

COMMUNICATION ON PROGRESS 2017



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

« HEALTHY CREATIVE PERFUMES AFFORDABLE FOR ALL »

Signature of the United Nations Global Pact in 2013 and assessment of TechnicoFlor compliance to iso 26000 standards in 2014, bear witness to our determination to make sustainable development an integral part of our strategy. We support the 10 principles of human rights, better working conditions, environmental protection and combating corruption.



Our progress-oriented approach relies on the enthusiasm of our staff, with additional support from our suppliers and from all stakeholders in the production chain. The involvement of all is required if we are to make ever more creative perfumes of exemplary quality and irreproachable safety, while managing environmental impact and promoting better working conditions.

Our pesticides program illustrates the way our socially responsible approach relies on collective effort. We set up a group of key players in industry who perfected methods to analyze the typology and extent of pesticides content in essential oils. As a result, we are better able to make up perfumes that are healthier for consumers, to point our suppliers toward plant production techniques that take health and environmental factors into consideration and to increase awareness among the whole profession and the public authorities by publishing a guide of good practices with recommendations.

Our ambition is not simply to make perfumes that are trail-blazers of environmental and social responsibility. We actively work to make better products available at more affordable prices for the greatest number. We bring all resources at our disposal into play, wherever we operate, and no matter the social and economic context of production. We are driven by the conviction that fragrances make an important contribution to the well-being of all consumers.

In this regard, TechnicoFlor pursues its international development while fully playing its part as a local responsible company. The investment of 10 millions euros dedicated to the new production center in Allauch in 2017 with the related job creation, the sponsoring of the exposition « Café In » at the Mucem, or the efforts of promotion of our know-how associated to our local partners perfectly illustrate our local commitment.

Our Communication on Progress -COP 2017- contains details of our commitment to social responsibility and of our sustained effort for advance in the social and environmental fields. Its publication is the opportunity, this year as in previous years, to renew our vow to continuously improve our organization and implement ever more inclusively the principles of the United Nations Global Pact.

François-Patrick SABATER
Chief Executive Officer

10 PRINCIPLES OF THE UN GLOBAL COMPACT

HUMAN RIGHTS

Principle 1 > Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2 > Businesses make sure that they are not complicit in human rights abuses

LABOUR

Principle 3 > : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4 > the elimination of all forms of forced and compulsory labour

Principle 5 > Businesses should uphold the effective abolition of child labor

Principle 6 > Businesses should uphold the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7 > Businesses should support a precautionary approach to environmental challenges

Principle 8 > Businesses should undertake initiatives to promote greater environmental responsibility

Principle 9 > Businesses should encourage the development and diffusion of environmentally friendly technologies

ANTI-CORRUPTION

Principle 10 > Businesses should work against corruption in all its forms, including extortion and bribery

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METHODOLOGY

The scope of this report covers the entity TechnicoFlor France.

This COP presents the major actions undertaken in 2016, complementary to those of 2014-15.

Our achievements are illustrated in this COP 2016 by extracts from the report on our action drafted by independent audit company SGS, which performed an **ISO 26000 evaluation of TechnicoFlor France in November 2014**. Its reference framework sets out **7 central issues, broken down into 36 fields of action, assessing our performance in respect of 400 target requirements**.

ISO 26000 EVALUATION: *** - Level of Maturity

SGS HIGHLIGHTS



* Tangible dynamism from TechnicoFlor
CSR fields of action well covered

*TechnicoFlor pro-active in many fields

- Leadership role played in fragrance industry by developing Fair Trade supply lines as an effective response to challenges while making progress in pesticide avoidance
- Health and safety at work through involvement with Carsat
- Actions exceed regulatory requirements: CSR reporting, carbon balance sheet, energy savings, concern over arduous working conditions

* Coherence of TechnicoFlor CSR approach

- **Wide-ranging CSR issues addressed and processed**
- **Coherent policies in the fields of human resources, procurement and best available practice**

RESPONDING TOGETHER TO MAJOR CHALLENGES

TechnicoFlor missions in the field of governance focus on the major economic, environmental and social challenges of the future. We imagine solutions. Listening to stakeholders' expectations is at the heart of our decision-making process. Actions are set in train and monitored by an effective management system. The independence of a family-owned enterprise coupled with values of excellence, creativity, well-being and responsibility, are so many guarantees of effective future policy implementation.

CHALLENGES

TechnicoFlor commits to take responsible and wide-ranging action on the seven central issues of ISO 26000, namely governance, environmental conservation, compliance to human rights, consumer issues, working conditions, local development and best commercial practice. With assistance from stakeholders, priorities have been set and challenges identified for bringing to market creative perfumes of outstanding quality and thereby contributing to the general well-being of society. To meet these challenges requires continuing further effort on our part:

1. Health and safety throughout the product life cycle, from plant cultivation to the production of essential oils and their use by consumers

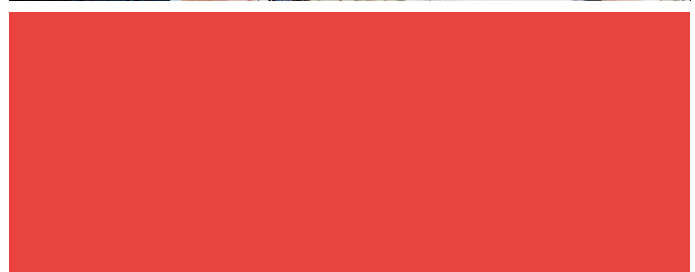
2. Well-being for all both within the company and throughout the supply chain, for the ultimate benefit of consumers

3. Conservation of natural resources and reduction of environmental impact in the process of perfume production

TechnicoFlor has adopted a strategy supported by the actions and resources to rise to all these challenges.

ENLIGHTENED GOVERNANCE

To nourish its development strategy, TechnicoFlor has shaped an organization that facilitates communication and information exchange. Operational committees are set up to exchange views on the challenges ahead and actions to be implemented in the day to day. The committees aim in the next two years to progress from more or less passive consultative input, to active involvement in the company's decision-making processes. The operational committees and other stakeholders are regularly consulted in meetings or through questionnaires (2013 internal survey, customers and suppliers/partners satisfaction survey 2014). Lively dialogue inspires practical action by staff both in the company and outside, targeting customers, suppliers, carriers and haulage companies, the academic world, consumer and other associations... Better still, TechnicoFlor has made it a priority to listen to stakeholder expectations with a view to meeting their needs. This demonstrates the central role played by CSR in TechnicoFlor's strategy.



9,2/10 : stakeholder perception of TechnicoFlor CSR maturity (SGS)

MOBILISED STAFF

Corporate Social Responsibility is implemented in TechnicoFlor by 7 working groups each dedicated to one of the 7 central issues, governance, customer/consumer issues, environment, working conditions, commitment to society, human rights and best available practice. These working groups determine and monitor action plans.

50%

OF TECHNICOFLOR STAFF MEMBERS CONTRIBUTE TO DEVELOPING AND MONITORING THE CSR APPROACH

These working groups are facilitated by the Environmental Quality manager who has since 2014 taken overall responsibility for the cross-boundary CSR approach. This was the occasion to review the environmental policy and merge it with CSR policy, as part of a general policy document.

Internal stakeholder feedback:
"Staff have taken a full grip on ownership of the CSR continuous progress approach. Mobilisation has been successful."

HIGH PERFORMANCE MANAGEMENT

CSR is integrated into the Environmental and Quality management system, which is audited annually. This helps take actions through tried and trusted processes, reinforced and made sustainable by continuous improvement. Hence new indicators are created and monitored regularly.

The management system thus enriched has been shown to be robust and well able to achieve CSR targets. A new general policy has been drafted with the aim of coordinating the management of Quality, of environmental concerns and of corporate social responsibility.

ETHICAL CONDUCT

TechnicoFlor has adopted a Code of Conduct that sets out common ethical values and fundamental principles to be followed by our associates and suppliers. Focusing on the highest operational standards, this document, drafted in the plainest terms, ensures that all understand and commit to them.

It covers the major fields of human rights, working conditions, combating corruption and environmental protection. It may also in the future cover the critical situations that require action from our organization.

In both parent company and in our subsidiaries, staff and sales persons including our suppliers, have become increasingly aware of the ethical approach we commit to. The TechnicoFlor Code of Conduct is issued to all new staff members and accompanies their Induction Booklet.

" STRAIGHTFORWARD CODE, EASY TO IMPLEMENT, ENCOURAGES COMMITMENT "

Richard Kourennoy, Export Manager for Europe, Middle East and Africa (EMEA), and facilitator of the Best Available Practice working group

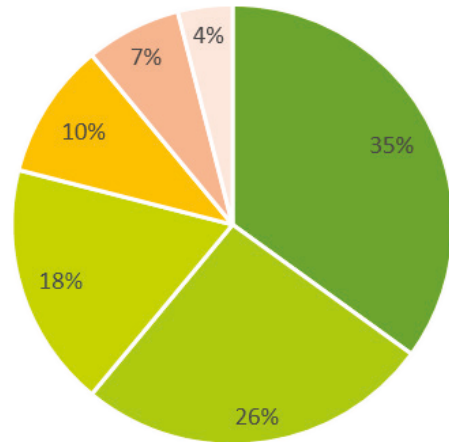
In drafting our Code of Conduct we were determined to unite suppliers, agents and staff members in pursuit of fundamental values and principles. Our priority was to draft a straightforward, easily adopted and rigorous document covering key principles that all could understand and commit to. In our view, given the size of our company and trading partners, it was preferable to agree on a common backbone of basics. Over time, the Code will be developed in more detail in response to critical situations as they are identified.

turnover by geographical sector

TRANSPARENCY AND ACCOUNTABILITY

For TechnicoFlor it is a point of honour to use this COP to report on social responsibility issues. This will mobilize staff members internally and create additional opportunities for dialogue with stakeholders. As a CSR report, this document is more elaborate than is legally required from a company of 62 people. It seeks to promote a responsible and successful business model not only in the company's interest, but in the interests of society as a whole.

In 2016, TechnicoFlor will encourage exchanges and information-sharing thanks to its presence on social media networks (Facebook, Twitter, LinkedIn and Viadeo).



■ Western Europe ■ Asia-Pacific ■ Middle-East
■ Central Europe ■ North America ■ Africa/Maghreb

SUSTAINABILITY AND INDEPENDENCE

As an independent family enterprise, TechnicoFlor is well-placed to make and implement long term policy choices. Land has been acquired in Allauch to build a new high environmental quality (HQE) production plant to boost output, while further investment has been committed to researching pesticide content in natural essential oils. TechnicoFlor is a sustainable enterprise because it operates successfully in overseas export markets by diversifying its target national markets. If a national market is inaccessible due to political crisis or conflict, TechnicoFlor can readjust by focusing on others without detriment to its growth. Finally, procedures have been set up at Board level to cope with the unexpected unavailability of the CEO and ensure sustainable corporate decision-making.

Economic Indicators			
	2015	2016	GRI
Turnover in M€	13,3	15,2	
Production (in shipped tons)	685	702	
manufacturing nonconformity rate	1,01%	1,21%	PR2
reclamation rate	0,9%	1,1%	

SGS EVALUATION



* Strong Points

- Leadership of senior management is perceptible in many areas, notably exemplary concern for societal expectations (health issues and equitable treatment), health and safety at work, contribution to professional associations and promotion of CSR practice
- High degree of staff involvement in design and implementation of CSR
- Integration of CSR strategy into a number of processes, involving management of economic risk, action plans and their monitoring by management review, monthly governance and accountability reviews

*Axes of Progress

- Complete mapping of stakeholders and identify in more visible format the spheres of greatest corporate influence
- Include external stakeholders in governance
- Incorporate into Code of Conduct wording on policy for protection of industrial property rights and make provision for internal controls and whistle-blowing

CONCEIVING THE FRAGRANCES OF TOMORROW

Although French regulations on fragrances are stringent, TechnicoFlor draws on all the talent of its staff to be creative and conceive the notes of the future. Perfumers are the first to respond to the challenge, supported by teams dedicated to product assessment, laboratory analysis, purchasing, marketing and sales. We select innovative and healthy ingredients of the best quality from suppliers committed to social and environmental responsibility. Our products are promoted in line with best practice. Our goal is perfumes of exceptional quality for all. This mission informs all actions on a day-to-day basis.

NATURAL INGREDIENTS, SOURCE OF RICHNESS

Making fragrances of outstanding attributes and safety in use depends on the quality of raw ingredients and on the essential oils that give inimitable perfume notes. Over and above their inherent quality, natural ingredients contribute to raising income for producers in all countries, notably the poorest, and to improving standards of living in local communities.

While producing natural raw materials is beneficial, there are still environmental concerns. Among these are the use of pesticides, deforestation, depletion of natural resources and environmental contamination.

"As a committed user of natural raw ingredients, TechnicoFlor is aware that nature's gift is a precious and that it is a priority above all others, to preserve natural resources with the greatest vigilance. We shall therefore continue to explore the extraordinary potential of plant life and to discover fabulous facets such as the notes of litchi or carrot, proceeding with sagacity and deep commitment to responsibility."
François-Patrick Sabater



MORE HEALTHILY PRODUCED RAW INGREDIENTS

Among pioneers in the natural perfume industry, TechnicoFlor stands out as a committed user of natural and pure ingredients, 100% of which are environmentally certified by Ecocert in 2016. These ingredients are prioritized in the 100% natural formulae of the Natflor range. Two actions focus on natural ingredients, by raising the quality of sourcing and processing, and placing safety considerations to the fore:

- *Sourcing organic essential oils* in a general context of Fair Trade, particularly the essential oils certified organic in our product list of 18 Fair Trade ingredients
- *Research into pesticides* : since 2012 TechnicoFlor has been running a research program into pesticide traces in essential oils, not only making a substantial investment in the latest generation mass spectrometer known as triple-quad, but by working on more finely discriminatory pesticide analysis and detection methods. Research is handled by the working group led by the PASS pole. In 2015 and 2016, we validated a method of pesticide analysis in 3 matrices (citrus, lavender and Peppermint), identifying some 50 substances. This research project will be presented at the second cosmetic and analysis forum (Waters) and will enable industrial partners to progress on this topic thanks to a guide to good practice, which will be published very soon.

“ COOPERATION FOR BETTER OUTCOMES ”

Frédérique Leroux, Laboratory Manager and leader of Consumer working group

Although the perfume industry is renowned for the secrecy surrounding its formulae, it has the capacity to mobilise and respond to major challenges of consumer health. Cooperation between market competitors, suppliers and customers, within a framework of well-managed research, is called for, given the absence of regulations in force, to investigate complex issues through a wide-ranging set of actions involving hundreds of pesticides and numerous ingredients. Patient scientific and collective work lead in 2015 to the establishment of coherent pesticide identification procedures for a clearly determined group of products.

To make ever more healthful fragrances, TechnicoFlor has adopted rigorous procedures to monitor regulations, avoid allergens and apply a high-sensitivity method for phthalate dosage. TechnicoFlor insists on high levels of quality for its raw ingredients, some of which are entirely phthalate-free, thus achieving formulations whose thresholds of undesirable substances are very substantially below current standards, in response to the specifications of particular clients.

FORWARD-LOOKING RISK MANAGEMENT APPLIED TO PERFUME SAFETY

Forward-looking management of risks to product safety and stability, both at the production and end-user stages are among TechnicoFlor's priorities. The company has set up a regulatory team charged with permanently overseeing changes in regulations and measuring their impact on society. Safety watch relies on special reports drawn up with trade associations (Prodarom, IFRA, SFP, Cosmed). Staff with responsibility for creating formulae are regularly updated with changes in regulations impacting products.

At present, TechnicoFlor produces a large number of fragrant compounds that in terms of quality and performance exceed regulatory standards. We remain extremely vigilant with regard to regulatory changes affecting sensitive consumers (children, pregnant women, seniors). For example, numerous allergen-free formulae are re-developed on an annual basis in response to demand in these fields and to ensure oversight over allergenic molecules for regulatory compliance purposes.

Finally, regulatory change may give rise to changes in the classification or even banning of certain molecules. TechnicoFlor has set up a process of substitution so as to update all its formulae to the highest and latest standards, ensure unvarying quality, and achieve "Ecolabel" classification.

RESPONSIBLE SUPPLY CHAIN

Consumers who expect creative and healthy perfumes are increasingly attentive to the way they are produced. The fragrances of tomorrow must not only be good for consumers, but for all stakeholders contributing to the production process. Fragrances must be sourced from areas where best possible working conditions are met, and environmental impact is under control. These principles apply end-to-end in the value chain.

Deeply committed, TechnicoFlor has formally adopted a responsible purchasing policy to ensure its suppliers act responsibly. Processes have been reviewed and enriched. Classic purchasing criteria are in place, such as continuity and reliability of procurement, quality and safety standards, and fair prices paid for ingredients., but our policy is increasingly vigilant over conditions of production and management of the sustainability of natural resources. Production risks are intensifying, as certain natural resources are over-consumed or subject to unpredictable climate hazards, man-made conflicts, regulatory change, etc. Anticipation is the key, and our level of regulatory compliance, notably in terms of application of CITES obligations, is under constant watch.



Suppliers' commitment to corporate social responsibility and environmental protection will be assessed annually, against the criteria contained in TechnicoFlor's reference framework. 20% of suppliers will be assessed, accounting for 80 % of the value of the orders placed with the supply chain by TechnicoFlor.

2015 saw increasing commitment to CSR by suppliers, notably by French and European traders. Hence their membership of Sedex, an international platform open to the supply chain that mediates exchange of data of ethical concern. Last but not least, 100 % of suppliers in our assessment panel signed the Code of Conduct.

In 2016, a number of targeted Corporate Social Responsibility initiatives were carried out by our medium-sized suppliers, signaling ever greater awareness of these issues in our industry. Mobilization is the first step in the development of ambitious CSR policies.

Suppliers involvement			
	2014	2015	2016
In a CSR approach	71%	93%	95%
In an environmental approach	28.5%	43%	45%

“ ENCOURAGING DYNAMICS OF RESPONSIBILITY ”

Barbara Guirao, Purchasing Manager and leader of Governance group

Our responsible purchasing policy is based on an explicit philosophy of dialogue with and support of our suppliers through progress actions. We communicate the scoring of our raw materials/suppliers matrix and dialogue is sparked to encourage responsible action in this field. All the criteria consistent with our expectations are applied to our suppliers.

Our purchasing policy prioritizes local purchasing and raw materials from Fair Trade and solidarity sources of supply, by referencing several sources for each raw ingredient. This ensures secure lines of supply and the ability to rationalize the procurement framework.

Supplier feedback

“With TechnicoFlor, we share ethical values to form a community. TF has ramped up its requirements and recognizes the quality of our work. We have a good working relationship. They encourage us to develop Fair Trade sources of supply through their procurement policy.”

“TechnicoFlor is a good customer and makes prompt payment of its invoices.”

FAIR TRADE, COMMITMENT AND PATIENCE

TechnicoFlor has been supporting Fair Trade for more than five years and contributes to the development of the most vulnerable agricultural communities. Our approach is original in that it substitutes for conventional raw materials, Fair Trade products that are used in most perfumes and not solely in the dedicated Natfair range. Hence, sourcing and purchasing Fair Trade raw materials is a strategic issue. We have 8 Fair Trade sources of supply throughout the world. In spite of efforts at better sourcing, the supply of raw ingredients—of sufficient quality and delivered in well-organized conditions—falls far short of market needs and expectations. Hence TechnicoFlor chose in 2012 to develop its own sources of Fair Trade Patchouli in Indonesia. We are supporting farmers in the Boné Boné region to organize a cooperative and develop their skills with the support of an agricultural engineer.

Hence they can improve their know-how and yields using high performance alembics after purchase of more than 50,000 organic patchouli plants. The approach depends upon pre-financing harvests and substantially investing in a development fund. In part, this involves matching payments from TechnicoFlor to offset fluctuations in patchouli market prices.



Between 2012 and 2015, returns from the plantation leaved to be desired, as output is very substantially below expectations. There were logistic difficulties and on occasion unfair competition. The local business environment was pressured by political and clan interests. Commitments for the long term are not easy. TechnicoFlor has therefore kept on its role as a purchaser of patchouli from the plantation so as not to destabilize the Boné Boné farming community, but is directing its support efforts to a neighbouring community. Initial deliveries of patchouli from the new partnership are of greater reliability and indicate a promising future.

In 2016, perseverance bore fruit as more than two tons of crude patchouli were harvested from this source. This is not only ample enough to meet all TechnicoFlor's needs, but represents supply of the very highest quality. Better still, surplus patchouli was made available for molecular distillation. Consequently our partnerships with a family of farmers at Sulawesi and another at Bone Bone have been renewed.

Fair Trade Indicators			
	2014	2015	2016
%age Fair Trade raw materials / Natural raw materials	7.12%	10.02%	10.09%
Number of Fair Trade raw materials	13	15	18



STIMULATING VIRTUOUS CONSUMPTION

Although sustainable development is regularly featured in media reporting, it needs specific promotion in the business environment to help companies grasp effective opportunities. Consumers, whose role is central, also need to be targeted to give them an incentive to act responsibly when making their purchase decisions. Spurred by conviction, TechnicoFlor promotes the benefits of responsibility to society and works towards this with stakeholders.

Our mission in the following fields is supported by our Marketing Department:

- Marketing and promotion of creative perfume ranges incorporating responsible ingredients, certified highly biodegradable by Ecolabel, Fair Trade ingredients in the NatFair range, and natural ingredients in the NatFlor range. TechnicoFlor proactively and regularly promotes innovative olfactory notes through its Trend Booklets.
- Keeping watch over product innovations and responsible processes, thereby feeding information to the corporate environment to stimulate further thought about how progress can be made under the banner of exemplary action.
- Communication and awareness-raising of stakeholders to the benefits of corporate social responsibility, by means of the publication and circulation of the COP, of CSR communication campaigns in the specialist press, through newsletters, in presentations to customers or at conferences and workshops held in national and international trade fairs.
- Making specified environmental and socially beneficial recommendations.
- Assisting customers in their communication about Fair Trade.
- Regular meetings with customers and suppliers to exchange views on trends in the social responsibility field involving changes in packaging to limit waste, while systematically suggesting the least environmentally harmful transport systems, etc.
- Information on regulatory changes as they affect product formulations; since 2013, customers are kept regularly updated about regulatory changes affecting product formulations, about products that may require redevelopment by introducing new molecules, whilst taking the greatest care to comply with the initial olfactory note.

" INVITING OUR CUSTOMERS TO COMMIT "

Patrice Rouan, General Manager

In our business, the influence of marketing and communication is fundamental. Hence we practice innovative and responsible marketing to raise the awareness of our customers to issues of consumer well-being and the benefits of sustainable development.

We work hard with all our staff to ally social responsibility with creativity, and adopt the same approach with our customers right across the markets that we address.

Although our contribution is modest in planetary terms, it contributes on a daily basis to desirable outcomes. We extend an invitation to our partners to commit as we do. The challenge, if it is to be met, requires collective action to obtain results of significance in the longer term.

Customer feedback

"By taking the initiative to organize round tables, TechnicoFlor has played a remarkable role in the emergence of Fair Trade sources of supply"

EVALUATION BY SGS



* Strong points

- Supply source investigations using PASS to develop a methodology to identify pesticides
- Promotion of CSR by evaluating TechnicoFlor suppliers and supporting local sources of supply
- Although TechnicoFlor has no direct relationship with consumers, it is in contact with them through its products and the company has clearly identified and declared its responsibilities in this field.

*Axes of progress

- Develop controls of suppliers outside Europe
- Introduce regular audits of Tier 2 suppliers and potentially of other suppliers
- Produce CSR performance reporting targeted to customers and consumers, giving highest priority to health and safety issues



STIMULATING WORKING CONDITIONS

Health and safety are the topmost priority for TechnicoFlor staff, who are potentially exposed to the inherent hazards of working with chemicals. Professional development and staff well-being are also increasingly part of our human resources strategy. Significant progress has been made and is much appreciated by staff members.

“TechnicoFlor has achieved safe working conditions for staff and our efforts in this field are ongoing. We have also made progress in terms of well-being at work. In the years to come, our priority will be skills development for each staff member, allowing all to build their own recognized qualifications, of service to the company’s development, in an appropriate response to market uncertainties.” François Patrick Sabater



CULTIVATING TEAM TALENT

Business growth by TechnicoFlor depends on continuous adaptation of teams and of our organization. A new dimension is about to be achieved with the new plant in Allauch for which hiring new staff is in the planning stage. Human resources management is being reinforced to respond with greatest effectiveness to the expectations of both staff and other stakeholders. For example, to keep delivery deadlines, the product sampling organization has gone over to a two eight-hour shift system after staff consultation. TechnicoFlor is also moving to more formal arrangements for career structures. An induction booklet is available containing company internal rules and regulations, details of mentorship approaches, salary scales, annual progress interviews, training plans... Training in English is extensively delivered to staff members, and a more carefully targeted approach will be developed to enhance individual competency.

“ SUPPORTING SKILLS ENHANCEMENT ”.

Eric Strat de Beaurain, Administrative and Financial Director

Human Resources are responsible for developing the skills of each staff member in a response to individual and collective expectations. HR policy is based on respect for the principles of fairness and length of service, while consideration is given to personal and family constraints, the whole in the framework of social dialogue.

Well-being at work, mobilisation around the company’s social responsibility project, reward for effort, the value of diversity and recognition of professional achievement are the key words of our HR strategy.

2016 continued the trend of 2015 in which TechnicoFlor's HR department further developed our policy of skills enhancement. This is a necessary precondition if we are to achieve our goal of faultless production processes:

- *Management training for team leaders*: developing the skills and confidence to motivate and support colleagues
- *Skills Mapping*: an on-going project
- *HR audit*: HR is seeking to analyze in depth the skills sets on which we rely for success. We are sharing good practice with other local companies near our French headquarters, as part of a collective approach known as DEFI. This audit provides a solid basis of support for our policy of skills identification and enhancement in 2017
- *Management of career paths*: continuous improvement

TechnicoFlor has also reaped the benefits of actions in previous years:

- *Sharing value-added among staff members*: after setting up a profit share program in 2013, an employee savings plan, aka PEE, was introduced. Matching payments from the company are planned in the near future. Preparations for future pension entitlements are a point of particular interest to management.
- *Improved communication, both bottom up and top down*, involving operational committees, special meetings scheduled twice yearly, dialogue with staff delegates, etc.
- *Inclusion of social and labour relations issues as an important part of questionnaires sent to and relationships established with our suppliers*
- *Audit of strenuous working conditions*
- *Corporate social responsibility criteria included in many formal definitions given to job responsibilities*



SAFETY IN THE DAY TO DAY

TechnicoFlor has for many years been working to identify and manage all the risks that arise when handling raw ingredients at the heart of the production process, doing so in direct consultation with CARSAT. In 2014, more resources were allocated to the single document tracking each product in process, and to safety issues more generally by setting up teams of two with end-to-end product tracing responsibility. Safety is a standing item on the agenda of monthly meetings involving production teams. Safety reminders are permanently on display. This approach is demonstrably effective, as in the last three years the company reported no more than one accident at work per year, two of which occurred during staff travel from home to work. On each occasion, no more than 10 working days were lost.

In May 2015, the physical arduousness of working practice in the company was audited. The conclusion was clear. Procedures in TechnicoFlor are not only efficient but governed by standards that are higher than current legal requirements. This positive assessment was real encouragement to our teams and rewarded their work on the continuous improvement of conditions and safety at work.

In 2016, all staff involved in production processes were given practical and awareness training in the use of Personal and Collective Protection Equipment, under our stringent health and safety at work policy. Actions to identify and constantly improve risk management techniques are deployed as a specific response to new regulatory requirements. TechnicoFlor is determined to make the workplace an environment of ever-greater safety for its staff.

" RAISE OUR VIGILANCE "

Laurent Lucasson, Production Director

Safety at work requires continuous and increasing vigilance to ensure a safe working environment. Initially we worked on ergonomics and working conditions. Now we also regularly discuss safety at work to ensure these issues are well- rooted in people's minds. Constantly repeating messages is an effective way to combat the loss of vigilance that may come from habit. We also work on "near misses" and identify causes of accidents, using well-recognized standard methods.

Stakeholder feedback:

“TechnicoFlor asked us to help them improve their employees’ working conditions in a number of areas. Virtually every action was effective. We contributed to their investment. Impressions of this company are good.”

“TechnicoFlor performs controls that go beyond its regulatory obligations in regard to safety in transport for its products.”

ENHANCED WELL-BEING

Well-being at work is indissolubly associated with business performance, and is a major component of corporate social responsibility. Building on an internal satisfaction survey of 2013, the working group set in train numerous actions to improve working conditions. Staff members speaking through representatives of internal stakeholders have testified to progress achieved.

Internal stakeholder feedback:

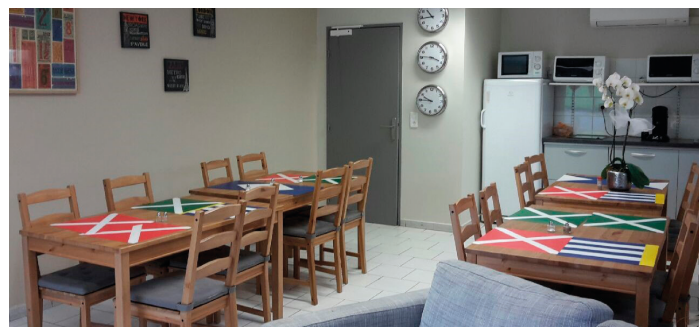
“Management has made huge progress in the field of social dialogue, well beyond what I conceived was possible. This must continue.”

“The company grants us new benefits, which we appreciate.”

“Premises refurbishment has much improved the climate at work.”

TechnicoFlor’s corporate mission is daily more of a living force. Conditions have been created to mobilize all staff to attain CSR goals. Communication, collective working practices and sharing moments of relaxation all contribute to the feel good factor in the working environment. For example:

- *Internal communication and social life at TechnicoFlor:* staff members produce and circulate an internal half-yearly newsletter; an on-line picture gallery of staff members working on the two sites of Paris and Allauch is displayed and updated ; social events are organized in and outside the company: outdoor lunches, running races like «La Nocturne de Marseille» to help find against bliness or «l’Algernon» in favour of disabled persons, or the half-marathon «Marseille-Cassis», also organized are Fair Trade chocolate tasting sessions, staff members “boot sale” and fund raising for male cancer screening and care (Movember), picnic with all employees
- *Fit-out and improvement works in the working environment:* repainting changing rooms, making the canteen more friendly (seating, beverage dispenser, repainting), tables purchased for meals out of doors
- *Benefits at work:* better reimbursement of sickness expenses (mutual insurance scheme, advance payment of medical fees)



“ IT’S FUN WORKING TOGETHER! ”

Marido Glineur, Sales Administration Manager and leader of Social group

Let’s be honest! when it comes to life in the workplace, things can be improved without spending more money. Our working group found that simple and low cost initiatives were highly successful. For instance, putting people in touch by on-line photo displays of staff in geographically distant sites and sharing events in common. Of course the Social working group has its role to play, but the key to success is involvement of all. Well-being at work isn’t just more fun, it’s contagious! We all work better together to achieve the company’s mission statement.

COMMITMENT TO DIVERSITY AND HUMAN RIGHTS

For many years, diversity was a principle applied in TechnicoFlor quite naturally, where there always was a balanced representation of men and women, young and old. But the company wished to give formal embodiment to the approach and make a greater and more targeted commitment to promote the benefits of diversity. TechnicoFlor signed the Diversity Charter in 2014. An opportunity to update on progress:

- *Promotion of diversity*: gender equality at all levels of management (including senior management) and introduction of two “generation” contracts
- *Policy on salaries and recruitment of new employees*: equal pay for equal work, discrimination-free recruitment
- *Promotion of diversity*: including fit-out works for better disabled access to the ground floor working environment, redrafting job descriptions and work instructions

“ DIVERSITY IS A STRENGTH ”

Morgane Collinot, Perfumer and leader of Human Rights working group

Diversity is not decreed from on high, it grows organically. Seeking the best skills without restriction of origin is a priority if the company is to operate to full capacity. Promoting diversity also means raising the awareness of staff and all stakeholders. These are among our reasons for signing the Diversity Charter. Last but not least, job advertisements have been redrafted to appeal to a wider spectrum of candidates, while job descriptions and work instructions have been redrafted. Awareness-raising has been undertaken, particularly at management level. Our procedures have progressed and we are constantly aware of the need to avoid discrimination.

Social (labour and workplace) Indicators

	2014	2015	2016
Total numbers employed – Full time equivalent	56	60	62
Turn over (in number of persons)	4	6	6
Accidents at work (Number)	1	1	0
Breakdown by gender (FTE)	62% women 38% men	60% women 40% men	61% women 39% men
Breakdown by age (FTE)	20-30 years : 13 30-50 years : 24 >50 years : 19	20-30 years : 21 30-50 years : 23 >50 years : 16	20-30 years : 23 30-50 years : 23 >50 years : 15

EVALUATION BY SGS



* Strong Points

- Effective organization of human resources policy: definition of job responsibilities, internal rules and regulations, salary scales, training plan, systematic personal progress interviews,
- Very high performance in terms of health and safety policy, measures taken (surface claddings, ventilation, workstations, ergonomics), very low absenteeism, pictogram signage, awareness- raising for all including temporary workers
- TechnicoFlor goes beyond compliance to legal requirements in the area of economic, social (labour relations and workplace) and cultural policy, taking into consideration issues such as salaries, healthcare insurance coverage and respect for local communities

*Axes of Progress

- Reward for achievement of CSR targets included in variable compensation
- Inspection of suppliers for compliance to social (labour relations and workplace) policies, whistle-blowing for possible violations of human rights in the supply chain.
- Formal procedures for end-of-career management for staff aged over 55

FINDING THE RIGHT BALANCE FOR ENVIRONMENTAL PROTECTION

Environmental protection is often a matter of balance. Balance is also key to ecosystems. An excess in one direction may lead to deficiencies or contamination elsewhere. TechnicoFlor seeks the best possible balance across the environmental field from fragrance conceptualization to producing perfumes for consumers—covering the process end-to-end from manufacture to market. Efforts to reduce environmental impact at all stages of the product life cycle have been encouraging.

“ PROTECTING THE ENVIRONMENT DEMANDS CONSTANT PROGRESS ”

Béatrice Ponseti, Manager of Quality, Environment and CSR, leader of the Environment working group

Environmental protection covers a wide spectrum of challenges. Setting priorities is essential. TechnicoFlor opted to set up an environmental management system certified ISO 14001 in 2013, deploying an action plan for continuous improvement. The plan is naturally based on the fragrance life cycle and will be developed year after year. Meeting targets set by the progress plan and milestones on the way to greater efficacy are tracked by specific indicators.

LESS WASTEFUL SOURCING OF RAW MATERIALS TO PRESERVE THE NATURAL ENVIRONMENT

TechnicoFlor's environmentally responsible purchasing policy lays down formal procedures for product sourcing:

- Forward-looking assessment of impending exhaustion of sources of raw materials combined with preventive action
- Suppliers encouraged not only to adopt an environmentally sensitive approach but improve on it. TechnicoFlor's pesticide detection program should direct suppliers towards more environmentally sensitive practice
- Preference for eco-certified product listings including products from organic and local sources
- Direct assistance to producers in the patchouli supply chain in Indonesia involving the purchase of 50,000 organic plants and skills transfer to guarantee the highest quality output and respect for environmental protection.

OPTIMIZE TRANSPORT AND DISTRIBUTION

The fragrance industry is by nature an intensive user of transport services. Raw ingredient production is in some cases limited to a few regions that supply a far more extensive global consumer market.

Transport for the fragrance industry accounts for 20% of all greenhouse gas emissions and is percentage-wise the second largest cause of emissions after crop cultivation and perfume production (64%).

To reduce the environmental impact to transportation, TechnicoFlor implements the following policies:

- Sea cargo to replace air transport whenever possible;
- Optimized procurement by larger and less frequent batch deliveries
- Priority to local sources of supply
- Raising awareness and inviting customers to implement environmentally sensitive approaches by forward planning and larger batch orders, choice of sea-borne cargo, better designed and fully filled containers
- Further consideration given to producing perfume components at point of consumption to reduce freight distance and expense (China, Indonesia)



PRODUCING BETTER

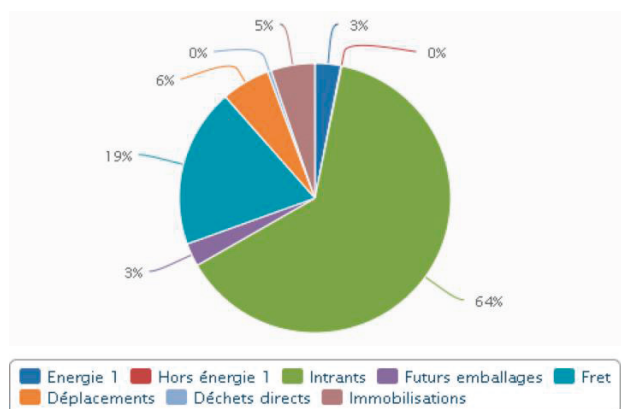
TechnicoFlor's ISO 14001 certified environmental management system helps improve production techniques by consuming fewer resources and generating less waste. Focus on the major measures taken and integrated into TechnicoFlor processes:

- **Energy:** Reduced power consumption (presence detectors, twin flow power supply, metering solutions). TechnicoFlor is a participant in ST3EP joint action led by Marseille Provence Chamber of Commerce and Industry for better technology to make more energy savings. TechnicoFlor's planned new plant will be built to the most exacting standards of environmental protection.
- **Water:** leak detection, water saving, economic WC flushing systems, Mediterranean plants for non-irrigated gardens;
- **Waste:** selective waste disposal, involving segregating the materials used for drums, cardboard boxes, paper, packaging and batteries.
- **Air quality:** atmospheric emission analysis, staff travel policy, train for national travel, car-sharing, fibre optic IT for videoconferencing to avoid of long distance travel (to Paris or elsewhere)
- **Biodiversity:** no pesticides in headquarters gardens, support for organic farming by sourcing Fair Trade raw ingredients, support for preserving endangered species (elephants and rhinoceros) in Nepal, through sponsorship
- Training all staff in basic environmental protection practice

Environmentally protective initiatives are followed-up on a comprehensive and continuously updated display, part of which is shown below. For greenhouse gases, a carbon balance sheet was drawn up in 2012. This will soon be repeated to check action outcomes and define avenues of progress. The balance sheet set an initial target of greenhouse gas emissions of 4.2 t CO₂ per tonne of perfume shipped (GRI: EN16).

communication ISO 26000

Breakdown of greenhouse gases by source of emission:



NEW FORMS OF CONSUMPTION

TechnicoFlor is not in direct contact with consumers of fragrances, and its role in the environmental protection field at the end of the product life cycle is virtually insignificant, quite the opposite of its role in the health and safety field. Even so, TechnicoFlor is attentive to its customers' concerns and, in conjunction with all stakeholders, will in the future research the most environmentally friendly applications.



REDUCING ENVIRONMENTAL FOOTPRINT AT END OF PRODUCT LIFE

Careful sorting of production waste makes beneficial reuse possible, so limiting environmental impact. A number of specific recycling processes have been identified and adopted, with tangible results.

100% OF WASTE BENEFICIALLY REUSED

An initial solution has been adopted for drums. TechnicoFlor now seeks longer term recycling with the help of other stakeholders facing similar problems

End of product life cycle studies in the fragrance field also extend to toiletry and detergent applications, that find their way into waste water and/or ground water. Reduced eco-toxicity and higher biodegradability of eco-label molecules are major plus points which TechnicoFlor seeks to develop. No matter the limited number of suppliers in the market, TechnicoFlor encourages them to increase the number of high quality molecules they use, while also encouraging its own perfumers to create innovative formulations. Targets are specifically set to monitor progress in this important area of environmental protection.

Environmental indicators				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>GRI</u>
Water consumption (m ³ /t)	3.7	3.9	3.5	EN8
Electric power consumption (kva/t)	617.1	603	618	EN3
Waste (total) (t/t) *	0.065	0.075	0.08	EN22
Biodiversity: number of sites preserved	48	48	50	EN11

Indicator: t = per tonne of perfume shipped

* Waste: plastics, metal, spoils, sediment, others (solvents)

EVALUATION BY SGS



* Strong Points

- ISO 14001 certified environmental management system guaranteeing compliance to regulations and continuous progress
- A number of approaches initiated at TechnicoFlor direct initiative to improve environmental footprint, bring into play the early stages of product eco-design, precise drafting of balance sheet of greenhouse emissions, energy efficiency improvement processes, reduction and beneficial reuse of hazardous and ordinary waste, eco-certified sources of supply of raw ingredients.
- Reduced environmental footprint has been demonstrably achieved in some areas such as water, energy consumption and waste management

*Axes of Progress

- Focus on environmentally sensitive issues and social responsibility
- Extended scope of environmental performance indicators
- Successful completion of drum recycling scheme

CONTRIBUTION TO SOCIETAL DEVELOPMENT

It was an unusual move away from Grasse, the historic inland center of the French perfume industry, when TechnicoFlor set up its headquarters in Allauch, a charming town close to the Mediterranean port of Marseille. But this was a winning move, as we created a new dynamic with the local community, in a give-and-take relationship of economic growth, expanding employment, skills development, opportunities for the young and fostering new cultural ties. The approach of putting down roots in the local community is also the one we adopt (and adapt) in support of our global business development.

CREATING TIES WITH LOCAL COMMUNITY

Through actions targeted to local stakeholders, TechnicoFlor seeks to boost the local economic, cultural and social environment where the company operates:

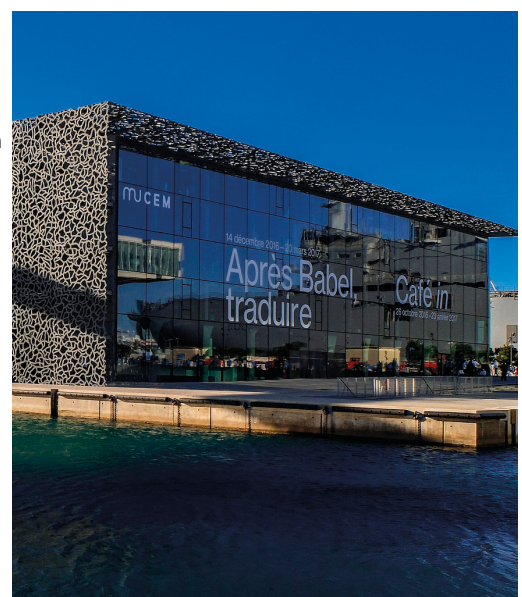
- **Economy / Employment:** TechnicoFlor has a firm policy of employment opportunities for young people in the Marseille area and has developed links with the University Institute of Technology (IUT) at La Forbine and the St Jérôme Faculty to provide job and training opportunities on a year-long contractual basis leading to qualifications. A number of open-ended contracts or “generation” contracts are available on completion of training.
- **Economy / Technology :** Working with companies in the local industrial area on fibre optic broadband. Although supported by less collective input than expected, TechnicoFlor’s contribution enabled companies so wishing to benefit from ultra-high broadband.
- **Economy / Suppliers:** TechnicoFlor in its procurement policy gives priority to local suppliers, whether Roxane automation devices delivered from Montpellier, lavender essential oil from Diois, or made-in-Marseille textiles (lab coats, protective apparel). Service providers and consultancies are also based in or around Marseille.
- **Social:** Membership of Cosmetic Executive Women, who aim to promote a network of women to support solidarity actions. 27 beauty counsellors are entrusted with dedicated missions and after training, are paid to provide beauty care in 25 hospitals in France. Membership enables staff members in Paris to forge links with local communities.
- **Culture:** we supported the 2014 “Believe in Marseille” Festival.

DEVELOPING COMMUNITY ETHOS THROUGH CREATIVE CULTURAL INITIATIVES

The essence of success in the fragrance industry is creativity - but what does that bring to the local community?

TechnicoFlor staff came up with the following idea: illustrate with coffee fragrances the *Café In* exhibition sponsored by coffee distributor Malongo and TechnicoFlor and organized by the Mucem - the Museum of the Civilizations of Europe and the Mediterranean - Marseille region’s first museum of national status and an emblem of local cultural life. Four exclusive fragrances were designed by event sponsor TechnicoFlor for visitors to enjoy at four olfactory terminals.

They illustrate the scents of coffee production from flowers on the bush to the beans when roasted and ground, before their contact with hot water and release of the hot coffee aromas of the convivial Parisian café—a replica of which was the highpoint of the exhibition. In the words of Marie-Caroline Symard, TechnicoFlor perfumer “The fragrance of the coffee flower is as suggestive as the traveler’s tales of yesteryear. Next we captured the distinctive fragrance of robusta and arabica beans, while the last terminal wafts the mixed scents wooden furniture, tobacco, wine and roast coffee typical of an old-style Parisian café.



TechnicoFlor was also involved in numerous other Mucem-organized events, from the opening ceremony to fringe happenings and the café waiter's race, drinks tray aloft on one hand. The Exhibition was a great success attracting 50,000 visitors, 80 % from the region and 20 % from outside. Press reporting was extremely positive and generated 250 articles.

TechnicoFlor has highlighted the cultural creativity of Marseille and its surrounding communities, by issuing invitations to foreign guests and many of our trading partners to attend an intriguing exhibition which was also much enjoyed by TechnicoFlor staff, who were so closely associated with its success. We feted this in a special evening event held for TechnicoFlor friends and family.

" CONVERGENCE BETWEEN COMPANY INTERESTS AND LOCAL COMMUNITIES "

Marie-Caroline Symard, Perfumer and leader of the Societal Commitment working group

Putting down roots in a company's local community involves much more than devoting human and material resources. Meetings with actors in the cultural, political and economic fields, including local entrepreneurs, players in technology and the academics, associations and socially-oriented charities, are essential partners when building jointly-owned projects. The time that needs to be spent on consultation and project development was in many cases far greater than imagined at the outset. But as socially beneficial projects mature, the staff members involved are keenly appreciative.

RECONCILING ECONOMIC DEVELOPMENT AND LOCAL COMMUNITIES ACROSS THE WORLD

By its involvement in Fair Trade, TechnicoFlor demonstrates how our business model can reconcile local community development and economic expansion by introducing people to the tangible benefits of better health, hygiene, education and environmental conservation.

Convinced as we are of the suitability of new economic models such as this, which combine higher income for local populations, the development of local communities and protection of the natural environment, TechnicoFlor in 2014 committed to a two year project with the NGO Man & Nature to safeguard biodiversity in Nepal and produce essential oils.

CONTEXT AND CHALLENGES

The National Park of Bardia at the foot of the Himalayas in Nepal is a protected natural area that is home to numerous threatened species such as the Asian elephant, the single horn rhinoceros, tiger, leopard and many more. Given the needs of a densely packed human population, the land bordering the park has gradually been turned over to agricultural use and protected areas are now under considerable pressure from deforestation and overfishing. Cohabitation between the population and natural flora and fauna is no easy matter, as elephants badly damage crops, rhinoceros can lethally attack passers-by, and leopards and tigers prey on livestock. Villagers' tolerance of wild animals is fast diminishing, as big game poaching and trophy gathering take over. The conflict between Man and the natural environment inspired NGO Awely to work to reduce tension and build a future of sustainable development.

SOLUTION

Develop economic activities contributing to better lifestyles for local populations while preserving biodiversity. The choice was to grow crops unattractive or even repulsive to wild animals that are transformable into essential oils and provide additional revenues to farmers. The most critical zones will be reorganized to create havens by electric ring-fences and/or community protection systems.



2015 ASSESSMENT OF PROJECT ACHIEVEMENTS

Based on earlier conflict mapping, the villager support program implemented the following measures:

- replanting community land with some 6,000 tree saplings, the long term aim being to grow a renewable reserve of standing timber available for felling as fuel for the distillery.
- 2 hectares of barrier curcuma planted to keep out wild animals, and 4 hectares of lemon grass for production of essential oils
- electric fencing (powered by solar panels) to protect crops
- training villagers in techniques of production of essential oils combined with the commissioning of a multi-purpose distillery
- theatrical shows to raise awareness among the 1,200 villagers of the importance of wild life protection
- distribution of first aid kits and training
- financial support to orphans, whose parents were attacked by wild animals
- sale of essential oils: 6 tons of mint, 3kg of chamomile

This villager support mission was a success, thanks to the hard work and commitment of Awely/NTNC Association. TechnicoFlor has made a substantial contribution to pump-priming and to the further development of sustainable agriculture.



EVALUATION BY SGS

The logo for SGS, consisting of the letters 'SGS' in a bold, sans-serif font, enclosed in a thin black rectangular border.

* Strong Points

- Territorial anchorage is a major concern for TechnicoFlo, which is determined to replicate in Marseille the approach successfully adopted elsewhere, by developing a local perfume culture and enhancing the general attractiveness of the Marseille region
- Continuing local sourcing of certain precious essential oils wherever possible,
- Fair Trade initiatives are full of potential as they boost development at the local level.

*Axes of Progress

- Carry forward to successful conclusion the initiatives launched in Marseille and Allauch
- Advance the sourcing of raw ingredients through Fair Trade
- Enhance the image profile of TechnicoFlor and its reputation in the Marseille region



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