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2020

Our Sustainable Journey

2020 Sustainability & Corporate
Social Responsibility Annual Report



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Our Beginnings



Flavorchem Corporation was born in 1971 as two brothers, Salvatore and Phillip Sprovieri began making syrups in Bellwood, IL. From humble beginnings, Flavorchem grew into two business divisions across four global campuses, manufacturing an annual portfolio of over 5,000 flavors, fragrances and private label food products.

Fast forward to 2021, 50 years after its founding, Flavorchem and Orchidia Fragrances stands firmly on a foundation of trust, earned by employees, customers and suppliers alike. Flavorchem also is a living part of the communities surrounding our operations having participated in numerous types of community stewardship activities.

In 2020, we elevated our Sustainability & Corporate Social Responsibility efforts through our association with EcoVadis and by aligning with the IFRA-IOFI Sustainability Charter of which we are a signatory and participant. The guidance and platform structures that both these organizations bring to Flavorchem and Orchidia Fragrances has dramatically improved our focus on future while maintaining a harmonious alignment with our values.

Standing at the threshold of our next 50 years, we remain resolute and committed to conducting our business in ways that protect and benefit the environment, our employees, customers and the global communities in which we live and work.



Ken Malinowski

Kenneth Malinowski
President



R. Sprovieri

Ross Sprovieri
Chief Executive Officer

Balancing our Values:

The Three Pillars of Sustainability

A company's values do not change; they are what makes a company unique. However, the elements comprising Sustainability & Corporate Social Responsibility programs such as the UN Sustainable Development Goals, EcoVadis, Sedex, and IFRA-IOFI Sustainability Charter, may be a bit different in comparison, they all tie back to the three values or "pillars" below.



In the following pages we will share with you what makes Flavorchem and Orchidia Fragrances unique among our peers, but also what makes us similar. We will address our objectives and accomplishments in the areas of Sustainability & Corporate Social Responsibility, but more importantly, you will come to understand our passion that makes us who we are, what we stand for, and how we will continue to build upon our past achievements well into the future.

PEOPLE

There is no substitute for treating others respectfully, ethically, and defending their natural human rights and dignity as it relates to individual needs, community needs, and organizational needs.

PLANET

Create, adopt, adapt and implement strategies based on reducing the depletion of life-essential resources founded by three basic principles: Reduce...Reuse...Recycle.

PROSPERITY

Assurance of sustainable long-term prosperity requires careful planning that aligns sustainability with business profitability. This is followed by discerning oversight and governance to maintain the balance of growth across the three key pillars of sustainability: people, planet, and prosperity.

Guidance

Flavorchem's Sustainability & Corporate Social Responsibility guidance, standards of performance, and evaluation criteria come from three different sources, chosen for their universal recognition as well as their depth and breadth of experience in the food business, primarily flavors and fragrance industries:

EcoVadis

ecovadis

“Our mission is to provide the world's most trusted sustainability ratings, enabling all businesses to reduce risk, drive performance, and improve environmental and social outcomes.”

...

Sedex Advance

Sedex

This platform provides essential tools to manage their performance in the areas of health & safety, the environment, labor & human rights, and in business ethics.

IFRA-IOFI

Sustainability Charter



“The ...Charter takes a holistic, life-cycle approach to sustainability, with Focus Areas and specific Commitments ranging from responsible sourcing and reducing our environmental footprint, to employee well-being, to product safety, transparency and partnerships.”

...

Flavorchem is a signatory of this Charter along with 120 other companies in the global flavor & fragrance industry.

Our Progress

ENVIRONMENT



We are committed to conducting our business in ways that protect and benefit the environment, our employees, customers, and the global communities in which we live and work. A few examples of our efforts include renewable power purchase agreements, recycling programs and converting our waste to energy.

In 2020, Flavorchem and Orchidia Fragrances formed a dedicated team to track and minimize our environmental footprint globally. To achieve this, a critical first step was completed by linking multiple data sources. Using a platform for data modeling and visualization, our campuses can now be evaluated singularly or collectively using a single dashboard. This provides us with the

capability to easily track, chart, and distill relevant data down into granular detail from an individual source level back to the corporate level for a global perspective.

Of greater importance, it gives us the clarity necessary to identify improvement opportunities by focusing on any area of concern such as:

- water and energy/gas consumption
- emissions
- waste generation
- recycling initiatives

Illinois Plan: Renewable Energy and Recycling Achievements



100%
Renewable Energy

Renewable Energy

Powered by 100% Direct Energy Green-E Energy Certified Renewable Energy since 2017



117 + 89
tons of cardboard

Waste Management Recycle America

2019 the plant recycled 117 tons of cardboard

2020 the plant recycled 89 tons of cardboard



8.64 + 8.25
tons processed

Paper Recycling Activity

2019: 17,265 lbs. collected (8.64 tons processed)

2020: 16,940 lbs. collected (8.25 tons processed)

Paper Recycling Activity

Analysis of KPI's (key performance indicators) will afford us the means to set realistic goals beginning in 2021, that can be achieved by 2025. Hence, becoming part of the global solution targeting significant GHG (Green House Gas) reductions.

LABOR & HUMAN RIGHTS



In 2020, we created new policies and procedures where needed, upgraded existing ones, and consolidated all policies and procedures across the corporation to provide greater visibility and confirmation of alignment with a common set of standards and values as provided for by 3rd party vendors who are listed above under **Guidance**.

- **Existing Reports and KPI's on Labor & Human Rights Issues**
 - Documentation and KPI's from all plants have been consolidated and a baseline has been created to guide forward planning and performance.
- **Employee Health and Safety:**
 - OSHA 300 reports
 - FCE Injury Report
- **Diversity, Discrimination, and Harassment**
 - Equal Opportunity Employment reports
- **Working Conditions**
 - Incident Tracker
- New Labor & Human Rights reports and KPI's have been created to align with industry standards and to measure annual improvements in the future.
- **Career Management & Training**
 - Report on training completed by all employees annually; average hours of training per employee
- **Diversity, Discrimination and Harassment**
 - Turnover by age, gender, ethnic group, job class
 - % of women, minorities in executive positions
 - New hires by age, gender, ethnic group, job class
 - Ratio of compensation by gender, ethnic group for each employee category (job class)
- **New Policies for Employee Health & Safety**
 - Incident/OSHA log policy
 - Whistleblower Policy (3rd party vendor being on-boarded)
 - New policies have been added to our EU and US operations in this area
- **New Policy for Diversity, Discrimination & Harassment**
 - Complaint Investigation Policy
- **New Policies for Career Management & Training**
 - Performance Management policy
 - Tuition Reimbursement policy
- **New Programs and Documentation for Career Management & Training**
 - Career ladders for each department / focus area
- New modular training programs have been developed and are being introduced to all Flavorchem and Orchidia Fragrances' locations and employee levels.
- **Workplace Ethics (early 2021)**
- **Prevention of Sexual Harassment (Q4, 2020 at Downers Grove plant)**

ETHICS



Ethics permeates into every aspect of our business and a sound ethics program supports each pillar of our sustainable and corporate responsibility journey - people, planet and prosperity. By implementing our ethics-based goals, we are demonstrating true commitment to our values and our employees, customers and the communities where we operate.

2020 Ethics Team Objectives

- Establish awareness and/or training programs to enable employees to identify and address the common business ethics issues that arise in a workplace. Programs can be conducted either online or in-person and should include regular audits to ensure the training effectiveness. Program should also include various case studies to establish different areas or departments at risk for ethical breaches.
 - A workplace Ethics Training Program is under development for training all employees, scheduled for rollout in 2021.
- Establish an effective Whistleblower Program and investigative procedure to report business ethics issues within the Flavorchem's operations. A whistleblower procedure is a grievance mechanism for stakeholders to report any wrongdoings, concerns or breaches of the company business ethics policies. The Whistleblower Program provides stakeholders with an identified communication channel to report their concerns, as well as protect the whistleblowers' confidentiality and rights to non-retaliation.
- Establish key performance indicators (KPIs) or statistical figures to report on ethics issues. KPIs should include but are not limited to the % of employees trained on business ethics issues, the number of breaches of the Code of Ethics, number of incidents reported through the whistleblowing procedure, etc.

Additional 2020 Accomplishments:

- Awareness training performed to prevent corruption and bribery
- Specific approval procedure for sensitive transactions (e.g. gifts, travel)
- Implemented a formal policy covering the following topics:
 - Anti-corruption and bribery, conflict of interest, fraud, money laundering anti-competitive practices, information security



SUSTAINABLE PROCUREMENT



Our Sustainable Procurement Team focused on two areas of improvement.

- Development of a process to conduct a comprehensive sustainability & CSR Risk Analysis on the top 50 of our raw material suppliers in the USA and in Europe. Flavorchem and Orchidia Fragrances purchase raw materials grown and processed in 80 countries from these suppliers.
 - Objectives
 - Evaluation of traceability
 - Assessment of transparency
 - Determining and/or anticipating supply chain risks (examples)
 - Political unrest
 - Health based concerns
 - Crop failures due to infestation
 - Logistical delay/interruptions, and weather
 - Monitoring and reporting of Food Safety issues
 - Theft of materials
 - Fraud (ex: approve one lot and receive shipment of different lot)
- Results: An overview of Scorecards, Sedex-SMETA audits, and self-directed programs and metrics indicated that most suppliers were in satisfactory alignment with Flavorchem and Orchidia Fragrances' Sustainability & Corporate Social Responsibility program.
- Create a Supplier Code of Conduct for signature by all suppliers shipping to any of our plants.
 - Objectives
 - Create a Supplier Code of Conduct that requires alignment with our values including:
 - Our belief in how to protect the safety and well-being of other people inside and outside the company
 - Conserve and preserve natural resources to protect our planet
 - Long term assurance of prosperity guided by ethical practices, sound investment in our employees and company assets, and best in class governance.
- Results: All four teams from all 4 operations and 3 plant locations contributed to the creation of a robust Supplier Code of Conduct that sets the foundation for a sound future for our employees and our company
 - The Code has been published in English and in Hungarian. It is being distributed for signature by all suppliers.

Future Development

- Continue implementation and process optimization of the initiatives from 2020.
- Develop a formal reporting platform for transparency and traceability alignment with suppliers with the supplier scorecards, audits and annual reports as a foundation.
- Capture synergies for business consolidation and growth with suppliers offering the closest alignment with Flavorchem's Sustainability & CSR values, QC Best Practices, and Regulatory Compliance.
- Identify additional improvement areas indicated by EcoVadis for elevating our Sustainability & CSR performance.

2020 COMMUNITY STEWARDSHIP



- Participation in FFT Fuel the Fight
 - An NFP campaign to simultaneously feed frontline healthcare workers in 11 different cities and support the hospitality industry during the COVID 19 pandemic.
- Christ the King (a Chicago-based high school)
 - Student work study program where several high school students learned about the operations of a company by participating in yearlong internships in various divisions of our company
- Transition to Eco-friendly Supplies for our SRS Center for Taste Innovation
- FISH Food Pantry Donation
- Donation of fragranced markers to Tri-Town YMCA
- Participated in Trunk or Treat Halloween to help raise funds to repair schools in the Chicago metro area.



GIVING BACK





Our Future

We build for the future on the foundations we have created in the past. Below are a few areas upon which we will build in 2021 and beyond.

PEOPLE

- We foster the economic health of farmers and local communities with fair and long-term partnerships
- We promote respectful labor practices in line with human rights and international labor standards
- We make employees' health and workplace safety a priority

PLANET

- We aspire to protect, restore and promote sustainable use of ecosystems
- We continuously seek to reduce the environmental footprint of our product portfolio (natural and synthetic)
- We are inspired by green chemistry principles
- We apply measures to efficiently manage resources such as water and energy, reduce GHG emissions, and support the integration of circular economy principles
- We work with our customers to design products that are safe for consumers and the environment
- We comply with the requirements of regulators and downstream customers and often go beyond to ensure optimum safety

PROSPERITY

- We provide opportunities to upgrade professional skills through training and development
- We aspire to ensure equal opportunities and fair treatment of all employees, and promote diversity and inclusion

- We submit our ingredients to a multi-step safety assessment and comply with rigorous risk management measures.
- We practice product stewardship by providing information and strengthening confidence in the safety of our materials
- We provide regulatory bodies, industry partners and their downstream customers with technical, scientific and communication support while protecting intellectual property.
- We do not tolerate anti-competitive behavior, corruption and bribery practices within our business and our Members are committed to complying with the IFRA-IOFI Antitrust Compliance Policy
- We communicate about our activities according to international reporting standards and the UN Sustainable Development Goals
- We enhance stakeholder dialogue and collaboration throughout the value chain, including with other businesses, NGOs and governments, to address shared areas of interest

Summary

We approach our 2021 Sustainability & Corporate Social Responsibility initiatives with enthusiasm and positive expectations based on:

- A solid foundation to our program achieved in 2020
- Industry leading guidance from EcoVadis, Sedex and IFRA-IOFI Sustainability Charter
- A talented and ethical employee base.

