

Firmenich



SUSTAINABILITY REPORT 2012

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Cover Artwork: “The Pyramid of Sustainability”

Inspired by my interaction with the creators of flavors and fragrances at Firmenich, I captured the Firmenich vision of sustainability through their three sustainability pillars: governance, green and growth. These pillars represent thought leadership at all levels of their business. The foundation of the drawing is water, the basis of life. Water leads to flora and fauna, society and people. We depend on each other. The three animals (monkey, lion and horse) in the artwork support all the other elements representing the Firmenich sustainability pillars. I include windmills at the top of the pyramid, as renewable energy is extensively used at Firmenich. Balance can be felt throughout the piece, to promote union, as the planet and her people, are interconnected.

HIGHLIGHTS

Improved

our Total Recordable Case (TRC) rate for safety by 17.1%.

Signed

the CEO Statement of Support for the UN Women's Empowerment Principles.

Launched

a Supplier Environmental Sustainability Scorecard.

Created

a Product Sustainability Index.

Improved

performance in eight of our environmental indicators.

Partnered

with the Swiss Agency for Development and Cooperation in Haiti to improve lives and the environment.

Certified

vanilla, from the Savanille cooperative in Madagascar, by the Rainforest Alliance.

Achieved

a record 14 new third-party management systems certifications.

Awarded

the IMD-Lombard Odier Global Family Business Award.

Participated

and presented at the Rio+20 Corporate Sustainability Forum.



Message from our Chairman and CEO

Welcome to the seventh edition of our annual Sustainability Report. We believe that sustainable business success is anchored in the long-term interest of our customers, employees and our environment. Throughout this report, we include thoughts and insights on sustainability from around the world of Firmenich in the areas of "Governance, Green and Growth." Our report is published under the Global Reporting Initiative Guidelines.

The concept of sustainability was championed in 1992, at the "Earth Summit" in Rio de Janeiro, Brazil. In 2012, the sustainability community met once again in Brazil to reflect, review and refocus sustainability efforts at the UN Conference on Sustainable Development (Rio+20). A specific area of focus was the role of the private sector through the Corporate Sustainability Forum organized by the UN Global Compact. Firmenich was pleased to participate in the 2012 Summit in Brazil.

As the largest privately owned company in the flavor and fragrance industry, our products create moments of happiness in the daily lives of billions of people around the world. Our ability to deliver sustainable solutions to our clients is critical to the success of our company. We are pleased to highlight in this year's report the progress we have made with our development of a product-level Sustainability Index for our key ingredients.

In each of the past seven years we have continuously improved our safety performance. In FY12, we improved our employee safety rate by 17.1% over the prior year. We have also made good progress this year on most of our environmental indicators.

Moreover, Firmenich has made clear commitments to the principles of the United Nations Global Compact and the UN's CEO Water Mandate. This year, we additionally signed the CEO Statement of Support for the UN Women's Empowerment Principles. We try to faithfully execute all of these principles in our day-to-day business activities.

We are dedicated to balanced and transparent reporting, highlighting not only our successes, but also the challenges that we face and areas where we can continue to improve. While we have made solid progress, much remains to be done. The problems we seek to help solve are complex. While the global economy continued to face unprecedented challenges, we remained steadfast in our efforts to fully integrate sustainability into all aspects of our business and would like to express our appreciation to the thought leaders who serve on our independent Sustainability Council for their invaluable feedback.

We additionally thank you for your interest in our journey of sustainability. We hope that you find this report engaging and informative, and that you will gain a real sense of the progress we are making. We are sincerely interested in your comments and suggestions and welcome your feedback. You can contact us at:

global.sustainability@firmenich.com

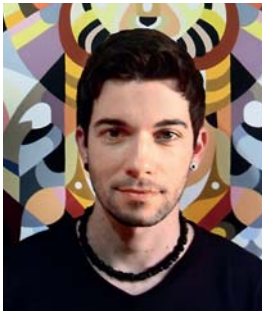
Most important, we have an organization of 6,500 talented and engaged colleagues around the world. Their creativity, passion and commitment drives the sustainable future we want, built upon the foundation of core values we share. We could not be more proud of our employees, and we recognize that they are at the heart of our company. We thank genuinely each of them for making sustainability a reality at Firmenich.

The Firmenich Fundamentals guide our every action, enabling us to remain true to ourselves and make a difference in an ever-changing world.

Vernon Sankey
Chairman

Patrick Firmenich
CEO

GUEST ARTIST FERNANDO CHAMARELLI



Each year our sustainability report features work from an artist that captures the spirit of our sustainability program. As a creative company, inspiring and communicating our sustainability journey through art is an important aspect of our work. This year we are featuring the Brazilian artist Fernando Chamarelli. We are thrilled to work with Fernando and to introduce him to the world of flavor and fragrance creation. Brazil has been central to our sustainability efforts this year. We presented our experience of corporate sustainability at the RIO+20 conference and have scaled up our sustainable sourcing initiative with copaiba oil in Amazonia. Finally, our focus on Brazil highlights the commitment of our Brazilian team to sustainability, a passion that is representative of all our colleagues.

Fernando Chamarelli studied graphic design and is a self-taught artist. He began by drawing comics, caricatures and realistic portraits.

Chamarelli uses multiple media and various techniques to create his distinct style. His paintings are like geometric mosaics, combining organic forms of intriguing colors through harmonic lines. Also present in his art are the symbols, legends, religious imagery and customs of ancient civilizations. Chamarelli's pictorial universe is populated with a mixture of images from pre-Columbian civilizations and Brazilian popular culture. His characters appear in surreal situations, in the midst of nature, with exotic plants and animals.

Outside of Brazil, Chamarelli has participated in group exhibitions and solo shows in the United States, Canada, England, Mexico, Spain, Germany and other countries.

In his own words...

My life has always been linked to nature; and painting elements of flora and fauna enriches my spirit with every stroke of the brush.

My art seeks to associate my knowledge, thoughts and feelings with colors and lines that, in turn, give life to my work. My artistic actions are in accord with my personal actions.

The Brazilian people are very concerned about the world we live in, and our multicultural population directly influences many of my creations. In my work, everything is connected. Small parts come together to form the whole, as with our planet.

My partnership with Firmenich is a special moment for me and marks the year during which my art has gained international recognition. I hope that my work with Firmenich inspires each reader of this report to take even a small step to making our world a better place.

chamarelli

SUSTAINABILITY VISION, STRATEGY AND GOALS

About Firmenich

Firmenich is the world's largest privately owned company in the fragrance and flavor business. Founded and headquartered in Geneva, Switzerland, in 1895, Firmenich has created many of the world's best-known perfumes and flavors enjoyed around the world, every day. Our passion for smell and taste and a commitment to our clients lies at the heart of our success. More information about Firmenich is available at www.firmenich.com

Embracing Sustainability

Our vision is to remain an industry leader in sustainability, creating and capturing value with our clients and their consumers worldwide. We are committed to remaining a leader in solving global challenges, such as climate change, inequality in access to health and education services and inclusive economic growth. We will continue to:

- Create products that make a difference
- Contribute to our clients' sustainability strategies
- Understand consumer needs in emerging economies
- Anticipate global environmental trends

2015 — Strategic Sustainability Goals (from 2010 Baseline)

50%

Further improve our industry-leading safety performance

-15%

Reduce CO₂ emissions in absolute terms

-15%

Reduce water usage rate

90%

Partially power 90% of our manufacturing facilities with renewable energy

400 Key

Create a "Sustainability Index" for 400 key ingredients

8 Countries

Complete Sustainable Natural Ingredient Sourcing Projects in eight countries

1 Million

Impact the lives of 1 million children through improved nutrition and hygiene

OUR BUSINESS AND SUSTAINABILITY

Sustainability in the Fragrance and Flavor Industry: Reflections from Members of Our Leadership Team

Message from Armand de Villoutreys, President, Perfumery Division



The question at the center of my reflection is: “How does the fragrance value chain improve lives?” This question might seem very ambitious or totally frivolous, but it is neither. Fragrance improves lives - this is the sustainability vision our Perfumery Division is inspired by. More concretely, how does perfume improve the world?

Making our products greener is essential and corresponds to an increasing demand by consumers. In that context, “performing” home and body care products using less water is part of our future. In addition, sustainable sourcing programs that equitably engage communities in our supply chain improve lives. When a consumer buys a fine fragrance in a city like Paris or New York, they help improve the lives of families from small farming communities in Uganda and Haiti.

Finally, we need to rethink the importance of perfume in a global, urbanized world where large parts of the population are living with less than \$10 per day. Low income consumers in India reminded us that bad smell can be a stigma of poverty. It is easier to find a job when you are wearing a clean shirt and smell good; it increases respect and self-confidence. We heard this many times in our work with consumers in the developing world.

Fragrance has a key role to play in improving lives and creating moments of happiness from the top to the base of the economic pyramid.

Message from Aldo Uva, President, Flavor Division



We have an important role to play in helping our customers create tastier, more nutritious products. We often work “behind the scenes,” but our role puts us centrally within the food industry value chain: from purchasing raw materials in order to make our products, to working with our customers to understand consumer preferences to delivering to them the great products they desire. We strive to contribute to the sustainability efforts of our industry by making healthier food taste better.

As a purchaser of raw materials, we work and innovate with those in agriculture to create sustainable solutions. This year we participated in “Chocovision,” an event dedicated to addressing the future of the cocoa industry. Our taste modulation technologies allow us to work with our customers to reformulate products so they have the same sweetness with less sugar.

We also work to improve the food that is produced specifically to help in the fight against undernutrition, in particular in vitamin and mineral deficiencies. Our partners at the Global Alliance for Improved Nutrition (GAIN) have been doing great work over the past decade to help populations around the world get access to food fortified with vitamins and minerals. Firmenich technologies help make sure fortified food tastes good.

Another global health challenge facing the food industry is obesity and overnutrition. In developed markets, our customers are creating healthier food by cutting calories via sugar, salt and fat reduction. Through our research and new taste modulation technologies, we can help maintain great taste while also improving the nutrition profile.

Message from Boet Brinkgreve, Group Vice President, Ingredients Division



Today, any company sourcing, developing and manufacturing flavor and fragrance ingredients, has to integrate sustainability across its business. Sustainability of our ingredients has become a key factor in serving our clients.

Product-level sustainability is demonstrated in our business via a focus on innovation, sourcing and manufacturing:

- **Innovation:** developing new ingredients that provide a sustainability benefit in our client products. Techniques in synthetic biology, green chemistry and biotechnology have enabled us to develop ingredients of a similar or improved quality while reducing our environmental footprint and natural resource use.
- **Sourcing:** securing our supply of raw materials. For both naturals and synthetics, we strive to ensure our suppliers meet our sustainability standards. Managing these supply chains in a sustainable way enables security and continuity of supply. In the case of our natural ingredients, we also secure support for the communities at the source. Limiting transport between suppliers, factories and clients can also reduce cost while at the same time improving our environmental footprint.
- **Manufacturing:** reducing the environmental impact of our operations and ensuring we continue to operate safely. All of our ingredient factories have third-party certified safety and environmental management systems. We are proud that the level of health, safety and environment (HS&E) in our factories is “best in class” with a TRC rate at 0.24. This standard enables our people, our most important asset, to be safe in our factories.

These three focal points underpin our product-level Ingredient Environmental Sustainability Index, allowing us to manage and track our performance improvements. We strive to be the reference and preference in flavor and fragrance ingredients, not only because we have a passion for our people and products but especially because we operate in a sustainable way.



REVIEWING OUR PROGRESS



In 2012, as the world met in Rio de Janeiro on the 20th anniversary of the “Earth Summit,” we took the opportunity to reflect and review the progress of our sustainable development journey. Our vision is to remain an industry leader in sustainability, creating and capturing value with our clients and their consumers worldwide. In order to realize this vision, it is imperative that we reflect on our progress – our successes, our challenges and our learning.

To ensure an objective opinion, we asked Forum for the Future, a leading sustainability think tank and long-term Firmenich partner, to review our sustainability reporting. Based largely on our 2011 report, we asked Forum to highlight our strengths and weaknesses. Specifically, we asked them to challenge us and make recommendations to enhance and improve the information we communicate. Our intention is to reflect, learn and improve. Forum for the Future judged our sustainability reporting against seven criteria in three themes: sustainability, business relevance and communication.

Overall, Forum for the Future concluded that Firmenich already performs at a high level, but they highlighted a number of areas for improvement. We are focused on ensuring that we continue to excel in our sustainability performance and that we use the feedback from Forum to provide the most credible, material and transparent information to all of our stakeholders. We have studied the Forum feedback very carefully in our organization and writing of this report.

ASSESSMENT CRITERIA	
Sustainability	
Completeness	Are all the relevant sustainability issues covered?
Materiality	Are sustainability issues covered in proportion to their significance?
Business	
Integration	Does reporting reflect the extent to which sustainability has been integrated into core business?
Vision	Is the long-term vision for sustainability clearly set out and is progress toward the vision reported?
Communication	
Clarity and Presentation	Is information comprehensible and accessible? Is creativity used to help reader comprehension? Are claims supported with examples?
Credibility	Are there internal and external processes to provide assurance?
Transparency	Is all relevant information – good, bad and indifferent – clearly disclosed?

RECOMMENDATIONS	
Areas to Keep/Develop Further	
Attractive report (reflecting the customer proposition).	
Clear commitment from the CEO and the Chairman of the Board.	
Strong overarching vision and commitments.	
Progress on environmental goals clearly communicated.	
Strong stories from naturals work, aligning with strategic opportunities.	
Areas for Improvement	
Clearer narrative for the report with sign posting to delivery against the vision.	
Explicitly demonstrate how material issues are determined and addressed.	
Further explore the challenges faced.	
Better showcasing of areas of leadership to add value (e.g. the Sustainability Index).	
Need to more strongly reflect sustainability alongside the core business strategy.	

RIO+20: A TIME FOR REFLECTION



The concept of sustainability was first championed in 1992 at the “Earth Summit” in Rio de Janeiro, Brazil. In 2012, the sustainability community again traveled to Brazil to reflect, review and refocus sustainability efforts at the UN Conference on Sustainable Development (Rio+20). A specific area of focus was the role of the private sector through the Corporate Sustainability Forum organized by the UN Global Compact.

The only fragrance and flavor company invited to present at the Rio+20 Corporate Sustainability Forum, Firmenich shared its expertise and experience in partnership models for sustainability. We focused on our work with small farmers, highlighting our activities in Haiti with vetiver farmers. This initiative is part of our “sustainable sourcing program” that focuses on sourcing our natural ingredients in a sustainable way – economically, environmentally and socially. Our sustainable vetiver initiative is being delivered in partnership with the Swiss Development Corporation and follows our Clinton Global Initiative commitment announced in 2010.

In addition, Firmenich, as the chair of the Swiss UN Global Compact Network, represented Switzerland at the Global Networks Meeting and attended the steering committee meeting of the United Nations Conference on Trade and Development (BIOTRADE) dedicated to biodiversity for the cosmetics and fashion industry.

With 1,400 private sector representatives, the Rio+20 Corporate Sustainability Forum drew the highest level of business participation of any UN conference to date. As a showcase for innovation and collaboration, the forum featured over 100 sessions focused on six themes central to the Rio+20 agenda: Energy & Climate, Water & Ecosystems, Agriculture & Food, Social Development, Urbanization & Cities, and Economics & Finance. A wrap-up statement from the Rio+20 Corporate Sustainability Forum endorsed the potential of multistakeholder collaboration to effect transformational change on energy, water, food, women’s empowerment and other global issues, and the power of

private sector innovation to scale-up and sustain progress. Business pledges and policy recommendations were handed over to UN Secretary-General Ban Ki-moon and heads of state on 21 June at the UN Conference on Sustainable Development (Rio+20).

Our main take-away message from Rio was that business needs to drive sustainable growth through sustainable innovation at the scientific, social and organizational levels. In that context, new partnerships are necessary to foster innovation. Sustainability is no longer only a cost to companies, it is an important driver for growth. Discussions highlighted that the way companies manage risk, opportunity, and scarcity will determine the long-term value they create for stakeholders and society.



Giant fish made with plastic bottles were exhibited on 19 June 2012 at Botafogo beach in Rio de Janeiro for the UN Conference on Sustainable Development.

Reuters - © Ueslei Marcelino

GOVERNANCE

MANAGING OUR BUSINESS WITH AN UNWAVERING COMMITMENT TO PERFORMANCE WITH INTEGRITY.

“The Journey”

In this depiction, people from different parts of the world live in harmony with nature. They are free yet meaningful as they are guided by the “fish-bird” which brings direction and unity. The work includes someone who is carrying a fragrance bottle in the form of a “drop” which connects this painting with the others. Wind, a natural force, is utilized to create energy and direction. I am reminded of what a Perfumer described to me when explaining the use of natural materials as well as compositions of fragrance molecules to replicate nature in the laboratory producing an identical scent without removing the flowers from their habitat.

Fernando Chamarelli - Brazilian Artist



OUR FUNDAMENTALS

“Our Fundamentals guide our every action, enabling us to remain true to ourselves and make a difference in an ever-changing world.



Patrick Firmenich
CEO

CLIENTS

We fragrance and flavor our clients' products for our mutual success.

- We listen to our clients and transform their ambitions into reality.
- We anticipate consumer desires, continually reinventing the world of smell and taste.
- We deliver the winning combination of products, service and value for money, placing authority and accountability close to our clients.

PEOPLE

People are the heart of our Company. They are recognized for their passion, talent and integrity.

- We create an environment in which each employee is valued, empowered and encouraged to grow.
- We value the diversity and commitment of our people, enabling us to shape our future with confidence and imagination.
- We unite the finest talents and encourage an entrepreneurial team spirit to attain our strategic goals.

CREATIVITY

Creativity is our essence.

- We create fragrances and flavors that inspire our clients and consumers worldwide.
- We lead our industry in research & innovation, capturing breakthrough ideas around the world.
- We constantly strive to discover new ways to improve all that we do.

SUSTAINABILITY

Our sense of individual and collective responsibility ensures our long-term success.

- We strictly maintain the highest level of personal integrity and ethical values.
- We practice a sustainable business model for the well-being of present and future generations.
- We adopt the strictest international standards on quality, safety and the environment.

INDEPENDENCE

Our independence gives us the freedom to control our destiny.

- We are a family-owned company, committed to our independence.
- We take a long-term view of our business.
- We pursue a policy of financial strength, profitable growth and return on assets.

OUR GOVERNANCE

Living the Firmenich Fundamentals... Each and Every Day



Since joining Firmenich in May 2012, I have been inspired by the company's deep commitment to sustainability. Sustainability has been progressively integrated throughout the "world of Firmenich." In this context, I believe that the Human Resources Department has an important role to play

and will become an even stronger partner at many levels within the company's various sustainability initiatives.

Our HR and Communications Group works hard to ensure that each employee of Firmenich worldwide lives the Firmenich Fundamentals every day. For more than a century, Firmenich has demonstrated an unwavering commitment to performance with integrity. Our Code of Conduct clearly delineates what is expected of all of us at Firmenich. In FY12, the company issued new policies on diversity, inclusion and safe disclosure ("whistle-blowing").

The HR Department of Firmenich has done remarkable work engaging employees through our Global Community Day, which now focuses on the company's sustainability goals. We put our people at the center of all we do, and the health and safety of our people is non negotiable everywhere we operate. I believe that our Sustainability Team and HR have even greater opportunities to reinforce each other at many levels, and I am looking forward to exploring these synergies in the coming months. For instance, we know clearly that a strong sustainability program helps us recruit and maintain the best talent. Employees are motivated when they are proud of their company's engagement in true sustainability work. Furthermore, sustainability projects can be used for leadership development, offering short-term opportunities for high-potential employees to share their skills and competencies.

I am passionate about workplace diversity, and I am proud that Firmenich has signed the CEO Statement of Support for the United Nations Women's Empowerment Principles, which will help advance the rights of women in our company and in our overall value chain.

I am personally committed to engaging in many aspects of sustainability as I begin my journey leading the HR and Communication function within Firmenich.

Helen Wyatt
Corporate Vice President,
Human Resources and Communication



OUR PEOPLE: HEALTH AND SAFETY

Protecting Everyone: Health, Safety and Environment (HS&E)

Ensuring that our employees and contractors are healthy and safe is of utmost importance to Firmenich. For the seventh consecutive year, we have improved our headline safety performance, achieving a Total Recordable Case (TRC) rate of 0.63, which represents a 17.1% improvement over the preceding year (FY11 = 0.76) and an overall 74.1% improvement over five years from FY07 (full-time permanent and temporary employees).

Had we not made any improvement in our overall health and safety performance in the five-year period, at least 381 people would have been injured, with that injury resulting in either time away from work, inability to perform some work duties and/or receiving professional medical treatment. Instead, our people were able to go home safely.

Eight of our 26 manufacturing sites achieved zero TRC, with 17 achieving zero Lost Time Cases (LTC). Eight of our sites have gone more than three years without an LTC.

As part of our ongoing commitment to have all of our manufacturing sites third-party certified to both the OHSAS 18001 (occupational health and safety standard) as well as ISO 14001 (environmental standard) by the end of FY14, we achieved an additional nine certifications during this fiscal year.

Recognizing HS&E Success

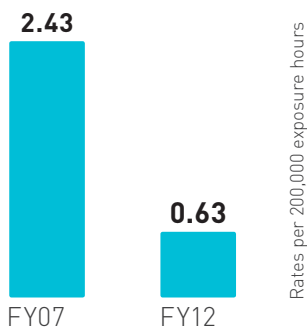
In 2008, Firmenich created the Jean-Marc Bruel Award for Health, Safety and Environmental Excellence in honor of our retired chairman, Jean-Marc Bruel. It recognizes teams that integrate innovative health, safety and environmental management practices into their business excellence goals.

This past year, Firmenich's ingredients site in La Plaine, Switzerland, received the award based on its continuous improvement during the past five years in areas of line management safety leadership, behavioral safety programs and environmental enhancements in noise and water management, as well as odor control.

In 2010, the site achieved both ISO 14001 and OHSAS 18001 certification and set a new site safety performance record. From June 2007 to October 2011, its TRC and LTC rates improved by 82% and 92%, respectively.

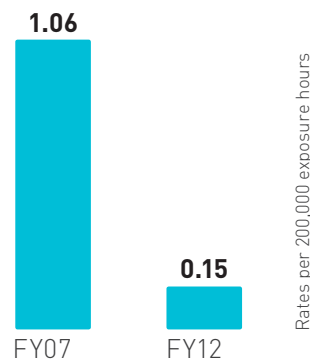


TRC Rate



* TRC Rate = Total Recordable Cases per 200,000 exposure hours. (This is the sum of Lost Time Cases + Restricted Work Cases + Medical Treatment Cases, which are either work related injuries or illnesses). Data are for full time permanent and temporary employees (supervised contractors). Each year, we revalidate our data, making any necessary corrections retrospectively and reporting the corrections.

LTC Rate



* LTC Rate = Lost Time Cases per 200,000 exposure hours (a recordable work-related injury or illness that results in time away from work of greater than one day or one shift following the day of the incident). Data are for full-time permanent and temporary employees (supervised contractors). Each year, we revalidate our data, making any necessary corrections retrospectively and reporting the corrections.

92%

improvement in LTC
over the past five years

Investing in Health, Safety and Environmental Sustainability

We continued to invest in health, safety and environment and sustainability projects at our manufacturing plants and offices. Capital spending on projects and equipment related* to HS&E and sustainability was up 22%, to CHF 21.6 million in FY12, from 17.7 million in FY11. Over the past five years, annual capital spending on HS&E and sustainability projects has increased by 18%.

Some of the major HS&E and sustainability projects undertaken in FY12 included:

- Solar panel installations in Port Newark, USA, and solar lighting in Shanghai, China
- Wastewater treatment upgrades in Shanghai, China
- On-site waste incineration in Gujarat, India
- High pressure cleaning system in Shanghai, China
- Ventilation upgrades to reduce workplace exposure in Geneva, Switzerland; New Jersey and Minnesota, USA
- Ergonomics improvement in Mexico
- Electrical safety upgrades in Switzerland and California, USA
- Process equipment safety upgrades in Geneva, Switzerland, and New Jersey, USA
- Fire prevention and protection improvements in Belgium and Geneva, Switzerland

*This includes projects specifically related to HS&E and sustainability plus an allocated percentage of all other project investments, according to our internal asset investment rules.

Projects to Improve Health and Safety

Chemical Exposure Monitoring

Firmenich has stringent controls in place regarding the handling and use of hazardous materials. We also have a program of mandatory chemical monitoring to ensure that chemical exposure limits are not exceeded. In FY13, a new program on air quality and personal-exposure monitoring

will be implemented to help us better understand the effectiveness of existing controls and, if necessary, to improve the way that these materials are handled and used.

This monitoring program will measure potential exposures to more than 35 different substances through personal dose monitoring. The program will cover 12 representative manufacturing sites, and the results will be communicated to all sites. An external agency will conduct testing, and analyses will be performed in accredited laboratories.

Safer Olfactory Testing

In FY12, we launched a global study to assess respiratory exposure during olfactive testing of our raw materials. With the help of an external hygienist and in-house toxicologists, we assessed 1,616 different ingredients using a chemical risk-assessment process. This is an important step toward better protecting employees in an industry where olfactive analysis of ingredients and products is a natural part of the development process.

Hazardous Area Audits

Firmenich's production activities frequently involve the handling of flammable liquids and combustible powders in a variety of different work areas. A critical factor in the safe handling of these materials is ensuring that they are properly stored and used in facilities constructed and operated to avoid ignition sources, which could lead to fires or explosions.

During FY12, a global program of detailed third-party hazardous area audits was developed to ensure that facilities effectively control ignition sources in full accordance with corporate standards and local regulations. The audits will be conducted by a recognized independent global expert in process and electrical safety and will cover more than 20 manufacturing sites over a 24-month period starting in July 2012.

OUR STAKEHOLDERS

Clearly defining and understanding our stakeholders has been central to our sustainability program since its inception. Our sustainability report provides our stakeholders with an annual update on our progress. In FY13, as we reach the halfway point of our Embrace 2015 strategy, we will review our materiality matrix to ensure that we continue to focus on the issues central to our business and our stakeholders. In executing our sustainability program, we focus on a number of stakeholder groups, including our clients, suppliers, employees, sustainability partners and shareholders.

Our clients are integral to our sustainability efforts. Many of our clients have developed sophisticated sustainability approaches and are leaders in sustainability in their markets. We are inspired by their achievements and the standards they expect of us. We are enabling their sustainability strategies and regularly interact with them to create sustainable solutions together.

We have scaled-up activities with suppliers during FY12. We fast-tracked our supplier engagement strategy by hosting a Supplier Sustainability Summit and implementing a supplier environmental scorecard – more information on this initiative is included on page 40. Through an inclusive supply-chain approach to natural sourcing, we give special attention to suppliers involved in sustainable farming.

Firmenich has approximately 6,500 employees in 64 countries. In the past two years, our internal network of sustainability “champions” has been growing and consolidating. This is the mechanism we have created to engage and educate employees to drive sustainability at Firmenich. Grass-roots Green Teams have emerged at a number of our sites.

We have continued our series of learning events on sustainability, hosting a number of sustainability thought leaders to educate and inspire employees. Engaging internal stakeholders through learning opportunities is just one aspect of our approach. We believe that when people “experience” sustainability in concrete projects they start to discover the multifold opportunities it brings. Whether they are focusing on nutrition in Africa or hygiene in Asia, the base of the economic pyramid in India or sourcing products in the Amazon, our sustainability champions are not only learning, they are acting and advancing Firmenich’s positive impact on society.

In FY12, we had 20 key strategic sustainability partnerships. Each partnership is active, with ongoing projects and partnership review meetings taking place. In addition, we have forged two new partnerships: one with the Rainforest Fund, which advises us on human rights and issues relating to the Amazon; and one with the Swiss Development Cooperation, the development agency of the Swiss government, with which we have signed a public-private partnership to support inclusive sourcing in Haiti.

The shareholders of Firmenich take an active interest in sustainability and support our programs.

OUR SUSTAINABILITY COUNCIL

Firmenich created an independent Sustainability Council in 2007 to help guide our sustainability program. This “sounding board” includes thought leaders from various disciplines covering the economic, environmental and social aspects of sustainability. In a true spirit of transparency, we asked each of the six council members to critically challenge us on our work. This is what they had to say.



*Marc Pfitzer,
Managing Director,
FSG*

FSG is a nonprofit consulting firm specializing in strategy, evaluation and research to better tackle social problems. Today, FSG works across sectors in every region of the world, partnering with corporations, foundations, nonprofits and governments to develop more effective solutions to the world’s most challenging issues. FSG and its cofounder Michael Porter are the originators of the creating shared value concept, which helps companies see social problems not just as costs but as opportunities for growth and productivity gains.

I expect Firmenich to more firmly anchor sustainability into its core purpose and strategy. In five years, the company will have reaffirmed the value of flavors and fragrances to society and shown how they help address social problems, and Firmenich will be investing systematically to seize those opportunities. In the meantime, it will continue to advance toward the basic goal of sustainability (zero footprint) and have a clear list of priorities to change key processes and substitute key ingredients. I love your chemistry work relating to the ratio of input to outputs and trying to bring that ratio ever closer to 1:1, fascinating.



*Stephanie Draper,
Director of System
Innovation,
Forum for the Future*

Forum for the Future is an independent nonprofit that works globally with business and government to inspire new thinking, build creative partnerships and develop practical solutions. Teaming up with pioneering partners, we strive to transform the essential systems of food, energy and finance to secure a more fulfilling life for this and future generations.

Firmenich needs to take the excellent work on sourcing natural ingredients sustainably and find a way to make it mainstream in the business and supply chain. This will mean using the ingredients index to drive innovation in sourcing and manufacturing. And it will also mean going beyond these immediate activities to help shape and collaborate in the debates on the future of land use and the role that synthetics versus naturals will play in a more resource-constrained future.



*Guillaume Taylor,
Founder and Managing
Director,
Quadia*

Quadia is an investment management company specialized in impact finance. Quadia invests in companies and projects active in the areas of smart water use, nutrition, healthcare access, biodiversity, social housing, education, inequality, clean energy supply and responsible consumer goods.

I expect that Firmenich will remain a front-runner in the sustainable growth models placing sustainability at the core of its business model. Sustainable growth will be achieved thanks to collaborative action. Firmenich can lead in this trend and leverage its impact through an increase in joint measures. This year I felt that Firmenich was ready to “think outside of the box” to define its own sustainability opportunities.



*Aileen Ionescu-Somers
PhD, Director CSM
Platform, Global Center
for Sustainability
Leadership*

The Corporate Sustainability Management platform (CSM) at IMD is an integral part of IMD's Global Center for Sustainability Leadership. CSM is a learning platform with a corporate membership of some 25 companies. CSM provides a forward vision and perspective to companies and supports them in the strategic management of social and environmental issues.

Firmenich could focus on defining more precisely its existing and potential contribution to a "brave new sustainable world" and the important related role that it holds within its value chains. Firmenich should focus on the various levels of product, process and systemic strategic innovation for sustainability. The leaders on this issue will be those who recognize the need for change and act upon it early, closing existing gaps between attitudes and positive actions. Firmenich has recognized this fact as a reality of its business context.



*Manoj Kumar,
CEO,
Naandi Foundation*

The Naandi Foundation is the fastest growing and likely the largest social enterprise in India doing large-scale sustainable programs across the sub-continent. These initiatives include feeding nutritious meals to 1 million school children daily, providing safe drinking water to over 2 million people, supporting the teaching of children in more than 1,900 schools and creating more than 100,000 sustainable livelihoods through ecological farming in the Araku region.

Firmenich will definitely reach the goals it sets for itself in this space, so it is important to set ambitious targets. Firmenich should now ensure that sustainability is never a negotiable budget item. The framework for sustainability must therefore become even more integral in the business strategy itself. I think the challenge is to inspire all employees with the sustainability ethos in their business. We will need a mechanism to engage employees and dovetail the sustainability portfolio to business as usual.

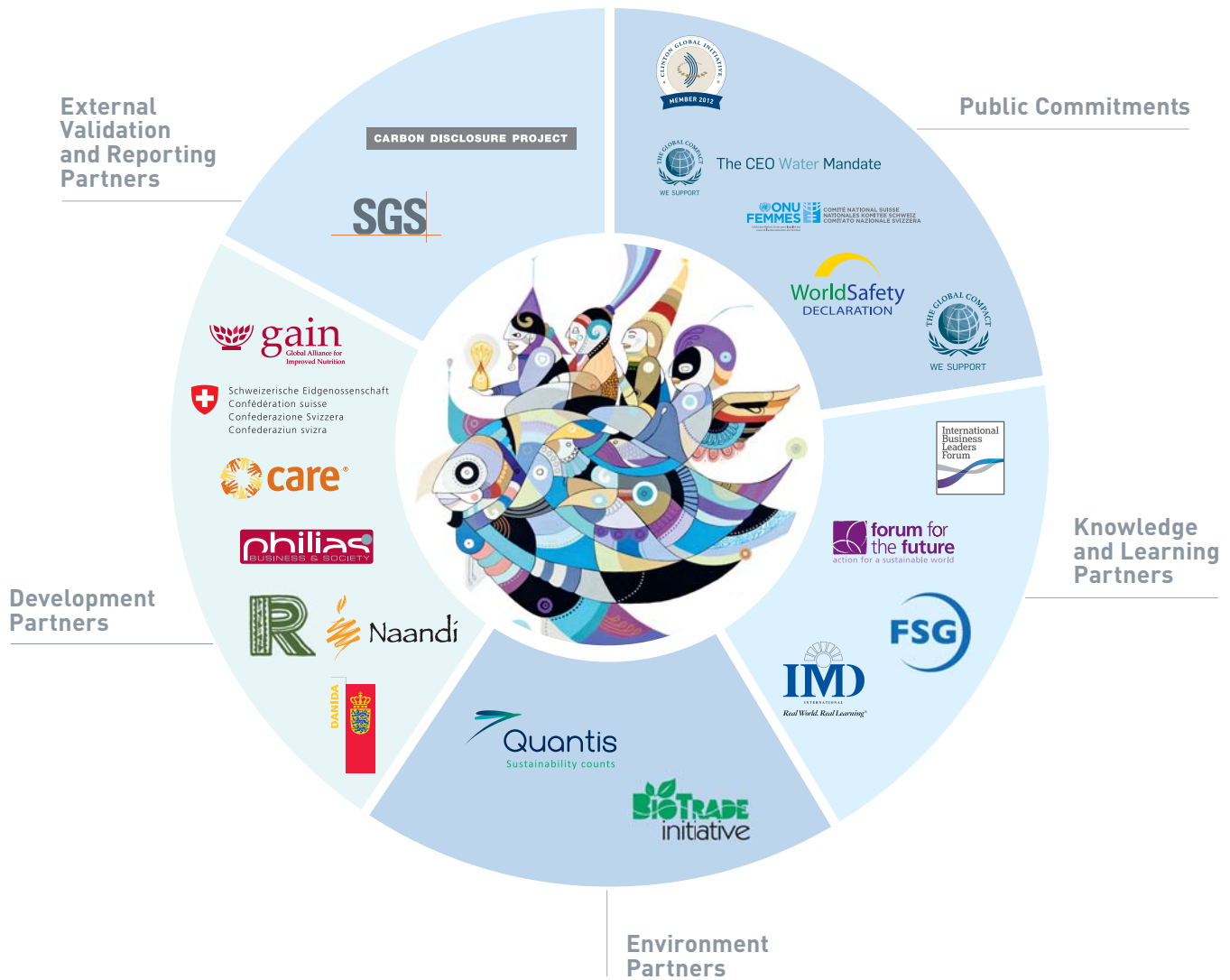


*Darian Stibbe,
Director,
International Business
Leaders Forum*

The International Business Leaders Forum (IBLF) is an independent, global membership organization of more than 150 leading multinational companies. It works across business, government and civil society sectors focusing on critical sustainability, growth and leadership issues.

Over the next five years, Firmenich will no doubt continue its drive to reducing its, and the industry's, environmental footprint. The leadership opportunity for Firmenich now is to define, confidently communicate and begin to realize fully its "planetary value proposition" – the full range of current and potential benefits its products bring to the world. By capitalizing on the company's progressive leadership and the freedom offered by its private ownership, Firmenich should invest in innovative products that make business sense while contributing extensively to the health, well-being and happiness of the planet.

OUR PARTNERSHIPS



At Firmenich, we believe that the complexities and opportunities of sustainability are best tackled through a partnership approach. Partnerships are central to the implementation and success of our sustainability strategy. In our approach, partnering with stakeholders affords a deeper level of engagement, one that requires an innovative business model and project management structure.

Our newest public-private partnership with the Swiss government is an illustration of our methodology. We spent more than a year defining together the partnership governance and architecture before moving on to project implementation. The design phase helped us discover the values we share and build the necessary trust to commit to such an innovative collaboration. A public-private partnership of this size and importance requires a clear definition of the common goal as well as an acceptance that partners might have different expectations and objectives. This requires a clear understanding of how to share the risks and benefits of the partnership.

Working closely with a government agency brings more transparency and more legitimacy into any sustainability project through the reporting and third-party auditing that is required when receiving funds. Building institutional partnerships was one of the main themes of the Rio Summit. Firmenich was invited to present its work with the Swiss government, which demonstrates our thought leadership in sustainability through social innovation.

Firmenich Charitable Foundation

Charitable giving is imbedded in our 117-year history. We believe that profitable companies have a social obligation to invest in their local communities and champion causes. In an effort to optimize the impact of our charitable giving, we created the Firmenich Charitable Foundation to formalize and focus efforts across our worldwide operations. Firmenich's long history of philanthropy reflects the ethos of the company and highlights our commitment to contribute to challenges in our industry and our communities. In 2012, Firmenich, together with the Firmenich Charitable Foundation, supported over 150 charities.

Primary areas of emphasis are:

- Breast cancer research
- Relieving hunger and improving nutrition
- Supporting communities in which Firmenich operates
- Renewable energy
- Sustainable agriculture

In addition, we funded the constructions of two schools that will provide education to more than 1,000 children who would otherwise not have access to schooling. The schools are in the communities of Debouchette, Haiti; and Na Meung, Laos.

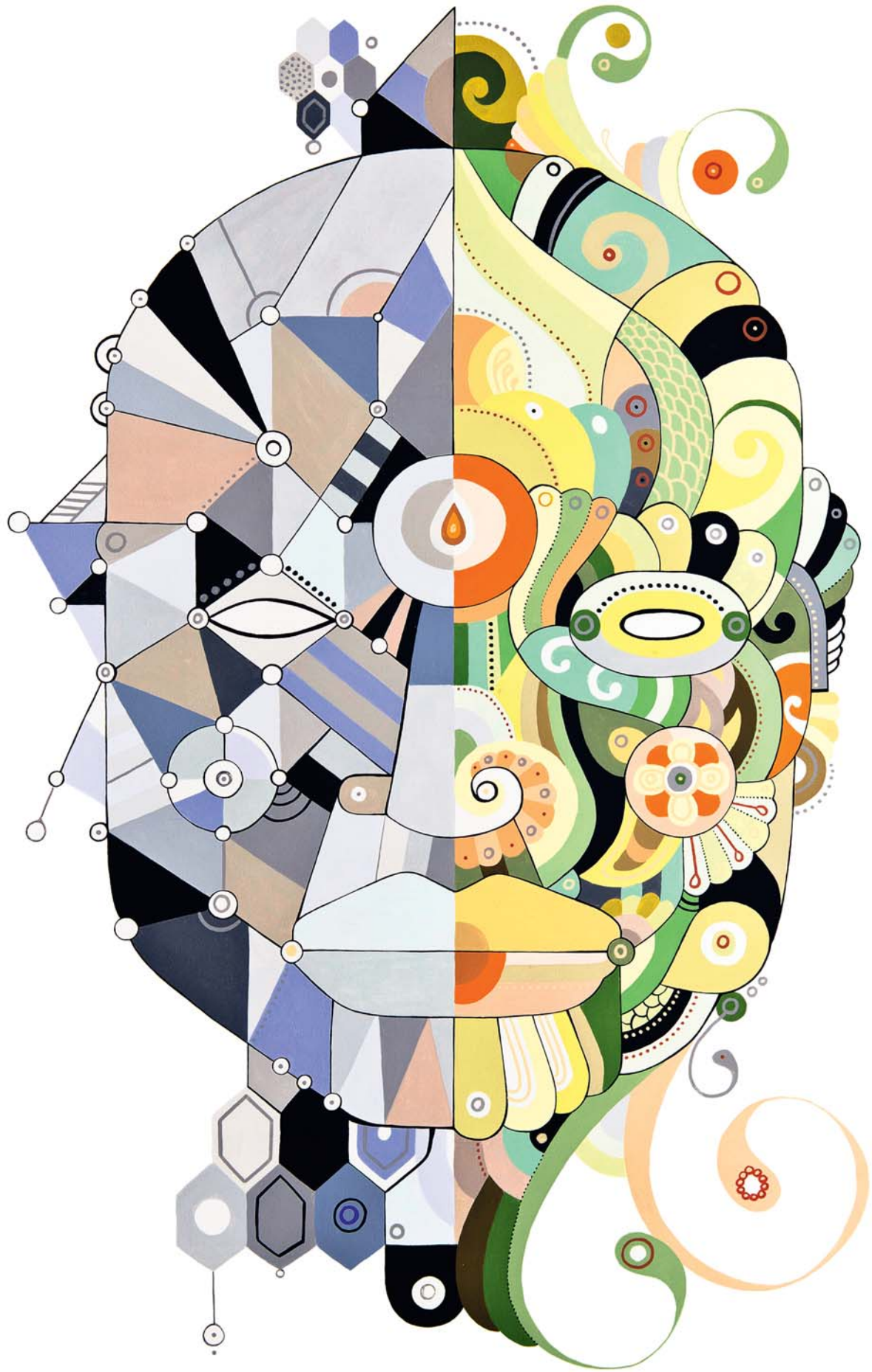
GREEN

MINIMIZING OUR ENVIRONMENTAL IMPACT BY
EFFICIENTLY UTILIZING RESOURCES TO MAXIMIZE VALUE
AND PERFORMANCE.

“The Face of Inspiration”

An innovator, who is responsible for creating the world’s leading fragrances and flavors. A combination of art and science. One side is scientific, molecular and geometric and the other is natural, alive and organic. In the center of their mind is a drop which artistically draws inspiration from the best that nature and science have to offer.

Fernando Chamarelli - Brazilian Artist



RESPECTING OUR ENVIRONMENT

Our Performance

We continued to make steady progress in FY12 on many of our environmental key performance indicators (KPIs), with solid improvement over the prior year (FY11), as well as the rolling five-year baseline (FY07-FY12). See table below.

Our Embrace 2015 strategic sustainability goals include a commitment to reduce our CO₂ emissions in absolute terms by 15%, to reduce our water use rate by 15% and to partially power 90% of our manufacturing facilities with renewable energy.

We realize the ambitious nature of our goal to reduce absolute carbon emissions by 15%. While we achieved a 2.6% reduction in energy use compared to the prior year, we have added cumulatively approximately 42,000 tonnes of CO₂ emissions over our FY10 baseline (Scope 1 & 2 emissions).

We have made good progress on process water rate reduction, with a 4.8% reduction over the preceding year.

With the installation of an additional solar power project at our Port Newark, USA, Flavor site, we now have 28% of our sites generating renewable energy.

New Environmental Reporting Module

In FY12, Firmenich upgraded its environmental management system software by adding new features and functionality to better support the accuracy and transparency of environmental reporting relating to our sustainability goals, client reporting needs and external audits. The upgraded system includes:

- Extensive customized reporting capabilities
- Environmental sustainability project tracking
- Compatibility with global reporting initiatives such as the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP).

	FY11	FY12	Annual Change (%)	FY07 vs. FY12 Change (%)
Total Energy Use (GJ/t)*	11.4	11.1	-2.6 ↓	-13.3 ↓
Scope 1 and 2 CO₂ Emissions (kg/t)*	837	835	-0.2 ↓	-7.1 ↓
VOC (kg/t)*	1.4	1.2	-14.3 ↓	-29.4 ↓
Total Water Use (m³/t)*	26.9	23.1	-14.1 ↓	-39.8 ↓
Process Water Use (m³/t)*	8.4	8.0	-4.8 ↓	-14.9 ↓
Hazardous Waste (kg/t)*	83	79	-4.8 ↓	-35.2 ↓
Waste to Energy (%)*	19.5	30.1	+54.4 ↑	NA
Waste to Landfill (%)*	10.9	9.1	-16.5 ↓	+4.6 ↑

* Each year, we revalidate our data, making any necessary corrections retrospectively and reporting the corrections.

+ Data normalized and stated as per tonne of production

• Data stated as a % of total waste generated

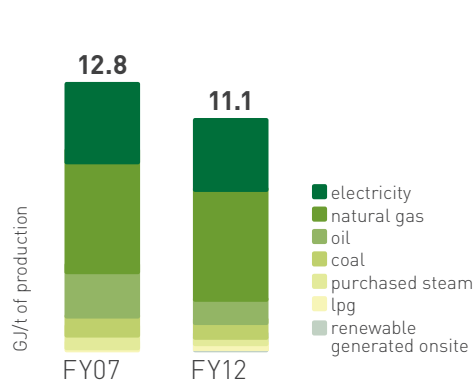
-7.1%

reduction of our CO₂ emissions rate in the past five years

-39.8%

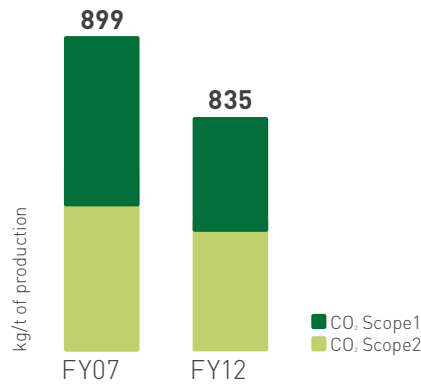
total water use reduction per tonne of production in the last 5 years

Energy

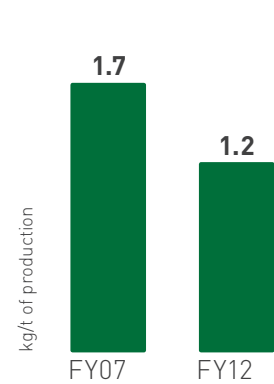


* Each year, we revalidate our data, making any necessary corrections retrospectively and reporting the corrections.

CO₂ Emissions



VOC Emissions



Energy Use and Carbon Dioxide (CO₂) Emissions

Our commitment to manage and reduce our CO₂ emissions continues. This was our fourth consecutive year of reporting via the Carbon Disclosure Project, and we achieved a Disclosure Score of 72 out of 100, well above the CDP 2011 Supply Chain average score of 51.

During FY12, our total energy use was reduced by 2.6% and by 13.3% over the rolling five-year period (FY07-FY12). At the same time, our CO₂ emissions (Scope 1 and 2) in kg per tonne of production were essentially flat, at -0.2% from the preceding year. On the rolling five-year period, we show a 7.1% decrease per tonne of production. The initiatives and projects highlighted below, as well as those planned for the future, will support our energy and carbon emission reduction goals.

Energy Efficiencies Driven by Site Energy Teams

In recent years Firmenich has invested in alternative energies (e.g., solar, biomass) and has recently launched a program focusing on energy sourcing and efficiency.

During FY12, Firmenich launched a coordinated global energy efficiency initiative. One of the stated goals is to reduce total energy cost by 6% (from a FY11 baseline) and reduce the associated environmental impact (CO₂ emissions). The

project also supports the Embrace 2015 sustainability goals:

- CO₂ emission (absolute) reduction of 15%
- 90% of facilities partially powered by renewable energy

Cross-functional Site Energy Teams were established at the 15 largest operational sites to identify and develop site energy efficiency opportunities and projects. By the end of FY12, the teams had identified a total of 23 projects, with a potential reduction of 2,600 tonnes of CO₂ per year.

The Carbon Disclosure Project (CDP) works to transform the way the world does business. For over a decade CDP has worked to tackle climate change, and its system has helped put climate change and energy efficiency on the business radar and in mainstream business thinking. The CDP holds the largest collection globally of self-reported climate change data. It extends awareness of an organization's carbon footprint, moving beyond the measurement of direct greenhouse gas emissions to include climate change risks and opportunities across the supply chain. Firmenich has filed its carbon emissions results with the CDP for the past four years and worked toward continuously improving both its disclosure and its performance score.

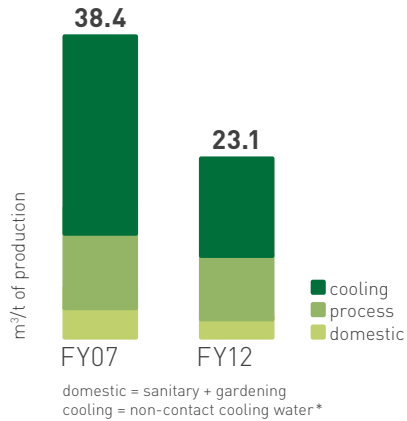
-35.2%

reduction in hazardous waste rate

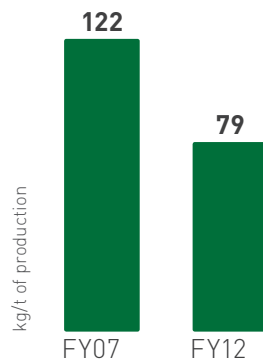
12,000

tonnes of waste used for energy recovery

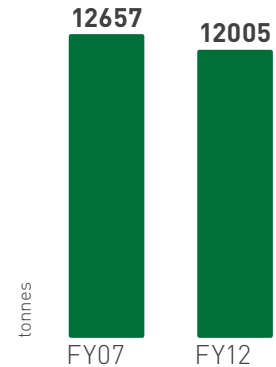
Total Water Usage



Hazardous Waste



Recycled Waste



The global energy efficiency program has three pillars: Energy Efficient Assets, Energy Sourcing and Operational Excellence.

Water Use

As signatories to the UN Global Compact's CEO Water Mandate, we are committed to addressing the ways we use water. Given the nature of our business and products and the strict requirements for hygiene and cleanliness, process water use is a key environmental indicator to be managed.

In FY12, we delivered a one-year reduction of 14.1% in our total water use per tonne of production, and a 4.8% decrease in process water use per tonne of production. We track water use in three categories, process water, domestic water and non-contact cooling water. We set a 2015 sustainability goal to reduce the use of process water by 15% as a rate per tonne of production. Over the rolling five-year period (FY07–FY12) we have now achieved a 14.9% reduction.

* Non-contact cooling water is water that is used in heat exchangers and does not contact materials from the process that it is used to cool. Since it does not contact process materials, the cooling water does not become contaminated during use. After use, the water is returned to the sources (e.g., lake, river) from which it is obtained.

Managing Waste

We have made good progress in waste management. Performance indicators relating to waste show annual improvement. Our hazardous waste reduced by 4.8% over the preceding year and 35.2% over the rolling five-year period (FY07–FY12).

Last year we introduced a new metric in the waste category by starting to track waste used to generate on or off-site energy (e.g., waste burned in cogeneration plants or incinerators, or waste used to generate biogas). In FY12 the portion of total waste used to generate energy increased by 54.4%. Approximately 12,000 tonnes of waste were used for energy recovery in FY12.

As we continue to improve on how our waste streams are managed, we have focused on reducing the waste sent to landfill. Reducing waste at the source, finding ways in which waste could be recycled as well as opportunities to generate energy from waste all contribute to reducing waste to landfill. We achieved an annual reduction of 16.5% for waste to landfill. This category represents approximately 9.1% of total waste streams compared with 10.9% in the preceding year.

Examples of energy, water efficiency and waste management projects from around the world are provided on pages 28 and 29.

Highlights of Our Global Environmental Sustainability Efforts

U.S.

Solar Power Installation, Port Newark, USA. During FY12 a new photovoltaic array was installed at our Port Newark site, this being in addition to an existing unit installed the preceding year. The two units have a rated power of 719 kWatts. The new unit was constructed over the parking lot of the Flavor production facility. Energy generated during FY12 was 598 MWh, equating to an anticipated Scope 2 carbon emissions reduction of over 461 tonnes per year.

Boiler Efficiency Upgrade, Port Newark, USA. Our Ingredients production facility at Port Newark has installed an improved set of boiler controls to optimize burner performance. It is expected to reduce energy consumption of the boiler house by 5% annually.

Cleaning Efficiencies, New Ulm, USA. The new Cleaning in Place system improves cleaning efficiency with anticipated savings of approximately 660 GJ energy per year, the equivalent of 60 tonnes per year of CO₂ and reduced water consumption of 2,800 m³ per year.

China

Green construction of new R&D building, Shanghai, China. Our newly opened research and development building in Shanghai has been constructed using the latest environmental principles and has recently been awarded a Leadership in Energy and Environmental Design (LEED) Silver medal. The building was inaugurated in May 2012.

Brazil

Reduced Energy Consumption, São Paulo, Brazil. Our São Paulo site has implemented an energy efficiency project to match the use of the on-site incinerator (used to treat strong odors) with the activities within the flavor manufacturing facility.

The odor characteristics of the different flavor products have been determined, and this information, with data on production volumes, is used by the Utilities Department to adjust the operating parameters of the incinerator to ensure efficient odor control while optimizing the consumption of heavy fuel oil.

These changes in the operation of the incinerator have reduced fuel oil consumption to an estimated 750 tonnes per year and reduced incinerator operating costs by approximately US\$ 500,000 per year.

The project is also predicted to reduce CO₂ emissions by approximately 2,400 tonnes per year.

Europe

Water Management, Geneva, Switzerland. A water management project was initiated by installing seven water meters to measure water consumption profiles in critical areas. Once data had been collected and analyzed, water conservation initiatives were implemented.

Compared to the preceding year, water consumption was reduced by approximately 46% (31,853 m³).

Biogas Waste to Energy, Geneva, Switzerland. At our Flavors plant in Geneva, organic powder wastes were historically sent off-site for incineration. During the fiscal year this waste stream has been diverted to generate biogas at a specialized facility. Powder waste is mixed with other organic material (such as garden and agricultural waste) and injected into a digester to produce biogas. The gas is collected, treated and injected directly into the municipal domestic gas supply for domestic consumption (the domestic supply can include up to 15% biogas). Further environmental savings have been made by transporting approximately 10% of the waste stream in reusable containers. Additional savings are now being considered through the use of biodegradable plastic bags, which can be placed directly into the digester. In a six-month period 131 tonnes of waste was used by the biogas generator. Approximately 15,270 m³ of biogas was generated from this waste. Waste disposal costs (including transport) using the biogas plant are almost 52% lower than those for incineration disposal.

India

Drip irrigation, Gujarat, India. An investment in drip irrigation for landscaping at our Ingredients plant in Gujarat is anticipated to reduce water consumption by 50%. Other anticipated benefits also include faster tree growth, higher tree survival rates and significant savings in fresh water usage.

On-Site Waste Incinerator, Gujarat, India. Our Ingredients site in Gujarat completed construction of an on-site waste incinerator to handle both liquid and solid wastes, reducing the need to transport waste for off-site disposal.

The new incinerator plant meets stringent environmental and safety requirements and is capable of burning the waste at 950-1100 °C and can potentially generate between 1.0 and 1.3 tonnes of steam per hour from the hot flue gases. The steam will be used as a source of energy for the plant. The Waste Heat Recovery Boiler (for steam generation) is expected to save approximately 230 kg of CO₂ emissions per tonne of steam produced.

Optimized Cleaning, Alesund, Norway. At our seafood flavor production facility in Alesund, energy and water are required as part of production equipment and pipe work cleaning procedures to maintain food hygiene standards. The Cleaning in Place system was therefore made a focus for a recent efficiency project.

The project team undertook a detailed review of all stages of the cleaning process and tested several potential improvements to ensure that they achieved savings while still meeting the rigorous quality and hygiene requirements needed to deliver the product.

Three main improvements were made:

- Changing CIP cleaning agents from acid and sodium hydroxide-based agents to detergent and disinfectant-based agents
- Reducing the CIP time and temperature
- Simplifying the cleaning procedure for production start after shutdown

CREATING A PRODUCT SUSTAINABILITY INDEX

Creating an Environmental Sustainability Index for Synthetic Ingredients

A significant challenge for any company is understanding the environmental impact of the products or services it offers.

Life Cycle Analysis (LCA) has long been the tool of choice to model such impacts. However, full LCA involves resource intensive analyses and may not be practical where there is a need to compare large numbers of products and their associated process steps.

Since early 2011 Firmenich has been working with an external partner, Quantis, to develop an Ingredient Environmental Sustainability Index - a pragmatic way of better modeling, measuring and reporting our ingredient life cycle environmental impacts (see figure 1 below).

How to Build the Environmental Sustainability Index?

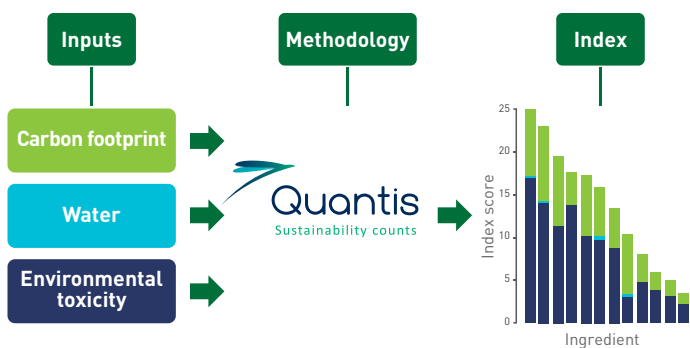


Figure 1 - The Model

By the end of FY11 the team had developed a practical and working index, which was tested on an initial five ingredients. The index was reviewed internally by our production and sustainability teams and externally by Forum for the Future (Firmenich Sustainability Council members). The reviewers identified areas to further develop, test and refine the index (as reported in our 2011 Sustainability Report).

During FY12 the team worked with Quantis to expand the system boundaries to include impacts arising at each life cycle stage; manufacture and transport of raw materials, Firmenich production activities and "product use and disposal" aspects (see system boundaries in figure 3 on next page).

We also refined the normalization factor used to express the final index score in terms of the impact of an average global citizen over one year. This was considered more relevant than the European citizen impact units used previously (see figure 2 below).

An index score of 1 means that the production of one tonne of this ingredient has the same impact on the environment as an average global citizen in one year.

1 Tonne Product = 1 Global Citizen



Figure 2 - Index units

What Are the Life Cycle Stage Contributions?

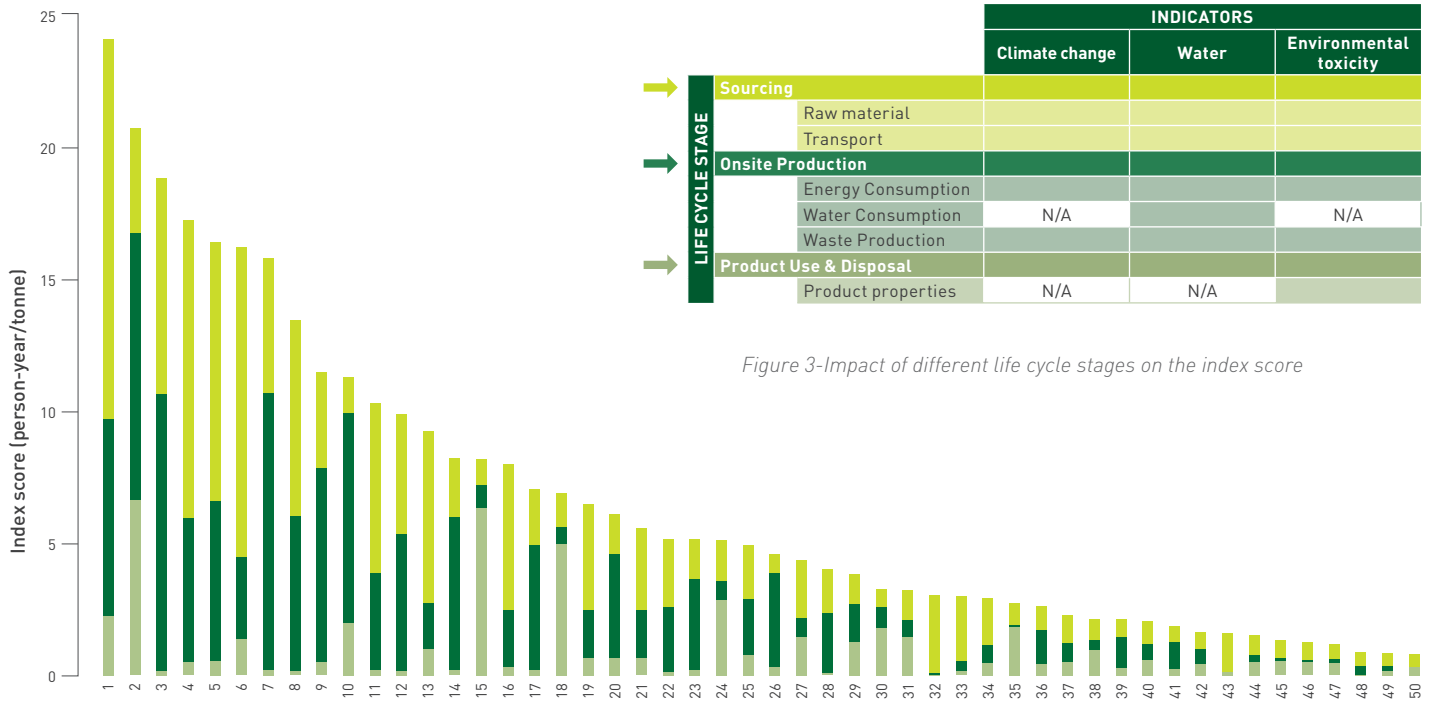


Figure 3-Impact of different life cycle stages on the index score

Product Sustainability Index

Ingredients ranked 1 to 50 (real data)

At the end of FY12, the Index was again reviewed internally by the production and sustainability teams, and externally by Forum for the Future. The feedback from all parties was encouraging overall and Forum gave us specific recommendations on how to apply the Index in the business and urged us to focus on, and further evaluate, the impacts and changes that it could create for us and our customers. Several inconsistencies were also identified where Index scores were higher than anticipated. Preliminary analysis was performed using data sets provided by the different Firmenich manufacturing sites, and using assumptions where no data were available.

As a next step, it is planned to address the inconsistencies by both verifying the data provided and modifying the assumptions where possible, to review possible limitations and to “calibrate” the Index with a variety of well-known materials, so the Index scores can be put into context. Afterwards, it is planned to scale up the data analysis to the full 400 materials identified in the original Embrace 2015 sustainability goal.

The first real use of the Index will be internal to the business, where it will be used to distinguish which ingredients should be targeted for further investigation and potential projects to improve sustainability performance. It will also be used externally, as a communication tool and to respond to and engage with customers regarding ingredient carbon footprint and other potential life cycle impacts. The provision of ingredient- and supplier-specific data is a key requirement of LCA and carbon footprinting activities and will help demonstrate our genuine commitment to engage on sustainability improvement measures.

The team also agreed to change the Index name from the Synthetic Ingredients Sustainability Index to the Environmental Sustainability Index for Synthetic Materials, as only environmental footprint data (and not social or economic data) are used in the analysis.

OUR FOCUS ON GREEN

The Global Green Team Network

Our “Green Team Initiative” engages employees to work together to find innovative ways to reduce the environmental impact of our operations. We have Green Teams in a number of our sites around the world, with our newest team formed in our New York City office. Examples of efforts from three of our Green Teams are provided below.

The “Just One” Campaign guided Green Team activities in Princeton, New Jersey. Each month employees were reminded that simple choices and actions could collectively make big differences to the environment – focusing on the mantra of reduce, reuse and recycle. We measure the impact of activities in Princeton on an annual basis, and clear progress is being made to raise awareness of environmental sustainability. Our FY12 survey indicated that 97% of staff are familiar with Green Team activities.

In Paris, efforts focused around three key initiatives:

- **Reducing energy consumption** through timing control of lighting, replacement of halogen bulbs with LEDs and the implementation of motion sensors in facilities occupied intermittently
- **Reducing waste** through better segmentation methods, recycling and the creation of a task force decreasing chemical waste
- **Creating a sustainable purchasing policy** developed and implemented by Facilities Management to add a “green” component as a consideration in the purchase of all office equipment and supplies

In FY13, the Paris Green Team will focus on further reducing energy consumption, reducing water use and the creation of an “eco-mobility” project to promote car sharing and sustainable travel solutions.

The Singapore Green Team launched the “Scream Green” campaign to focus efforts on one sustainability theme per quarter. The elements of earth, air, fire and water raised awareness of consumption, social responsibility, energy efficiency and water use. The initiative was an important step to create awareness of sustainability issues and build networks, knowledge and initiatives to mobilize action. In FY13, the team will deepen its “Scream Green” activities by hosting a Singapore Sustainability Symposium to raise client awareness of sustainability and through the installation of solar panels at our facility.



“Just One” campaign poster – small changes can make a big difference.



The four elements of Singapore’s “Scream Green” campaign.

GREEN IT: CASE STUDY

Since managing the environmental impacts and benefits of Information Services (IS) is a strategic imperative for every organization in the 21st century, the IS division of Firmenich has recently put in place a “Green IT Policy.” This policy will ensure that we drive sustainable IT solutions throughout our company. A concrete example of this is the criteria we used in choosing a site for our data center in Geneva.

When we selected our partners to host our data center, one of the criteria was the importance placed on environmental care by our service provider. Firmenich manages terabytes of information and data every day and we wanted to have a sustainable approach for our data centers.

A green data center is a repository for the storage, management and dissemination of data in which the mechanical, lighting, electrical and computer systems are designed for maximum energy efficiency and minimum environmental impact. The construction and operation of a green data center includes advanced technologies and strategies.

Although the use of this green data center involves additional upfront costs, it is anticipated that long-term savings can be realized on operations and maintenance.

- The center is powered by hydro-electricity, a sustainable source of energy
- The data center surface area has been reduced by approximately 33% in the past three years
- A “closed alley” has been designed whereby warm air is captured rather than circulated in the system
- The concept of “virtualization” has been applied, which means there is much “more system” working in only one machine
- Machines have a better endurance to heat, which requires less air conditioning to cool down the machines, and therefore less power

GROWTH

CREATING SMART AND INCLUSIVE GROWTH FOR
OUR COMPANY AND THE COMMUNITIES WITHIN OUR
VALUE CHAIN.

“The Copaíba Tree”

This picture tells the story of the extraction of copaíba oil in my native country of Brazil. Two people are extracting copaíba oil from the tree. Their faces are tilted down as a reminder of an old superstition the indigenous people have. In Amazonia people do not look at the tree when they extract oil as they believe this will reduce the yield. The canopy of the tree is made of organic shapes of animals and flowers. The trunk is a large drop with a couple representing the essence of life and love.

Overall, the entire image manifests the symbol of infinity. Everything is renewed and never ends, serving future generations. For me, this is sustainability.

Fernando Chamarelli - Brazilian Artist



NEW CONSUMERS: REACHING AND UNDERSTANDING



Pilot project in Pune

Since the concept of doing business with the base of the economic pyramid (also known as BoP) was first introduced by C.K. Prahalad and Stuart Hart in their 2001 book *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, the list of large corporations transforming their business models to achieve the price points and cost positions required to reach underserved markets has increased. First attempts were referred to as “BoP 1.0” and focused on the poor people as consumers. “BoP 2.0” focuses on poor people as partners.

BoP 1.0 “Selling to the Poor”

- BoP as consumer/producer
- Deep listening
- Reduce price points
- Redesign packaging, extend distribution
- Arm’s-length relationships mediated by NGOs

BoP 2.0 “Business Coventuring”

- BoP as business partner
- Deep dialogue
- Expand imagination
- Marry capabilities, build shared commitment
- Direct, personal relationships facilitated by NGOs

Erik Simanis and Stuart Hart, *Cornell University, 2008*

“Disruptive business models arise when technology combines with extreme market conditions, such as customer demand for very low price points, poor infrastructure, hard-to-access suppliers and low cost curves for talents.” (McKinsey and Company, 2010).

Firmenich has been implementing its own base of pyramid program involving our perfumery and flavor divisions with the support of the sustainability team. Our goal was to develop the first inclusive business model in the fragrance and flavor industry, with low-income consumers included in the development of products.

Our first focus market was India. Our Indian colleagues and our NGO partner, the Naandi Foundation, gave us the potential to build a highly successful team structure.

The key objectives of the project were to:

- Make BoP products more adapted to the sensorial preferences of consumers
- Treat BoP consumers as partners in product development
- Cocreate methodologies and surveys with BoP communities
- Fully integrate cultural and socio-economic diversity into Firmenich understanding of consumers

“shared

senses and sensibilities”

- Create opportunities for Firmenich employees and clients to immerse themselves in BoP communities and bridge the cultural gap, creating opportunities for cocreation and business innovation
- Make affordable health products (hygiene and nutrition) that taste and smell good in order to ensure consumer usage



BoP consumer receiving a product sample for testing

In FY12, we conducted two successful pilots and launched a unique consumer-insight initiative focusing on four regions in India. The aim was to gain deeper understanding of low-income consumers earning between \$3 and \$10 per day. The project, called “Shared Senses and Sensibilities,” is a partnership with the Naandi Foundation. It brings together the knowledge of Firmenich’s consumer insight experts and that of Naandi’s social survey experts, and it has led to a very innovative approach.

Our team in India, with the help of Naandi professionals, trained young adults from base of pyramid families to interview low-income consumers. Most of them had dropped out of school and were unemployed. Naandi routinely trains these young people over a six-month period and places them in call centers, hospitality settings and other services. With Firmenich’s help, they received their first work experience conducting our consumer surveys. This non-intrusive approach allowed us to run quantitative surveys, usages and attitudes of a category as well as product testing.

What have we achieved this year? We have conducted two successful pilots. We have a network in place and a methodology that is working and delivering the knowledge we were expecting. Ninety percent of the young people involved in the project found a job after their experience with us. The first dialogues with consumers have been extremely rewarding. Some of these consumers said that it was the first time someone had asked them their opinions on what they liked or did not like. We are now ready to roll out the first Firmenich business teams using Shared Senses and Sensibilities with their clients.



Interviewers from the Naandi school explaining the questionnaire

ENSURING SUSTAINABLE SUPPLY CHAINS

To be successful in our sustainability efforts we must include all actors in our value chain. Only by approaching the whole life cycle can we fully understand the environmental, social and economic impact of our business. A stated aim of our sustainability vision is that our activities inspire our stakeholders to focus on sustainability. This requires a focus not only on our efforts but also on working with partners within our sphere of influence.

Our purchasing decisions offer the opportunity to reinforce our commitment to sustainability. In 2011 we explored our Scope 3 CO₂ emissions and established that 75% of our footprint was a result of the goods and services we purchase. This highlights the opportunity and importance of working closely with our suppliers, not only to lower their environmental footprint but also in all areas of sustainability.

For Firmenich, a sustainable supply chain is one that considers economic, environmental and social impacts. The complexities of a globalized economy provide risks and opportunities, linking producers and consumers around the globe. Consumers demand traceability while scarcity of resources, increasing demand from emerging economies and environmental and political instability contribute to market volatility. We believe that by focusing on sustainability in our supply chain we can mitigate risks and utilize opportunities. For example, we partner with our suppliers for innovation through our “open innovation” philosophy (see page 43) and enable suppliers to focus on sustainability through building networks and sharing expertise at our supplier summit. Governance within our supply chain is fundamental, providing the transparency, standards and metrics to support our work. The Supplier Ethical Data Exchange (SEDEX) is central to these efforts - we report on labor standards, health and safety, environment impact and business practices - and through the SEDEX platform our customers have visibility on our activities.

To implement our sustainability strategy with suppliers we have divided our focus into two core areas: our largest suppliers, in terms of goods and services purchased, and our suppliers of natural ingredients, especially small farmers. The rationale for this segmentation is twofold. First, through focusing on our largest suppliers, we can have the most significant impact on the sustainability of our supply chain. Second, natural ingredients deserve special attention because of the uniqueness of the supply



chain, the impact of environmental volatility and the economic vulnerability of small farmers.

In FY12, we continued our focus on these very different but important segments of our supply chain.

Empowering Sustainable and Ethical Supply Chains

SEDEX, the Supplier Ethical Data Exchange, is a not-for-profit membership organization dedicated to driving improvements in responsible and ethical business practices in global supply chains.

Firmenich has been an active member of SEDEX since 2008 and 100% of our manufacturing plants are registered.

SEDEX audits and the Self Assessment Questionnaires (SAQ) have allowed us to validate that 100% of our production sites are fully vetted for risks in the major ethical criteria such as the freedom of association, collective bargaining, child labor, forced and compulsory labor.

In FY13 we will be expanding our relationship with SEDEX to the next level. As an AB member, the system will allow us to not only monitor our own operations but that of our main suppliers. This will be in addition to the supplier scorecard program put in place this year.

SUSTAINABLE SOURCING PARTNERSHIPS

Supplier Summit on Sustainability and Launch of the Environmental Sustainability Scorecard

In our 2011 report we featured work on understanding our Scope 3 greenhouse gas emissions. We identified the need to work closely with our suppliers as part of our goal to reduce carbon dioxide emissions in absolute terms.

During the year we held a Supplier Sustainability Event in Geneva, inviting representatives from more than 30 of our top ingredient raw material suppliers. This event offered the opportunity to share sustainability experiences and expertise with our core suppliers. We educated our suppliers on our sustainability program and outlined our focus and expectations. The summit offered an opportunity to gather intelligence on supplier sustainability efforts and provided a forum for networking and collaboration.

During this event we launched our Supplier Environmental Sustainability Scorecard initiative. The scorecard is designed to track supplier-related environmental sustainability performance within the supply chain.

We asked key ingredient suppliers to use the scorecard and report their environmental sustainability results relating directly to the manufacture of ingredients supplied to Firmenich. If suppliers have not yet developed that capability, they may report the overall sustainability results for all of their ingredient manufacturing or their total corporate sustainability results.

The data collected will be used to determine Firmenich product-level environmental impacts, thereby having direct application within our Ingredients Environmental Sustainability Index. It will also complement our Scope 3 carbon emissions reporting initiative, which we highlighted last year.

Sustainable Sourcing of Natural Ingredients

We continued to focus on the sustainable sourcing of natural ingredients in FY12. This program focuses on natural ingredients that are of strategic importance for our business, selected following a benchmarking of our naturals supply

chain in 2010. Core ingredients sourced under this program include copaiba oil, tonka beans, vanilla and vetiver. In FY13 this is expanding to include citrus, florals, patchouli and mint.

Since its inception in 2007 our program has become a pillar of our sustainability work. The sourcing of our natural ingredients deserves special attention because of the uniqueness of the supply chain, the impact of environmental volatility and the economic vulnerability of small farmers. The growing demand by consumers for natural ingredients with full traceability directly connects farmers with consumers. The core elements of our work with farming communities include:

- Improving economic terms for farming communities through increased incomes as a result of better pricing, simplified value chains and a focus on buying from the source
- Enhancing social conditions in farming communities through access to health and education services and building community inclusion and participation
- Reducing environmental impacts through enhanced farming practices, better land management and diversification of crops



A farmer harvests vetiver grass

improving

the lives of 30,000 vetiver farmers

We have had a number of achievements in FY12:

- In Brazil, we expanded our work with *copaiba* producing communities in Amazonia. See page 42 for greater detail on this initiative
- In Haiti, we launched a joint development partnership with the Swiss Development Corporation focused on working with vetiver farming communities in the southwest of the country. The partnership will improve the environmental, economic and social conditions of 30,000 vetiver farmers
- In Madagascar, we sourced the world's first "Rainforest Alliance" certified vanilla from the Savanille co-operative. Rainforest Alliance certification is a well-respected third-party verified certification that ensures sustainability standards are enforced in the sourcing of our vanilla
- In Uganda, we launched the second phase of our partnership with the Danish government and will expand our impact to vanilla farmers in the central and western regions of Uganda

Our work with farming communities is deeply rooted in the needs and aspirations expressed by the communities themselves. Our work starts with a baseline diagnostic in the farming communities, conducted by an independent third-party expert; this analysis guides our focus and provides a framework for measuring our impact and progress. Only by fully understanding the local conditions and environment is it possible to devise appropriate, sustainable solutions.

When we have a full understanding of community needs we design a program of activities focused on improving the economic, environmental and social conditions for farmers and farming communities. This process takes time but is essential for the success of our initiatives as it builds trust and understanding within the community. We also use this diagnostic phase to build partnerships with local NGOs

and governments that focus on agricultural supply chains. Our work is differentiated by our focus on partnerships. Our collaboration enables greater impact by linking our activities to broader agricultural and developmental initiatives. Approaching our work in this way requires a significant commitment of technical and financial resources but adds transparency and accountability to our actions.

Our experience in sustainable sourcing resulted in invitations to speak at two international sustainability conferences in FY12. At the Rio+20 Corporate Sustainability Forum, organized by the UN Global Compact, we outlined our experience of building public-private partnerships in Haiti. At the CSR Americas 2012 Forum, organized by the Inter-American Development Bank, we outlined strategies for scaling up sourcing initiatives for increased impact.



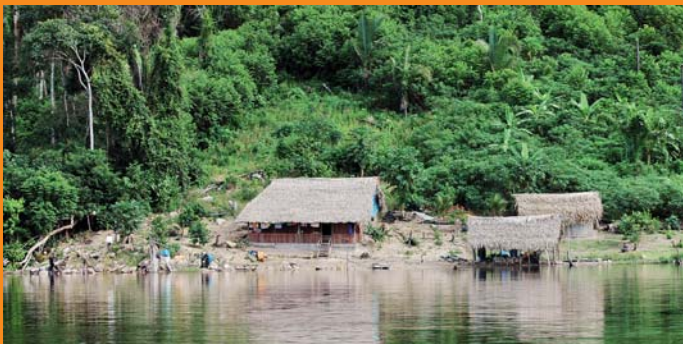
Vanilla drying in the morning sun in Madagascar



The natural beauty of the vetiver growing region in Haiti

COPAÍBA OIL FROM BRAZIL: A CASE STUDY

André Tabanez is our Natural Sourcing Manager for Latin America and has spearheaded our work in Amazonia to sustainably source copaíba oil. This page contains his reflections on our project. An agronomist with a masters in forestry and a PhD in biodiversity, André has been at Firmenich for nine years and regularly visits Amazonia.



For centuries, products from the Amazonian forest were traded in conditions that brought little benefit to the local traditional communities that produced them. These communities are located in isolated, remote areas with little law enforcement and few documents to prove ownership of the land. Products like rubber, brazil nuts and copaíba oil left the forest, with most of the profit going to intermediaries.

Copaíba oil, a wood-scented oil that Firmenich uses in the formulation of fragrances sold around the world, is extracted from the inside of the trunk of a wild tree native to the Amazon. In keeping with our sustainability goals, we at Firmenich realized that we have the power to change things and ensure that most of the benefit would stay with the producers of the oil. In doing so, we also could help protect the largest tropical forest in the world. Our Copaíba Project ensures that the oil we buy is sourced directly from the local producers in the forest.

When I first visited the Amazon in 1992 as an undergraduate student, I thought I was entering a different world. This region takes up half of the Brazilian territory and is larger than Western Europe, but its forest was being cut down at a startling rate. There were so many battles taking place. Right and wrong wasn't immediately discernable; the truth of the indians wasn't the truth of the landless migrants, nor was the latter the truth of traditional *caboclo* communities, which wasn't the truth of the loggers, which certainly wasn't the truth of the forest, its animals, plants and rivers.

More than 20 years later, I went back to the Amazon to start the Firmenich Copaíba Project, and things still looked unsettled. But Brazil, its government, its people and NGOs had begun to change the way the Amazon is used—and Firmenich is part of that change. Today, the conservation of the forest is inherently tied to the lives and livelihood of the people who reside there, indians and traditional communities (*caboclos*). They must partner with companies that value their products and pay a fair price under fair conditions, otherwise they will leave their homeland, and the forest will become easy prey for loggers and commercial farmers.

Each time I go back to the forest, I work with these communities and discuss how they can partner with an international company to grow their businesses. I know that we are making a difference and I'm grateful that my role at Firmenich allows me to do this fulfilling work. I've realized how much I've learned in that different world and how much it still amazes me: the view of a black caiman in the foggy morning, the macaws flying by, the caboclos showing me how they fish and hunt, their stories of jaguars told in dark nights under the dim candle light, the kids paddling in canoes, the story of their fight for the land they have inhabited for generations. All of this is a way to build trust, and I explain to them that Firmenich is there to do things openly and honestly, countering centuries of unfair relations between Western society and the "people of the forest."

Reaching the communities inside the forest takes time, endless flights in small, shaky airplanes over the massive green carpet, hours riding a 4 x 4 truck on dirt roads, sitting in a boat at times for hours watching the forest and the birds that fly overhead as we go by. Whenever I'm heading to a community, one question comes to my mind: I wonder whether I'm making history, helping the forest people make a better living, or just having the experience of a lifetime. I guess it's a little bit of all three.

André Tabanez,
Natural Sourcing Manager,
Latin America.

LEADERSHIP IN RESEARCH AND INNOVATION

Innovation and Research

Our heritage and storied history of scientific discovery, which includes a Nobel Prize for Chemistry, along with our investment in research and development, has inspired a “culture of innovation” at Firmenich. This “culture of innovation” – the mindset, expertise and methodologies – is essential to the success of our sustainability efforts. In a sustainability context we engage with innovation in the broadest possible sense, applying research to expand scientific discovery, pushing technological boundaries and designing new business models and delivery models to develop new ways of adding value to our customers and communities. We invest around 10% of our turnover in R&D annually. This commitment is central to reinforcing our expertise in creativity and innovation.

Open Innovation and Our Open Discovery Model: A Case Study

Open innovation is the recognition that complex problems are best solved through collaboration between “best-in-class” actors. Increasingly, organizations are utilizing collaborative research, networks and knowledge to accelerate the innovation cycle to find different routes to commercialization. This trend includes “crowd sourcing” and challenge competitions. At Firmenich, we have developed an open discovery model that structures our engagement with our stakeholders and the “innovation community” to maximize the deployment of new technologies and approaches that solve problems relevant to our customers and consumers. An example of this approach is our involvement with the McGill World Platform for Health and Economic Convergence (MWP). This initiative, hosted at McGill University, is dedicated to effecting the changes needed to help people make healthier choices in what they eat, in order to ease the global obesity epidemic and the devastating impact it is having on health, productivity and quality of life. We are partnering with the McGill platform to develop an open model for understanding healthy consumer behavior, and we benefit from the ability to connect with innovators also engaged with the platform.

Innovation in Ingredients

The ingredients we use are central to our efforts. Our sustainable research continues to focus on our pillars of biodegradation, green chemistry, white biotechnology, green biotechnology and health and wellness. We strive to source, produce and use environmentally friendly ingredients. Our Eco-Reach task force, consisting of experts in biodegradation, analytical chemistry, synthesis and regulatory matters, creates state-of-the-art technologies and investigation strategies to evaluate, measure and reduce the environmental impact of our ingredients. Analytical science is critical for this task, and our world-class expertise in analytical chemistry is involved in all aspects, including:

- Comprehensive characterizing of the biodegradability of our compounds—for which we have developed and implemented an innovative new strategy to systematically identify and quantify the biodegradation of our ingredients.
- Developing multidimensional approaches to understand every component of our ingredients, reaching a level of detail never achieved before. We promote the development of investigation tools that limit or ban the use of organic solvents by using passive sampling technologies with microsampling devices, without compromising accuracy and reliability.
- Exploring the fundamental properties of our ingredients to understand their release and volatilization and anticipate their behaviour. We challenge and improve standard methodologies to adapt them to the specificities of fragrance and flavor ingredients.
- Disseminating scientific knowledge by publishing our discoveries in highly ranked, peer-reviewed scientific journals. We train our partners to ensure they are ready to conduct the most reliable investigations.
- Creating a basis for standards in the industry and pushing up the requirement level.

The deep knowledge that we gain is also a source of inspiration to invent higher performing sustainable ingredients. Our customers benefit from these innovations and in-depth investigation tools.

making

fortified food taste good

The continuous enrichment of our portfolio of methods makes Firmenich the partner of choice to solve and support any scientific challenge requiring innovative, accurate and reliable solutions. It is our vision that by gaining a deeper understanding of the physical and biochemical mechanisms governing biodegradability we will be able to design more performing and sustainable ingredients in the future.

Examples of Innovation

Malodor Management: Sanitation and Hygiene

According to the World Health Organization, diarrhea is the single largest cause of preventable death, killing 2.2 million people every year. It has been estimated that if everyone washed their hands properly at key times during the day, up to half of all childhood deaths from diarrhea (more than 1 million children) could be avoided. Evidence suggests that people wash their hands more if soap makes them smell clean.

Good odors (perfumes) serve as indicators of quality of life, linked to cleanliness and good health. Conversely, malodors convey unhealthy living conditions. All populations, independently of their economic status, deserve access to good health through hygiene. We contribute to this principle by supplying the perfume for cleaning products used by people throughout the world.

Firmenich is a leader in designing fragrances that are used in health soap. Our expertise in this area is based on knowing what varying populations consider to be unwanted odors. We continue to study the main molecules in offending toilet, garbage, body and kitchen odors through the use of highly sophisticated chemical and sensory analyses and validate the results with models established at the laboratory level. Moreover, we apply relevant technologies to physically or chemically interact with malodors through mechanisms that can prevent, eliminate, neutralize or mask the offending odors. Our scientists and perfumers work to design optimized perfumes based on proprietary knowledge of ingredients, technologies and fragrance design. We believe that by understanding odors that are unpleasant to humans and delivering—in collaboration with our clients—fragranced products that are affordable to all populations, we have a positive impact on the quality of life of the world's population.

To sustain this effort, we recently initiated a partnership supported by the Bill & Melinda Gates Foundation to identify the offending molecules from latrines in developing countries. This newly generated knowledge will help educate populations to adopt hygienic habits contributing to their health and to the multidisciplinary approach initiated by the Foundation's Water, Sanitation & Hygiene initiative.

Focusing on Taste to Improve Nutrition at the Base of the Pyramid

We are increasingly using our flavor technologies to improve the taste of food products that target low-income consumers. For instance, in Africa, locally produced rice has a competitive disadvantage because the flavor differs from the imported premium standard.

In partnership with GAIN and a social entrepreneur, Firmenich is developing flavor solutions aimed at improving the taste of local rice in Senegal. This should lead to an increase of consumption of local rice, creating new business opportunities for local entrepreneurs. In the next phase of the project the partners will add a nutrition dimension by including vitamins and minerals in the flavored rice.

Children at the base of the pyramid often lack vitamins and minerals in their diet. To reach out to children with the vitamins and minerals they need, affordable staple food is an ideal vehicle. In that context, an enjoyable flavor can play a role in increasing the acceptance of fortified food by children.



GAIN Sprinkles pilot project in Kisumu Western Kenya

© Oliver Wilkins/GAIN

RIO+40: CHARTING A COURSE FOR THE FUTURE

The UN Conference on Sustainable Development, “Rio+20,” resulted in a declaration titled “The Future We Want.” This declaration stated the following Common Vision:

1. We, the heads of State and Government and high level representatives, having met at Rio de Janeiro, Brazil, from 20-22 June 2012, with full participation of civil society, renew our commitment to sustainable development, and to ensure the promotion of an economically, socially and environmentally sustainable future for our planet and for present and future generations.
2. Eradicating poverty is the greatest global challenge facing the world today and an indispensable requirement for sustainable development. In this regard we are committed to free humanity from poverty and hunger as a matter of urgency.
3. We therefore acknowledge the need to further mainstream sustainable development at all levels integrating economic, social and environmental aspects and recognizing their interlinkages, so as to achieve sustainable development in all its dimensions.

Firmenich applauds this commitment and vision for sustainable development.

What does “the future we want” look like for Firmenich? Firmenich is conducting in-depth strategic analyses with its Sustainability Council to define the direction of our sustainable growth and sustainable innovation programs. The simple questions for us are. How will the world smell and taste in 2032? What are the current global challenges that can be addressed by a fragrance and flavor company? How can we scale-up efforts and create new business models and partnerships?

In 2032, the vast majority of consumers will live in urban areas, the megacities of emerging and developing nations. The global urban population is expected to grow from 3.3 billion to 4.9 billion by 2030. Urbanized areas in Africa and Asia are forecast to grow most rapidly, doubling in population between 2000 and 2030. Rural populations, meanwhile, are predicted to decrease rapidly due to mortality among older rural residents and migration of younger residents.

This demographic transformation creates challenges and opportunities for our industry. A major challenge is the way this rural exodus will affect the sourcing of our natural ingredients as a new generation of farmers looks elsewhere for opportunities. We are focusing on reinforcing our sustainable sourcing program to avoid such risks and offer dynamic and attractive solutions for new generations of farmers.

Urbanization was an important theme of the Rio+20 conference. Fast-growing urban populations face challenges related to hygiene, well-being, nutrition and food. Firmenich can address these challenges working in collaboration with our clients and sustainability partners.

ABOUT THIS REPORT

Report Boundaries

This is our seventh annual sustainability report. The report follows our 2011 report and contains a full year of data based on fiscal year 2012 from 1 July 2011 to 30 June 2012 (FY12). The report covers global operations across the Firmenich Group including affiliates in 29 countries; it covers our manufacturing sites and nonmanufacturing locations. We focus on key activities and achievements that we believe are of interest and value to our major stakeholder groups, which include our clients, our employees, our suppliers and the communities which we serve and interact with.

The workplace, human resource (HR) and environmental data, unless otherwise indicated, covers all operations owned or controlled (production sites, sales offices, administrative offices and combination of such facilities). The HR data is reported for our fixed headcount only.

The Firmenich Board of Directors is comprised of four internal members and five external members. The board includes representatives of the family shareholders, which ensures that the shareholders have a direct link to the highest governance body of the company. The link between the board and the employees is ensured through the Firmenich "Code of Conduct," where the process for employees to connect with the highest governance body is facilitated through the Group Vice President of Corporate Compliance, the Group Vice President General Counsel and the Corporate Vice President of Human Resources.

The Sustainability Team is headed by the Group Vice President of Corporate Compliance, who reports directly to our CEO, making the Sustainability Team a crucial link between our stakeholders (clients, employees, suppliers, Sustainability Council and sustainability partners), the Board of Directors and the Executive Team.

The Firmenich "Code of Conduct" is a document designed to help our employees make ethical decisions in their day-to-day work within the company. It is based on our Fundamentals and covers ethical points such as conflicts of interest, antitrust, harassment, confidentiality, governance and political and community activities. Within the document is a clear statement that Firmenich will in no way support political candidates or parties either financially or with in-kind donations. Our employees' adherence to our Code of Conduct

has ensured that Firmenich has had zero legal actions for anticompetitive behavior, antitrust or monopoly practices in this reporting period and no monetary fines or nonmonetary sanctions for noncompliance in these areas.

To highlight our sustainable performance, the previous year's data are included in this report. Some of this data may differ from those reported in the last sustainability report. These variations reflect improvements made in the calculation and consolidation methods as well as changes made once more accurate data became available after the end of the last fiscal year.

The performance review process for FY12 extends beyond the deadlines for the publication of this report and therefore the percent of performance reviews completed on page 49 only reflects the performance completed as of 23 August; it does not represent the actual final number of the program.

Scope of This Report

We have applied the Global Reporting Initiative's (GRI) principle of materiality to this report, which states: "Information in this report should cover issues and indicators that would substantively influence the decisions of the stakeholders using this report." We used the GRI indicators as a guide to develop this report, and we strive to improve the scope and precision of our reporting each year. This is the second year that we are reporting our sustainability work according to the GRI guidelines (version 3.1), and we have therefore made an effort to improve on the indicators from last year. Firmenich is reporting at a self-declared level C+ as defined by GRI, and our report includes strategy, profile, sustainability governance and 23 performance indicators.

This report is independently verified by SGS (see page 47), and the management systems that generate our safety and environmental data are validated by independent experts. The report also serves as our Communication on Progress (COP) for the United Nations Global Compact (UNGC), for the CEO Water Mandate as our COP-Water as well as for the UN Women's Empowerment Principles.

Firmenich Group - www.firmenich.com
Contact: global.sustainability@firmenich.com

EXTERNAL VERIFICATION

SGS Société Générale de Surveillance SA report on sustainability activities in the Firmenich Sustainability Report for 2012

Nature and Scope of the Assurance / Verification

SGS Société Générale de Surveillance SA was commissioned by Firmenich to conduct an independent assurance of the Sustainability Report 2012. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all text, and data in accompanying tables, contained in this report.

The information in the Sustainability Report 2012 of Firmenich and its presentation are the responsibility of the directors and the management of Firmenich. SGS Société Générale de Surveillance SA has not been involved in the preparation of any of the material included in the Sustainability Report 2012.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all Firmenich's stakeholders.

This report has been assured at a moderate level of scrutiny using our protocols for:

- evaluation of content veracity
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G3.1/2011)

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at the Headquarters in Geneva; documentation and record review. Data has been assured at corporate level; base data utilized in the calculation of the consolidated figures have not been assured.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of the assurance process.

Statement of Independence and Competence

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS Société Générale de Surveillance SA confirms our independence from Firmenich, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with AA1000SA Certified Practitioner, Lead Quality, Environmental and SA8000 Auditor and experience in the flavours and fragrance industry.

Verification / Assurance Opinion

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Firmenich Sustainability Report 2012 is accurate, reliable and provides a fair and balanced representation of Firmenich sustainability activities in financial year ending 2012.

The apparent discrepancies in the Environment statistics between 2011 and 2012 have been noted by the assurers who are satisfied that they actually reflect improvements in data collection and consolidation methods.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

Global Reporting Initiative Reporting Guidelines (G3.1 2011) Conclusions, Findings and Recommendations

In our opinion, the Firmenich Sustainability Report 2012 meets the content and quality requirements for GRI G3.1 Application Level C+.

Principles – In our opinion the content and quality of the report adheres to the ten GRI Principles. In future reports we would expect that areas where basic information has been included will be developed in line with these principles. Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- future reporting should be clearer on the decision making process regarding stakeholder identification, mapping, engagement and feedback although some improvements were noted compared to the previous Sustainability Report.
- improved reporting on the identification and prioritisation of materiality issues.

Standard Disclosures – All the standard disclosures required for reporting at an application level C+ were included or referenced in the report.

Indicators – The required minimum number of core indicators are included in the report. The number of indicators addressed has increased from the previous report.

Strengths

Firmenich continue to address the wider issues of sustainable development as are relevant to their business and industry.

The reporting of the Review of Progress strengths and areas for improvement including areas that need improvement shows increasing transparency.

*Signed for and on behalf of SGS Société Générale de Surveillance SA
Geneva, September 2012*



Our Performance in Numbers

PERFORMANCE	KPI	FY11	FY12
ENERGY (GJ)	Direct Energy (own source)	1,443,702.80	1,370,111.63
	Indirect Energy: purchased (inc electricity, steam, etc.)	749,088.02	712,674.67
	Total Energy	2,192,790.82	2,082,786.30
CO ₂ EMISSIONS (TONNES)	Scope 1: Direct Energy Source	90,013.24	86,092.73
	Scope 2: Indirect Source	71,140.77	70,862.71
	Total CO₂ emissions	161,154.01	156,955.44
WASTE GENERATION AND DISPOSAL (TONNES)			
HAZARDOUS (HZ) WASTE	Incinerated (without heat recovery)	6,884.85	3,249.66
	Incinerated (with heat recovery)	8,135.34	10,515.87
	Landfilled	127.78	40.64
	Other	744.6	957.33
	Total Hazardous Waste	15,892.57	14,763.5
NONHAZARDOUS (NHZ) WASTE	Incinerated (without heat recovery)	2,375.67	1,518.41
	Incinerated (with heat recovery)	710.17	1,247.64
	Landfilled	4,080.43	2,962.39
	Other	1,840.17	377.88
	Total Nonhazardous Waste	9,006.44	6,106.32
EFFLUENT TREATMENT WASTE	Incinerated	711.2	1,224.08
	Landfilled	750.06	539.34
	Other	5,253.8	4,401.75
	Total Effluent Treatment Waste	6,715.06	6,165.17
TOTAL WASTE (HZ & NHZ)	Total Waste	31,614.07	27,034.99
	Total Incinerated and Landfilled	23,775.5	21,298.03
TOTAL RECYCLED WASTE		13,757.82	12,004.78
EFFLUENT DISCHARGE (M ³)	Direct Discharge - with Treatment (to surface or ground water)	674,077.7	649,903.87
	COD - Direct Discharge with Treatment (tonnes)	668.74	1,937.07
	Without Direct Discharge (to municipal waste water)	758,862.21	679,733.02
	COD - Without Direct Discharge (tonnes)	3,817.93	3,231.59
TOTAL EFFLUENT DISCHARGE		1,432,939.91	1,329,636.89
TOTAL COD - CHEMICAL OXYGEN DEMAND (TONNES)		4,486.67	5,168.66
WATER (QTY USED IN M ³)	Municipal	1,404,345.98	1,232,109.62
	Ground	134,479.00	126,732.00
	Municipal and Ground	1,538,824.98	1,358,841.62
	Surface	3,686,343.00	3,013,867.00
	Total Water	5,225,167.98	4,372,708.62
OTHER DATA	NOx tonnes	142.29	135.71
	SOx tonnes	151.3	148.44
	VOC tonnes	275.31	220.72
PRODUCTION QTY (TONNES)		192,423.99	187,967.82

PERFORMANCE	KPI	FY11	FY12
EMPLOYEE DATA			
PERFORMANCE APPRAISAL*	Employees Covered by Performance Review	100 %	93.3%
	Performance Reviews Completed	77.5%	73%
INCIDENTS**	Lost Time Injury (LTI)	20	11
	Total Recordable Cases (TRC)	55	45
	Lost Time Injury Rate (LTIR)	0.28	0.15
	Total Recordable Injury Rate (TRIR)	0.76	0.63
	Fatalities	0	0
	Worked Hours	14'420'974	14'289'475
LOST TIME INJURY (LTI) BY REGION	Asia Pacific	4	0
	Europe	9	6
	Latin America	2	5
	North America	5	0
TOTAL RECORDABLE CASES (TRC) BY REGION	Asia Pacific	8	4
	Europe	22	14
	Latin America	7	9
	North America	18	18
LOST TIME INJURY (LTI) BY GENDER	Male	15	9
	Female	5	2
TOTAL RECORDABLE CASES (TRC) BY GENDER	Male	43	42
	Female	12	3

* Performance appraisal extends beyond publishing date, data valid as of 23 August 2012.

** Incidents for employees and supervised contractors.

GRI Index Table

GRI INDICATOR	REPORTED	LOCATION
1.1	Fully	3
1.2	Partial	16, 21, 30-31
2.1	Fully	cover page and 3
2.2	Fully	5, 6, 7
2.3	Fully	6, 7 and www.firmenich.com/m/company/about-us/profile/facts-figures/
2.4	Fully	5
2.5	Fully	www.firmenich.com/m/company/about-us/profile/facts-figures/
2.6	Fully	5
2.7	Fully	www.firmenich.com/m/company/about-us/profile/facts-figures/ http://www.firmenich.com/t/locate/index.lbl
2.8	Fully	www.firmenich.com/m/company/about-us/profile/facts-figures/
2.9	Fully	3 and www.firmenich.com/m/company/about-us/profile/facts-figures/
2.10	Fully	2
3.1	Fully	46
3.2	Fully	46
3.3	Fully	46
3.4	Fully	46
3.5	Fully	46
3.6	Fully	46
3.7	Fully	46
3.8	Fully	46
3.10	Fully	46
3.11	Fully	46
3.12	Fully	50
3.13	Fully	47
4.1	Fully	46 and www.firmenich.com/m/company/about-us/profile/management/
4.2	Fully	www.firmenich.com/m/company/about-us/profile/management/
4.3	Fully	www.firmenich.com/m/company/about-us/profile/management/

GRI INDICATOR	REPORTED	LOCATION
4.4	Fully	14 and 46
4.12	Fully	2, 3, 9, 14 and 20
4.13	Fully	8, 20
4.14	Partial	2-3, 8-9, 13-14, 17-21, 37-42, 44
4.15	Partial	46
4.16	Fully	8, 13,
4.17	Fully	18-19, 21
EC1	Partial	Firnews 2012
EN3	Fully	48
EN4	Fully	48
EN8	Fully	48
EN16	Partial	48
EN17	Partial	48
EN20	Partial	48
EN21	Fully	48
EN22	Fully	48
EN26	Partial	28, 29, 30, 31
LA1	Partial	49
LA7	Partial	49
LA12	Fully	49
LA13	Partial	www.firmenich.com/m/company/about-us/profile/management/
HR5	Fully	39-40
HR6	Fully	39-40
HR7	Fully	39-40
HR10	Fully	39-40
SO1	Partial	14, 17, 32, 37-42
SO6	Fully	46
SO7	Fully	46
SO8	Partial	46
PR1	fully	6, 16, 30 and 31

STANDARD DISCLOSURES	REPORT APPLICATION LEVEL		C	C+	B	B+	A	A+	
	G3 PROFILE DISCLOSURES	OUTPUT	REPORT ON: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	REPORT EXTERNALLY ASSURED	REPORT ON ALL CRITERIA LISTED FOR LEVEL C+ 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		REPORT EXTERNALLY ASSURED	SAME AS REQUIREMENT FOR LEVEL B	
		OUTPUT	NOT REQUIRED		MANAGEMENT APPROACH DISCLOSURES FOR EACH INDICATOR CATEGORY.			MANAGEMENT APPROACH DISCLOSURES FOR EACH INDICATOR CATEGORY.	
		OUTPUT	REPORT ON A MINIMUM OF 10 PERFORMANCE INDICATORS, INCLUDING AT LEAST ONE FROM EACH OF: ECONOMIC, SOCIAL AND ENVIRONMENTAL.		REPORT ON A MINIMUM OF 20 PERFORMANCE INDICATORS, AT LEAST ONE FROM EACH OF: ECONOMIC, ENVIRONMENTAL, HUMAN RIGHTS, LABOR, SOCIETY AND PRODUCT RESPONSIBILITY.			REPORT ON EACH CORE G3 AND SECTOR SUPPLEMENT* INDICATOR WITH DUE REGARD TO THE MATERIALITY PRINCIPLE BY EITHER: A) REPORTING ON THE INDICATOR OR B) EXPLAINING THE REASON FOR ITS OMISSION.	

*Sector supplement in final version

VALIDATIONS

ZONE	SITE	SAFETY OHSAS 18001	ENVIRONMENT ISO 14001	QUALITY ISO 9001	FOOD SAFETY STANDARDS inc. ISO 22000 BRC GMA-SAFE	HALAL	KOSHER	SEDEX REGISTRATION
EUROPE	Castets, France	●	●			●	●	●
	Alesund, Norway	●	●	●	●	●		●
	Geneva (Meyrin), Switz.	●	●	●	●	●	●	●
	Geneva (La Plaine), Switz.	●	●			●	●	●
	North Yorkshire, UK	●	●	●	●	●		●
	Louvain, Belgium			●	●	●	●	●
	Grasse, France	●	●	●		●	●	●
NORTH AMERICA	Anaheim, California					●	●	●
	Newark, New Jersey	●	●		●	●	●	●
	Safety Harbor, Florida				●	●	●	●
	Princeton, New Jersey	●	●			●	●	●
	New Ulm, Minnesota	●	●		●	●	●	●
	St. Louis, Missouri	●	●	●	●	●	●	●
	Lakeland, Florida	●	●			●	●	●
LATIN AMERICA	São Paulo, Brazil	●	●	●	●	●	●	●
	Bogotá, Colombia	●		●				●
	Buenos Aires, Argentina	●	●	●	●		●	●
	Toluca, Mexico	●		●	●		●	●
ASIA PACIFIC	Shanghai, China	●	●	●	●	●	●	●
	Dahej, India	●	●	●				●
	Daman, India	●	●	●	●			●
	Jakarta, Indonesia	●	●	●	●	●		●
	Kunming, China	●	●				●	●
	Ibaraki, Japan			●	●			●
	Singapore	●	●	●				●
TOTAL CERTIFICATIONS	FY12	21	19	16	15	17	17	25
	FY06	0	2	11	11	11	10	0

Details for the above mentioned certifications can be found online at www.firmenich.com/sustainability

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Our Reporting Heritage



2006



2007



2008



2009



2010



2011



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