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# MODERN SLAVERY STATEMENT

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June 2018 - June 2019

The world has seen a surge in legislation around human rights – from California’s Transparency in Supply Chains Act and the UK’s Modern Slavery Act to the French corporate duty of vigilance law and Australia’s Modern Slavery Act.

In Firmenich’s home country of Switzerland, the Responsible Business Initiative is proposing to call for Swiss-based multinational companies to undertake human rights and environmental due diligence. We welcome these developments and see them as opportunities to collaborate, formalize and structure our approach in line with global best practice. In particular, we have sought to play a constructive role in pushing for the adoption of the counter-proposal of the Responsible Business Initiative.

We note with concern that instances of modern slavery, including in companies’ operations and supply chains, are on the rise, and we accept, agree with and embrace our responsibility to respect human rights throughout our operations. We seek to take an approach to human rights (including the right not to be subjected to slavery, servitude or forced labour) that is grounded in the UN Guiding Principles on Business and Human Rights (the “Guiding Principles”). As a family-owned company since 1895, we care about leading our business forward for the good of our customers, colleagues and communities.

Although not all Firmenich affiliates are subject to the modern slavery-related pieces of legislation, Firmenich has chosen to take a group-wide approach to human rights and makes this statement on behalf of all Firmenich group companies.

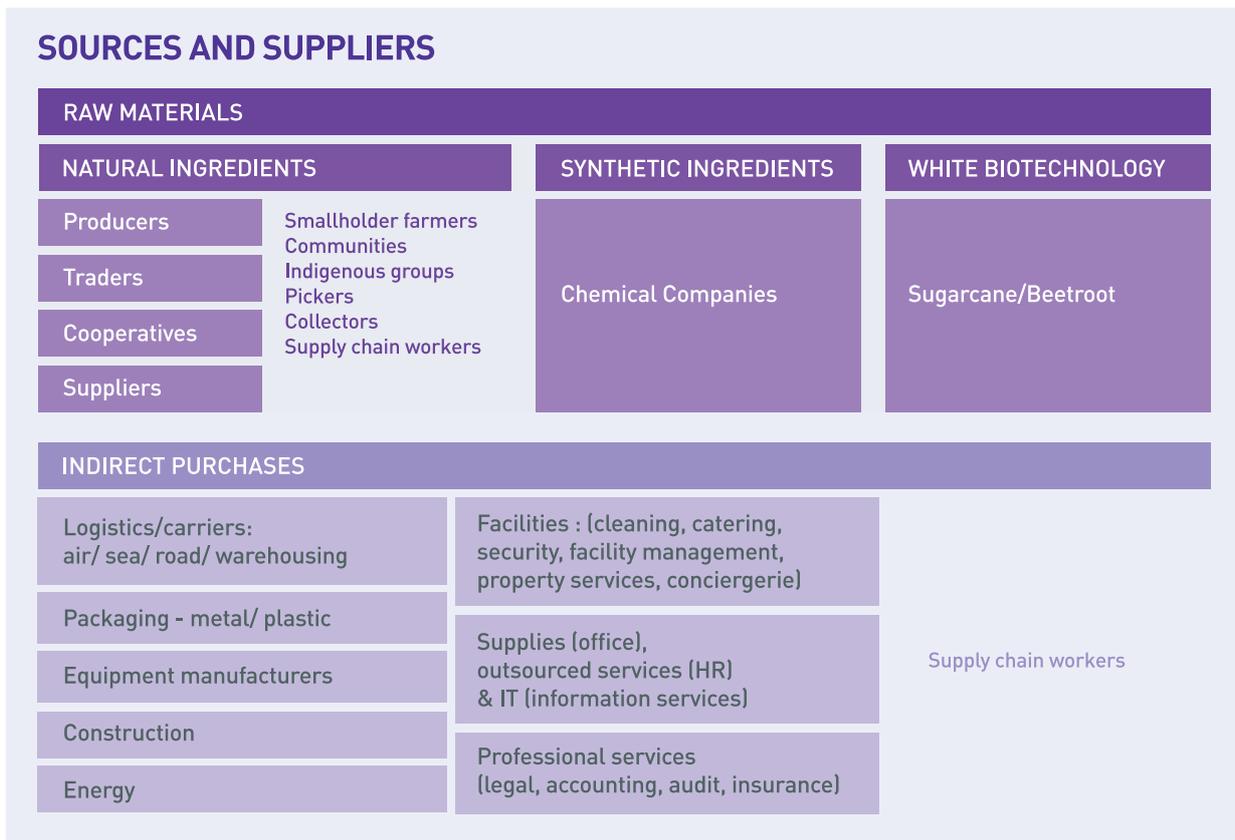
## ABOUT FIRMENICH: OUR OPERATIONS AND SUPPLY CHAINS

We are the world’s largest privately owned perfume and taste company. We are a business-to-business company headquartered in Switzerland spanning Perfumery & Ingredients, Flavors and Research. Our customers range from multinationals to small and medium companies. We employ close to 7,600 colleagues and operate 82 facilities around the world, including 33 manufacturing plants and five research and development (R&D) centers.

We have various types of supply chains, all of which are necessary for our business to operate. As part of our human rights due diligence work, and with a specific objective of helping us prioritize our modern slavery-related work, we conducted a mapping of the full value chain of our business in 2019. This mapping exercise took place over three months and built on the insights and expertise of a range of functions, including different purchasing functions, human resources and legal and compliance.

The mapping was coordinated by the Sustainability Department and a renowned external business and human rights expert and partner. The following captures an overview of the results of the mapping exercise, as it relates to our supply chains:

# FIRMENICH VALUE CHAIN



We rely on **natural ingredients** for both our flavours and fragrances. Examples of natural ingredients we rely upon include vanilla, cardamom, citrus, jasmine, patchouli and rose. These supply chains start with the raw material and include smallholder farmers and producers in a range of countries.

Depending on the natural ingredient, the sourcing can also include other stakeholders, such as cooperatives of farmers, suppliers of farming equipment, pickers and indigenous groups. Examples of countries we source naturals from include the United States, Brazil and India.

## NATURALS TOGETHER™



We create **synthetic** ingredients as well. Our suppliers here are chemical companies. We also use **white biotechnology** for the production of intermediates and ingredients. This technology is largely based on the use of raw materials, including commodities such as sugarcane, as starting material for fermentation to produce the desired ingredients. White biotechnology provides one of several ways to rely on sustainable raw materials.

equipment and logistics (which includes transportation by air, sea and road, as well as warehousing facilities). Like most businesses, we also rely on equipment manufacturers (for instance to provide us with computers) and office supplies. We outsource some elements of human resources, finance, treasury, information services and purchasing, and we need energy as well as professional services (such as legal, accounting, audit, salary and insurance services) to run as a business.

Our **indirect purchases** encompass a range of purchases, such as facilities (which includes cleaning, catering, security, facility management, property services and concierge services), packaging for our products (which includes both metals and plastics), construction (where needed for our sites), manufacturing and engineering



# OUR COMMITMENTS AND EMBEDDING EFFORTS

## OUR COMMITMENTS

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The **Firmenich Fundamentals** (the “Fundamentals”) define the values that have been the basis of our company’s culture over our 124 year history. It has always been important for Firmenich that materials used in our products are obtained according to ethical and fair labor conditions. Sustainability is one of our “Firmenich Fundamentals” and lies at the heart of our strategy and business growth.

The Fundamentals are embedded in the **Firmenich Code of Ethics and Business Conduct** and the **Firmenich Social Accountability Standard** (the “Standard”). The Standard commits Firmenich to fostering and maintaining responsible practices in our operations, and establishes non-negotiable minimum requirements for our suppliers in specific areas including on forced labour. Other areas that are relevant include child labor, health and safety, freedom of association and collective bargaining, discrimination, working hours and wages.

We are a signatory to the **United Nations (UN) Global Compact**, which means that we commit to embedding its ten principles across our business. We recently sought to reaffirm our commitment to respecting human rights. Following an exercise undertaken over the course of 2018 to identify our salient human rights issues with support from Shift, the leading centre of expertise on the UN Guiding Principles, we developed and adopted the **Firmenich Human Rights Policy Statement** in April 2018. This Human Rights Policy Statement makes our commitment to human rights clear and aims to define our approach to human rights and actions in our own operations and business relationships. In particular, our policy statement specifically refers to forced and child labour as a priority area of focus for us due to the severity of its impact.

Following a cross-functional modern slavery workshop we conducted in May 2019 (discussed further below), our Company’s Human Rights Committee decided in June 2019 to revise the Company’s Human Rights Policy Statement and Social Accountability Standard. One of the key reasons is the desire to be clearer on what we commit to and what is expected when it comes to modern slavery. We will move this forward over the coming year.

## EMBEDDING OUR COMMITMENT WITH GOVERNANCE STRUCTURES

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We recognize the importance of clear accountable governance structures in seeking to embed our commitments throughout our business. We also recognize the need to include all relevant functions in this work. We therefore created a Human Rights Committee in 2018 to drive forward and oversee all of our human rights work, including related to modern slavery. This committee is led by our Chief Human Resources Officer and brings together individuals from functions ranging from legal, global purchasing, indirect purchasing to sustainability and compliance.

Our human rights work, including on modern slavery, is coordinated on a day-to-day basis by the sustainability department, in close coordination with the human resources department. We also benefit from external expertise on business and human rights, including related to modern slavery, by working with a renowned business and human rights advisor and expert.

Through these measures, we seek to take an approach grounded in ownership, whereby each function is incentivised to take ownership of its human rights risks and the necessary measures to take to mitigate these risks. We are employing a similar approach in the area of modern slavery.

## **EMBEDDING OUR COMMITMENT THROUGH TRAINING**

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Training plays a key role in building awareness amongst our employees of what they can expect of Firmenich, as well as what is expected of them. As part of our overall compliance programs, we have created and provided training to build employee awareness of the Firmenich Code of Ethics and Business Conduct as well as our policies and standards.

As part of our compliance program, in 2018, we relaunched a global training campaign to ensure Firmenich employees fully understand and follow our Code of Ethics. We are finalizing new training materials on harassment and bribery, to make sure that our employees follow the highest standards of ethical behaviour and act with integrity.

We consider these trainings necessary to help our company identify and prevent issues. With this in mind, we are also seeking to build specific training materials on modern slavery tailored to our company soon. In particular, we are mindful of the need to tailor training materials to those who can play the greatest role in identifying instances of modern slavery, as well as those who may inadvertently play a role in creating the conditions for it. Thus, we intend to focus our training efforts on our general managers, the local management of all affiliates as well as our purchasers.

We hold regular conversations on our expectations with our suppliers, in particular those that are part of Naturals Together. Based on our risk focus areas identified through our mapping exercise, we wish to enhance this effort with those suppliers more likely to have potential issues in their workforce.

## **EMBEDDING OUR COMMITMENT THROUGH CONTRACTUAL PROVISIONS**

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We make our human rights expectations clear to our suppliers through our ongoing conversations with them, backed up by contractual provisions. Our standard contracts include provisions that suppliers and subcontractors formally commit to meeting the principles contained in our Code of Ethics and Business Conduct and our Supplier Social Accountability Program.



## OUR DUE DILIGENCE PROCESSES

### ASSESSING RISKS AND ENGAGING WITH STAKEHOLDERS

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Firmenich takes a holistic approach to human rights related risk management, including those risks related to modern slavery. We are aware that there are particular challenges to identifying modern slavery that our approach needs to capture and we believe the best way to do this is to focus on the areas with the highest risks.

We have undertaken a number of steps to seek to identify our salient human rights risks. In particular, we conducted a workshop in February 2018 with a range of different functions alongside Shift to identify a preliminary list of salient issues. We also conducted a modern slavery-specific session in May 2019 with a range of functions across the business, facilitated by our external business and human rights partner, to focus on how modern slavery can manifest in our value chain and what we can do about it.

After reviewing the risk factors for modern slavery, including reliance on migrant workers and seasonal workers, as well as on labor brokers, we selected a number of areas in which we want to conduct a deeper dive when it comes to modern slavery in 2019 – 2020. These include the sourcing of citrus in Brazil and sugar sourcing. We are continuing our assessment efforts to identify further areas of concern for modern slavery, including in particular in countries where worker voice is the most constrained. We are aware of the value of gathering views and engaging with potentially impacted stakeholders. Our work conducting baseline assessments with farmers is relevant in this regard, and we are assessing what more we can do in this area going forward.

We use a range of different ways to hear from our employees. We operate an open door policy, where employees are encouraged to speak with their manager, Business Ethics, Legal or Human Resources to seek advice about ethical and lawful behavior and organizational integrity. We prohibit retaliation against anyone who in good faith seeks advice, raises a concern, reports misconduct or cooperates in an investigation. We also operate a Firmenich Hotline which is a phone and web-reporting tool, available 24 hours a day to employees and third parties.

We also conduct Tell us How you Feel Surveys and Pulse Surveys, designed to hear from employees how they feel about their working conditions. Employees and others are vocal about concerns they have in multiple areas, including their treatment in the workplace.

We are eager to create honest, open and ongoing conversations with our suppliers on a range of matters, including on providing decent working conditions to all. We seek to create networks amongst our suppliers to share best practices and lessons learned amongst themselves. We have two relevant programs to support this ambition:

- **Naturals Together** brings together 18 natural producers in the world who share our values. We aim to shape the most high-quality, ethical, traceable and sustainable natural ingredients. The strength of this program is the sharing of insights and learnings that occurs amongst natural producers. This includes on how to ensure decent working conditions for farmers providing raw materials to the natural producers.

- **A responsible sourcing program** – actions at source - which focuses on 31 smallholder farming communities. We seek through this program to provide tailored programs supporting the sustainable livelihoods of smallholder farmer communities. The strength of this program is that Firmenich colleagues are physically present at source, working with farmers, customers and NGOs to explore new business models and improve agricultural processes; driving inclusive business models where Firmenich commits to purchasing a certain portion of the farmers' harvest while securing fair prices. As part of this work, we have conducted a number of baseline assessments hearing directly from smallholder farmers regarding the issues they face.

Beyond our actions and partnerships at source, we maintain a portal to which our suppliers provide data on the measures they have taken to comply with our commitments and we audit suppliers using a risk-based approach through our Supplier Audit Program which focuses on raw materials we source. This program combines audits conducted by a Firmenich auditor (for higher-risk suppliers) and assessments led by a third party audit partner (for low-to-medium-risk suppliers). The list of audits is defined based on a supplier risk assessment performed on an annual basis by our purchasing team in collaboration with the Quality, Health, Safety and Environment (QHSE) team. It is important to note that the criteria of our supplier risk assessment are currently being upgraded to encompass additional sustainability-related criteria including human rights.

In addition, we seek to take a collective approach to audits by sharing our data with the Supplier Ethical Data Exchange (Sedex) and using this global platform both as a supplier and as a buyer. We also work with EcoVadis and have been awarded a 'gold' rating by EcoVadis three years in a row based on 21 corporate social responsibility (CSR) criteria, including on labor and sustainable procurement practices.

We are aware of the limitations of audits when seeking to capture modern slavery. We are working to revise our audit questionnaire and shift to a more collaborative approach to auditing. In this regard, we are seeking to learn from the experiences of other companies that are proceeding in this manner. In particular, we are considering the development of a toolkit on modern slavery which would provide guidance to suppliers on the kinds of management systems we expect them to have in place.

## TAKING APPROPRIATE ACTIONS

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As described in the Guiding Principles, we seek to focus our efforts on where the risks to people are the most severe. Modern slavery would always be a priority for us given its level of severity. In our recent modern slavery workshop, we discussed relevant actions to mitigate the risks of modern slavery, and to address it if we find it. We recognize that modern slavery cannot easily be addressed and is often systemic in nature. We decided that there is an urgent need to increase collective action to tackle the risks of modern slavery in higher-risk environments.

We will be assessing further how to increase our leverage efforts with others in our selected areas of focus.

When it comes to human rights more broadly, the kinds of mitigation measures we have taken in the past vary, depending on what we hear from stakeholders themselves during our baseline assessments. Two examples of measures implemented on the ground include the ongoing support of women pickers of orange flower in Morocco to diversify their income and providing a drying facility for cardamom pickers in Guatemala to offer them more autonomy and another source of revenue. We believe our approach to partnerships helps us take relevant action to mitigate our human rights risks, together with the partner at hand as well as those impacted, or potentially impacted.

## TRACKING EFFECTIVENESS

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We are seeking to put in place key performance indicators to track the effectiveness of the actions we are taking related to human rights. We conducted a session with our business and human rights partner to discuss relevant lessons learned when it comes to crafting a human rights vision with underpinning objectives and indicators.

We focused specifically on the kinds of efforts we are seeking to measure as well as recent lessons learned in the public domain on designing effective human rights-related performance indicators. We are also following closely the discussions of the Valuing Respect Project convened by Shift since these are particularly relevant for us when it comes to meaningful tracking. We are in the process of updating the indicators we use to track effectiveness and we will report further on this area next year.

## → NEXT STEPS

We have learnt a considerable amount over the past year on how we can tailor our human rights due diligence efforts to our business, and specifically on the relevance of modern slavery for our business. We are eager to play our part in eradicating this practice from business supply chains.

This past year was about setting the foundations for our modern slavery-related work, with a focus on ensuring we identify priorities based on where the risks are the most severe and likely and taking a full value chain approach. As discussed in this statement, we will be taking a number of actions over the coming year to strengthen our modern slavery approach. In particular, we are conscious of the importance of providing effective remedy to those impacted, and we will be placing particular emphasis on this in our work with suppliers. We look forward to reporting our progress next year.