



flavorchem®

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# : 2021 : OUR SUSTAINABLE : JOURNEY

2021 Sustainability & Corporate  
Social Responsibility Annual Report

Issued | March 2022



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# INSIGHTS FROM OUR PRESIDENT AND CEO



We are thankful for the continued strong support and sense of teamwork our employees demonstrated in 2021. In the second year of the COVID-19 pandemic, our teams remained diligent in adhering to health and safety protocols.

Critical to our success is empowering and educating team members on our values and practices. In 2021, our Sustainable Procurement Team developed training courses and updated key policies and procedures for sustainable procurement and supplier management. This includes a requirement all suppliers accept code of conduct aligned with our values. We also implemented a sustainability rating and tracking system for our top tier suppliers to all our locations.

We updated our ethics policy and established an online ethics training program in two languages. We launched a whistleblower program to enable employees to report anonymous ethical breaches.

Through focused water conservation projects, we were able to reduce wastewater consumption by 380K gallons. Investment in our facilities, not only modernizes spaces for improved functionality and efficiency but also delivered important energy savings.

We are proud of the progress our global teams have accomplished in 2021 and remain committed to continuous improvement in 2022 and beyond. This annual report provides additional information, details our progress, and communicates our near-term targets.



*Ken Malinowski*

**Kenneth Malinowski**  
President



*R. Sprovieri*

**Ross Sprovieri**  
Chief Executive Officer



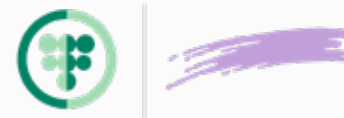
**Flavorchem and Orchidia Fragrances** specialize in the creation and manufacturing of flavor, fragrance, and ingredient solutions. Established in 1971, we are a privately held business partnering with brands well recognized throughout the world. We strive to provide our customers with the highest-quality products, superior service, and innovative solutions. We believe in making investments that enhance our capabilities to better serve our customers. We have robust R&D, Regulatory, Quality, Marketing, and Manufacturing capabilities and capacities to provide our customers with scale to grow their business. Over the past 50 years, the company has grown from a modest two-person team to a global flavor and fragrance organization with

over 400 employees. Today, the family-owned enterprise manufactures over 5,000 flavors, fragrances, and private-label food products annually. More than ever consumers are demanding that companies change the way they do business, increase transparency, and take an active role in addressing social, cultural, and environmental issues. In 2020, we decided to formalize our commitment to Sustainability and Corporate Social Responsibility (CSR) by aligning ourselves with industry best practices and establishing a corporate program that allows for continuous improvement. Over the past year, we have made significant improvements to our operations, and we are excited to share those achievements with you in this annual report.

# COMMITMENTS AND PROGRESS



# GUIDING OUR SHARED VALUES



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.

## IFRA/IOFI SUSTAINABILITY CHARTER

The International Fragrance Association/ International Organization of the Flavor Industry Sustainability Charter focuses on five areas, including responsible sourcing, reducing environmental footprint, enhancing employee well-being, prioritizing product safety, and overall transparency. Flavorchem is a signatory of this Charter along with 133 other companies in the global flavor & fragrance industry.

## SEDEX ADVANCE

Sedex is a membership organization that provides one of the world's leading online platforms for companies to manage and improve working conditions in global supply chains. They provide practical tools, services, and a community network that can help companies improve their responsible and sustainable business practices.

## ECOVADIS

Flavorchem has embraced the EcoVadis methodology to help us measure the quality of our sustainability management system. This is achieved through a detailed assessment of our policies, actions, and results.

This assessment focuses on 21 sustainability criteria that are grouped into four themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement. Each of these themes has a Flavorchem team working toward achieving continuous improvements.

In 2021, EcoVadis a recognized global leader in this field, afforded Flavorchem with an objective assessment of our Sustainability and CSR efforts. After an extensive review of our policies, actions, and results, EcoVadis concluded that we fall within the top 22% of companies they rated for Ethics\*, and the top 11% of companies under Sustainable Procurement\*. Recognizing our recent overall achievements with their award for excellence, the Bronze Metal.





## Our commitment and achievements towards improving recycling and conservation efforts

### 2021 ACCOMPLISHMENTS

#### Flavorchem HQ

- 11.8 tons<sup>1</sup> of paper and 88.725<sup>2</sup> tons of cardboard were recycled at our campus headquarters in Downers Grove, IL. This equates to over 1,000 mature trees being saved. Additionally, an estimated 311 tons of mixed recyclable materials were diverted from landfills using dedicated receptacles and dumpsters for recycling various other items (cans, bottles, etc.).
- We utilized eco-friendly materials made from renewable resources and post-consumer recycled content at the SRS Center for Taste Innovation.
- Our recycling efforts also included the reconditioning/reuse of our undamaged used drums. In 2021, we shipped 363, 040 lbs. of containers to be reclaimed. Plastic and fiber drums are cleaned before being used reused in industrial (non-food grade) applications. Steel drums undergo a slightly more extensive process before reuse, and whenever excessively damaged, are processed/reclaimed as scrap steel.
- We sent over 84,000 pounds of material to be used for energy recovery.
- With a focus on water conservation, our HQ Production Department researched, tested, and approved the use of a new spray nozzle design for tank cleaning. This spray ball implementation reduced our daily water usage from cleaning 2,000 gallons to 100 gallons per day. Proven effective, this spray nozzle was implemented in September 2021. This equates to a water reduction of nearly 380,000 gallons annually.

1. Proshred Security 2. Waste Management





## Flavorchem Europe

- Focused on energy conservation by replacing our existing facility lights over to LED. At present, 100% of warehouses and outer lights are now LED. For our warehouses, the expectation is a 15% savings.

## Flavorchem West

- Reused over 481 tons of used coffee grounds to amend soil, allowing us to turn a waste stream into a resource. Coffee grounds are also great for compost piles, at about 20:1 carbon to nitrogen, they are effective in maintaining an ideal nitrogen/carbon ratios necessary to keep that heat going. An added benefit of coffee grounds is that they help feed microbes and support the soil biology.



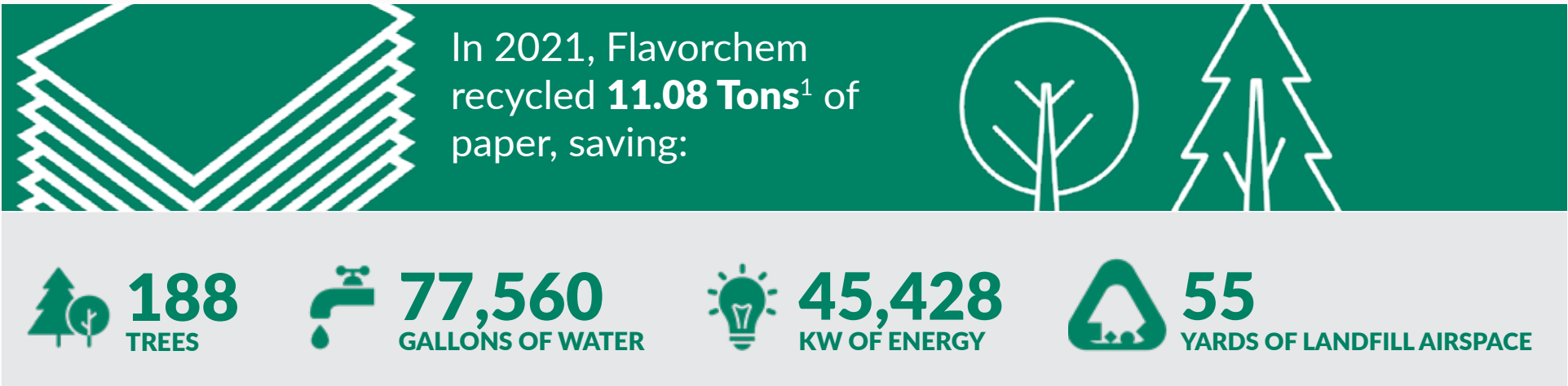
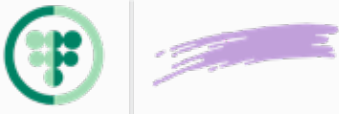
SRS Center for Taste Innovation in Downers Grove, IL



(Top right): Flavorchem Europe in Kerepes, Hungary. (Bottom): Flavorchem West in San Clemente, California



# Environmental Recycling Activity Report



In 2021, Flavorchem recycled <b>88.725 Tons<sup>2</sup></b> of cardboard, saving:	
Trees	904
Gallons of Water	527,450
Kw-Hrs. of Electricity	109,559
Landfill Airspace (Cubic Yards)	264
Greenhouse Gas Emissions (Metric Tons: MTCO2E)	274

1. Proshred Security 2. Waste Management





## Gas Consumption

Gas Use in Relation to Production Rate (FC Global: Therms/PR Lbs.)

Location ● FCE ● FCW ● HQ ■ PR Total (Lbs)



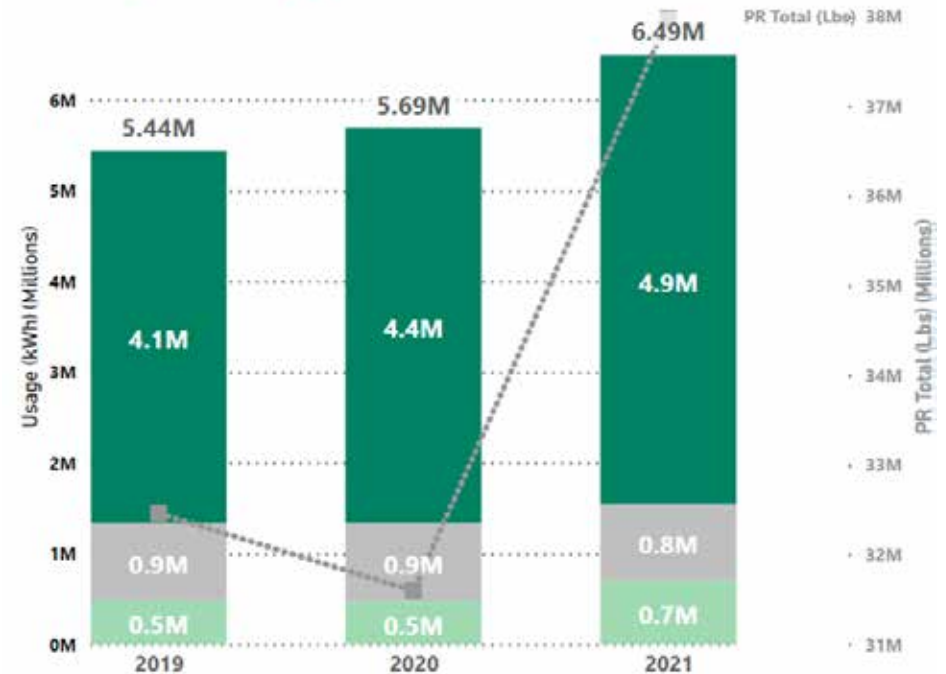
This chart offers a visual summation of natural gas being used at Flavorchem's campuses globally. In addition to production, this includes all buildings at each location (R&D, offices, warehouses, etc.). In any given year, the value at the top of the bar chart represents Flavorchem's global use of natural gas. As we consider our air emissions, this value helps us to assess our environmental impact globally.



## Electrical Consumption

Electrical Use in Relation to Production Rate (FC Global: kWh/PR Lbs.)

Location ● FCE ● FCW ● HQ ■ PR Total (Lbs)



Since 2017, our HQ purchased 100% Green-E Energy Based on the following usages, you might be surprised to learn what that means for the environment.

This chart offers a visual summation of electricity being used at Flavorchem's campuses from both "conventional and renewable sources" globally. This includes all buildings at the respective campuses.

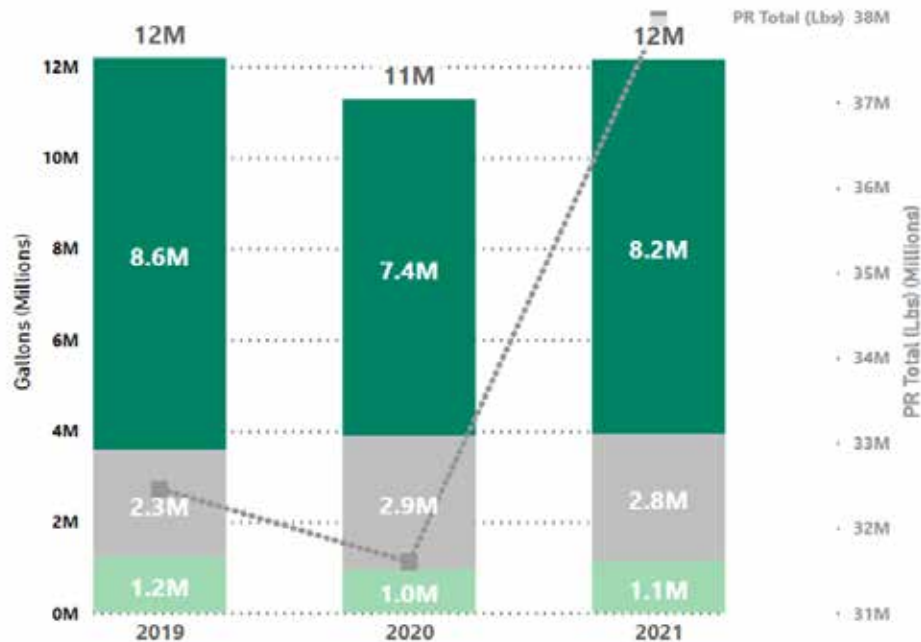
In any given year, the value at the top of the bar chart represents Flavorchem's global use of electricity. An important point of consideration is the fact that Flavorchem HQ purchases 100% Green-E energy (Renewable Energy Certificates). Thus, allowing one to quickly visualize the relevance of purchasing REC electricity in supporting our goals of reducing Flavorchem's environmental footprint.



## Water Consumption/Withdrawal

Water Use in Relation to Product Rate (FC Global: Gal/PR Lbs.)

Location ● FCE ● FCW ● HQ ■ PR Total (Lbs)



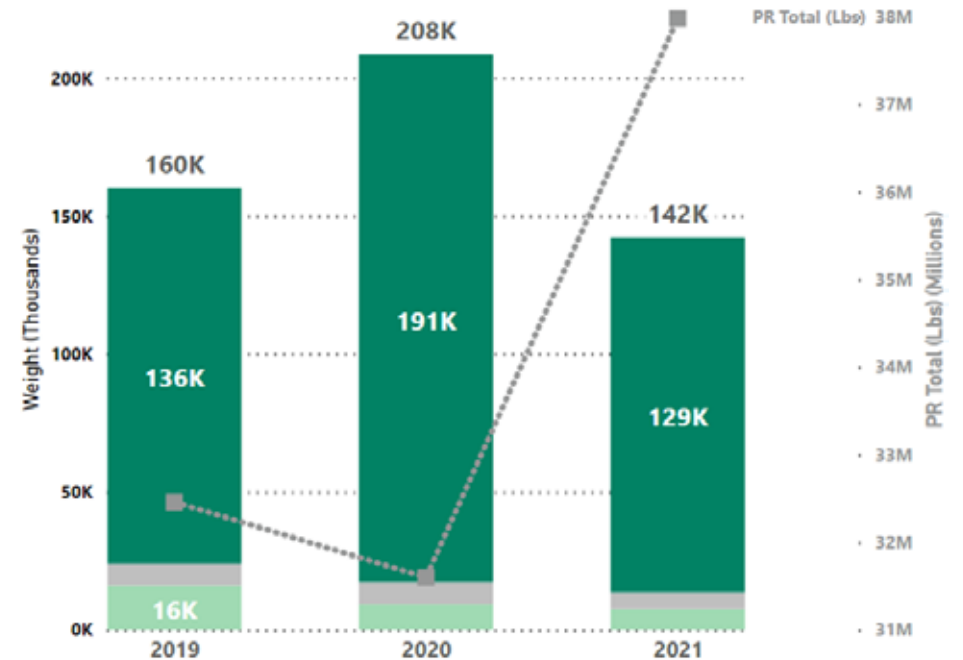
This chart offers a visual summation of water being used at Flavorchem's campuses globally. This includes all buildings at the respective campuses using assigned colors. Flavorchem is actively seeking opportunities to minimize our water use proportionately to our production rate as fresh water is an extremely valuable resource.



## Offsite Treatment/Waste to Energy

Waste Shipped Off-Site: Treatment/Waste to Energy (FC Global: Tons/Yr to PR Lbs./Yr.)

Location ● FCE ● FCW ● HQ ■ PR Total (Lbs)



This chart depicts the combined waste streams shipped for off-site treatment by campus and year. Waste-to-energy is the process where energy (typically heat and electricity) is generated using waste as a fuel source. Compared to traditional waste management methods, it has a few advantages and weaknesses including higher CO2 emissions during use of an otherwise wasted resource, significant volume reductions sent to landfills, and affording resource/scrap metal recovery.

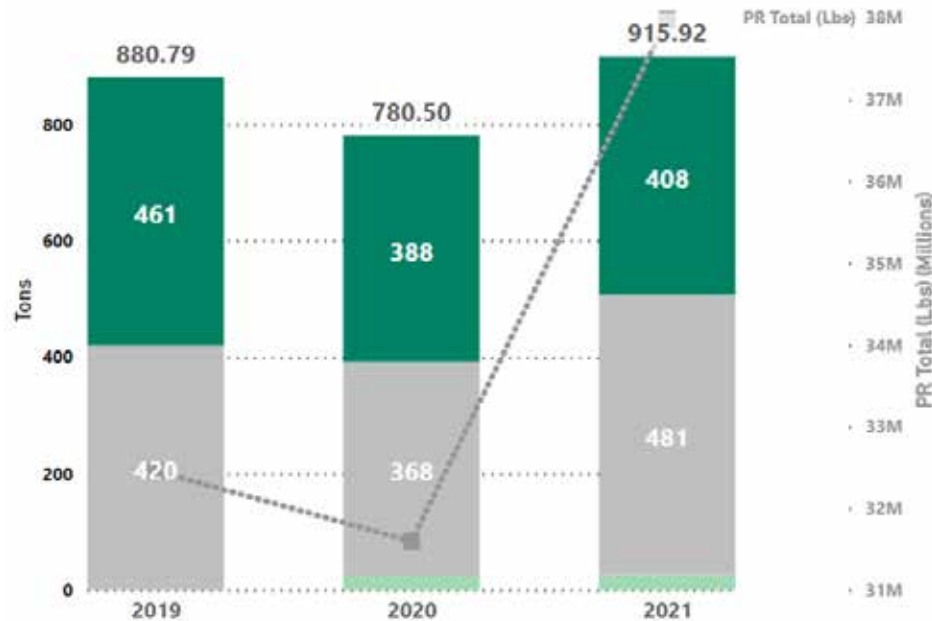


## Recycled Material



Recycled Materials in Relation to Production Rate (FC Global: Tons/Year to PR Lbs./Yr.)

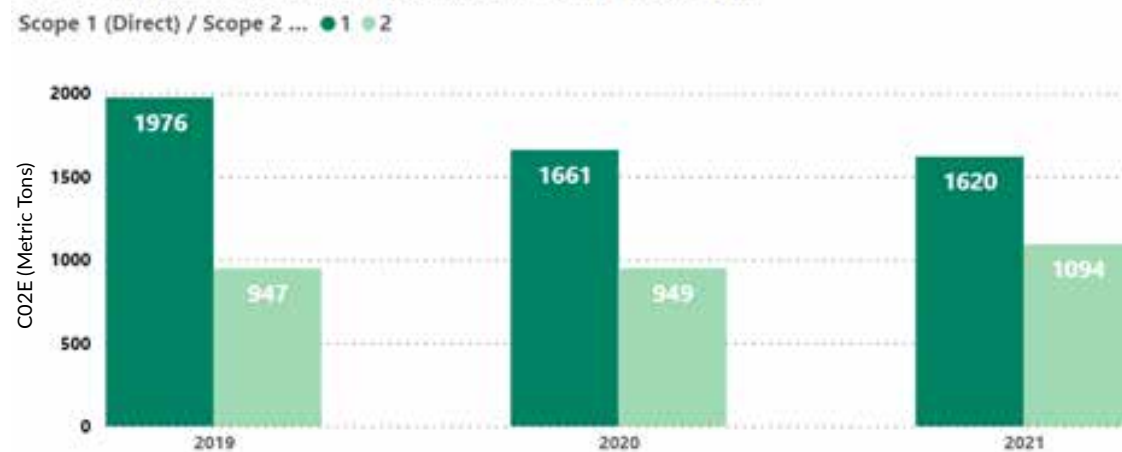
Location ● FCE ● FCW ● HQ ■ PR Total (Lbs)



Recycling not only saves energy but helps decrease greenhouse gas emissions by reducing the number of materials being sent to landfills. This chart features recycled operational materials including cardboard, paper, plastic containers, and spent coffee grounds used as a beneficial resource to amend soil.

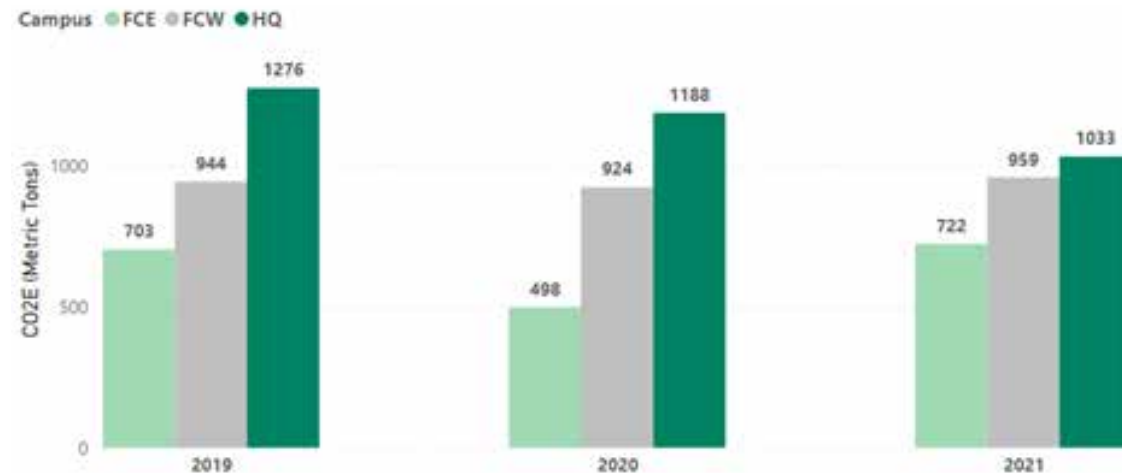
# Environmental Impact

## Scope Emissions/Greenhouse Gas Emissions for Global Operations



This chart focuses on our “global” emissions and is filtered to show Scope 1 and 2 emissions in CO2e Metric Tons.

## Greenhouse Gas Emissions By Campus



This chart focuses on “campus specific” emissions and combines the data into a single value to be used as a relative comparison of those impacts associated with natural gas and electricity consumption only. By filtering out the HQ renewable sourced electricity (REC's), more representative comparisons are now readily visible.

- Since 2017, Flavorchem HQ has purchased electricity using 100% RECs (Renewable Energy Certificates) from renewable energy sources. This purchase and use of renewable energy, verified with RECs, is a decision we made to ensure its electricity is provided from renewable sources that produce low- or zero-emissions, thereby reducing our organization’s market-based scope 2 emissions. For our tracking RECs and future renewable energy sources, Scope 0 has been designated by Flavorchem for our internal reference.
- The difference between CO2 and CO2e is that CO2 is carbon dioxide, where CO2e is a unit used to measure how all greenhouse gases contribute to rising temperatures and climate change. To help better understand the source of such emissions, they are frequently classified into “scopes.”
  - Scope 0 is used for tracking successful reductions/exclusions in GHG related emissions.
  - Scope 1 emissions are “direct emissions” from sources that are owned or controlled by Flavorchem (ex. Natural Gas).
  - Scope 2 emissions are the emissions released into the atmosphere from the use of purchased energy. These are called “indirect emissions” because the actual emissions are generated at another facility such as a power station (ex. Electricity from Conventional Sources).

# SUSTAINABLE PROCUREMENT

Our commitment and achievements towards implementing updated processes and practices for responsible sourcing

## 2021 ACCOMPLISHMENTS

### 100%

of US and Europe buyers were trained on Sustainability

- Developed and implemented a process to conduct a comprehensive sustainability & CSR Risk
- Created and implemented regular supplier assessments on environmental or social practices
- Developed and implemented training of all buyers on social and environmental issues within the supply chain
- Streamlined standard reporting on sustainable procurement issues

### 98%

of our top suppliers responded to the CSR Questionnaire

- A Code of Conduct became mandatory for all suppliers
- Completed analysis on the top 50 of our raw material suppliers in the USA and the top 30 in Europe
  - Results: An overview of Scorecards, Sedex-SMETA audits, and self-directed programs and metrics indicated that all top suppliers were in satisfactory alignment with Flavorchem and Orchidia Fragrances' Sustainability & Corporate Social Responsibility program

### 96%

of our top suppliers signed the Code of Conduct

- Implemented a reporting platform for transparency and traceability alignment with suppliers and the supplier scorecards, audits and annual reports as a foundation
- Engaged in understanding the sustainability programs of our key vendors and worked alongside vendors with strong sustainability programs



## We have big plans ahead!

- Utilize by-products from our vanilla extract production that was previously discarded to yield materials we can utilize and sell to customers
- Identify additional improvement areas indicated by EcoVadis for elevating our Sustainability & CSR performance
- Create and implement social and environmental clauses to be included in supplier contracts
- Improve documentation for policies on the purchase of palm oil and/or palm-based products from sustainable sources
- Improve available documentation of on-site audits of suppliers on CSR
- Investigate and recommend capacity building of suppliers on CSR issues
- Evaluate joining The Sustainable Vanilla Initiative for vanilla CSR issues



Flavorchem Europe employees spent the day together greening the space at the new Orchidia Fragrances plant in Kerepes, Hungary.



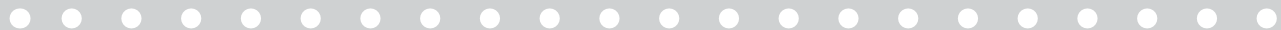




## Our commitment and achievements towards advancing employee rights and workforce development

### 2021 ACCOMPLISHMENTS

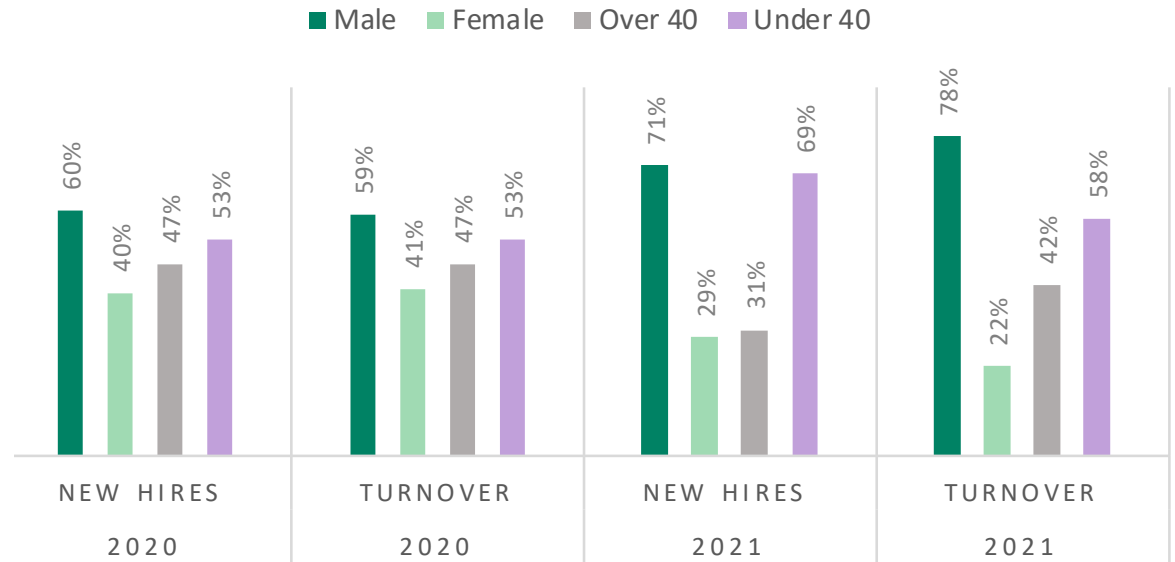
- Created the Education Assistance benefit, which adds student loan repayment to our current education benefit of tuition reimbursement
- Moved to using E-Verify, a web-based system that allows enrolled employers to confirm the eligibility of their employees to work in the United States, to increase accuracy and maintain a legal workforce
- Added a mid-year increase to our starting wages to remain an employer of choice
- Opted to continue to offer the Families First Coronavirus Response Act benefit through end of September although it was no longer required after 12/31/20
- Continued to offer additional paid time off for covid vaccination and side effects after FFCRA expired
- Provided onsite flu shots, covid vaccination, and held an Employee Wellness Week for additional health screenings
- Created and reported on new KPIs
  - Lost time due to covid
  - Training KPIs: Safety, Prevention of Sexual Harassment, Covid
- Provided new training for:
  - IL Prevention of Sexual Harassment
  - CA Prevention of Sexual Harassment
  - New Supervisor training



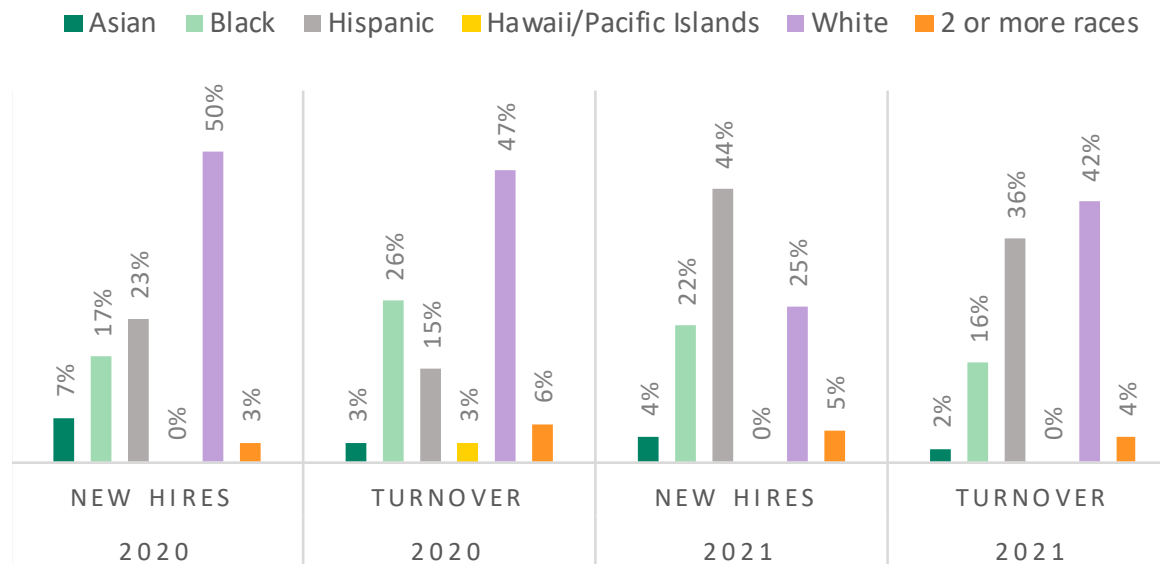
## A Path Forward

- Create a new HR Handbook for Supervisors to ensure best practices and standardization throughout our facilities
- Develop video tour for new employees to encourage integration and camaraderie across locations and departments amid pandemic and geographical restrictions
- Third party audit all HR policies, forms, procedures, training, and job descriptions for best practices and legal compliance

## Gender/Age of Workforce

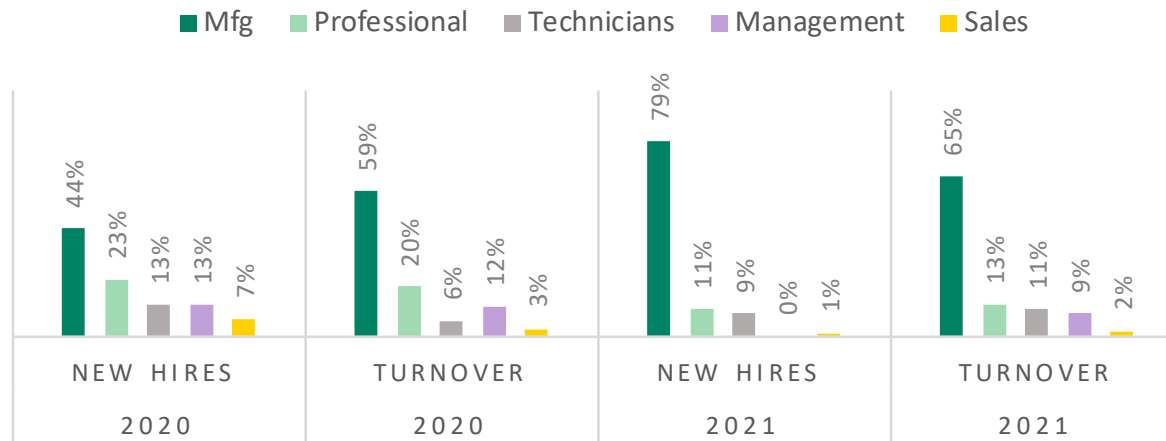


## Ethnicity of Workforce



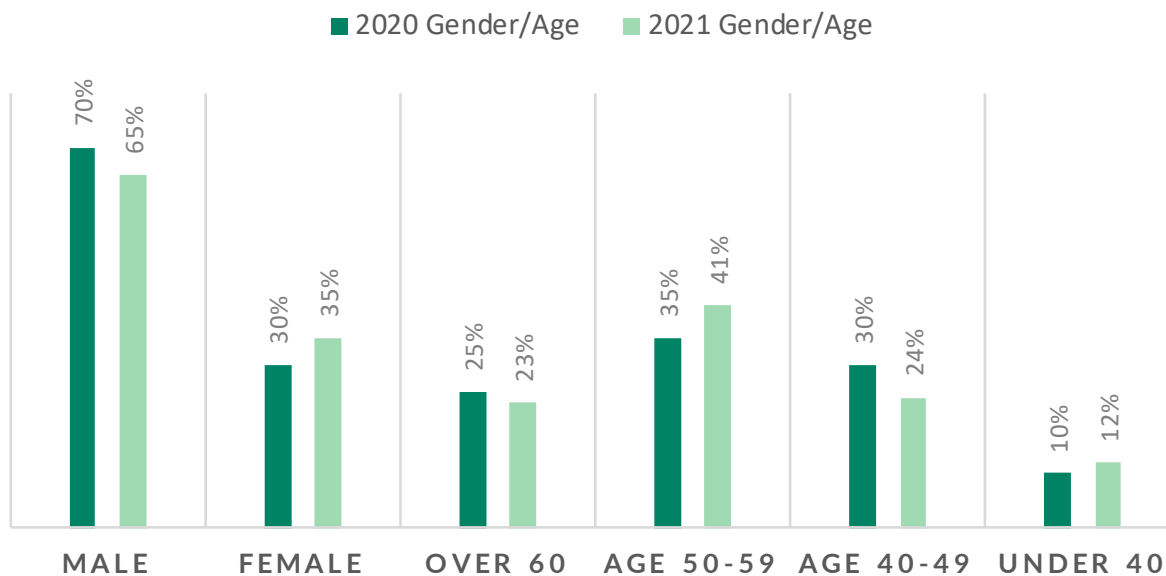


## Workforce by Job Category



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## Gender/Age of Executive Team





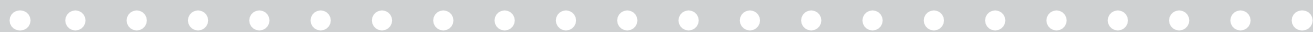
## Our commitment and achievements towards improving ethics and policies

### 2021 ACCOMPLISHMENTS

- Updated our company ethics policy
- Established an employee ethics online training program in two languages
- 99.9% of global employees participated in our new Ethics Training course
- Established a whistleblower program throughout our global locations with Integrity Counts (3rd party vendor)
- Created a new corporate website that is GDPR compliant
  - Updated our website privacy policy to ensure better compliance to information security
- We had 5 incidents reported via our anonymous Whistleblower platform, all of which were resolved.

### Looking Towards the Future

- We plan to improve our information security management. Information management is the process of collecting, storing, managing and maintaining information securely in all its forms.
- Create awareness trainings on such practices to ensure that employees are familiar with our information management policy and procedures.
- Enhance Ethics KPI reporting to improve our transparency across all areas of company operations



# COMMUNITY STEWARDSHIP



## 2021 ACCOMPLISHMENTS

- Participated in a Corporate Work Study Program with Christ the King, a Chicago-based high school, that offers high school students yearlong internships to learn the many operations of our company by working within different departments
- Contributed to the West Suburban Community Food Drive and donated over 1600 pounds of food along with monetary gift cards
- Conducted training for university students by fragrance-focused employees to educate students on fragrance development
- Donated to The Outreach House, a non-profit organization that helps local area families in need by utilizing community resources to help them maintain healthy diets, and safe and secure homes for their families
- Contributed to Teen Parent Connection, a non-profit organization that delivers education, support, and resources to adolescent parents and their children in DuPage County, Illinois

## What's in store for 2022?

- Flavorchem's Application Scientists will conduct monthly after school science club meetings with El Sierra School to create learning opportunities and engage 5th-6th grade students in science experiments



# THANK YOU



We are proud of our 2021 sustainability achievements and we will strive to continue our advancements and positive impact towards ethics, sustainable procurement, labor and human rights, and environmental progress.

Flavorchem is committed to conducting our business in ways that protect and benefit the environment, our employees, customers, and the global communities where we operate.



**flavorchem**<sup>®</sup>

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