

# 2019 COMMUNICATION ON PROGRESS



*Patchouli plantation in Indonesia*



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

We welcome feedback on its contents.

# “ DEVELOPMENT GUIDED BY A LONG-TERM COLLABORATIVE VISION ”



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.

A primary goal of our responsible action is to ensure that our staff, suppliers and stakeholders in the chain of value collectively contribute to creating fragrances of greater originality, of exemplary quality and of faultless safety.

Collaboration with all our partners is also at work when seeking to limit environmental impacts. The successful pesticide research programme we have undertaken with a group of industry professionals, has led to the development of an analytical method identifying the presence of pesticides in essential oils, and to the publication of a freely available guide of good practice. Our programme of eco-design in progress aims at federating our committed partners to imagine fragrances as creative as positive for the planet.

As an independent family undertaking, TechnicoFlor's vision is heritage-based. We are long term investors in our production assets. We build new facilities in accordance with environmentally protective techniques. Cutting edge automated equipment facilitates the application of specialist know-how and creates safer, more attractive working conditions. This in turn helps recruit the finest talent and promotes the development of the already outstanding expertise of our skilled workforce.

As a pioneer in the natural fragrances segment, TechnicoFlor values the natural heritage. We seek to privilege plant by purchasing ingredients from natural sources and supporting responsible or organic sourcing.

This long term and heritage-based vision is born of our conviction that the diversity of its players is a key feature of the fragrance industry. Diversity of inspiration is an underlying condition of creativity, in an environment of fair competition—two fundamental conditions of a prospering and responsible marketplace.

Our Communication on Progress -COP 2019- 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 Exexecutive 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 2018, complementary to the main actions realised in the previous years.

Our achievements are illustrated in this COP 2019 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*
- 4. Reliability, sustainability and responsibility of the value chain (suppliers, producers)*

**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 (CSR suppliers/regular partners). 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.

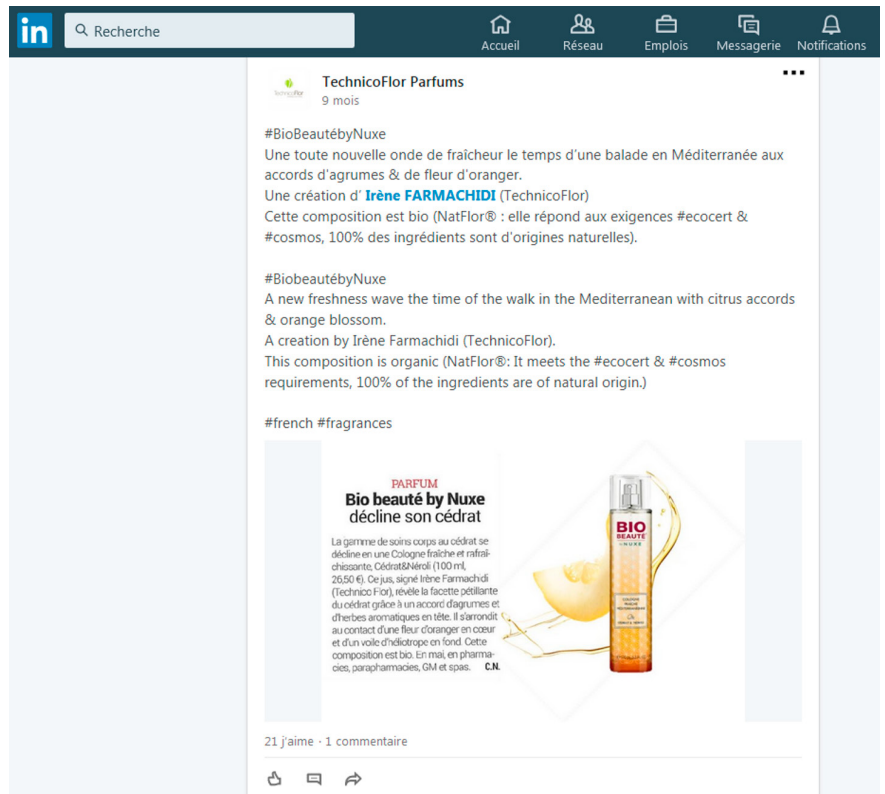
It covers the major fields of human rights, working conditions, combating corruption and environmental protection. It may also in the future cover the critical situations that require action from our organization.

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.

## 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 73 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).



In 2017 and 2018, the fragrance industry has been in an unprecedented crisis affecting the sourcing of raw ingredients. Confronted with significant shortages of more than one hundred products, TechnicoFlor was among the first to set up a crisis management unit. Customers were given early warning of difficulties. We put resources into place to ensure they were informed of both emerging and current critical shortages. Customer questions were actively welcomed as TechnicoFlor committed to respond with sincerity on a continuing basis. Our openness was much valued by customers and hugely assisted in the development of the necessary flexible responses.

Transparency and the sharing of information was the best spur to action. TechnicoFlor lost no time in mobilising all internal resources to achieve minimum possible adverse effect on our customers:

- decisive action expedited the reformulation of a considerable number of compositions,
- mobilisation of EIS, TechnicoFlor's ingredient sourcing and distribution arm, and of its trading partners, ensured the rapid listing of substitute ingredients,
- we boldly committed extra financial resources to buying key ingredients, building up buffer stock to insulate ourselves and our customers from the risk of rising prices.

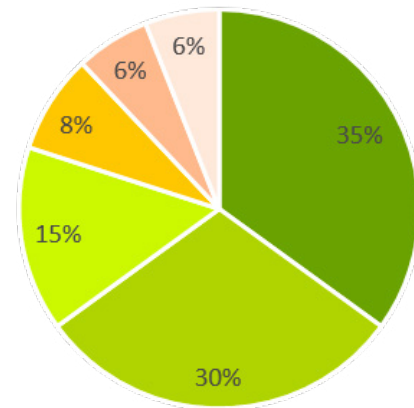
Determined and targeted crisis management ensures 100% success in maintaining deliveries to all our customers, albeit inevitably there are some delays.

## 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.

2018 turnover by geographical sector



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

Economic Indicators					
	2015	2016	2017	2018	GRI
Turnover in M€	13,3	15,2	16,4	18,5	
Production (in shipped tons)	685	702	763	788	PR2
Manufacturing Nonconformity Rate	1,01%	1,21%	1,21%	0,98%	
Reclamation Rate	0,9%	1,1%	0,8%	1,21%	

## 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

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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.

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## 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 since 2016. Beyond the certification, TechnicoFlor conducts additional controls through independent laboratories to ensure the naturalness of newly referenced raw materials. All 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 13 Fair Trade ingredients
- *Research into pesticides*: in 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, we validated a method of pesticide analysis in 3 matrices (citrus, lavender and Peppermint), identifying some 50 substances. This research project was presented at the second cosmetic and analysis forum (Waters) and enable industrial partners to progress on this topic thanks to a guide to good practice (available on the Pôle PASS website).  
*TechnicoFlor continues the research on pesticides with a new program following two goals:*
  - develop a decision-making tool to evaluate the format and the scope of the contamination by pesticides in the different types of natural extracts, in order to help the interpretation and the management of results.*
  - analyze the health safety problems of a raw material sourcing regarding the main production basins.*

## “ 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 led 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-sensibility 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 in 2014 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.

In 2018, the reference tool for assessment was updated to integrate more details on the risks related to supplies. The sustainability, CSR policy and regulatory compliance of the sourcing are deeper developed.



*visit of a sandalwood plantation in Australia*

**This new risk assessment improves the knowledges on the value-chain:**

- 70% of suppliers give preference to local partners
- one of our two suppliers carried out a CSR assessment by an independent body
- 40% are members of Sedex (an international platform open to the supply chain that mediates exchange of data of ethical concern), Ecovadis or Global Compact
- 100% of suppliers in our assessment panel signed the code of conduct

To confirm strategic suppliers and those with a growth potential, TechnicoFlor leads several actions in situ per year complementary to supplier questionnaires.

Lastly, to help his clients to inform consumers on the production conditions of ingredients, TechnicoFlor developed a database on natural raw material producers. This tool gathers the informations provided by the suppliers (30% today). This transparency effort also aims at promoting natural sourcing and reinforcing their growth.

#### **" 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 almost ten 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 12 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.



*patchouli plant in Indonesia*

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 significant quantities of crude patchouli were harvested from this source. Consequently our partnerships with a family of farmers at Sulawesi and another at Bone Bone have been renewed.

In 2017, Perfumer Marie-Caroline Symard and Purchasing Manager Barbara Guirao went to the island of Sulawesi in Indonesia to review the TechnicoFlor Patchouli plantation.

They met local producers and communities supporting sustainable patchouli production, listened to their needs and discussed ways to improve techniques of local production of the essential oil. Among issues are procurement of the most suitable equipment, improving working conditions and, last but not least, raising living standards for the farming and local communities as a whole.



*visit of the patchouli plantation*

The supplies generated by other fair trade producers have been readjusted:

- raw materials from Nepal have not been rebought since local producers stopped their commitment.
- a new fair trade sourcing in Turkey producing rose absolute and essential oil with the Fair for Life Label has been supported.
- new suppliers committed in the preservation of biodiversity (members of the UEBT) have been referenced for bergamot, lemon and red mandarin (Calabria, Sicilia).
- last but not least, an iris from France has been referenced.

Fair Trade Indicators					
	2014	2015	2016	2017	2018
%age Fair Trade Raw Materials/ Natural Raw Materials	7.12%	10.02%	10.09%	10.72%	20,87%
Number of Fair Trade Raw Materials	13	15	18	13	14

## 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.

In 2018, a substantially improved process-redesign regarding the Human Resources was undertaken and job descriptions have been updated, based on the Forward Jobs and Skills Management (FJSM). The Social and Economic Committee was created in 2018, as well as the Work Council. Reminder of the employee benefits:

- *Incentive Program since 2014, Company Saving Plan since 2016*
- *Attractive Health Mutual*
- *Tickets Restaurants*
- *Luncheon Vouchers*



## 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.

Every year, all staff involved in production processes are 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.

### *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*: 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, also organized are Fair Trade chocolate tasting sessions, picnic with all employees
- *Benefits at work*: better reimbursement of sickness expenses (mutual insurance scheme, advance payment of medical fees), luncheon vouchers



**“ 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				
	2015	2016	2017	2018
Total numbers employed: - Full time equivalent	60	62	68	73
Turn over (in number of persons)	6	0	6	8
Accidents at work (Number)	1	1	1*	0
Breakdown by gender (FTE)	60% women 40% men	61% women 39% men	60% women 40% men	64% women 36% men
Breakdown by age (FTE)	20-30 years : 21 30-50 years : 23 >50 years : 16	20-30 years : 23 30-50 years : 24 >50 years : 15	20-30 years : 24 30-50 years : 30 >50 years : 14	20-30 years : 27 30-50 years : 27 >50 years : 19

\*3 days of absence

## 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, whistleblowing 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)



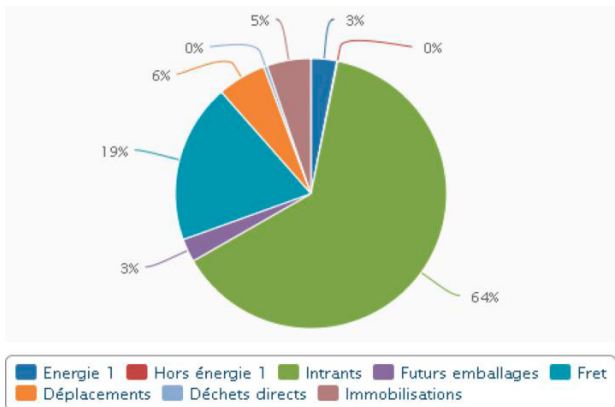
## PRODUCING BETTER

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). Environmental criterias for the purchase of computer equipment. TechnicoFlor participated in ST3EP joint action led by Marseille Provence Chamber of Commerce and Industry for better technology to make more energy savings.
- **Water:** leak detection, water saving, economic WC flushing systems, Mediterranean plants for non-irrigated gardens, wash-water recycling and decanter use.
- **Waste:** selective waste disposal, involving segregating the materials used for drums, cardboard boxes, paper, packaging and batteries. Sorting of household waste.
  - **Paper:** TechnicoFlor mène depuis de très nombreuses années une action pour limiter l’utilisation de papier (bureautique) et a reversé en 2017, au titre du recyclage systématique du papier, une somme permettant la plantation de 15 arbres.
- **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

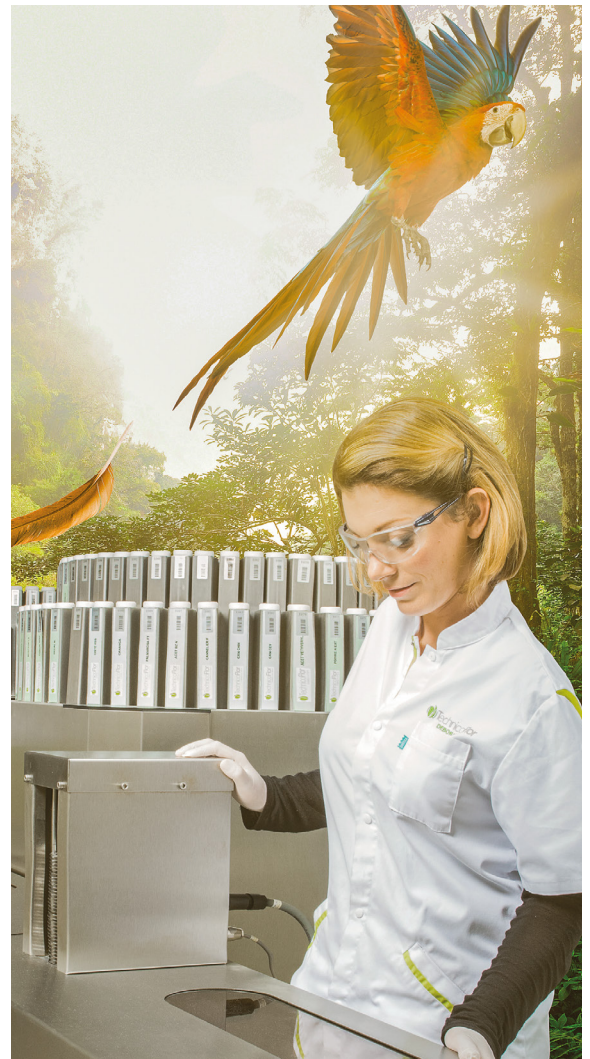
Environmentally protective initiatives are followed-up on a comprehensive and continuously updated display, part of which is shown below. For greenhouse gases, a carbon balance sheet was drawn up in 2012. This will soon be repeated to check action outcomes and define avenues of progress. The balance sheet set an initial target of greenhouse gas emissions of 4.2 t CO<sub>2</sub> per tonne of perfume shipped (GRI: EN16).

Breakdown of greenhouse gases by source of emission



In 2017, TechnicoFlor invested more than 10€millions to build a new production and logistic center in Allauch, France. This modern center will be equipped with new generation automated facilities. The project covers two industrial facilities, one dedicated to perfumes and the other to raw ingredients, both eco-designed, including rain-water recovery systems and a high-performance insulation. Work will begin in 2019 and the site will be put into service in 2020.

communication ISO 26000



## 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 stake-holders, will in the future research the most environmentally friendly applications. In that respect, an eco-design programme will be launched in 2019.

## 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						
	2014	2015	2016	2017	2018	
Water consumption (m <sup>3</sup> /t)	3.7	3.9	3.5	3,9	3,2	EN8
Electric power consumption (kva/t)	617.1	603	618	580	570	EN3
Waste (total) (t/t) *	0.065	0.075	0.08	0,075	0,081	EN22
Biodiversity: number of sites preserved	48	48	50	48	49	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 / 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.
- *Economy / Image*: TechnicoFlor is actively involved in the promotion of a dynamic Provence thanks to a continuous presence in the local and national press. The company proves by its investments how much the area is a growth opportunity.

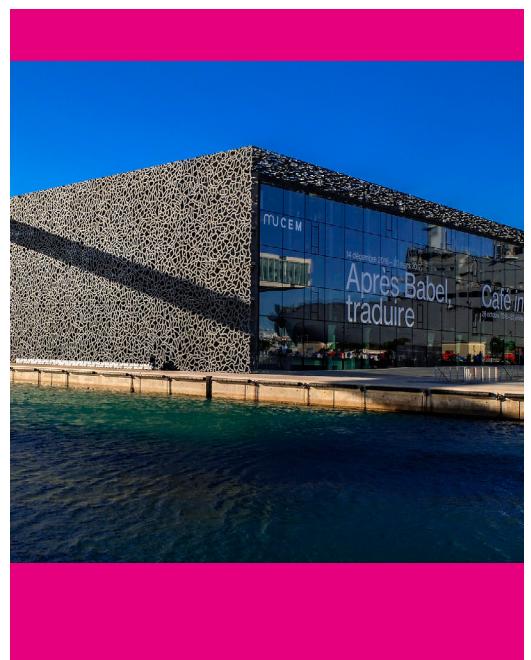
## DEVELOPING COMMUNITY ETHOS THROUGH CREATIVE CULTURAL INITIATIVES

*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.

TechnicoFlor consolidates its commitment to support local artistic and cultural projects by being member of the Mucem Club.

#### **" 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 has committed since 2014 with the NGO Man & Nature to safeguard biodiversity and produce essential oils.



From 2014 to 2016, a project in Nepal was supported aiming at the preservation of numerous threatened species (Asian elephant, single horn rhinoceros, tiger, leopard) and the culture of plants that do not attract wild animals and transformable into essential oils. Since 2018, contact were taken for the creation of an Ylang-Ylang sourcing in the Comoros.

## **EVALUATION BY SGS**



### **\* 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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