials used in our industries - whether natural or synthetic – are used efficiently. The sustainability and environmental footprint of both natural and synthetic ingredients will need to be considered, examining the sustainability profile of each type on a case-by-case basis.

In addition, companies should use energy, water and other resources carefully, and implement the principles of green chemistry, in the knowledge that resource consumption is closely linked to their overall environmental impact – both globally and locally. Other concerns relate to the use of non-renewable resources. Optimizing consumption and avoiding overconsumption, particularly of electricity, not only reduces the environmental impact but can give companies a competitive edge.

Results in summary

More than 75% of respondents, and more than 90% of the fragrance and flavor market by market share, have a global environmental strategy, implementing eco-design measures and acting to reduce consumption and waste.

Between a fifth and a third of respondents have waste roadmaps or are implementing new business practices to reduce energy and water consumption, greenhouse gas emissions and

waste (Commitment 2.2). With this number covering the vast majority of the market, the F&F industry exhibits a good environmental profile.

Green chemistry (Commitment 2.3) is an emerging practice but more than half respondents use it in some form, and IFRA and IOFI are taking action to increase awareness of green chemistry and encourage greater uptake of its principles.



THE GLOBAL GOALS

Activities under this Focus Area relate to a number of United Nations Sustainable Development Goals

The selected SDGs are ranked according to their relevance to the Charter

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



13 CLIMATE ACTION



FOCUS AREA 3

Well-being of employees

About this focus area

Enhance the well-being of employees and ensure a rewarding labor environment

Companies have a moral and legal duty to ensure health and safety at work. But there is also an economic incentive: prevention helps to reduce risks, prevent accidents and illness, and boost economic performance.

Given the materials used, the fragrance and flavor industries have the potential to expose workers to potential occupational risks. We should therefore anticipate and limit the risks associated with products and processes to ensure the health and safety of employees.

Like other industries, we have to address physical risks (from travel, musculoskeletal disorders, lifting, electrical charge, noise and so on) as well as psychological and social hazards. These issues also affect our employees and service providers, who should be informed of health and safety rules and guidance.

The fragrance and flavor industries, as significant employers, have a role to play on subjects such as equal pay and protection of certain groups in the workforce (such as young people, older people and people with disabilities).

The challenge is to allow diverse talents to express themselves fully and sustainably in the company, and to respect all differences. By implementing a diversity and equal opportunities policy and promoting inclusion, companies can increase their attractiveness as employers and improve performance.

A well-established social dialogue improves the functioning of companies and reduces the risk of conflict. Involving employees in the development and implementation of their own working conditions increases their satisfaction, well-being, motivation, loyalty and performance.

Results in summary

Employee well-being is a Focus Area where fragrance and flavor companies are already showing exceptional progress, with more than 70% of respondents having health and safety strategies in place that go beyond implementation of regulatory requirement; nearly half using internationally recognized evaluation tools.

Going beyond legal compliance and awareness of equal treatment principles, more than half of

respondents embed these principles in their policies and processes. Based on market share, the vast majority of F&F employees have this advanced level of protection (Commitment 3.2).

Around half of respondents also report best occupational health and safety (Commitment 3.1) and training and development practices (Commitment 3.3), well beyond legal requirements in these fields.



Activities under this Focus Area relate to a number of United Nations Sustainable Development Goals

The selected SDGs are ranked according to their relevance to the Charter

8 DECENT WORK AND ECONOMIC GROWTH



5 GENDER EQUALITY



10 REDUCED INEQUALITIES



4 QUALITY EDUCATION



FOCUS AREA 4

Product safety

About this focus area

Be at the leading edge of product safety

Good manufacturing processes are the starting point for the development of products with a high level of safety and a good environmental profile. The benefits for companies of high-quality processes and products are significant – not only in relation to consumer satisfaction and protection, but also in terms of financial savings and competitive advantage.

'Safety by design' means that companies need to rethink key phases in a product life cycle, from

manufacturing, to use, to end-of-life. It means managing risk, meeting customer and consumer expectations with regard to protection of human health and the environment, developing systems that ensure that the right people have the right information at the right time.

IFRA and IOFI have Codes of Practice addressing product safety and other topics. More information can be found on p37 of the main report.

Results in summary

Product safety is at the heart of all the fragrance and flavor industries do, and is a non-negotiable requirement of F&F companies. As a result, our survey was more limited on this Focus Area: compliance is a 'given'.

Nevertheless, we asked signatories for more information on how they work with customers in consumer good companies to ensure product safety (Commitment 4.2). More than 90% of respondents engage in some manner on this

point, with around half of those doing so systematically. This includes all the largest companies, ensuring that the vast majority of the market is engaged in close cooperation on product safety.

On product stewardship (Commitment 4.4), around three in every five companies provide information beyond legal requirements, with more than a quarter providing educational support in a proactive way.



THE GLOBAL GOALS

Activities under this Focus Area relate to the United Nations Sustainable Development Goals

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



FOCUS AREA 5

Transparency & partnerships

About this focus area

Be transparent and a reliable partner for society

Business ethics guide companies to make decisions that are fair and transparent and to prevent risks associated with unethical business or industrial practices. Business failures in this area can have a significant impact in terms of reputational damage, as well as leading to possible commercial, civil or criminal penalties.

With a strategy in place, a company should develop indicators that allow analysis and follow-up of results and define a new direction if necessary. Although reporting is not an end in itself, these indicators have to be considered as a tool for continuous improvement.

Externally, a company can communicate on these indicators to strengthen the credibility of its actions and set an example. Building dialogue with external stakeholders helps to create an environment that is conducive to understanding of a company's business and helping it to improve.

Through our collective sectoral framework, we seek to enhance transparency, communication and external reporting about our industries.

IFRA and IOFI conduct all our activities in line with our antitrust compliance policies. We provide regulatory bodies, industry partners and stakeholders with key technical and scientific information. We also enhance stakeholder dialogue and collaboration along the value chain with other businesses and stakeholders to address shared areas of interest.

Results in summary

More than three in four respondents have a global responsive governance strategy in place, including all the largest companies.

These companies are also engaged in the most advanced level of reporting on their sustainability activities, being among the 27 companies that report according to international standards.

More than three in every five respondents employs anti-corruption measures that go beyond legislative requirements (Commitment 5.2) and approximately two-thirds are engaged in ongoing dialogue with political stakeholders (Commitment 5.4), with almost every signatory company involved in some form of dialogue.



THE GLOBAL GOALS

Activities under this Focus Area relate to a number of United Nations Sustainable Development Goals

The selected SDGs are ranked according to their relevance to the Charter

17 PARTNERSHIPS FOR THE GOALS



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Our activities in 2020-21

The **public launch** of the IFRA-IOFI Sustainability Charter on 1 July 2020 was an opportunity to share our initiative with the wider world and celebrate the achievement of bringing together more than 100 companies from the fragrance and flavor industries to back a joint program.

The launch featured media activities by the two Associations and by many signatories, with coverage in trade media and positive feedback on social media.

We also made improvements to the **Charter website** at ifra-iofi.org, including the creation of a blog, to clearly explain the various elements of the Charter, and the development of a new Toolbox for signatories.

This **Toolbox** provides resources for signatory companies on implementing the Commitments outlined in the Charter - with information on good practices, an opportunity to share good practice, details of legal/regulatory frameworks and sustainability tools/programs, and international disclosure standards.

We also worked to broaden the reach of the Charter: first, by providing translations of the Charter documents in Chinese, Japanese, Spanish and Portuguese on the Charter websites.

Second, we held a series of introductory webinars for IFRA and IOFI members to explain the Charter and encourage participation in the initiative. National webinars were held in 2020 and 2021 with companies and Associations from Turkey, Latin America, France, United States, Spain, South Africa, and Asia-Pacific.

We also created the IFRA-IOFI Sustainability Community - a platform for signatories and IFRA and IOFI national associations to come together and discuss sustainability topics and issues relating to the Charter.

The first Sustainability Community webinar, held in September 2020, included a thought-provoking presentation on 'Rethink Economics: Give Value to Nature' by Anders Wijkman, a former Member

of the European Parliament and Honorary President of the Club of Rome.

A second webinar, in December, focused on the Toolbox. The third webinar, in March 2021, looked at green chemistry. More than 300 participants joined a two-hour 'masterclass' with one of the founders of the green chemistry concept, Dr John Warner.

These Sustainability Community meetings continue in 2021. We are also launching a new Sustainability Committee, bringing together a smaller group of signatories and members to steer the Charter and other sustainability activities.

Externally, IFRA and IOFI representatives took part in online conferences to spread the word about the Charter. IFRA President Martina Bianchini gave a presentation at the European SDG Summit 2020 on Sector Sustainability Vision and Roadmaps, hosted by CSR Europe.

IFRA also hosted a session on sustainability at its Global Fragrance Summit in March 2021, with Sven Ballschmiede, IOFI Executive Director, joining the session and outlining the key points of the Charter.

Maxime Marchal, the Charter's Project Manager, also presented at IFIA Japan, the Annual International Food Ingredients & Additives Exhibition and Conference, in May 2021.

IFRA and IOFI contributed to activities by members and partners, including a presentation at the annual meeting of the South African fragrance and flavor association, SAAFI.

Work intensified on partnerships with external groups. IFRA and IOFI signed a memorandum of understanding with the Union for Ethical Biobased Trade (UEBT) and is working in South Africa with a German development agency, GIZ on sustainability activities relating to the growing and processing of Buchu, a native plant from South Africa, complementing the Associations' existing work on compliance with the Nagoya Protocol.



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