

SUSTAINABILITY REPORT 2017

# Leading Positive Transformational Changes

**IEF**

# A Message from Our Chairman

GRI 102-14.

Over the course of the past three years, IFF has redefined the way we envision sustainability. Moving from the traditional “take-make-dispose” model and embracing a circular economy – one that is restorative and regenerative by design – is an empowering step in transforming the world around us. It is also key in safeguarding the wellbeing of our consumers, the health of our planet and the integrity of our business.

With positive principles, sensational people and regenerative products as our focal points, we made significant progress in 2017 toward reaching, and in some cases exceeding, our sustainability goals. We curtailed our water usage intensity by more than half, surpassed our 2020 targets for hazardous waste and greenhouse gas emissions and earned an industry-first GreenCircle Zero Waste to Landfill certification.

Yet, even as we move to purposely conserve the Earth's resources, we recognize how global, social and environmental factors are driving the need to refresh the way we all do business. The effects of climate change and other geopolitical dynamics are impacting the people and communities where we operate, causing disruption in our supply chain and in those of our vendors. Therefore, we are exploring ways to reduce

our reliance on certain resources. Through intentional design, we are using internal expertise and leveraging technologies to create regenerative products. For example, PowderPure™, a company we acquired in 2017, uses a proprietary drying technology for fresh foods, creating a powder that maintains the integrity and nutritional content of the original ingredient.

We see other opportunities to address the growing demands of our customers. Consumers are calling for sensorial products that are responsibly sourced, superior in performance and healthful for the body. In 2016, we developed the first Cradle to Cradle™ certified scent and have since advanced our ability to create circular fragrances made with renewable energy while using minimal water and creating little waste.

In our naturals business, the contributions of smallholder farmers play a crucial role in the current and long-term health of our supply chain. Through social investments, we are making a positive difference in the lives of the farmers and their surrounding communities. In India, we partnered with a customer to sponsor two resource centers – with plans to open others in the future – through READ India, a nonprofit organization dedicated to empowering women and children through educational and economic opportunities in rural areas. And in Haiti, the Vetiver Together program – in partnership with Heifer International and key customers – remains strong in our efforts to support the unique needs of the farmers and their families.

**Andreas Fibig**  
Chairman and  
Chief Executive Officer



We are also fully committed to empowering and keeping safe our own sensational people. In 2017, we enhanced our safety culture programs and hands-on training modules at our facilities.

2017 also saw us celebrating our first graduate from the World Business Council for Sustainable Development (WBCSD) Leadership Program, an employee training ground for emerging green business champions.

We also launched our global Diversity & Inclusion initiative throughout the company. Directed by a broad, culturally diverse employee team, this program is geared toward leading transformational change from within while creating a more diverse candidate base for the future. In early 2018, I signed the global CEO Action for Diversity & Inclusion™ pledge,

joining more than 350 corporations and organizations dedicated to creating more inclusive workplaces.

Because of the collective efforts of our employee teams globally, last year we were recognized by CDP on its Climate A list for the third consecutive year and named a leader by CDP for our water management strategies and performance. We also achieved EcoVadis Gold status and were named to the Euronext Vigeo U.S. 50 Index and Barron's 2018 100 Most Sustainable Companies.

Transforming our vision calls for us to build proactive partnerships, inside and outside of the flavors and fragrances industry. Our collaboration with the WBCSD is a solid example of that effort. Early last year, we joined the WBCSD's FReSH initiative to aid in accelerating transformational

change in global food systems; later in the year, I was asked to serve as the WBCSD Chair of Program Board for Circular Economy and Energy.

Our Vision 2020 business strategy is supported in part by our ability to create a more sustainable future. In 2017, we fortified our sustainability vision among employees and deepened our connections with customers and partners in our journey toward a circular economy. Next year, we will continue to push our boundaries, striving for a regenerative, healthy and abundant world.

A handwritten signature in black ink, appearing to read 'Andreas Fibig', with a stylized flourish at the end.

Andreas Fibig  
Chairman and Chief Executive Officer

# Table of Contents



**INTRODUCTION 2**

A Message from Our Chairman . . . . . 2

IFF’s Performance Highlights . . . . . 6

Achieving Excellent Environmental Performance Through Positive Principles . . . . . 9

A Fresh Start for Farming Communities . . . . . 11

Propelling Innovation Through a Diverse and Inclusive Workforce . . . . 13



**ABOUT THIS REPORT 33**

Our Approach to Reporting . . . . . 33



**ABOUT IFF 15**

Organizational Profile . . . . . 15

Our Operating Footprint . . . . . 16

Our Supply Chain . . . . . 19

Expanding Our Business . . . . . 20

External Initiatives, Memberships and Associations . . . . . 21



**ENVIRONMENT 37**

Managing Our Footprint . . . . . 37

Energy . . . . . 40

Emissions . . . . . 41

Water . . . . . 42

Waste Management . . . . . 44



**OUR COMMITMENT TO SUSTAINABILITY 23**

Our Sustainability Vision & Strategy . . . . . 23

Materiality . . . . . 26

IFF’s Material Topics . . . . . 28

Stakeholder Engagement . . . . . 29



**RESPONSIBLE SOURCING 47**

Engaging with Suppliers . . . . . 47

Engaging with Other Responsible Sourcing Partners . . . . . 48

Sustainability in Our Botanicals Supply Chain . . . . . 50

Strengthening Local Communities . . . . . 52

Working with Partners to Source Palm Oil Responsibly . . . . . 54





**OUR PEOPLE 57**

---

Employment Practices ..... 57

Workforce Data ..... 58

Commending  
Sustainability Performance ..... 59

Occupational Health and Safety ..... 60

Diversity & Inclusion ..... 62

Cultivating Talent ..... 64



**PRODUCT SAFETY & QUALITY 85**

---

Product Safety & Quality ..... 85

Product and Service Labeling ..... 87



**REGENERATIVE PRODUCTS 69**

---

Circular Design ..... 69

Green Chemistry ..... 72

Partnerships & Memberships ..... 73

Health and Wellness ..... 74



**APPENDIX 89**

---

Appendix ..... 89

External Assurance Statement ..... 90

GRI Content Index ..... 93

Special Note Regarding  
Forward-Looking Statements ..... 97

Stay Up to Date ..... 98



**GOVERNANCE & COMPLIANCE 77**

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Governance and Compliance ..... 77

Risk & Crisis Management ..... 81

Human Rights ..... 83

# A Lister

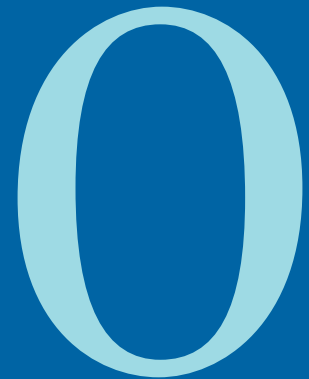
Awarded a place on the **CDP Climate** A List for the 3rd year in a row. Awarded **CDP Water Leadership** status.

**Gold status with EcoVadis**, a social responsibility rating system that assesses suppliers in sustainable business practices



# FReSH

Joined the **WBCSD's Food Reform for Sustainability and Health (FReSH)** initiative



## Waste to Landfill

Achieved industry-first GreenCircle Certified LLC Zero Waste to Landfill certification at our S. Brunswick, New Jersey, U.S. flavors facility

# IFF's Performance Highlights

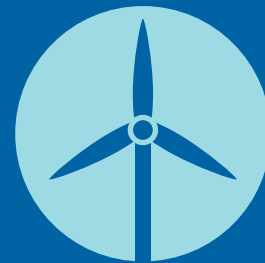


## 2020 Environmental Sustainability Goals



Reduce energy intensity by 20%

↓ 18.6%



Reduce GHG emissions intensity by 25%

↓ 33.8% ✓



Engaged with the **World Economic Forum, World Business Council for Sustainable Development, UN Global Compact** and **Together for Sustainability**

Sponsored two community centers – with another planned – through **READ India**, to empower women and create educational and economic opportunities in rural areas



**TOP  
50**

Named to the **Euronext Vigeo U.S. 50 Index**

Named to **Barron's 100 Most Sustainable Companies**



**Our Chairman & CEO Andreas Fibig**

- Signed the CEO Action for Diversity & Inclusion™ pledge
- Spoke at Bloomberg's Sustainable Business Summit
- Hosted World Business Council for Sustainable Development circular economy forum

Achieved **For Life social responsibility certification** for blackcurrant buds from France

Achieved **organic certification** at three operating locations



Reduce water use intensity by 50%



Reduce hazardous waste intensity by 25%

**Our  
2017  
Progress**

vs. 2010 Baseline

**↓ 68.2% ✓**

**↓ 42.1% ✓**







# Achieving Excellent Environmental Performance Through Positive Principles

Each year we are becoming a more eco-effective company. We achieved great progress in 2017, exceeding our 2020 environmental targets for emissions, water and waste. Through the diligent implementation of our Positive Principles strategy - which is based on the circular economy concept - we have made significant progress in minimizing our environmental footprint. We were able to achieve these results through the concerted efforts of the Green Teams in place at each of our manufacturing facilities. Our leadership and cross-functional teams spearheaded efforts to enable the company to operate more sustainably through a combination of eco-effectiveness projects, equipment installations and operational enhancements at their sites.

LEARN MORE AT [IFF.CO/ENVIRONMENT](https://www.iff.co/environment)

GRI 201-2. GRI 303-1. GRI 305-1. GRI 305-2. GRI 305-3. GRI 305-4. GRI 305-5. GRI 306-2.







# A Fresh Start for Farming Communities

Eighty percent of the world's mint supply is produced in India by about 1 million smallholder farmers - many of whom depend on mint as their sole income. Declining crops are putting pressure on already-low incomes, putting these farms at risk. IFF is sponsoring the construction of three community READ Centers. This project directly aligns with the Sensational People pillar of our sustainability strategy, through which we seek to engage employees and other stakeholders to make a positive difference in the world.

LEARN MORE AT [IFF.CO/INDIA-READ](https://www.iff.co/india-read)





# Propelling Innovation Through a Diverse and Inclusive Workforce

We nurture an inclusive and fair culture that is fueled by our values. Every voice at IFF is empowered and heard. All levels of our organization reflect the mosaic of the markets we serve. We embrace diversity of thought to transform our future. This is the mission of our Diversity & Inclusion program - and while we have a rich history of supporting diversity and inclusion within our workforce, we took a significant step forward in 2017 to better formalize these efforts.

LEARN MORE AT [IFF.CO/DIVERSITY-AND-INCLUSION](http://IFF.CO/DIVERSITY-AND-INCLUSION)





Miro  
incense

Amber  
incense

Patchouli  
incense

ABOUT IFF

# Transforming the everyday



# Organizational Profile

GRI 102-1. GRI 102-2. GRI 102-3. GRI 102-5.

International Flavors & Fragrances Inc. (IFF) is a leading innovator of sensorial experiences that consumers taste, smell or feel in fine fragrances and cosmetics, detergents and household goods, and food and beverages. Our flavors and fragrance compounds combine a number of ingredients that are blended, mixed or reacted together to produce proprietary formulas created by our flavorists and perfumers. IFF is headquartered at 521 West 57th Street, New York, New York, U.S.A. Detailed information about the scale of our organization, operational structure, markets served and geographical footprint is available in our 2017 Annual Report and U.S. Securities and Exchange Commission (SEC) Form 10-K (collectively, "2017 Annual Report").



# Our Operating Footprint

## GRI 102-4. GRI 102-7.

Our approximately 7,300 employees are located across 37 manufacturing facilities and 69 creative centers and application laboratories in 37 countries. Our more than 46,000 individual products reach customers in approximately 162 countries. In 2017, we achieved sales of approximately \$3.4 billion, making us one of the top four companies in the global flavors and fragrances sub-segment of the broader ingredients and compounds market. Within this sub-segment, the top four companies represent approximately two-thirds of total estimated sales.

## OUR MARKETS

### GRI 102-6.

The flavors and fragrances market is part of a larger market that supplies a wide variety of ingredients and compounds used in consumer products. The broader market includes large multinational companies and smaller regional and local participants that supply products such as seasonings, texturizers, spices, enzymes, certain food-related commodities, fortified products and cosmetic ingredients.

Our flavors compounds are ultimately used by our customers in the following four categories of consumer goods:

- Savory, for use in soups, sauces, condiments, prepared meals, meat and poultry, potato chips and other savory snacks;
- Beverages, for use in juice drinks, carbonated beverages, flavored waters and spirits;
- Sweet, for use in bakery products, candy, chewing gum and cereal; and
- Dairy, for use in yogurt, ice cream, cheese and other dairy products.

The fragrance compounds side of the business comprises two main areas: consumer fragrances and fine fragrances. Consumer fragrance applications include fabric care (detergent, softener and specialty), home care (household cleaners, dishwashing liquids and air care, including candles and air fresheners) personal wash (including bar soap and shower gel), and toiletries and hair care products.



8.4% of Sales

Spent on R&D



\$295.7 Million

in Net Income



## Our Products

### FLAVORS

Beverages

Dairy

Savory

Sweet

### FRAGRANCES

Fabric Care

Fine Fragrance

Fragrance Ingredients

Home Care

Personal Wash

Hair Care

Toiletries

7,300

Employees Worldwide



\$3.4 Billion

in Net Sales



### OTHER

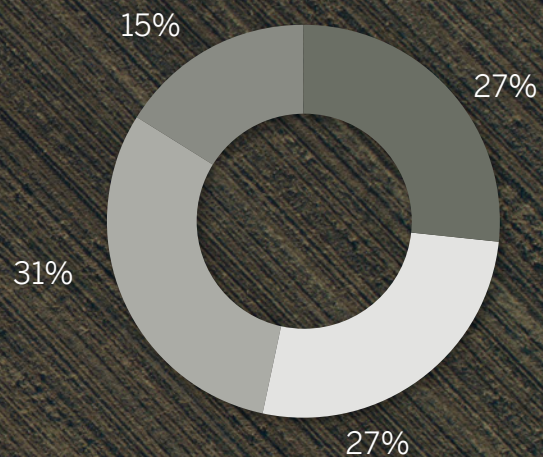
Cosmetic Actives

162

Countries in which  
IFF's Customers'  
Products Are Sold



## Percentage of 2017 Sales



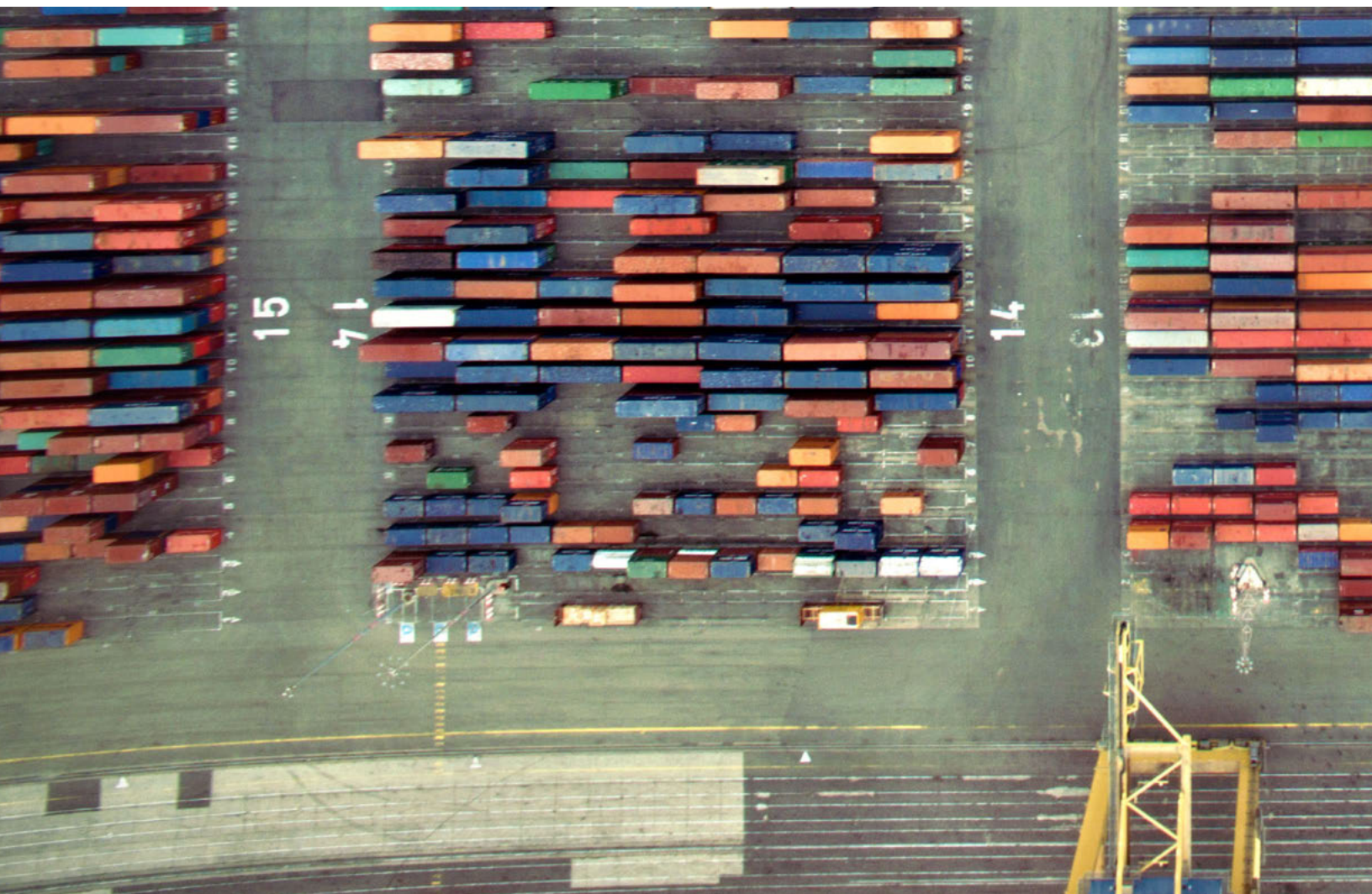
- Greater Asia
- North America
- Europe, Africa, Middle East
- Latin America



## ABOUT IFF

We design and create many fine fragrance compounds, including some of the industry-leading fine fragrance classics as well as niche fragrances, as evidenced by the number of top sellers. We also source and distill natural fragrance ingredients and create and commercialize synthetic fragrance ingredients for use in our own formulations or for sale to the larger market. We expanded our business into the cosmetic active ingredients market with our 2015 acquisition of Lucas Meyer Cosmetics.

We sell our products to many global, regional and local manufacturers. The global market for flavors and fragrances has expanded consistently, primarily as a result of an increase in demand for, as well as an increase in the variety of, consumer products containing flavors and fragrances. In 2017, the flavors and fragrances market in which we compete was estimated by IFF management to be approximately \$24.8 billion, and is forecasted to grow approximately 2-3% by 2021, primarily driven by expected growth in emerging markets. In 2017, our Flavors business represented 48% of our sales, while our Fragrances business represented 52% of sales. For more information, see Item 1 of our 2017 Annual Report.

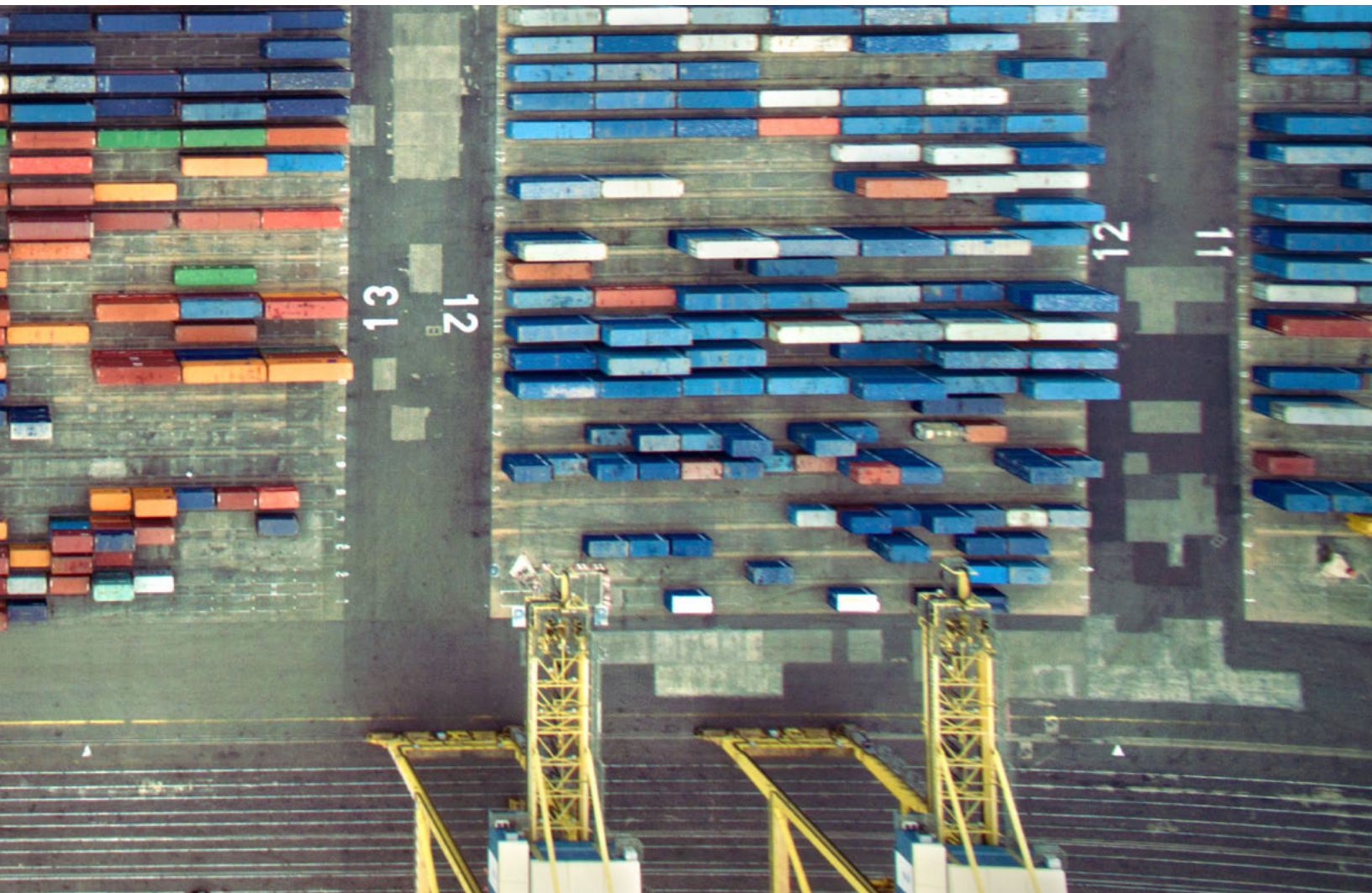




# Our Supply Chain

**GRI 102-9.**

We have an integrated supply chain, from raw material sourcing through manufacturing, quality assurance, regulatory compliance and distribution, which permits us to provide our customers with consistent quality products on a timely and cost-effective basis. We use both natural and synthetic ingredients in our compounds. We purchase approximately 11,000 different raw materials from about 3,000 domestic and international suppliers and distributors. Approximately half of the materials we purchase are naturals or crop-related items and the other half are synthetics or chemicals. Natural ingredients are derived from flowers, fruits and other botanical products as well as from animal products. More information about our supply chain is available in our 2017 Annual Report and the Responsible Sourcing section later in this report.



# Expanding Our Business

We believe that our diversified business platform, consisting of expansive geographic coverage, a broad product portfolio and a global and regional customer base, positions us to achieve long-term growth as the flavors and fragrances markets expand. As part of our Vision 2020 strategy, we intend to strengthen and expand our portfolio through acquisitions within the flavors and fragrances industries and adjacencies. In 2015, we acquired Lucas Meyer Cosmetics, which allowed us to add to our portfolio active and functional ingredients, botanicals and delivery systems to support our customers' cosmetic and personal care product lines. We also acquired Ottens Flavors, a flavor supplier and developer, and David Michael, a privately held flavors company, in 2015 and 2016, respectively, through which we strengthened our flavors market position in North America and increased our capabilities to serve small and mid-sized customers. In 2017, we acquired Fragrance Resources, a privately held fragrance company, and PowderPure, which creates powders from fruits and vegetables using a patented drying technology.

# External Initiatives, Memberships and Associations

GRI 102-12. GRI 102-13.

We are members of several organizations and associations, including the following (parentheses indicate leadership positions held):

American Chemical Society	
American Cleaning Institute	
Association for Chemoreception Sciences	
Cosmetic Executive Women	(Board of Governors)
Flavor and Extract Manufacturers Association	(Board of Governors)
Fragrance Foundation	(Board of Directors)
International Federation of Essential Oils and Aroma Trades	
International Fragrance Association	(Board of Directors)
International Fragrance Association North America	(Board of Directors)
International Organization of the Flavor Industry	(Board of Directors)
Monell Chemical Senses Center	
Research Institute for Fragrance Materials	(Board of Directors)
Society of Flavor Chemists	
World Economic Forum	

We also engage in the following environmental and sustainability-related organizations and partnerships:

AIM-PROGRESS	
EcoVadis	
Natural Resources Stewardship Circle	
Roundtable on Sustainable Palm Oil	
Sedex	
Together for Sustainability	
World Business Council for Sustainable Development	(Executive Committee)

We formally support the following initiatives:

United Nations Global Compact
RE100
We Are Still In
CEO Action for Diversity & Inclusion™





OUR COMMITMENT TO SUSTAINABILITY

**Leading positive  
transformational  
changes**



# Our Sustainability Vision & Strategy

Although we are only one company, we understand how our decisions and actions ripple across a global value chain. In order to embed a sustainable mindset deeper into our company and throughout our culture, we have made sustainability a key enabler of our Vision 2020 business strategy and we are executing on an ambitious sustainability vision and strategy.

Our sustainability vision – to lead positive transformational changes toward a regenerative, healthy and abundant world – is based on the concept of a circular economy, one that is restorative and regenerative by design. We aim to leverage this mindset to transform how we design and manufacture our products and in the way we engage our employees, customers, suppliers and communities.

Transformation is an ambitious goal, and to accomplish it, we will focus on the three platforms of our sustainability strategy: Positive Principles, Regenerative Products and Sensational People.

## IFF'S VISION & STRATEGY OF SUSTAINABILITY



## **OUR COMMITMENT TO SUSTAINABILITY**

### **IFF AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS**

The United Nations 2030 Sustainable Development Goals (SDGs) define global priorities and aspirations to address the many social, economic and environmental challenges facing companies and the world. By focusing on progress with respect to human rights, health, the human and natural environment and economic growth, the SDGs provide a critical roadmap to meeting the many challenges facing the world and securing a socially and environmentally sustainable future. We believe the business sector is uniquely positioned to advance sustainable development and achieve real progress against these goals.

We embrace and support the SDGs and are working to identify how these goals relate to our sustainability strategy and business, as well as where our efforts can provide the most value in advancing these goals. We partnered with the World Business Council for Sustainable Development to pilot the SDG Compass Tool, which provides guidance to companies on how to properly align their strategies to the SDGs. IFF's sustainability strategy was informed by this analysis and designed with these same important goals in mind. We have already made significant progress in each of the three platforms of our strategy, and we will continue to do our part to help realize the SDGs and drive transformational change.

## OUR COMMITMENT TO SUSTAINABILITY

### 2 ZERO HUNGER

We promote sustainable agriculture and food security through our responsible sourcing programs.

### 3 GOOD HEALTH AND WELLBEING

With consumers' growing demand for better-for-you products, we are increasingly focused on developing taste, scent and beauty solutions that help our customers provide healthier options to consumers.

### 5 GENDER EQUALITY

We value a diverse and inclusive company culture, and we launched a more formalized diversity and inclusion program in 2017.

### 6 CLEAN WATER AND SANITATION

We met our 2020 water use reduction goal several years early and are planning to enhance our water strategy to further focus on recycling, watershed management and engagement with local communities.

### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We developed innovation platforms for our flavors and fragrances businesses, focused on delivering pioneering products with environmental and social benefits as well as health and wellness attributes.

### 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

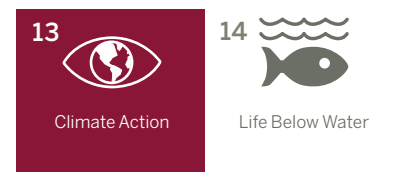
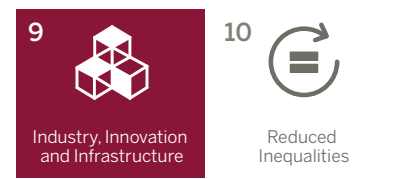
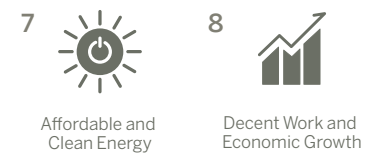
Our 2020 goals support our commitment to sustainable production patterns, and we will continue to embed a circular mindset throughout our operations.

### 13 CLIMATE ACTION

We have proactively addressed climate change and are currently working toward a science-based greenhouse gas target. We also support climate-related initiatives, such as RE100 and the Paris Climate Agreement, and were awarded a place on the CDP Climate A List.

### 15 LIFE ON LAND

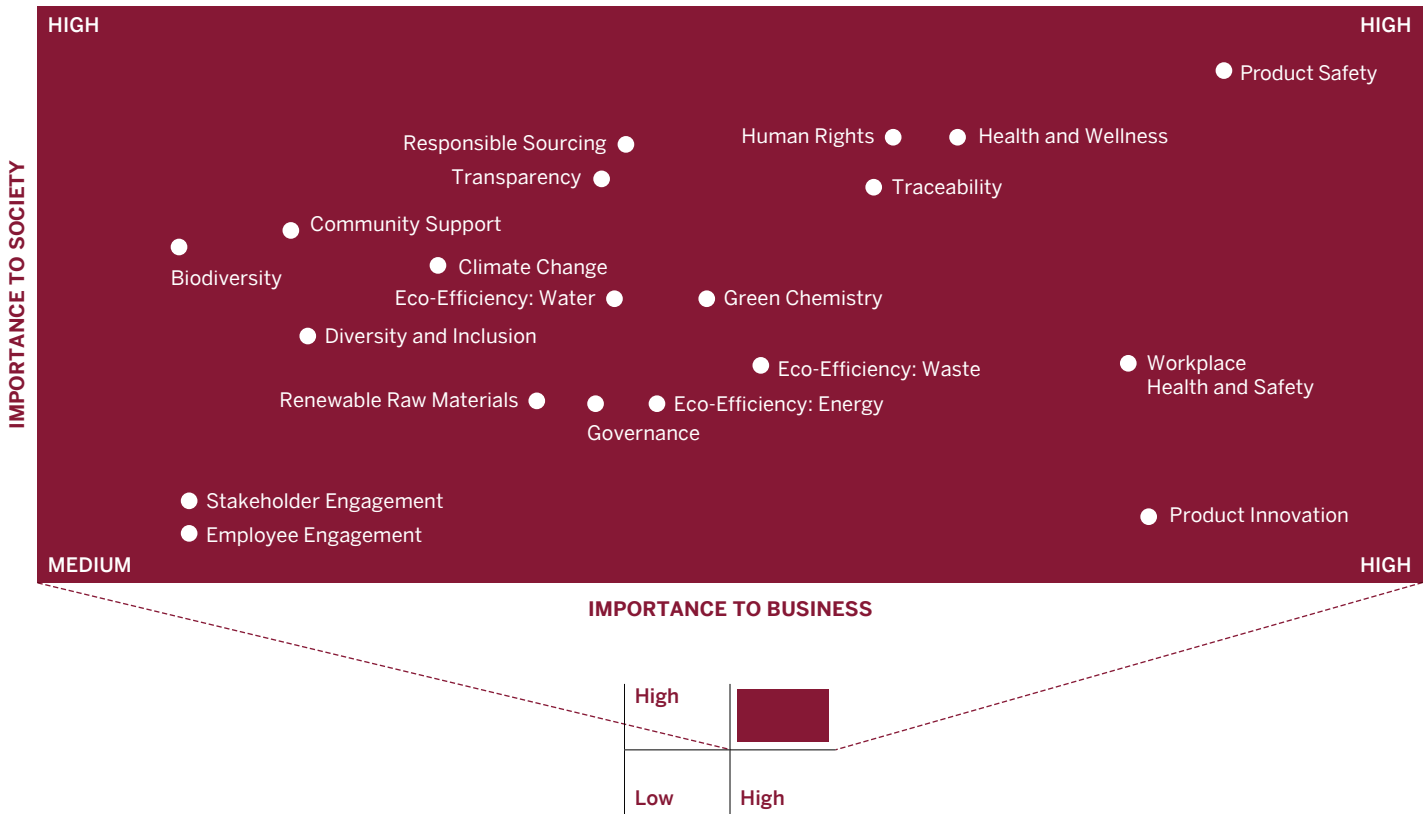
We support the prevention of deforestation broadly through our responsible sourcing program, including a goal to have 100% of the palm oil used in our products be certified by the Roundtable on Sustainable Palm Oil by 2020.



# Materiality

GRI 102-46. GRI 102-47. GRI 102-49.

We conducted a formal materiality assessment in 2014 by surveying internal stakeholders, including members of our senior leadership team and our Sustainability Business Council, and representatives from our business units. We also interviewed external stakeholders, including representatives of customer companies, nongovernmental organizations and regulatory bodies. We conducted in-depth interviews with key representatives from customer companies to better understand their sustainability needs and expectations of our business. The assessment allowed us to prioritize topics based on their importance to our business and society. In 2015 and 2016, we continued to engage internally and externally with our customers and suppliers and leveraged this engagement in the development of our new sustainability strategy. Based on these assessments, our reporting focuses on those topics identified as most material and those of increasing importance to stakeholders.



The matrix illustrates the topics IFF has identified as the overall most material aspects, as defined by the **Global Reporting Initiative (GRI) Sustainability Reporting Standards**: “relevant topics that may reasonably be considered important for reflecting the organization’s economic, environmental and social impacts, or influencing the decisions of stakeholders.” Throughout this report, our use of the terms “material” and “materiality” refer to GRI’s definition.

## OUR COMMITMENT TO SUSTAINABILITY

Since conducting the formal materiality assessment, we have continued to engage internally and externally with our employees, customers and suppliers, and are leveraging this engagement to shape our strategy and initiatives. We continually identify emerging topics and changes in our business that may affect our materiality determination, including recent acquisitions. For acquisitions that expand our footprint into new market areas, we assess the need for a more formalized review of their material topics in addition to their incorporation in our periodic companywide materiality assessments. The acquisition of Lucas Meyer Cosmetics (LMC), for example, expanded our capabilities into the cosmetic actives market. This led us to perform an overview of LMC's material topics and identify the areas in which LMC is best-positioned to create a positive impact in the context of IFF's overall sustainability strategy.

Based on the work IFF has done to evaluate changes to material topics since the 2014 formal materiality assessment, no changes have been required and the material topics remain the same. We will continue to evaluate materiality regularly to identify new opportunities and risks and to determine our material topics for future reporting.

# IFF's Material Topics

**GRI 103-1.**

The following table shows IFF's material topics and boundaries and how they relate to the material topics outlined by the Global Reporting Initiative Standards.

TOPICS MATERIAL TO IFF	CORRESPONDING GRI STANDARDS MATERIAL TOPIC	BOUNDARIES		
		WITHIN IFF	OUTSIDE IFF: OUR SUPPLY CHAIN	OUTSIDE IFF: OUR CUSTOMERS AND CONSUMERS
<b>GOVERNANCE, ETHICS AND SOCIETY</b>				
Governance	Anti-Corruption; Public Policy	●		
Stakeholder Engagement	Stakeholder Engagement; General Disclosures	●	●	●
Community Support	Procurement Practices		●	
<b>ENVIRONMENT</b>				
Eco-Efficiency: Water	Water	●		
Eco-Efficiency: Energy	Energy	●		
Eco-Efficiency: Waste	Effluents & Waste	●		
Climate Change	Emissions; Economic Performance	●		
Green Chemistry	Energy; Effluents & Waste	●		
Biodiversity	Biodiversity		●	
<b>SUPPLY CHAIN</b>				
Responsible Sourcing	Procurement Practices		●	
	Supplier Environmental Assessment		●	
	Child Labor: Forced or Compulsory Labor; Supplier Social Assessment		●	
	Supplier Social Assessment		●	
Traceability	Procurement Practices		●	
	Supplier Environmental Assessment		●	
	Marketing and Labeling	●		
	Supplier Social Assessment		●	
<b>LABOR PRACTICES</b>				
Employee Engagement	Employment; Training and Education	●		
Workplace Health and Safety	Occupational Health & Safety	●		
Diversity and Inclusion	Diversity and Equal Opportunity	●		
<b>HUMAN RIGHTS</b>				
Human Rights	Child Labor; Forced or Compulsory Labor; Freedom of Association & Collective Bargaining; Supplier Social Assessment	●	●	
Workplace Health and Safety	Employment; Supplier Social Assessment	●	●	
<b>PRODUCT RESPONSIBILITY</b>				
Product Safety	Customer Health & Safety; Marketing and Labeling	●		
Health and Wellness	Customer Health & Safety	●		●
Transparency	Marketing and Labeling	●		
Renewable Raw Materials	Supplier Environmental Assessment	●	●	
Product Innovation	Marketing and Labeling		●	



# Stakeholder Engagement

GRI 102-40. GRI 102-42. GRI 102-43. GRI 102-44.

## ENGAGING WITH OUR STAKEHOLDERS

We enhance our sustainability strategy by engaging with our internal and external stakeholders — which include employees, customers, investors, regulators, suppliers, consumers, communities and the sustainability community — on issues that are important to them and to our company. Our engagement with these groups highlights evolving consumer and societal expectations and provides us with unique insights into risks and opportunities for our company. Specific examples of recent engagement with each of these groups are detailed in this section.

### EMPLOYEES

IFF informs employees about company strategies, performance, policies and procedures through regular communications, which include emails, newsletters, videos, town halls, the company intranet, CEO blog, and face to face meetings. Sustainability issues and other happenings are communicated through the company intranet. Employees have the opportunity to communicate thoughts and concerns throughout the year via multiple mechanisms, including Works Councils (in Europe), a confidential hotline and other informal mechanisms. More formalized engagement mechanisms are planned as well through our Diversity & Inclusion program, which was launched in 2017.

### CUSTOMERS

Our customers are increasingly interested in our policies and performance with respect to sustainability issues. In 2017, for example, we engaged with our customers via meetings, expos, presentations and formal and informal sustainability performance reviews. We responded to various customer requests for information regarding our environmental and social performance via customer-specific surveys and platforms such as EcoVadis and Sedex. Additionally, we attended and presented at industry events with dedicated sustainability agendas, such as the American Cleaning Institute® Annual Meeting and Cleaning Products US 2017 conference.

## **OUR COMMITMENT TO SUSTAINABILITY**

### **SHAREHOLDERS AND INVESTORS**

IFF engages with the investor community throughout the year. In addition to quarterly earnings calls, we participated in several events in 2017, including the Consumer Analyst Group of New York conference, the Consumer Analyst Group of Europe conference, the Berenberg European Conference, the Bernstein Strategic Decisions conference, the Barclay's Global Consumer Staples Conference, the Deutsche Bank Global Consumer conference, the KeyBanc Capital Markets Basic Materials & Packaging Conference, the Morgan Stanley Global Consumer and Retail Conference, and the Vertical Group Ingredients Conference.

### **REGULATORS**

IFF is an active member of the Research Institute for Fragrance Materials, the International Fragrance Association and the International Organization of the Flavor Industry, which are the principal trade associations that represent the interests of the global flavors and fragrances industry. IFF belongs to, actively participates in, and leads, where appropriate, the activities of such organizations. In addition, we are actively engaged in other global and local trade associations both upstream and downstream from our primary business. IFF also interacts directly with governmental agencies and legislators as needed to align on interpretation, ensure a clear understanding of our business needs and shape upcoming regulations where possible. Our external engagement is focused on ensuring that we continue to protect consumers while increasing consumers' and governments' confidence in our industry, and more specifically IFF.

### **SUPPLIERS**

Relationships with our suppliers are primarily managed by our Global Procurement group, and we partner and share best practices with our suppliers to ensure a resilient and sustainable supply chain. We continue to leverage global platforms such as Sedex and EcoVadis to assess the performance of our suppliers and communicate our sustainability performance to our customers. Our Global Quality team monitors our suppliers through periodic audits, and our IFF-LMR Naturals division works directly with growers on research and development projects. In addition, we were the first flavors and fragrances company to join Together for Sustainability (TfS), an initiative to assess, audit and improve sustainability practices in the supply chains of the chemical industry.

### **CONSUMERS**

Because IFF is a supplier to some of the world's largest companies in the food and beverage, consumer packaged goods, cosmetics and pharmaceutical industries, consumers are an important stakeholder to us. Although we do not market to consumers directly, our Consumer Research, Consumer Insights and Marketing teams engage with consumers through extensive market research, interpreting key trends, monitoring product launches and conducting interviews throughout the year.

## OUR COMMITMENT TO SUSTAINABILITY

### COMMUNITIES

IFF is actively involved in communities around the world, including those where we operate and those in our supply chain. Through a range of volunteer and charitable activities that are implemented locally by our sites, we aim to address the specific needs of local communities, and as part of our responsible sourcing program, we have several initiatives to support communities where our ingredients are grown.

### SUSTAINABILITY COMMUNITY

We are active members of several sustainability-focused organizations. We formally support the 10 Principles of the UN Global Compact, and our Chairman and CEO serves on the Executive Committee of the World Business Council for Sustainable Development. In 2017, we reaffirmed our support for global action on climate change through the We Are Still In initiative. Other organization memberships include the Environmental, Health, Safety & Sustainability Management Roundtable, the Sustainability Leadership Forum and the Natural Resources Stewardship Circle.

### STAKEHOLDER ENGAGEMENT TOPICS

We continually work to address some of the key interests and concerns identified during the course of our numerous stakeholder engagements. Below are a few select examples.

- Customers and other stakeholders are interested in evaluating their supply chains and are increasingly calling for traceable, responsibly sourced products. In Responsible Sourcing ([page 47](#)), we discuss what we're doing to assess and improve the sustainability of our supply chain.
- Consumers are increasingly demanding products that are healthy and environmentally and socially responsible. We discuss our focus on innovative products in Regenerative Products ([page 69](#)).
- Climate change is an issue of interest to many of our stakeholder groups globally. We are engaged in several initiatives to support climate action, achieved our 2020 greenhouse gas emissions target three years early and are working to set new goals for emissions and renewable electricity. These efforts are described in greater detail in Environment ([page 37](#)).



ABOUT THIS REPORT

# Best practices in action

# Our Approach to Reporting

GRI 102-45. GRI 102-50. GRI 102-52. GRI 102-54. GRI 103-1.

We annually report our sustainability performance in accordance with the Global Reporting Initiative (GRI). This report has been prepared in accordance with the GRI Standards: Core option. It describes our strategy and performance with respect to environmental, social and governance issues in 2017. A GRI Content Index is available at the end of this report.

## REPORTING BOUNDARY

The scope of this report includes facilities owned and operated by International Flavors & Fragrances Inc. during calendar year 2017 and all entities included in IFF's 2017 consolidated financial statements, excluding those referenced below. For more information on our legal entities, see Exhibit 21 of our 2017 Annual Report.

## RESTATEMENTS AND CHANGES IN REPORTING

GRI 102-48.

In recent years, we have acquired several new companies. The data from these entities in general represent a small percentage of our overall operating footprint. Their inclusion in our dataset for this report is outlined below.

ACQUISITION	YEAR ACQUIRED	DATA INCLUSION IN 2017 SUSTAINABILITY REPORT		
		ENVIRONMENTAL	HUMAN RESOURCES	HEALTH & SAFETY
Aromor	2014	Yes	Yes	Yes
Ottens Flavors	2015	Yes	Yes	Yes
Lucas Meyer Cosmetics	2015	No <sup>1</sup>	Yes	Yes
David Michael	2016	No <sup>3</sup>	Yes	Yes (as of Sept. 2017)
Fragrance Resources	2017	N/A	Yes	Yes <sup>2</sup>
PowderPure	2017	N/A	Yes	Yes (as of Nov. 2017)

<sup>1</sup> Environmental data from Lucas Meyer Cosmetics will be included in corporate totals beginning in 2018.

<sup>2</sup> Hamburg and New Jersey locations only. We include safety data from acquired sites in our corporate totals for the first full year of operation following acquisition. An exception to this is if an acquired site has a recordable incident during the year it is acquired, in which case we include the incident(s) and manhours for the affected site beginning with the month in which the incident(s) occur. Exceptions to this methodology may be made in limited cases due to data availability.

<sup>3</sup> Most David Michael operations have been or are in the process of being relocated to existing IFF manufacturing facilities, with the exception of U.S. operations, which will be included in the 2018 reporting boundary.

## **ABOUT THIS REPORT**

Consistent with best practices and applicable reporting framework guidelines such as the Greenhouse Gas Protocol, where applicable, we include acquisitions' environmental data in our reporting boundary for their first full year of operation following their acquisition. Prior years' environmental data, where possible, have been restated based on historical data and/or estimates, and our 2010 environmental target baselines have been adjusted to reflect these acquisitions.

Aside from these acquisitions, no significant changes have been made from previous reporting periods in the scope and aspect boundaries. Financial and governance information, including our 2017 Annual Report and Proxy Statement, is available on our website. Prior years' sustainability reports can also be found on our website.

## **REPORTING PROCESS**

The content of the report is based on our sustainability strategy and materiality assessment and is developed through an in-depth consultation process with relevant subject matter experts. The report is then reviewed by representatives from each business function. Feedback is incorporated, and the final draft is reviewed by senior management and our CEO prior to publication.

## **DATA MEASUREMENT TECHNIQUES AND BASIS OF CALCULATIONS**

We have internal systems to ensure consistent and accurate data collection and aggregation from our facilities. For the majority of our environmental indicators, we conduct quarterly quality assurance/quality control checks to evaluate the reliability of facility-specific and aggregated data and correct any errors. ERM Certification and Verification Services (ERM CVS) conducts third-party assurance of selected current-year environmental and safety data that we report externally. ERM CVS' Assurance Statement, which details the scope, activities and conclusions of their engagement, is included at the end of this report.

Due to rounding, individual numbers in text, charts and tables may not sum to the totals shown. The unit of currency used in this report is the U.S. dollar.

More detail about our energy and greenhouse gas emissions calculations methodologies are provided in the Environment section.

## **EXTERNAL ASSURANCE**

### **GRI 102-56.**

ERM CVS conducted third-party assurance of our sustainability report. The assurance scope covered specific 2017 data for a number of key indicators as well as the overall presentation of our 2017 sustainability performance, including completeness and balance. As part of this process, ERM CVS conducted representative site visits and interviews and reviewed our data collection and aggregation systems. ERM CVS also provided an opinion on the GRI Standards "In Accordance — Core" option. ERM CVS' Assurance Statement, which details the scope, activities and conclusions of their engagement, is included at the end of this report.



## ABOUT THIS REPORT

### FEEDBACK

GRI 102-53.

For copies of our publicly available policies, or for more information regarding our operations, please visit our website at [iff.com](http://iff.com). For questions, comments and suggestions on our report, please email us at [sustainability@iff.com](mailto:sustainability@iff.com).



ENVIRONMENT

**Dedicated  
to helping  
nature thrive**



# Managing Our Footprint

## OUR COMMITMENT

Positive Principles is one of the main platforms of our sustainability strategy, which is underpinned by circular economy concepts. This means we embrace and are committed to eliminating the concept of waste and using clean renewable energy. Our performance in energy, emissions, water and waste are key components of our commitment to these principles, and we have achieved great progress against the 2020 targets we've set for each.

## OUR APPROACH

We use a centralized management system to track the majority of our environmental performance metrics at each site. Performance for most environmental indicators is reviewed on a quarterly basis by our Eco-Effectiveness Leadership Team, which comprises senior management from our Operations and Sustainability Teams.

To ensure integration of the Positive Principles across IFF globally, we have Green Teams in place at all of our manufacturing facilities (excluding recent acquisitions) and several of our creative centers and offices. Green Teams are cross-functional groups of employees who have a demonstrated passion for sustainability. They identify and implement eco-effectiveness projects to drive progress at their locations, and they connect monthly with the other teams to share global best practices. Through this structure, facility leadership and the Green Team take responsibility for minimizing the footprint at their own facility, while benefiting from the resources and learnings of other sites. This autonomy allows each site to focus on the projects that will result in the most significant improvements.

## PERFORMANCE IN 2017

Through the implementation of our sustainability strategy, we are doing our part to address critical environmental issues, such as global climate change and water scarcity. We were pleased to be recognized as a leader by CDP in both Climate Change and Water. We achieved the leadership band for Water and the CDP A List in Climate Change for the third consecutive year, placing us in the top 4% of responding companies. In addition, we achieved EcoVadis Gold status again. Our performance in energy, emissions, water use and waste are described in the following sections.

## KEY DEVELOPMENTS

Recognized as a leader by CDP for our climate change and water management strategies; achieved leadership status on the CDP Water assessment and were named to the CDP Climate A List for the third year in a row

Surpassed our 2020 targets for water, hazardous waste and greenhouse gas emissions

Attained GreenCircle Zero Waste to Landfill certification – the first in our industry – at our South Brunswick, New Jersey, U.S., facility

## LOOKING AHEAD

Set a science-based target to further our commitment to reduce emissions and mitigate climate change

Build upon our success in water stewardship by enhancing our water strategy

Expand our zero waste to landfill program

## ENVIRONMENT

### ASSURING THROUGH CERTIFICATION

We rely on external certification systems to measure and manage our environmental footprint throughout our value chain. Implementing the ISO 14001 environmental management system at our facilities helps us improve resource efficiency, reduce waste and manage costs. It also demonstrates our commitment to continuous improvement. All major manufacturing facilities (aside from recent acquisitions) are currently ISO 14001 certified and intend to maintain their certifications.

### DATA MEASUREMENT TECHNIQUES AND BASIS OF CALCULATIONS FOR ENVIRONMENTAL DATA

#### EMISSIONS & ENERGY

Greenhouse gas (GHG) emissions are calculated following the GHG Protocol. This report includes all Scope 1 and Scope 2 emissions. Of the 15 Scope 3 categories, six are relevant to IFF and have been calculated, and two of those categories – upstream fuel and energy-related activities and employee business air travel – are externally assured. Annual energy data used to calculate Scope 1 and Scope 2 emissions are based on utility bills dating back to 2010.

The organizational boundaries for this report align with the Operational Control approach outlined in the GHG Protocol. Following Scope 1 Guidance for Direct Emissions, we use appropriate emission factors from the Intergovernmental Panel on Climate Change (IPCC) 2006 Guidelines for National Greenhouse Gas Inventories and the U.S. Environmental Protection Agency's (EPA) Fugitive Emissions Guidance. For electricity (Scope 2 emissions), we follow the EPA's 2012 eGrid Subregion emission factors and the latest International Energy Agency emission factors. Emission factors for steam are specific for each site and are provided by the suppliers. Emissions for process-derived fuels are also specific to each site and are calculated by mass balance based on product mix. The emissions calculations include greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF<sub>6</sub>) – and are reported as CO<sub>2</sub> equivalents.

This year, we are using the global warming potentials provided in the IPCC Fourth Assessment Report. We report market-based emissions in this sustainability report, as our corporate goal is based upon this calculation method. Market-based emissions use supplier-specific emission factors and include renewable energy credits. We also disclose location-based emissions data in our annual CDP Climate Change disclosure. Both calculations follow the methodologies provided in the Scope 2 Guidance of the GHG Protocol.

*We achieved the CDP A List in Climate Change for the third consecutive year, placing us in the top 4% of responding companies.*

## **ENVIRONMENT**

The Solar Renewable Energy Credits generated from the Hazlet, New Jersey, U.S., solar array are retained by the array's owner, and IFF is supplied with equivalent Green-e certified Renewable Energy Credits (RECs), along with the electricity generated by the solar array. Qualifying RECs are also purchased for our facilities in Benicarló, Spain; Tilburg, Netherlands; Jacksonville, Florida, U.S.; the Ottens Flavors facility in Philadelphia, Pennsylvania, U.S.; and our creative center in Hilversum, Netherlands. These are accounted for in this report. In 2017, we did not purchase carbon offsets.

## **WASTE**

Our South Brunswick, New Jersey, U.S., facility's zero waste to landfill certification ensures that the location does not send any materials directly to landfill, and the residual materials coming from South Brunswick's material management organizations falls within the 2% allowance.

# Energy

## OUR COMMITMENT

GRI 103-2. GRI 103-3.

Energy efficiency provides two important benefits: it reduces environmental impacts as well as operating costs. GHG emissions are highly dependent on energy use, so our carbon reduction strategy focuses on minimizing energy use and increasing the amount of renewable energy we purchase. We have a goal in place to reduce our energy intensity by 20% (per metric ton of production from a 2010 baseline) by 2020.

## PERFORMANCE IN 2017

GRI 302-3.

Our Green Teams and senior leadership are working diligently to reduce energy use throughout our operations. For 2017, these global teams achieved a 2.9% year-over-year reduction in energy intensity (energy use per metric ton of production). We achieved this through facility-targeted eco-effectiveness projects, new equipment and operational changes at several of our sites.

Examples of energy reduction projects include the following:

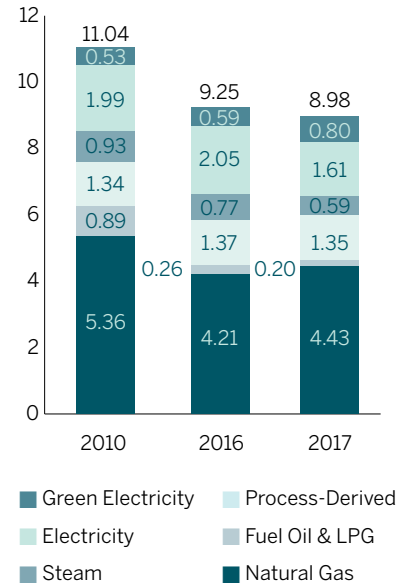
- Our Gebze, Turkey, flavors compounding facility installed energy efficient air filters that helped the HVAC units reduce electricity consumption by over 150 MWh per year.
- Our Zhejiang, China, fragrance ingredient facility upgraded their chilled water system to save more than 800 MWh per year.
- Our Karawang, Indonesia, flavors facility reduced their lighting load by 65% by replacing existing lighting with LEDs.

Since 2010, we have improved energy intensity by 18.6%. We continue to find ways to manufacture more efficiently and effectively, and we are on track to meet our 2020 goal of reducing energy intensity by 20%. For details on our global initiatives, including the corresponding reductions in greenhouse gas emissions, see our CDP Climate Change response on our [website](#).

## ANNUAL ENERGY INTENSITY BY TYPE, 2010-2017

GRI 302-4.

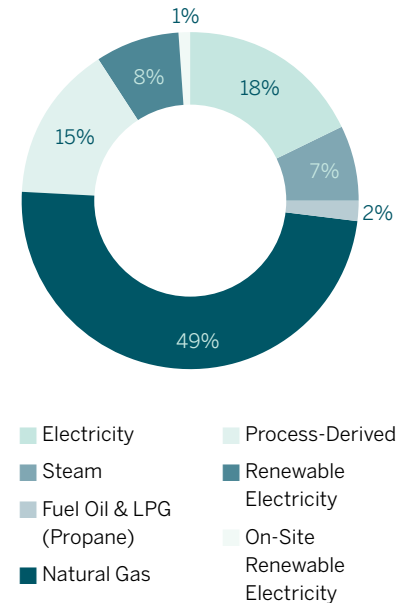
Gigajoules per metric ton of production



## 2017 TOTAL ENERGY CONSUMPTION

GRI 302-1.

2,868,704 gigajoules



# Emissions

## OUR COMMITMENT

GRI 103-2. GRI 103-3.

We see GHG emissions as a significant contributor to global climate change and are committed to reducing our Scope 1 emissions (those we directly control) and Scope 2 emissions (those generated through purchased electricity and steam). We also track and aim to reduce Scope 3 emissions (indirect emissions in our value chain). In 2012, we set a 2020 goal of a 25% reduction in Scope 1 and Scope 2 GHG emissions intensity against our 2010 baseline. We are very pleased to report that we achieved this goal in 2017.

## PERFORMANCE IN 2017

### SCOPE 1 AND SCOPE 2 EMISSIONS

GRI 305-5.

We exceeded our 2020 goal by reducing our overall energy intensity and procuring more renewable electricity. In 2017, our market-based global GHG emissions (Scope 1 and Scope 2) decreased 14.7% from the prior year, resulting in an overall reduction of approximately 33.8% from the 2010 baseline, thereby surpassing our 2020 target.

Reducing emissions has been successful so far because of our efforts to reduce our overall energy consumption, procure renewable electricity and switch to lower-carbon fuel sources. In 2017, for example, we completed the relocation of our fragrance ingredients facility in Hangzhou, China. The new location is equipped with high-efficiency natural gas boilers to generate the steam needed for production, allowing for a significant reduction in emissions.

We are part of **RE100**, an initiative among companies committed to procuring 100% of their electricity from renewable sources. We are focusing on and making great progress in obtaining our electricity from renewable sources and driving our Scope 2 emissions to zero. In 2017, approximately 33% of our global electricity portfolio came from renewable sources, including both wind and solar. This included 5.2 MWh generated by our on-site wind turbine at our Tilburg, Netherlands, facility and 4.1 MWh generated by the solar field in Hazlet, New Jersey, U.S.

### SCOPE 3 EMISSIONS

GRI 305-3.

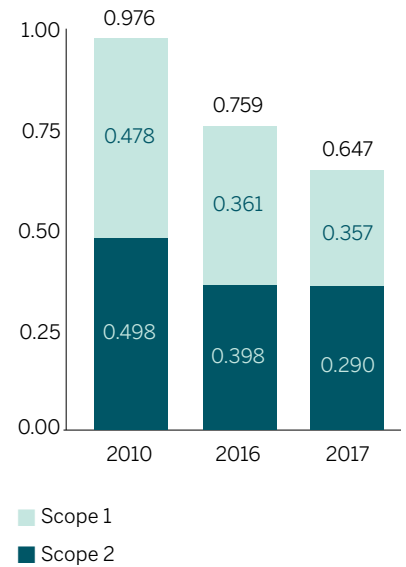
We generated 1,011,684 metric tons of CO<sub>2</sub>e Scope 3 emissions from the six categories relevant to IFF. CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O are included in these emissions calculations.

***We decreased our market-based global GHG emissions (Scope 1 and Scope 2) by 14.7% from the prior year, surpassing our 2020 target with an overall reduction of 33.8% from the 2010 baseline.***

## ANNUAL MARKET-BASED EMISSIONS INTENSITY BY SCOPE

GRI 305-4.

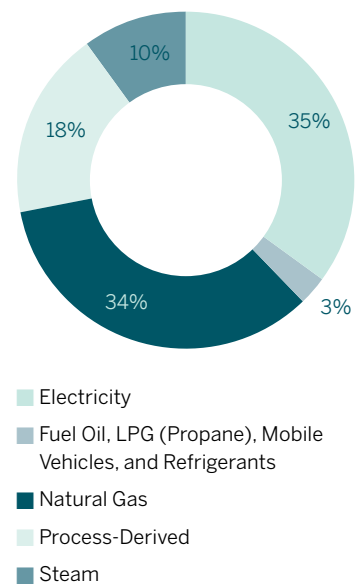
Metric tons CO<sub>2</sub>e per metric ton of production



## 2017 TOTAL SCOPE 1 AND SCOPE 2 MARKET-BASED EMISSIONS

GRI 305-1. GRI 305-2.

206,583 metric tons of CO<sub>2</sub>e





# Water

## OUR COMMITMENT

Since 2012, we have made significant strides in reducing our global water footprint – exceeding our 2020 goals twice to date. We achieved our original goal – a 25% reduction – in 2014, and subsequently increased our goal to a 50% reduction. After surpassing that goal in 2016, we continued to make progress in 2017 by achieving a 68.2% reduction against our 2010 baseline. We continue to identify ways to reduce our footprint, and we are working to develop a new water stewardship strategy that will prioritize watershed management and engagement with local communities.

## OUR APPROACH

**GRI 103-1. GRI 103-2. GRI 103-3. GRI 201-2.**

In order to map our water footprint and identify possible risks, we use several publicly available tools. Globally, we used the World Resources Institute's Aqueduct Tool to identify water stress, flood occurrence and drought severity risks for all our manufacturing facilities. On a project basis, we used other tools, such as the World Business Council for Sustainable Development's Global Water Tool and the EPA's Surf Your Watershed tool. In 2017, we also used Ecolab's Water Monetizer Tool to help understand water-related risks and to quantify risks in financial terms. While we have not identified any substantive risks to our business associated with water, we recognize that water is a growing global issue and will continue to focus on it.

We continue to disclose our water use data and assess our performance through CDP's Water Assessment and achieved an "A-," recognizing IFF at the leadership level. The assessment gives us access to performance benchmarks and helps us to focus our efforts on water conservation. Completion of the assessment requires a solid understanding of how our operations are affected by potential water risks and how we manage those risks. More information about IFF's water-related risks and opportunities is available in our CDP Water response on our [website](#).

## ENVIRONMENT

### PERFORMANCE IN 2017

In 2017, we withdrew approximately 3 million cubic meters of water from groundwater, surface water and municipal sources. Our teams achieved an overall year-over-year water use reduction of approximately 23.3% due to facility relocation and several water-saving projects. They have driven this reduction by identifying opportunities for improvement. Projects have included eliminating once-through cooling, improving cleaning procedures and finding and repairing water leaks.

Additionally, our new fragrance ingredients facility in China was designed to minimize its environmental impact, with a special focus on areas of greatest sensitivity to the region. By leveraging the latest technologies available, the new facility will be one of IFF's most water-efficient manufacturing locations globally.

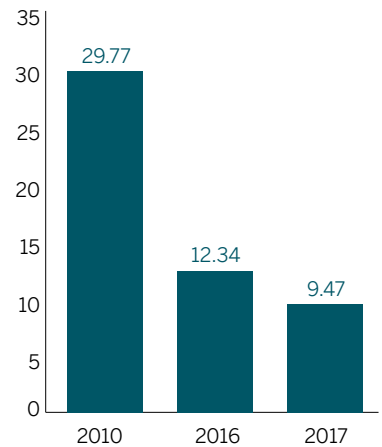
### IFF'S WATER STEWARDSHIP STRATEGY 2.0

We have achieved significant reductions in our water footprint year over year, and as in the past, we look to find additional ways to reduce our overall water consumption. Through our water stewardship plan, we intend to take the next step and address how to further recycle and reuse water.

As global water demand grows, water scarcity will be an increasingly important issue. To support our Vision 2020 business strategy and our commitment to a circular economy, we recognize that water is a potential business risk to growth and local communities. We are therefore working toward a water management strategy to address these concerns.

### ANNUAL WATER INTENSITY

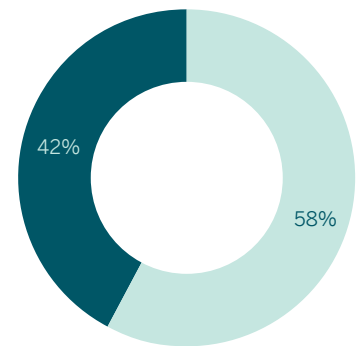
Cubic meters per metric ton of production



### 2017 WATER USE BY SOURCE

GRI 303-1.

3,025,942 cubic meters



■ Municipal System  
■ Groundwater



# Waste Management

## OUR COMMITMENT

GRI 103-2.

Our goal was to reduce our hazardous waste generation by 25% by 2020 (from a 2010 baseline).

## PERFORMANCE IN 2017

Due to improvements at several facilities, we decreased our hazardous waste generation by 29.3% in 2017, from 0.079 to 0.056 metric tons of hazardous waste per metric ton of production. Overall, we have reduced hazardous waste generation by 42.1% against the 2010 baseline, exceeding our 2020 goal.

Our success stems from systematically targeting production processes that generate the highest volumes of hazardous waste. We completed projects at several sites to address waste during the washing phases of production, so every efficiency improvement will also result in water savings. Our Operations and R&D teams made other improvements through process and product innovations.

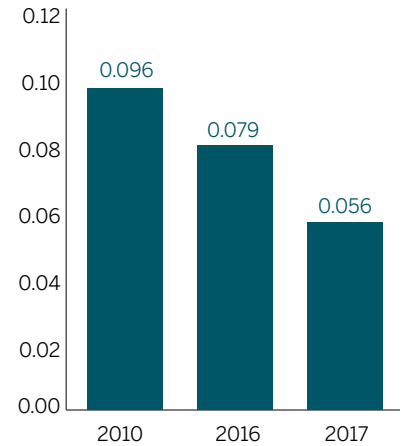
We will continue to deepen our understanding of the impact that acquisitions and our product mix can have on our global hazardous waste generation. Our ever-changing product portfolio makes it difficult to address specific waste streams, complicating our waste reduction strategy. However, we will continue to identify and monitor trends that affect our waste, track and report our progress, and then update our commitments accordingly.

We continue to expand and define our non hazardous waste disposal metrics and methods. We will continue to focus on reducing non hazardous waste, increasing recycling rates and eliminating the concept of waste in our operations, starting with a zero waste to landfill target.

*We surpassed our 2020 hazardous waste intensity goal three years early, with a 42.1% reduction from 2010.*

## ANNUAL HAZARDOUS WASTE INTENSITY

Metric tons per metric ton of production



**ENVIRONMENT**

**ZERO WASTE TO LANDFILL**

**GRI 103-3.**

A circular economy is a restorative and regenerative economy, in contrast to a “take-make-dispose” linear economy. Eliminating the concept of waste is one of the core principles of the circular economy and one of IFF’s Positive Principles in our sustainability strategy.

Zero waste to landfill (ZWL) benefits IFF, people and the planet. A ZWL goal encourages employees to implement innovative solutions to reduce waste through reusing and recycling materials. To understand the feasibility of achieving zero waste to landfill, we piloted a program with our South Brunswick, New Jersey, U.S., flavors facility. In 2017, the site was certified Zero Waste to Landfill from the third-party GreenCircle Certifications, verifying that the facility does not send any waste directly to landfill. This certification is not only an IFF first, but an industry first.

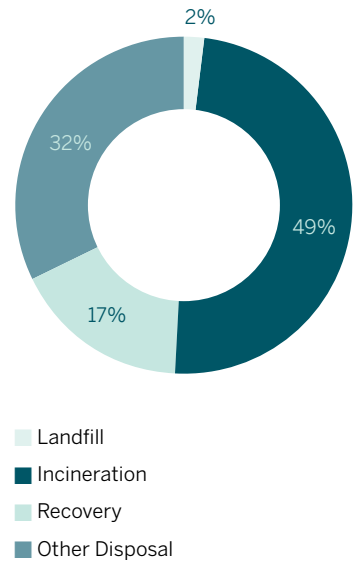
South Brunswick diverts waste through the 4Rs – reducing, reusing and recycling waste, as well as recovering energy through a waste-to-energy facility. The certification process includes an on-site audit (to inspect outgoing waste and recycling streams) and a downstream audit (to track IFF’s recycled or reused materials after leaving our facilities). South Brunswick’s accomplishment is a great example of how IFF is increasing efficiency and innovatively cutting costs while creating a positive impact on society and the environment through sustainability.

Our South Brunswick facility Green Team is now working with other locations to share their learnings and expand our program.

**2017 HAZARDOUS WASTE BY DISPOSAL METHOD**

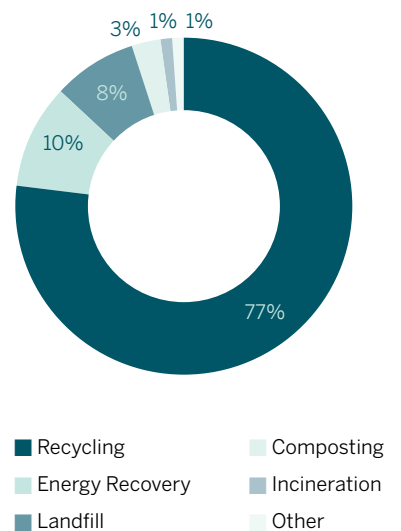
**GRI 306-2.**

17,823 metric tons



**2017 NON HAZARDOUS WASTE BY DISPOSAL METHOD**

21,044 metric tons





A person is silhouetted against a bright orange sunset, carrying a large basket filled with various goods on their head. The scene is bathed in the warm, golden light of the setting sun, creating a strong contrast between the dark figure and the bright background. A large, semi-transparent orange circle is overlaid on the right side of the image, containing the text.

RESPONSIBLE SOURCING

**Committed  
to positive  
practices in our  
supply chain**

# Engaging with Suppliers

## OUR APPROACH

GRI 103-2. GRI 103-3. GRI 414-1. GRI 308-1.

IFF's supply chain is broad and complex. We purchase thousands of natural and synthetic ingredients from supplier companies around the globe. We engage with these suppliers to help ensure they operate responsibly. All of our responsible sourcing efforts are underpinned by the Sensational People platform of our sustainability vision and strategy, which inspires us to engage our employees and stakeholders to make a positive difference in the world. Sourcing responsibly also has the direct business benefit of reducing risk in the supply chain.

As outlined in the **IFF Vendor Code of Conduct**, we expect suppliers to conduct their businesses ethically and honestly and in compliance with all applicable laws, rules, regulations and industry standards, including those concerning workplace safety and human rights. IFF explicitly supports internationally recognized human rights standards. Discrimination, child labor and forced or compulsory labor are prohibited, and we require our vendors to recognize and respect their employees' rights to freely associate and engage in collective bargaining.

In early 2017, we formalized our Responsible Sourcing Committee to oversee all of our purchasing and supplier engagement efforts. This committee is part of our Sustainability Business Council and is led by our VP of Procurement. It comprises senior management from our Procurement, Sustainability, Regulatory and Quality functions, among others, as well as leadership from IFF-LMR Naturals, our natural ingredients division.

We include sustainability as part of the material approval process, querying suppliers on responsible sourcing practices, traceability and other relevant issues. In 2018, we will strengthen these efforts by joining the CDP Supply Chain program, through which we will invite suppliers to complete a CDP questionnaire about their greenhouse gas emissions. By compiling the data from returned questionnaires, we will have a better estimate of our Scope 3 (value chain) climate change impacts. This will enable us to better prioritize future mitigation measures.

IFF has rigorous quality expectations for our suppliers. Our FSSC 22000 certified Vendor Management Program and auditors help ensure that our supply chain meets these expectations. Select new raw materials suppliers undergo initial audits of their operations to confirm that they meet IFF's quality requirements and standards, while existing suppliers are audited on an ongoing, periodic basis. These auditing efforts are complemented by our vendor quality risk management program, which tracks vendor performance to help determine audit frequency. Our use of vendor risk scorecards allows us to focus our resources where the needs are greatest. As part of our Vendor Management Program, we share best practices and technical advice with our suppliers to support them in making continuous improvements.

## KEY DEVELOPMENTS

Obtained organic certifications at three operating locations

Initiated multiple community projects in the countries where we source ingredients

More than three-quarters of our 2017 global supplier spend was with suppliers assessed for environmental and social performance through the EcoVadis or Sedex platforms

## LOOKING AHEAD

Make progress on our commitment to ensure 100% of the palm oil used in our products is certified according to the Roundtable for Sustainable Palm Oil by 2020

Engage our suppliers through the CDP Supply Chain program to better understand the impacts of climate change within our value chain

*Our responsible sourcing program seeks to ensure ethical practices in our supply chain, reduce impact to the environment and support workers and grower communities.*

# Engaging with Other Responsible Sourcing Partners

## ECOVADIS AND SEDEX

We focus our supplier engagement efforts on certain key suppliers that are critical to our business, reviewing the list annually as our supply chain evolves. We require that these suppliers be assessed through EcoVadis or Sedex (the Supplier Ethical Data Exchange), two supply chain information platforms that help us drive improvement in labor standards, health and safety, environmental management and ethical business conduct.

More than 75% of our global supplier spend in 2017 was with suppliers assessed through EcoVadis or Sedex. We also use the EcoVadis platform to assess ourselves as a supplier to our customers, and we achieved Gold status, the platform's highest rating.

## TOGETHER FOR SUSTAINABILITY

IFF is the only flavors and fragrances company member of Together for Sustainability (TfS), a collaborative chemical industry effort that seeks to assess, audit and improve sustainability practices in the supply chain.

Through this partnership, we share our supplier sustainability assessments and audits with all members, avoiding duplicate efforts for our suppliers. TfS assessments and audits cover issues such as labor and human rights, working conditions and the environment, which align with IFF's Vendor Code of Conduct. We combine the outcomes of these supplier-specific assessments with information based on other criteria (such as country of manufacture) to determine which suppliers will undergo an audit. In 2017, we began third-party TfS audits for selected suppliers. If noncompliance is identified during these audits, we will work with suppliers on corrective action plans and remediation.

TfS also enables member companies to work together, engaging in constructive dialogue regarding supply chain complexity, challenges and opportunities. TfS is structured in different work streams, through which specific initiatives are led and executed by members. IFF contributes to the Governance and Partnerships work stream.

*We partner with like-minded organizations and others in our value chain to jointly drive more sustainable, responsible practices among suppliers.*



## **RESPONSIBLE SOURCING**

To drive positive change and expand the program, we also lead the TfS U.S. Regional Committee. The goal of this group is to ensure successful implementation of TfS and to engage and promote it with relevant stakeholders in the region. In 2017, the U.S. Regional Committee shared best practices for embedding TfS processes within day-to-day business operations and decisions, to allow member companies to measure and show positive impact in their supply chains and the chemical industry. Engagement opportunities included introducing TfS to participants at Pittsburgh Chemical Day and the American Cleaning Institute Annual Meeting, as well as continued conversations with the American Chemistry Council.

## **AIM-PROGRESS**

We also participate in AIM-PROGRESS, a forum of leading manufacturers and suppliers dedicated to promoting responsible sourcing practices and sustainable supply chains through capacity-building and best practice sharing. AIM-PROGRESS is supported and sponsored by AIM (the European Brands Association) and the Grocery Manufacturers Association in North America. AIM-PROGRESS gives IFF a platform for collaboration, benchmarking and learning with like-minded organizations that strive to positively impact the lives of people in their supply chains.

# Sustainability in Our Botanicals Supply Chain

We source botanicals from around the globe – geranium from Egypt, rose from Turkey and patchouli from Indonesia, to name a few. IFF-LMR Naturals has long been committed to addressing the environmental and social aspects of sustainability in procuring these products. These efforts help IFF to fulfill our vision of contributing toward a regenerative, healthy and abundant world.

## FOR LIFE CERTIFICATIONS

Our IFF-LMR Naturals division certifies specific supply chains and facilities through ECOCERT's rigorous For Life program. ECOCERT, a certification body based in France, provides inspections and certification in more than 80 countries. The For Life certification recognizes an organization's adherence to sustainability criteria relating to transparency, environmental responsibility, sustainable agriculture, fair and safe working conditions, human rights, and relationships with producers and local communities.

IFF-LMR Naturals has received For Life certifications for a number of specific products, including rose extractions from Turkey, several types of vetiver oil from Haiti, a patchouli oil and ylang-ylang extraction from Madagascar, geranium oil from Egypt, orris root from France, patchouli from Indonesia and – most recently – several blackcurrant bud products from France. Two IFF-LMR Naturals facilities have also been For Life certified.

Achieving these certifications is no simple matter, as it often involves years of work with growers and communities to improve their practices so they meet the criteria. In Turkey, for instance, we worked with more than 700 local rose growers to identify sustainable cultivation and harvesting techniques and determine appropriate dosages of fertilizer and the best times to apply it; we then hired and trained a local agronomist to help all of the growers implement these agricultural practices. We also provided financing to growers well before harvest to ensure they could invest in their operations. We implemented similar practices in Madagascar where we strive to improve workers' lives and raise living standards by providing clean drinking water and requiring a minimum wage. Thanks to long-term partnerships, we are positively contributing to the lives of more than 1,400 producers and their families.

## **RESPONSIBLE SOURCING**

In addition to the For Life certifications that IFF-LMR Naturals has obtained, we purchase several For Life certified ingredients that we use to create sustainable flavors and fragrances.

## **ORGANIC CERTIFICATION**

Some of our customers are seeking more certified organic ingredients to use in their products. We are proactively addressing this demand by obtaining organic certifications for many ingredients. In 2017, we achieved organic certification at three operating locations and began a five-hectare organic geranium plantation in Egypt. We also initiated programs to grow organic citronella in Togo; organic patchouli, ginger, geranium and ylang-ylang in Madagascar; and, with a partner, organic vetiver oil in Haiti. The crops are certified by ECOCERT.

## **LIFECYCLE ASSESSMENTS**

IFF-LMR Naturals has gone beyond certification to do something truly unique in our industry – provide comprehensive information to customers on the environmental and health impacts of 10 key botanical ingredients, from vegetal to final extract. To do this, IFF-LMR Naturals conducted detailed lifecycle assessments of these ingredients, based on ISO 14040-14044 standards, to arrive at quantitative measures of climate change impact, water consumed, ecosystem quality, resources used and human health. The ecosystem quality metric, for example, assesses several aspects potentially affecting an ecosystem, such as toxicity affecting wildlife, land use, and the release of substances that cause acidification and eutrophication (when the environment becomes enriched with excessive nutrients).

## **RESPONSIBLE SOURCING THROUGH RISK MITIGATION**

We have made progress in categorizing renewable ingredients according to their environmental and social risks and performance, which helps us to identify and prioritize risks so they can be appropriately mitigated. This aligns with our sustainability strategy and efforts to develop regenerative products in a circular economy.

We engaged The Rainforest Alliance – an international nongovernmental organization working to build strong forests, healthy agricultural landscapes and thriving communities – to review and audit the methodology we developed to conduct the categorization. The organization concluded that the results of their review are “very positive and indicate that IFF is aligned with industry expectations for sustainability,” while also providing us with recommendations for further strengthening the methodology. In 2018, we will continue to work with The Rainforest Alliance to implement their recommendations and strengthen our responsible sourcing program.



# Strengthening Local Communities

## GRI 413-1.

Our commitment to responsible sourcing means we strive to improve the quality of life in farming communities, helping to make them more stable, resilient and prosperous. Our work in Haiti and India provides two key examples.

### WORKING WITH VETIVER FARMERS IN HAITI

Vetiver oil is valued for its unique, clean scent and is widely used in perfumes, soaps, cosmetics and skincare products. It is extracted from the roots of vetiver – a perennial grass native to India but produced commercially in tropical regions around the globe. We procure high-quality vetiver oil from a distillery in Haiti, which, in turn, buys the raw material from smallholder farmers on the island.

Vetiver cultivation presents significant challenges for farmers, as the roots are ideally only harvested every 12 to 18 months. Many families are dependent on vetiver for their income, causing significant economic pressure in between harvest periods. These farmers are often tempted to harvest the roots before they are fully mature, leading to low prices, quality and oil yields.

We work closely with vetiver farmers in Haiti to share our techniques and know-how to help improve yields and quality and increase income for their families. As members of the Natural Resources Stewardship Circle (NRSC), we work with our suppliers to ensure that they comply with the specifications laid out by the NRSC for a fully traceable, sustainable and high-quality product. We also helped set up a successful farmer cooperative, and we were one of the first producers to introduce mechanization to the harvesting process.

To further improve the livelihoods of Haitian smallholder farmers, we partnered with Heifer International and a key customer to support a program called Vetiver Together™. This partnership aims to sustainably improve food security, increase yields and diversify income for approximately 200 vetiver farmers and their families, while also supporting women's empowerment and environmental conservation.

Vetiver Together was launched in mid-2016 as a two-year pilot, but the project and the farmers were dealt a significant blow just weeks later when Hurricane Matthew struck the island. IFF worked with Heifer International and key customer stakeholders to provide relief to victims. Funds from IFF and other partners were used to provide food and sanitation kits, a generator and construction materials to repair a well.

## RESPONSIBLE SOURCING

Despite the setback, the impacts of Vetiver Together to date have been significant. The project has:

- Established a vetiver nursery containing about 1,500 plants
- Trained 169 individuals in crop production
- Provided 75 families with goats, chickens and turkeys to help support food security (through milk and eggs) and diversify their incomes (through the breeding and selling of the animals)
- Trained four farmers as veterinary agents and provided veterinary kits
- Established a community seed bank and tool bank
- Trained 124 people in gender awareness and 169 in sanitary practices, personal hygiene and family nutrition
- Launched a microcredit program with 21 participants, many of them women

A “passing of the gift” ceremony was held in 2017. Through this process, the 75 families who received livestock from Heifer International passed along some of the progeny of those animals to an additional 41 families. Animals born to those will subsequently be gifted to other local families, which will continue to expand the number of families that benefit from the project.

## SUPPORTING MINT FARMING COMMUNITIES IN INDIA

Mint is a ubiquitous and important crop used in a wide variety of flavored products, including gums, breath mints and candies. Eighty percent of the world’s mint supply is produced in India by about 1 million smallholder farmers – many of whom depend on mint as their sole income. However, declining crops are putting pressure on already-low incomes, putting the farms and their communities at risk.

In 2017, we joined Mars Wrigley Confectionery in their Shubh Mint initiative, which aims to improve the long-term viability of mint farming in India. IFF is specifically contributing to the initiative’s Resilient Communities pillar by sponsoring the construction of a community READ Center. This project directly aligns with the Sensational People platform of our sustainability strategy, through which we seek to engage employees and other stakeholders to make a positive difference in the world.

Set up by the nonprofit READ India, an arm of READ Global, the READ Centers are community library and resource centers that offer information and opportunities to rural communities that lack basic educational facilities. The specific services offered will be determined based on a needs assessment in each community, but will likely include literacy and life skills courses, health and sanitation programs and career counseling, with a focus on women and youth.

Additional IFF-sponsored READ Centers are planned for 2018.

# Working with Partners to Source Palm Oil Responsibly

Palm oil is an ingredient of concern due to complex social and environmental issues in the palm oil industry. In particular, its production is linked to deforestation, biodiversity destruction and human rights abuses. Palm oil is used minimally in our products, but we recognize we have an important role to play in ensuring that the palm oil in our supply chain comes from responsible sources.

Our Palm Oil Policy outlines seven specific commitments, including a goal to have 100% of the palm oil used in our products be certified according to the Roundtable for Sustainable Palm Oil (RSPO) by 2020. We intend to purchase palm oil products from suppliers that have made public commitments to protect human rights and avoid deforestation and development on peat lands or high-conservation-value areas. We currently have more than 10 facilities that meet the standards of RSPO Supply Chain Certification.

Collaboration from all stakeholders in the global palm oil supply chain – including industry peers, suppliers, governments, communities and nongovernmental organizations – is critical to ensuring a sustainable supply of palm oil. To that end, we are a member of the RSPO as well as the NRSC's Palm Oil Working Group, both of which are focused on sustainable improvement in the supply chain. The NRSC Working Group is dedicated to palm oil traceability and supports our commitment to a collaborative approach in addressing issues in the palm oil supply chain.







OUR PEOPLE

# Developing & engaging our sensational people

# Employment Practices

## OUR APPROACH

GRI 103-2. GRI 103-3.

We seek to create a work environment in which employees can embody and express our corporate values of passion, creativity, expertise and empowerment. We want everyone to bring their most authentic selves to work every day, and we view diversity as critical to working collaboratively toward shared goals. We aim to develop and engage employees with effective talent management and career development programs that help to drive breakthrough innovation and top performance. We also put a premium on workplace health and safety.

IFF operates in 37 countries worldwide with various legal frameworks governing the workplace. Our Human Resources (HR) teams in each region are accountable for ensuring we comply with local employment legislation, as well as IFF policies. Additionally, our People Services teams, a segment of our HR department, are empowered to support employee initiatives based on local needs and priorities.

In 2017, we reorganized our Human Resources department into three clearly defined centers of expertise: (1) organizational learning and development; (2) total rewards (i.e., compensation and benefits) and HR information systems; and (3) strategic workforce planning, diversity and inclusion, and talent acquisition. This new structure enables our HR staff to focus on driving excellence in their specific areas of focus. Our occupational safety and health activities continue to be overseen by our Environmental, Health & Safety department.

## EMPLOYEE SATISFACTION

In 2016, we conducted a companywide survey to assess various aspects of our corporate culture and employee satisfaction. The survey revealed a variety of strengths – including a passionate and supportive team-based workplace, among others.

In response to the results, we created a global task force comprising representatives from each business unit to leverage the strengths revealed in the survey and address areas for improvement. In 2018, we plan to conduct a brief pulse survey. This survey will target areas that were identified as opportunities for improvement in 2016 in order to assess progress.

## WORKPLACE 2020

Workplace 2020 is the roadmap for our work spaces. Unveiled in 2017, Workplace 2020 provides specific planning principles, design guidelines and technology criteria for our architects and engineers to use when building a new IFF facility or renovating an existing facility. In line with our strategy, sustainability criteria are embedded in the framework and focus on energy efficiency, renewable energy, recycling, safe materials and water stewardship. Overall, the guidelines seek to create work environments that foster collaboration and communication and promote health and wellness among our workforce.

## KEY DEVELOPMENTS

Launched employee-powered Diversity & Inclusion (D&I) program vision and mission

Launched IFF University, which consolidates all of our leadership and management programs, technical schools and professional skills training programs under a single framework

Rolled out Workplace 2020, a set of guidelines and criteria for our architects and engineers to use when building or renovating IFF facilities

## LOOKING AHEAD

Continue to pursue safety best practices globally, especially with respect to aligning safety training and systems at acquired sites

Achieve significant progress on diversity and inclusion initiatives

*One of the three pillars of IFF's sustainability strategy is Sensational People, which reflects our commitment to helping employees excel in their roles, stay safe on the job and make a positive difference in the world.*



# Workforce Data

GRI 102-8. GRI 401-1.

## PERMANENT EMPLOYEES

REGION	EMPLOYEES	MALE	FEMALE	%MALE	%FEMALE
Europe, Africa and Middle East	2,501	1,461	1,040	58%	42%
Greater Asia	2,010	1,310	700	65%	35%
Latin America	943	583	360	62%	38%
North America	1,845	1,093	752	59%	41%
<b>Total</b>	<b>7,299</b>	<b>4,447</b>	<b>2,852</b>	<b>61%</b>	<b>39%</b>

## NEW HIRES

REGION	AGE <30	AGE 30-50	AGE >50	MALE	FEMALE
Europe, Africa and Middle East	98	122	8	116	112
Greater Asia	117	120	1	155	83
Latin America	40	49	2	44	47
North America	83	82	14	116	63
<b>Total</b>	<b>338</b>	<b>373</b>	<b>25</b>	<b>431</b>	<b>305</b>

## COMPANYWIDE TURNOVER

REGION	AGE <30	AGE 30-50	AGE >50	MALE	FEMALE
Europe, Africa and Middle East	48	158	56	146	116
Greater Asia	66	171	33	182	88
Latin America	28	60	12	68	32
North America	59	117	100	172	104
<b>Total</b>	<b>201</b>	<b>506</b>	<b>201</b>	<b>568</b>	<b>340</b>

## COMPANYWIDE TURNOVER RATE

REGION	AGE <30	AGE 30-50	AGE >50	%MALE	%FEMALE
Europe, Africa and Middle East	15.3%	10.4%	8.4%	10.0%	11.2%
Greater Asia	18.4%	12.0%	14.7%	13.9%	12.6%
Latin America	15.1%	9.6%	8.9%	11.7%	8.9%
North America	24.7%	12.9%	14.3%	15.7%	13.8%
<b>Total</b>	<b>18.3%</b>	<b>11.3%</b>	<b>11.6%</b>	<b>12.8%</b>	<b>11.9%</b>

Employee data on this page are based on actual year-end 2017 headcount. Companywide New Hires: 736 (10.1% of global, permanent head count). Companywide Turnover: 908. Companywide Total Turnover Rate: 12.4%. Companywide Voluntary Turnover Rate: 6.7%. Turnover rate is based on the total turnover headcount divided by total headcount in that category at year-end 2017. New hire rate is based on the number of new hires divided by total headcount in that category at year-end 2017. The turnover information presented here is inclusive of departures related to synergies in IFF's numerous recent acquisitions. The historical averages of IFF's turnover with no impact of acquisition synergies are materially lower.

# Commending Sustainability Performance

Our employees assist in identifying ways to operate more sustainably and effectively – supporting customer requests for renewable materials, minimizing hazardous waste and pursuing renewable energy options, to name a few examples. Annually, our Sustainability team holds the Eco-Effectiveness Recognition Program to honor manufacturing facilities that have shown improved sustainability performance, especially with respect to renewable energy and waste reduction.

In 2017, the winners of the **Most Sustainable Site Award** were:

- our compounding facility in Tilburg, Netherlands
- our fragrance ingredients site in Jacksonville, Florida, U.S.

In addition, the following locations achieved the **Most Improved Site** award:

- Energy: Huangpu, Guangzhou, China
- Water: Dandenong, Australia
- Hazardous Waste: Aromor, Kibbutz Givat Oz, Israel

The employees at these sites displayed leadership in progressing IFF's transition to a sustainable future.



As an acknowledgment of their dedication to sustainability in our business, award-winning sites receive a trophy to display for the following year.

# Occupational Health and Safety

## OUR APPROACH

GRI 103-2. GRI 103-3.

Our Environmental, Health & Safety (EHS) department is responsible for setting comprehensive safety policies and procedures to guide our employees and operations. Plant managers are ultimately responsible for implementing safety procedures at their locations, and they are held accountable for safety-related key performance indicators and objectives.

The EHS department conducts periodic internal inspections and audits to ensure that sites meet our rigorous standards.

## SAFETY TRAINING

EHS training for employees is managed at the site level, with each facility customizing local safety and environmental programs based on both local requirements and global IFF policies. Starting in 2016, our EHS department developed additional mandatory trainings for leaders at all sites. The topics – covering hazard assessments, job safety analysis, ventilation systems and handling raw materials safely – were selected to ensure that all IFF staff are aligned on priorities and understand EHS best practices, regulatory requirements and IFF policies.

## SAFETY COMMITTEES

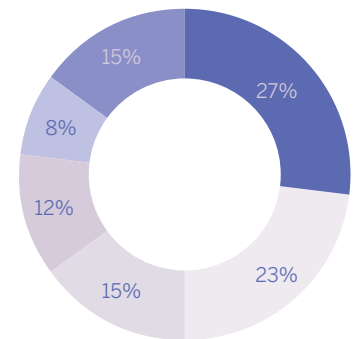
GRI 403-1.

Each site has a cross-functional safety team made up of employees and their managers. The committees discuss areas of focus for safety efforts, identify and resolve issues, and conduct regular inspections to improve conditions and safety awareness. Manufacturing safety committees meet monthly while creative center safety committees meet quarterly.

There was an increase in our safety incident rates in 2017, which we attribute primarily to the incorporation of several acquisitions during the year (see [page 33](#)). Employees at newly acquired sites are being trained in our safety-related systems, safety policies, engineering standards and incident reporting procedures.

*IFF is committed to an accident-free workplace, and we've enhanced our efforts in recent years with training and other programs to improve safety at our facilities.*

## 2017 LOST TIME INCIDENTS



- Trips/Falls
- Chemical Exposure
- Strains/Sprains
- Burns
- Struck by Objects
- Other



## OUR PEOPLE

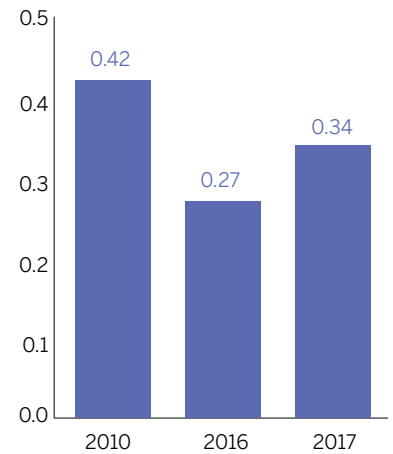
In 2017, we launched several safety-related initiatives to augment our existing programs. For example, we implemented a safety culture program in Indonesia, which will be expanded to other sites progressively. Our Global Near Miss Reporting program was also streamlined, and now the data reported can be globally consolidated to allow us to track trends, identify high-risk events and prevent potential incidents. Other safety initiatives included a forklift visual blindspot (light signals) installation program, an enhanced grounding and bonding program, and the installation of mechanical lifting aids to minimize manual lifting at critical areas in several of our facilities. A safety observation program is being developed in our South Africa, Egypt and Turkey locations that will form the foundation of our future global program.

In the coming year, we will continue to enhance communication and training regarding IFF policies and engineering standards (best practices and guidance), integrate our IT systems and align safety cultures through a cross-functional approach.

### ANNUAL LOST TIME INCIDENTS

GRI 403-2.

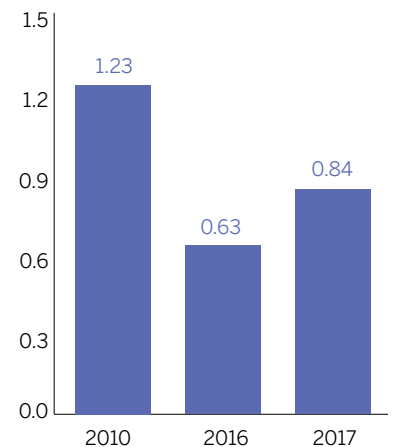
Per 100 employees



### ANNUAL TOTAL RECORDABLE INCIDENTS

GRI 403-2.

Per 100 employees



# Diversity & Inclusion

## OUR APPROACH

GRI 103-2. GRI 103-3.

Diversity and inclusion (D&I) are imperative to our continued success. We are dedicated to nurturing a truly inclusive, fair culture, built on a legacy of pioneering firsts that pursues new frontiers to explore. Our new Diversity & Inclusion program recognizes and accelerates our journey to full inclusiveness and inspires us to lead transformational change from within.

That's why celebrating diversity is one of the Positive Principles that is central to IFF's sustainability strategy. And while we have a rich history of supporting diversity and inclusion within our workforce, we took a significant step forward in 2017 to better organize and formalize our efforts.

## FORMALIZING OUR EFFORTS

In 2017, IFF assembled a global steering committee to develop a new vision and mission for our diversity and inclusion program, as well as create its structure and identify its key initiatives. The committee is composed of 11 employees – eight women and three men – representing each of IFF's global regions.

The committee met for a three-day workshop that resulted in our D&I vision and mission statements (at right), as well as recommendations for D&I program pillars and the first of the program's strategic initiatives – all of which were presented to IFF's Executive Committee and then shared with the broader employee community.

Key recommended initiatives included:

- Implementing a more formalized employee value proposition for IFF;
- Developing mentoring programs that support the accelerated development of leadership skills among under-represented demographic groups; and
- Establishing a framework for Employee Resource Groups across the company globally.

Teams were formed for each of the pillars to execute on the recommended initiatives and are focused on making significant progress in 2018.



## D&I VISION:

*Your Uniqueness  
Unleashes Our  
Potential*

## D&I MISSION:

*We nurture an  
inclusive and fair  
culture that is  
fueled by our values.  
Every voice at IFF  
is empowered and  
heard. All levels of our  
organization reflect the  
mosaic of the markets  
we serve. We embrace  
diversity of thought to  
transform our future.*

Our multinational steering committee met for a three-day workshop to formalize IFF's diversity and inclusion vision and mission.



## PROMOTING DIVERSITY AROUND THE GLOBE

IFF has always been a global, diverse company. Our new formalized program will help to organize, bolster and bring consistency to the wide array of D&I efforts already underway. These existing efforts include the following:

1. In **Mexico**, we have ramped up efforts to ensure a gender-diverse candidate pool for open positions.
2. In the **Netherlands**, IFF partnered with the Dutch Works Council to pilot a program aimed at recruiting people with disabilities.
3. In **South Africa**, IFF has a full suite of activities to comply with national legislation for Broad-Based Black Economic Empowerment. For example, IFF works with Thamani, a black-owned startup, which assists us in forming supplier relationships with black-owned businesses, including those that employ workers with disabilities.
4. In **India**, IFF supports READ India, which promotes the empowerment of women (see [page 53](#)).
5. In **China**, IFF hosts regular “lunch and learns” at our Shanghai location to address issues relating to diversity and inclusion.
6. In **New York**, our headquarters location hosts **Women@IFF**, an Employee Resource Group that promotes women in leadership. The group organizes events and activities focused on building internal and external networks, facilitating the integration of work and personal responsibilities, and enhancing professional development.
7. In **Haiti**, the Vetiver Together program supports the needs of vetiver farmers and their families through income diversification and training programs, including initiatives aimed at empowering women.



# Cultivating Talent

## OUR APPROACH

GRI 103-2. GRI 103-3.

Talent acquisition, development and management are critical aspects of IFF's success, because so many of our career tracks are unique to our industry. Our flavorists and perfumers, for example, innovate new products and keep our business on the cutting edge of specialized and fast-moving markets. We look for appropriate educational backgrounds and expertise when hiring for these positions, and we have found ways to develop important skillsets in-house and/or in collaboration with well-respected educational institutions.

Leaders from our Human Resources department, together with managers throughout the company, are responsible for owning the talent agenda at IFF. Career ladders and performance management are key aspects of our approach, along with our training and development programs.

## CAREER LADDERS

Career ladders are designed to provide a consistent global framework for professional development. They outline clear role expectations at all levels to help our managers and employees create more meaningful and focused career development plans. The ladders detail the knowledge, experience, skills, competencies and performance expectations for specific roles and explain the criteria for success.

In combination with our training programs, the ladders provide a road map for building a career at IFF. Career ladders are organized according to job function and are tailored for specific commercial and technical positions.

## PERFORMANCE MANAGEMENT AND REVIEWS

GRI 404-3.

Performance management at IFF is a continuous process. Managers and their direct reports work together to develop annual objectives that support core business priorities as well as professional development goals. Twice a year, employees receive formal progress evaluations, creating opportunities for feedback to drive continuous improvement, and managers are encouraged to provide feedback throughout the year.

In addition to regular performance reviews, IFF conducts internal talent reviews several times each year to engage our most critical talent and demonstrate that IFF supports their careers. Our Board recognizes that one of its most important duties is to ensure excellence and continuity in our senior leadership by overseeing the development of executive talent and planning for the effective succession of our Chairman and CEO and other senior members of executive management. As part of this process, our CEO and our executive officers are required to prepare

*Expertise is a core IFF value. To attract and retain the top talent we need to succeed, IFF invests in an array of training and education programs tailored to our business.*

## OUR PEOPLE

a detailed development and succession plan for themselves and for their direct reports on an annual basis.

### TRAINING AND EDUCATION

In 2017, we launched IFF University, which consolidates all of our leadership and management programs, technical schools and professional skills training programs under a single framework and point of access. IFF University is enabling greater consistency in our offerings, as well as clearer differentiation among the various programs. While IFF University is still in the early stages, we will continue to add programs and greater access to learning for our employees.

One early development with IFF University is our launch of an eLearning platform that offers all employees access to 41 self-paced development tracks and topics for leaders and professionals. Each topic is taught through multiple modes of instruction, including written materials, videos and case studies. The courses cover topics such as finance for nonfinancial managers, critical thinking, negotiating skills and leading change, among others.

The following is a sampling of other programs offered through IFF University.

### TRAINING FOR PERFUMERS AND FLAVORISTS

In 2016, IFF began a partnership with ISIPCA, the world-renowned perfumery school located in Versailles, France, to develop and launch an innovative Master of Science in Scent Design and Creation program. The ISIPCA program is the first and only accredited curriculum of its kind and attracts diverse students from around the globe. Graduates of this comprehensive program are well-equipped for careers as perfumers, scent design managers and related roles, ensuring a future generation of talent.

Our internally run flavorist school selects driven, creative students and equips them with the tools needed to become flavorists. One of the pillars of the flavorist school is the dedicated mentorship of many senior and successful flavorists. The school combines full-time training and on-the-job experience for employees. The curriculum focuses on understanding raw materials and solvents, how to build a flavor language, flavor applications and creation techniques. At the conclusion of the program, participants spend several months in our Research and Development department in New Jersey, U.S. In 2017, we continued to broaden our talent base and attract new talent in emerging markets by partnering with local universities.

*The vision for IFF University is to create a transformative and inclusive learning culture that supports talent development based on empowerment and innovation principles.*

### MANAGEMENT AND LEADERSHIP PROGRAMS

IFF offers four specialized courses to help employees develop their personal leadership abilities. Our newest program – **Management Essentials** – was launched in 2017 and replaced the previous Leadership Essentials Acceleration Program. Management Essentials was offered to approximately 30 first-time managers during the year. It is composed of self-paced courses and live group webinars. It lasts two months and covers key concepts such as giving and receiving feedback, managing performance and managing workplace conflict.

In our **People Leader** program, participants spend a year building a foundation for understanding leadership while broadening their perspectives and building their internal networks. It is designed for first-line supervisors, managers with direct reports and employees who are new to management. In 2017, 90 employees participated in the program – 30 in Europe, Africa and the Middle East, 30 in Greater Asia and 30 in North America/Latin America.

With a focus on leading innovation, strategy execution and change management, the year-long **Organizational Leader Program** helps mid- to senior-level managers learn from each other in a highly interactive development process. Thirty individuals participated in the Organization Leader Program in 2017.

IFF also partners with **INSEAD**, one of the world's leading graduate business schools, to help participants explore new business opportunities, new markets and enhanced profitability models. Through this program, mid- to senior-level managers gain a deeper understanding of marketing, operational and corporate finance, cross-cultural leadership and more.







REGENERATIVE PRODUCTS

# Creating sustainable scents & tastes



# Circular Design

## OUR APPROACH

Consumers are increasingly seeking out better-for-you, environmentally friendly products that are manufactured in an eco-effective manner. That's why we designated Regenerative Products as one of three platforms of IFF's sustainability strategy (see [page 23](#)).

Our development of regenerative products is driven by the concept of circular design, an approach to business that involves reutilizing materials to preserve natural resources and eliminate waste. Traditional linear design, by contrast, involves a "take-make-dispose" approach that is unsustainable in the long term. In circular design, ingredients come from nature and go back into nature or are repurposed in a circular and continually sustainable way.

Our circular design approach for both flavors and fragrances is comprehensive. It involves defining and identifying renewable and biodegradable feedstocks, using green chemistry, and innovating products with health and wellness attributes. We have initiatives in each business unit to formalize this approach:

- Our Fragrances business drives continuous improvement in our fragrances based on the principles of circular design to create scents that are good for the planet and socially responsible
- Our Flavors business' innovation programs focus on the consumer drive towards health, transparency and great taste in food and beverage products

Specific examples of our progress are detailed below.

## GOING "CIRCULAR" FROM THE START

In 2017, three IFF scientists filed a patent application for a method of applying circular principles in the very early stages of design. The patent application, "Circular Economy Methods of Preparing Unsaturated Compounds," demonstrates our efforts in applying these core principles to expand our technical capabilities. In addition to the development of these methods internally, we are collaborating with leading universities and experts in innovative catalysis technologies to address global energy and environmental challenges. Working with prominent leaders in various fields further enhances our capability to develop and leverage new technologies in our research, operations and products.

## KEY DEVELOPMENTS

Filed a patent application for a method of applying circular principles in the very early stages of fragrance design

Expanded our capabilities in providing sustainable product options to customers

Joined the WBCSD's Food Reform for Sustainability and Health (FReSH) initiative, to reduce food waste and loss in global food systems

## LOOKING AHEAD

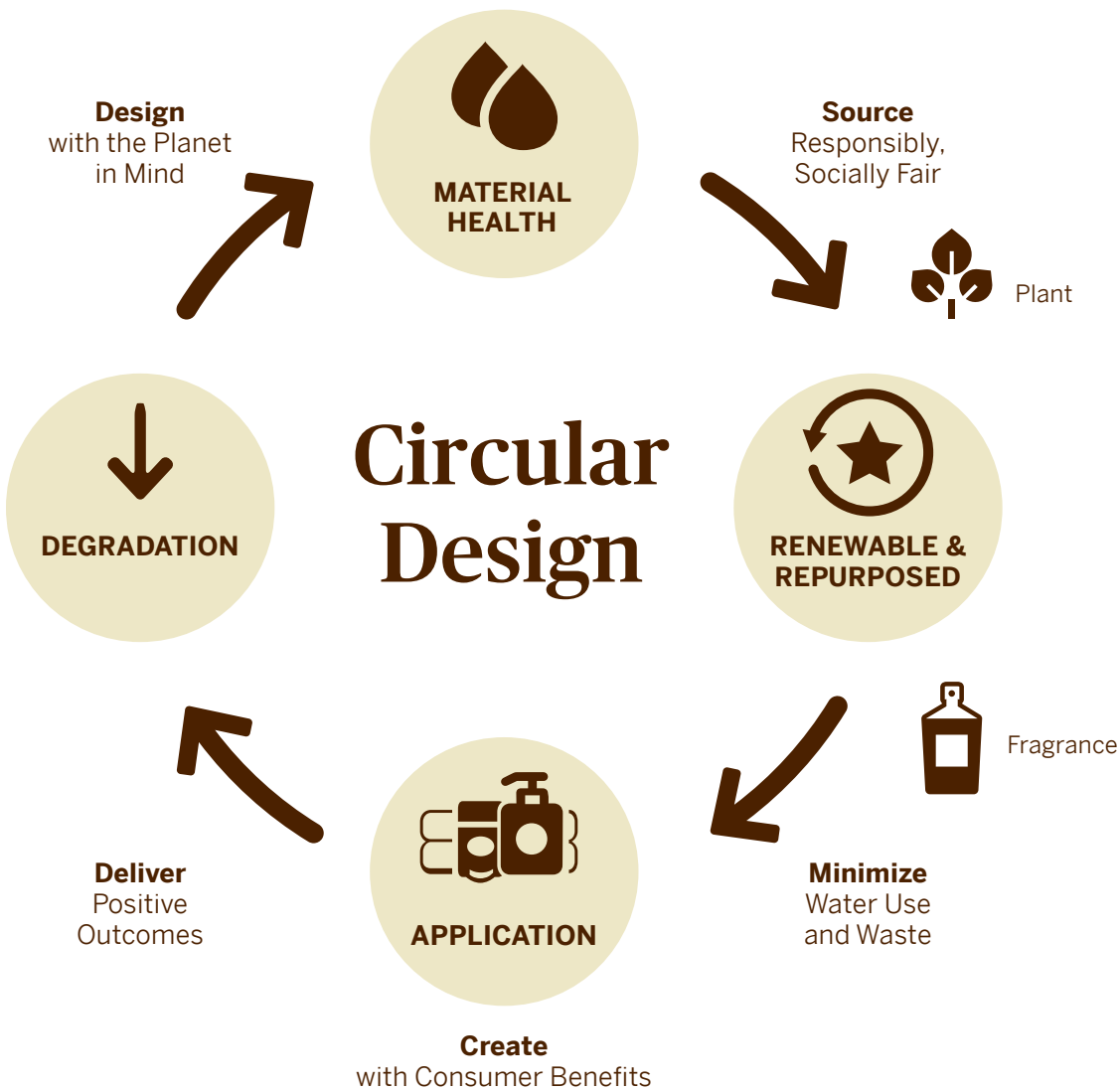
Continue to offer our customers more sustainable fragrance options

Make strides in embedding circular design into our Flavors business through our Re-Imagine innovation programs

EXPANDING OUR PALETTE OF CIRCULAR SCENTS

Our Fragrances business has progressed in conceptualizing circular design in the context of scent creation, as illustrated below.

To meet the evolving needs of our customers, we offer a broad set of conventional and sustainable fragrance solutions. One example is our capability to create **Cradle to Cradle™** certified fragrances. IFF's proof-of-concept PuraVita™ fragrance, launched in 2016, was the world's first Cradle to Cradle Certified fragrance. Cradle to Cradle certification ensures that the scent meets stringent standards in the categories of material health, material reutilization, renewable energy and carbon management, water stewardship and social fairness. PuraVita was certified at the Gold level overall, which means it achieved this high level of performance in each of the categories. Over the last year, we have expanded our understanding of these principles and how to create circular scents for a broad range of applications.



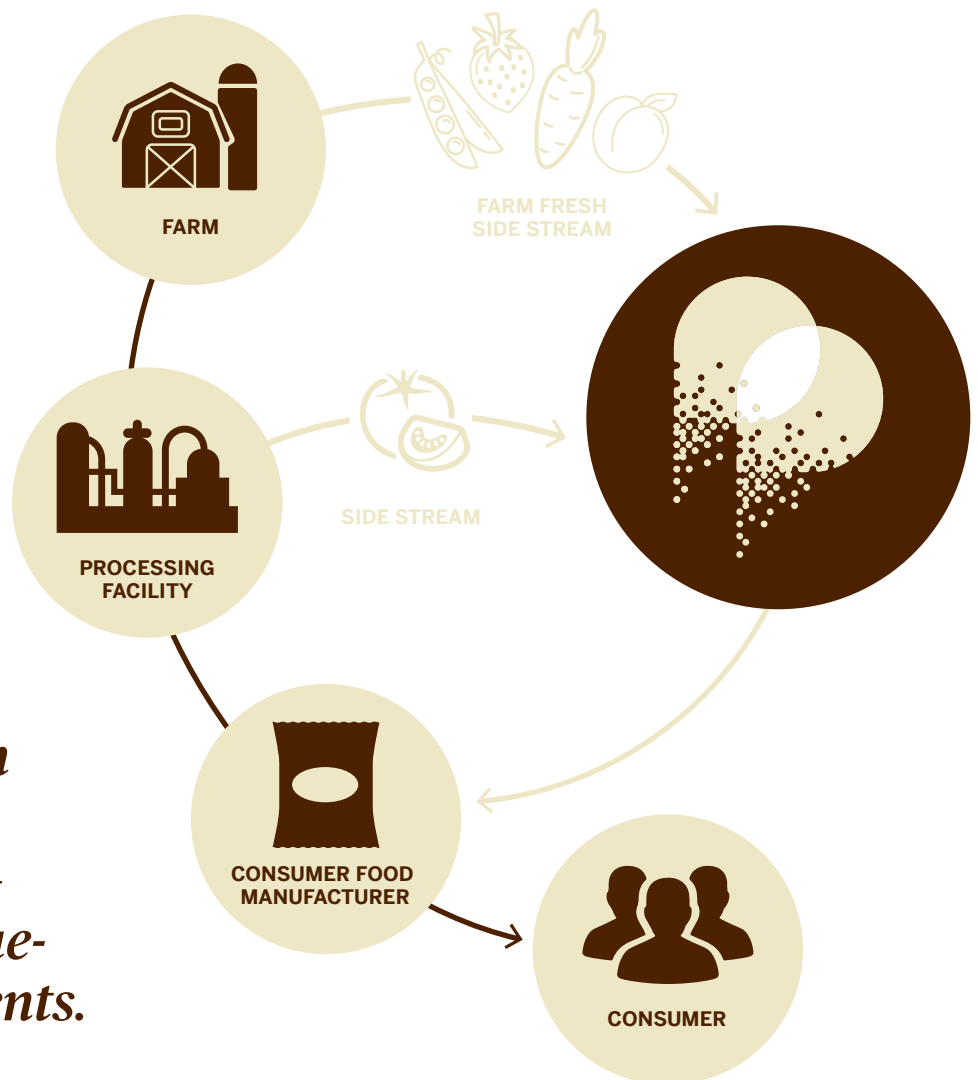
## REGENERATIVE PRODUCTS

### POWDERPURE

We also made strides in incorporating circular design principles into our Flavors business. In April 2017, IFF acquired PowderPure, an Oregon-based company that uses a patented process to turn fresh fruits and vegetables into powder. PowderPure Infidri™ technology uses infrared light waves to target the water molecules in produce. Unlike freeze drying or spray drying, the process does not damage fragile nutrients, color compounds or flavor components. The result is being used as a simple, clean-label ingredient in protein shake and juice mix powders, snack products and premium chocolates.

In October 2017, IFF joined an international initiative aimed at transforming the global food system – including reducing food waste. Organized by the World Business Council for Sustainable Development (WBCSD), the FReSH initiative – which stands for Food Reform for Sustainability and Health – is bringing together multiple companies in the food industry to accelerate transformational change. IFF has joined the FReSH workstream on food loss and food waste. This is a critical issue: according to the United Nations, approximately one-third of food produced today is lost or wasted worldwide. And we believe that IFF can help to drive change in this area through PowderPure and other technologies and innovations.

*We see an opportunity to reduce food waste by converting excess fruits and vegetables – such as those directly from a farm or leftover at a food processing facility – into nutritious, value-added food ingredients.*





# Green Chemistry

## IMPLEMENTING GREEN CHEMISTRY PRINCIPLES

Incorporating the principles of green chemistry into our innovation processes results in measurable environmental and economic benefits in terms of the use of renewable resources and better degradability, as well as improved yields, reduced energy, reduced waste, improved safety and lower manufacturing costs.

IFF has a green chemistry program that is recognized throughout our industry. Paul Anastas, also known as the “father of green chemistry,” invited IFF’s Director for Process Engineering, Geatesh Tampy, to contribute a chapter in his new book, *Tools for Green Chemistry*, which was released in 2017.

The chapter describes IFF’s proprietary Green Chemistry Assessment Tool, which is routinely used in the research and development phase of our ingredients, as well as during commercial production at our manufacturing plants. It enables our scientists to quantitatively score and evaluate products and processes according to the twelve principles of green chemistry. These include, for example, avoidance of waste, use of renewable raw ingredients, avoidance of corrosive or hazardous materials, and improved energy efficiency. The scores are charted to provide a visual display of how “green” that product is. Using the tool, our scientists establish baselines for overall green chemistry performance, identify potential areas for improvement, set goals and track the progress toward those goals. It is especially helpful in the case of new molecules, which are continuously assessed and improved upon to ensure optimal performance as production is scaled up.

## RECENT EXAMPLES

In 2017, we used green chemistry processes and principles to drive improvements in several areas. Examples include the following:

- Our Tilburg R&D team implemented a new, more efficient process that utilizes an enzyme instead of yeast cultures. The process results in higher product yield and less waste.
- Our Benicarló, Spain, facility installed advanced water treatment technology to generate pure distilled water from a waste stream and decrease the amount of hazardous waste produced in the process. This technology is expected to reduce hazardous waste generation from this plant by 3,000 metric tons per year.
- In botanical-based flavors research for taste modulators and ingredients, we are increasingly using water and natural ethyl alcohol for extractions. Every effort is made to reduce the use rate of solvents as well as the generation of waste.

We also increased focus on the development of green technologies for delivering products with preferred sustainability attributes. This includes using raw materials that are responsibly sourced or have a smaller environmental footprint. Our scientists evaluate responsible sourcing implications and eco-efficiency as part of the process.

# Partnerships & Memberships

Our strategic partnerships and memberships help us innovate and deliver regenerative products. With expertise and capabilities that complement our own, together we can better benefit consumers and the environment. Our current partnerships and memberships, all of which are discussed in this section, include the following:

- The World Business Council for Sustainable Development (WBCSD), to support the acceleration of transformational change in global food systems
- The FReSH initiative, to reduce food waste and loss in global food systems
- The MIT Media Lab, to drive sustainable innovation throughout our business
- The Well Living Lab™, to study the effects of scent on the indoor built environment
- The Cradle to Cradle Products Innovation Institute, to create third-party certified products

We also have a scientific advisory board (SAB), led by our Chief Global Scientific & Sustainability Officer, that brings together multi-disciplinary external experts to enhance our R&D programs. One SAB member, Andrew Winston, is a globally recognized thought leader on sustainable business strategy.

# Health and Wellness

## BETTER-FOR-YOU FLAVORS

Our Flavors business is working hard to meet – and stay ahead of – ever-changing consumer demands for food and beverage products with health and wellness attributes. Our Re-Imagine innovation programs focus on six key areas, including culinary, citrus, delivery systems, naturals, modulation and protein, that were selected based on market potential, customer input, expert industry collaboration and versatility across end-use categories. They consider a rapidly changing world – from the expectations of sophisticated consumers too busy to cook for themselves, to the realities of a warming climate and its impact on key crops and ingredients, to an increased awareness of our role in the health of the planet.

These Re-Imagine programs help IFF to accelerate innovation and increase agility to capture unmet opportunities in the food and beverage market, through a combination of future trends analysis, consumer insights and a modernized cross-category development process. Each program is led by a director charged with overseeing innovation and product research and development.

Through Re-Imagine Modulation, we create ways for our customers to make products that are lower in sodium, fat, sugar and calories. Through Re-Imagine Protein™, we are developing ingredients for plant-based alternatives to animal-derived products. The plant-based products not only have health and wellness benefits (e.g., lower fat and cholesterol compared to meat and dairy), but also environmental benefits in terms of smaller water, land and carbon footprints.

Our Re-Imagine Citrus™ team is addressing a significant challenge relating to ingredient scarcity. Orange, lemon and grapefruit flavors have long been popular in a range of good-for-you foods, but citrus crop yields have decreased considerably in recent years due to natural disasters such as hurricanes and citrus greening, a disease that has devastated millions of acres of citrus crops globally. In response, we developed and launched sustainable citrus technologies that meet the taste demands of citrus today and prepare for the needs of generations to come.

Our Re-Imagine Natural™ program launched a new initiative called IFF Taste Origins™ that focuses on the development of great-tasting food ingredients that are consumer recognizable, responsibly sourced and allow for “cleaner” food labels.

***The Re-Imagine programs help IFF to accelerate innovation and increase agility to capture unmet opportunities in the food and beverage market.***

## REGENERATIVE PRODUCTS

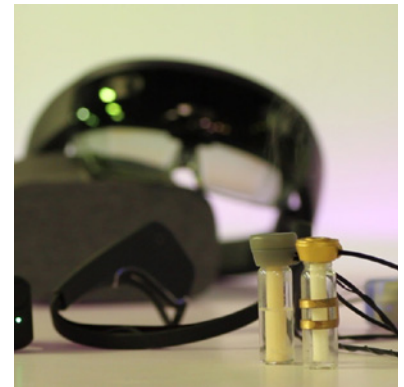
### ENHANCING WELLBEING THROUGH SCENT

We are actively researching fragrance ingredients that enhance the sleep experience, elevate energy levels, promote relaxation or improve mood. Recently, we have worked toward a future-oriented innovation platform focused entirely on developing fragrances that positively affect health and wellness.

In May 2017, we took a step forward in this journey by joining the MIT Media Lab as a consortium lab member. With more than 30 years of innovation and 150 spin-off companies, the Media Lab currently supports over 25 research groups and more than 450 projects that represent a range of research areas. As a member, IFF is the first sensorial innovator of flavors, fragrances and cosmetic actives to join the Media Lab. We are thrilled to find new ways to pioneer firsts and be a part of research and technologies that transform the everyday for consumers around the world.


IFF, together with Cosmetic Executive Women (CEW), repositioned the Scent Innovator Award in 2017 to recognize individuals who are conducting research that will impact the fine fragrance category and future of the industry. In 2017, IFF was proud to present the award to MIT Media Lab research assistant and PhD student Judith Amores. Amores created *Essence*, the first computerized olfactory necklace. *Essence* looks like a decorative necklace, but it has the power to influence – or react to – the wearers' mood by seamlessly emitting a scent. Controlled remotely from a smartphone, the scent distribution can be varied in intensity and frequency based on data derived from the conscious mind of the wearer or from contextual input. For our industry, this is virtually an untapped market. As a result of the evolving state of connectivity, wearable technology – such as *Essence* – can provide influential fragrance brands with a direct access point to the mobile consumer.

Finally, we continue to be a member of the Well Living Lab – a collaboration of the Mayo Clinic and Delos Innovate Well. The Well Living Lab is seeking to create healthier indoor spaces, in part through the use of scent. IFF conducted a series of scientific studies with the Lab that looked at the physical and chemical dynamics that occur in the built environment when fragrances are introduced. Based on these studies, we are developing scent-based interventions to foster human sustainability in the built environment.



*Essence*, the first computerized olfactory necklace, has the power to influence – or react to – the wearers' mood by emitting a scent.



A close-up photograph of olive tree branches with silvery-green leaves and a few dark olives. A semi-transparent, light grey circle is overlaid on the right side of the image, containing text.

GOVERNANCE & COMPLIANCE

**Committed to  
high standards  
of ethics and  
integrity**

# Governance and Compliance

## OUR APPROACH

GRI 103-2. GRI 103-3. GRI 102-16.

Our commitment to good governance starts with our Board of Directors and Executive Committee and is supported by our governance framework. This framework is driven through our organization with continual communication and training on best practices in governance, risk management, business conduct, compliance and ethics.

IFF's Code of Business Conduct and Ethics ("Code") serves as a compass outlining the general ethical standards that each member of our organization is expected to follow. The Code, as well as our Anti-Bribery, Political Contributions, Conflicts of Interest and International Business Transaction Policies, apply to all IFF employees worldwide and mandate compliance with all anti-bribery and corruption laws and with our global standards. These documents are updated periodically and available on our intranet.

## GOVERNANCE STRUCTURE

GRI 102-18.

IFF's Board of Directors ("Board") provides the highest level of oversight in our organization. Our diverse, independent Board of highly accomplished directors brings value to our organization, and we benefit from their guidance. Our Board has three committees: Audit, Compensation, and Nominating and Governance.

- The Audit Committee oversees and reviews the financial reporting process and the integrity of IFF's financial statements and related financial information. The Audit Committee is also focused on IFF's procedures for monitoring compliance with our Code, policies and applicable laws and regulations. We also have an internal audit function that assists in evaluating and improving the effectiveness of our risk management, internal control, financial reporting and governance processes.
- The Compensation Committee is responsible for ensuring that a proper system of compensation is in place and that compensation plans are appropriate, competitive and properly reflect the objectives and performance of management and the company.
- The Nominating and Governance Committee handles matters related to Board nominees for election, the size and composition of the Board and Board committees, and evaluations of the Board, Board committees, and the CEO.

IFF has an Executive Committee (EC), which is chaired by our CEO and comprises IFF's most senior executives. The EC addresses strategic, operational and financial matters and is the highest approval body before the Board of Directors.

## GOVERNANCE & COMPLIANCE

Our cross-functional Global Compliance and Ethics Committee meets regularly and reports to our General Counsel/Chief Compliance Officer. The purpose of the committee is to oversee IFF's implementation of programs, policies and procedures that are designed to respond to various compliance and regulatory risks facing the company.

For more information about the overall governance structure of our organization, please refer to our Proxy Statement, the Governance section of our website and our Corporate Governance Guidelines.

## GOVERNANCE STRUCTURE FOR SUSTAINABILITY

Our sustainability governance model provides oversight for the execution of our global sustainability strategy. Our Chief Scientific and Sustainability Officer, an EC member who reports directly to our CEO, provides executive oversight of our sustainability program. Our VP of Global Sustainability is charged with leading and embedding sustainability throughout the organization via the Sustainability Business Council (SBC). The SBC is chaired by our CEO, and cross-functional committees – Responsible Sourcing, Eco-Effectiveness, Corporate Sustainability and Product Design – are each led by the appropriate EC member and supported by a member of the Global Sustainability team. Each of these committees drives sustainability throughout that function, raises potential issues and provides regular updates to the SBC on progress. This governance model relies on functional integration of our sustainability strategy across IFF, including goal development, implementation and progress toward goals.

## CODE OF CONDUCT

### GRI 205-2.

Our Code of Business Conduct and Ethics, Code of Conduct for the Board of Directors, and Code of Conduct for Executive Officers each set the ethical tone for our organization. These Codes apply to each of our employees, officers and directors, including the employees, officers and directors of our subsidiaries. We expect our employees to comply with our Code and ensure that they understand the Code through annual training and other communications. It was recently refreshed to adapt to a dynamic compliance landscape, making it more user-friendly and highlighting frequently asked questions. It is made available both in hard copy and in seven languages on IFF's intranet, and we conduct training on a global basis on the Code and other important compliance topics.

We maintain a culture of compliance and ethics through regular communications regarding the Code and various related topics, and relevant policies. Such communications include "top stories" on our intranet, e-mail blasts from cross-functional senior managers, town halls and other meetings and video messages from various IFF Executive Committee members. We have a designated compliance intranet site to facilitate communication and information-sharing of compliance-related materials throughout the company.

## GOVERNANCE & COMPLIANCE

### TRAINING

Throughout each year, we regularly conduct live and online training on a variety of compliance topics. An important component of IFF's compliance program is training on a global basis to ensure employees understand and comply with the Code of Business Conduct and Ethics. These trainings are a mix of in-person sessions, online webinars and creative contests and events, which keep our employees engaged and focused on compliance.

In addition to training on the Code, we provide mandatory online training that covers topics such as anti-bribery and corruption, workplace harassment, reporting concerns, insider trading, cybersecurity and use of company assets. Failure to complete such trainings negatively affects the performance rating of those employees required to participate (including members of the Executive Committee).

In addition, we have many ways that employees can communicate any ethical concerns they may have, including through the IFF Hotline. Employees who become aware of or suspect violations of our Codes or policies are expected to report any violation, and they will not be subject to disciplinary measures or retaliation for making any reports in good faith. All matters reported to IFF are thoroughly investigated, and appropriate actions are taken, up to and including termination of employment.

### ANTI-BRIBERY

IFF is committed to high standards of ethics, honesty and integrity in its business practices, which includes a strict prohibition on corruption and bribery. Our Anti-Bribery Policy, which is regularly reviewed and refreshed, prohibits the giving of anything of value to a government official or any other person to influence that person's decisions to help the company obtain or retain business or gain an unfair advantage. Employees are expected to consult with IFF's Law department or contact the anonymous IFF Hotline if any situations arise that could potentially violate our policy, or even if something simply "doesn't feel right."

Our comprehensive anti-bribery training program includes eLearning courses and in-person training. In 2017, we conducted live anti-bribery training sessions at 30 sites globally, reaching 1,400 employees. Through the support of the EC and regional leaders, we achieved a training completion rate of 100% for all relevant employees.

The program also included discussions with hundreds of IFF's business partners – agents, brokers, distributors, customers – to ensure they understood the relevant anti-bribery and corruption laws to which IFF is subject, as well as a reminder of IFF's zero tolerance for bribery and corruption of any kind.

As part of the program we also reviewed and revised our agreements with relevant third parties to ensure that they reflected up-to-date anti-bribery and corruption language.



## GOVERNANCE & COMPLIANCE

### POLITICAL CONTRIBUTIONS

GRI 103-2. GRI 415-1.

We participate in industry and customer trade associations that coordinate advocacy and communications on public policy issues related to our business. We work through both industry trade associations (International Fragrance Association, International Organization of the Flavor Industry, etc.) and through our customers' trade associations. The core position of the industry is that our products are safe for their intended use. This assurance is determined through a science-based, safety risk assessment utilizing validated scientific methods and experts. There are no significant differences between our industry lobbying efforts and stated policies and IFF's goals or public positions.

IFF's Policy on Political Contributions strictly prohibits direct or indirect contributions by the company to any political office and the reimbursement of any such contribution made by an employee. All political activity on behalf of the company must receive prior clearance from the company's General Counsel.

# Risk & Crisis Management

## OUR APPROACH

### GRI 102-30.

IFF has a multidisciplinary enterprise risk management (ERM) program designed to identify and assess global risks to our business, including sustainability risks, and develop steps to continually mitigate and manage those risks. Our approach relies on our management's evaluation of current events and our expectations regarding future developments.

Our CEO and other senior management oversee the day-to-day execution of the risk management process. The Board receives regular reports on IFF's ERM process and oversees and reviews with management the company's enterprisewide risks and the policies and practices established to manage such risks. Management maintains the ERM program, which is designed to identify and assess our global risks and to develop steps to mitigate and manage risks. As part of our risk management practices, we have a Global Risk Committee made up of key members of management to integrate global risk activities (including cybersecurity, compliance, business and crisis management) and to ensure appropriate prioritization of resources and alignment across IFF.

Our Board of Directors is actively involved in the oversight of IFF's risks. The full Board focuses on operational risk, financial risk, regulatory risk, litigation risk, cybersecurity and information security risk, tax risk, credit risk, and liquidity risk, as well as our general risk management strategy, and how these risks are being managed.

The Audit Committee is primarily responsible for assisting the Board in its responsibility to oversee and review with management financial risks and the policies and practices established to manage such risks, and also oversees and reviews procedures for monitoring compliance with laws and regulations and our Code of Business Conduct and Ethics. The Compensation Committee is primarily responsible for overseeing the management of risks associated with compensation policies and practice, our compensation plans (including equity compensation plans and programs), severance, change in control and other employment-related matters. The Nominating and Governance Committee monitors the company's governance risk and CEO succession risk. Please refer to the Risk Management Oversight section of our Proxy Statement for more information.

We took additional steps in 2017 to further incorporate sustainability-related risks – such as water availability and natural disasters and other climate-related risks – into this process. We evaluated the potential impact of and our vulnerability to these risks and have developed mitigation measures accordingly.

## GOVERNANCE & COMPLIANCE

### THE PRECAUTIONARY PRINCIPLE

#### GRI 102-11.

While we do not formally apply the precautionary principle, our ERM program is designed to identify significant risks faced by our company. This tool involves surveying employees to gauge their assessment of risks and then consolidating their responses into a set of key risks, such as the quality of or disruptions to our supply chain. The consolidated set is communicated to the Executive Committee and Board of Directors at least annually. Our 2017 Annual Report includes a detailed description of companywide risks.

### CRISIS MANAGEMENT

Like any global company, unexpected events can disrupt our operations. To combat this risk, IFF has a comprehensive Crisis Management Plan, which outlines preparation for and responses to emergency situations that may imperil the safety of our employees, customers, facilities, operations or reputation. We have Crisis Management Teams in place at the global, regional and local levels to ensure that situations are handled quickly and effectively by subject matter experts trained on IFF's plan. In 2017, IFF conducted over 20 live training sessions on crisis management and sent multiple communications to all employees on their role and responsibilities in the event of a crisis.

### MANAGING OPERATIONAL CHALLENGES

In each of the 37 countries where we conduct business, we take seriously our responsibility to follow local regulations and respond to community and employee concerns. When challenges arise, we do not deviate from the high ethical standards that guide our business practices.

For example, in 2015 Chinese authorities notified us of issues pertaining to the emission of odors from several of our plants in China and, consequently, we invested approximately \$6.5 million in odor-abatement equipment at these facilities and have located a site for construction of a second flavors manufacturing facility in China. We also completed the relocation of one of our fragrance ingredients plants to a new site in Jiande, China. In addition, we reached an agreement to relocate our other fragrance ingredients facility in China from Hangzhou to the Jiande site by 2020.

# Human Rights

GRI 102-16. GRI 407-1. GRI 408-1. GRI 409-1.

## OUR APPROACH

GRI 103-2. GRI 103-3.

Our approach to human rights is guided by the UN's Guiding Principles for Business and Human Rights, the UN's Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. The principles are embedded in our Global Human Rights Policy posted on our website. The policy requires compliance with all applicable laws, regulations and guidelines related to hiring, wages, overtime and working conditions. In addition, the policy recognizes and respects employees' rights to form and join trade unions and to bargain collectively, and strictly prohibits the employment of underage children as well as involuntary labor of any kind, including prison labor, debt bondage, indentured servitude or forced labor. The policy also reinforces the importance of diversity and equal opportunity and outlines stipulations with respect to wages, hours and working conditions.

Issues related to human rights are managed by our Law department, which oversees all legal matters for the company. IFF has not identified significant risk in our operations for forced or compulsory labor, child labor or violations of the right to freely associate and bargain collectively. In addition, IFF releases an annual Slavery and Human Trafficking Statement that discusses our global due diligence processes for slavery and human trafficking.

IFF also requires that our vendors comply with our Vendor Code of Conduct (Vendor Code), which is distributed to vendors and located on our website. Consistent with our Human Rights Policy, the Vendor Code requires that vendors respect their employees' rights to freedom of association and collective bargaining, requires compliance with appropriate regulations and guidelines concerning labor practices, and prohibits the use of involuntary labor and child labor.

Our Code of Business Conduct and Ethics requests our employees and others to report concerns and complaints, without risk of retaliation. Complaints or concerns can be submitted through the IFF Hotline, which accepts anonymous calls and e-mails in any language, 24 hours a day, 365 days a year. We respond promptly and thoroughly to any reported concerns and take appropriate action where necessary, up to and including termination of employment (or, in the case of third parties, termination of business relations).





PRODUCT RESPONSIBILITY

# Ensuring consumer safety

# Product Safety & Quality

## OUR APPROACH

GRI 103-2. GRI 103-3.

Our Global Product Safety & Quality team conducts audits and manages quality control processes for our products. All finished IFF products undergo final quality control testing, which, depending on the product, might include sensory, analytical and microbiological analysis.

IFF is an active member of both the International Organization of the Flavor Industry and the International Fragrance Association, the leading trade associations representing the interests of the global flavors and fragrances industries. By taking leadership positions within these trade associations and working with regulators, we seek to ensure that upcoming regulations benefit consumers while protecting the interests of the industry.

IFF's Global Regulatory Affairs department manages a comprehensive set of policies and procedures to help us achieve safety compliance in all of the countries where we operate. Our Regulatory Disclosure Policy provides our basic framework for responding to product information requests from regulatory agencies while managing confidential business information.

In addition, we are working with a variety of customers on their own initiatives to create and implement additional ingredient disclosure models that provide consumers with valuable information while protecting our proprietary formulations. While our IFF-specific disclosure policy and future outcomes of customer initiatives provide a robust framework for compliance and ingredient disclosure, we understand that information requests will continue to vary by product and customer, and we therefore tailor our disclosures to the requirements of each situation.



## PRODUCT RESPONSIBILITY

### COMMITMENT TO EFFICIENCY AND QUALITY

As part of our commitment to operational excellence, we have incorporated Lean and Six Sigma principles throughout our organization. Lean is a way of thinking and acting that eliminates waste, improves quality and creates value to our business. Six Sigma is a set of tools and strategies that enable improvement in business processes. We have implemented these techniques across our manufacturing locations worldwide, with the aim of enhancing customer satisfaction, personal development and engagement of our employees. We have sponsored Six Sigma Green Belt training for dozens of employees in recent years. These courses provide an overview and tools for Six Sigma's Define, Measure, Analyze, Improve, Control (DMAIC) approach. At the core of our implementation of Lean and Six Sigma is the development of a culture of learning and execution, enabling our employees to solve problems they face every day and focus on the long-term solutions necessary to meet our goals.

In 2017, 99 employees completed a one-day "white belt" training session, five completed a five-day "green belt" training, and two received their Six Sigma Green Belt certification.

In addition, we conducted a one-day Culture of Quality seminar for some members of senior management at our Tilburg, Netherlands, facility, which reviewed key components for driving a culture of quality at IFF.

### ENHANCING FOOD SAFETY KNOWLEDGE

In 2016, our Product Safety & Quality and Operations teams partnered with the American Institute of Baking International to hold a four-day training session on food safety in our China flavors manufacturing facility. We expanded the program to Latin America in 2017, providing training to corporate quality employees, regional flavors quality directors, flavors quality managers, food safety coordinators and production management at several of our facilities.

The program teaches attendees how to evaluate the food safety risks within our supply chain as well as about international food safety regulations and standards, such as the U.S. Federal Food and Drug Cosmetic Act, Good Manufacturing Practices and the Codex Alimentarius Commission's Food Hygiene report.

The customized training program increases knowledge and awareness, continues to develop our food safety culture and supports our overall efforts to become a partner of choice for our customers. The Product Safety & Quality team plans to expand the program to other regions throughout IFF.

### FACILITY CERTIFICATIONS

We maintain several certifications at our facilities, depending on the nature of the facility's processes and product mix. These may include:

ISO 9001:2000, the International Standard for Quality Management

ISO 14001, which sets criteria for Environmental Management Systems

ISO 18001, an international occupational health and safety management system specification

ISO 22716, Cosmetic Good Manufacturing Practices

The Hazard Analysis Critical Control Point System and Hazard Analysis Risk-based Preventive Controls, which provide a systematic approach to safety management

American Institute of Baking, Good Manufacturing Practices

FSSC 22000, Global Food Safety Initiative Standards

Sedex Members Ethical Trade Audits

Roundtable for Sustainable Palm Oil

We again achieved a Gold rating in EcoVadis, a corporate social responsibility rating system that assesses suppliers in sustainable business practices. More information about this platform is provided in the [Responsible Sourcing](#) section.

# Product and Service Labeling

## OUR APPROACH

GRI 103-2. GRI 103-3.

IFF belongs to, actively participates in, and leads where appropriate, the activities of the key industry organizations that regulate our business in the regions and countries in which we operate. In addition, we actively engage with governmental authorities as needed to represent the interests of IFF. We monitor registration requirements carefully as they continue to develop around the world. In most cases, the emerging registration requirements are closely modeled on existing processes in other countries and regions, and we are able to leverage our global expertise and leadership for compliance. Our ability to keep current on these ever-changing registration requirements enables us to factor their potential impact into new R&D initiatives.

## REGULATORY COMPLIANCE

GRI 417-2.

In Europe, we are preparing for the 2018 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) product registration and will complete all mandatory registrations within the required deadlines, as we did with both the 2010 and 2013 registration deadlines. The same exercise is in process for Korea. In addition, IFF took a leading role in the development and publication of standard exposure scenario methodologies for substances for REACH and is actively involved in the ongoing discussions related to fragrance allergens. We are actively engaged in the implementation of the Frank R. Lautenberg Chemical Safety for the 21st Century Act and are working with supply chain partners and the U.S. Environmental Protection Agency on specific elements relevant to our business.

As always, communication and transparency are key elements in staying on top of emerging regulations, and IFF communicates regularly with our customers well in advance of any required implementation dates. We had no significant incidents of noncompliance with respect to product and service information and labeling in 2017.



A close-up photograph of a hand reaching into a laboratory rack filled with small glass vials. The vials have white labels with handwritten text in red and black ink. A dark, semi-transparent circular overlay is centered over the image, containing the word "Appendix" in white serif font. The background is slightly blurred, showing more vials and the rack structure.

Appendix

# Appendix

**TABLE OF CONTENTS**

---

External Assurance Statement . . . . .90  
GRI Content Index . . . . .93  
Special Note Regarding  
Forward-Looking Statements . . . . .97  
Stay Up to Date. . . . .98

# External Assurance Statement

Independent Assurance Statement to International Flavors and Fragrances Inc.

ERM Certification and Verification Services (ERM CVS) was engaged by International Flavors and Fragrances Inc. (IFF) to provide limited assurance in relation to the information set out below and presented in the IFF Sustainability Report 2017.

ENGAGEMENT SUMMARY	
<b>SCOPE OF OUR ASSURANCE ENGAGEMENT</b>	<p>1. Whether the 2017 Sustainability Report presents a complete and balanced presentation of IFF's sustainability activities and performance in the reporting year in accordance with the GRI Standards (Core option);</p> <p>2. Whether the 2017 information and data for the specified indicators listed below are fairly presented in accordance with the reporting criteria:</p> <p><b>Environmental indicators (absolute and intensity):</b></p> <ul style="list-style-type: none"> <li>• Total GHG Scope 1 [metric tons CO2e]</li> <li>• Total GHG Scope 2 [metric tons CO2e]</li> <li>• Total GHG Scope 3 [metric tons CO2e]</li> <li>• Total biogenic emissions [metric tons CO2e]</li> <li>• Total (direct/indirect) energy consumption [GJ]</li> <li>• Energy savings [GJ]</li> <li>• Total water discharges [cubic meters]</li> <li>• Total water consumption [cubic meters]</li> <li>• Total hazardous waste generated [metric tons]</li> <li>• VOCs, NOx and SOx from stationary combustion sources [metric tons]</li> </ul> <p><b>Labor practices and decent work indicators:</b></p> <ul style="list-style-type: none"> <li>• Total Recordable Incidents (TRI) per 100 employees in 2017</li> <li>• Total Lost time Incidents per 100 employees in 2017</li> </ul> <p><b>Other indicators:</b></p> <ul style="list-style-type: none"> <li>• ISO14001 Certification</li> <li>• Production volume [metric tons]</li> </ul>
<b>REPORTING CRITERIA</b>	GRI Standards; the WBCSD/WRI GHG Protocol (2004 as updated January 2015) for the Scope 1, 2 and 3 GHG emissions; and IFF's internal environmental indicator definitions (2017) for the other indicators.
<b>ASSURANCE STANDARD</b>	ERM CVS' assurance methodology, based on the International Standard on Assurance Engagements ISAE 3000 (Revised).
<b>ASSURANCE LEVEL</b>	Limited assurance.
<b>RESPECTIVE RESPONSIBILITIES</b>	<p>IFF is responsible for preparing the data and for its correct presentation in reporting to third parties, including disclosure of the reporting criteria and boundary.</p> <p>ERM CVS's responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgment.</p>

## APPENDIX

### OUR CONCLUSIONS

Based on our activities, nothing has come to our attention to indicate that the IFF 2017 Sustainability Report is not a complete and balanced presentation of IFF's sustainability activities and performance in 2017, in accordance with GRI Standards (Core option) or that the 2017 information and data for the topics and indicators listed above, are not fairly presented, in all material respects, in accordance with the reporting criteria.

### OUR ASSURANCE ACTIVITIES

Our objective was to assess whether the selected information and data are reported in accordance with the principles of completeness, comparability, and accuracy (including calculations, use of appropriate conversion factors and consolidation). We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our limited assurance conclusion.

A multi-disciplinary team of EHS and assurance specialists performed the following activities:

- Interviews at corporate level, and review of underlying supporting documentation, to understand IFF's stakeholder engagement processes and materiality determination for the content of the 2017 Sustainability Report;
- Interviews with relevant staff at corporate and site level to understand and evaluate the reporting and data management systems and processes (including IT systems and internal review processes) used for collecting and reporting the selected data;
- A review of the internal indicator definitions and conversion factors;
- In-person visits to two sites (Benicarlo, Spain and Isando, Africa) and three web-based visits (Guangzhou (Flavors), China, Guangzhou (Fragrances), China and Zhejiang, China (water only)) to review local reporting processes and consistency of reported annual data based on sampling the underlying source data for each indicator. We interviewed relevant staff, reviewed site data capture and reporting methods, checked calculations and assessed the local internal quality and assurance processes.
- An analytical review of the data from all sites and a check on the completeness and accuracy of the corporate data consolidation.
- Year-end assurance activities at corporate level including the results of internal review procedures and the accuracy of the consolidation of the data for the selected indicators from the site data.



## APPENDIX

### THE LIMITATIONS OF OUR ENGAGEMENT

The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. Our assurance should be considered in this context.

### OBSERVATIONS

We have provided IFF with a separate management report with our detailed (nonmaterial) findings and recommendations. Without affecting the conclusions presented above, we have the following key observation:

- IFF undertook a materiality assessment in 2014 and has since conducted further stakeholder engagement which has been used in the development of their new sustainability strategy. In 2017, IFF conducted a materiality assessment associated with a newly acquired business area to capture any differences between the existing global material topics and any new topics resulting from the new business area. We recommend IFF to conduct a full materiality assessment of the entire global business in 2018 to ensure the reporting addresses all current material topics.



5 April 2018

**ERM CVS**  
Informed Assured

Jennifer Iansen-Rogers  
Head of Corporate Assurance Services

ERM Certification and Verification Services, London  
[www.ermcvs.com](http://www.ermcvs.com); email: [post@ermcvs.com](mailto:post@ermcvs.com)

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# GRI Content Index

GRI 102-54. GRI 102-55.

GRI STANDARD	DISCLOSURE	PAGE	
<b>GRI 101: FOUNDATION</b>			
<b>GENERAL DISCLOSURES</b>			
<b>GRI 102: GENERAL DISCLOSURES</b>	<b>ORGANIZATIONAL PROFILE</b>		
	102-1	Name of the organization	<b>15</b>
	102-2	Activities, brands, products, and services	<b>15</b>
	102-3	Location of headquarters	<b>15</b>
	102-4	Location of operations <sup>1</sup>	<b>16</b>
	102-5	Ownership and legal form	<b>15</b>
	102-6	Markets served <sup>2</sup>	<b>16</b>
	102-7	Scale of the organization <sup>2</sup>	<b>16</b>
	102-8	Information on employees and other workers <sup>14</sup>	<b>58</b>
	102-9	Supply chain	<b>19</b>
	102-10	Significant changes to the organization and its supply chain	
	102-11	Precautionary Principle or approach	<b>82</b>
	102-12	External initiatives	<b>21</b>
	102-13	Membership of associations	<b>21</b>
	<b>STRATEGY</b>		
	102-14	Statement from senior decision-maker	<b>2-3</b>
	<b>ETHICS AND INTEGRITY</b>		
	102-16	Values, principles, standards, and norms of behavior	<b>77, 83</b>
	102-17	Mechanisms for advice and concerns about ethics	
	<b>GOVERNANCE</b>		
	102-18	Governance structure	<b>77</b>
	102-30	Effectiveness of risk management processes	<b>81</b>
	<b>STAKEHOLDER ENGAGEMENT</b>		
	102-40	List of stakeholder groups	<b>29</b>
	102-41	Collective bargaining agreements <sup>3</sup>	
	102-42	Identifying and selecting stakeholders	<b>29</b>
	102-43	Approach to stakeholder engagement	<b>29</b>
	102-44	Key topics and concerns raised	<b>29</b>
	<b>REPORTING PRACTICE</b>		
	102-45	Entities included in the consolidated financial statements	<b>33</b>
	102-46	Defining report content and topic Boundaries	<b>26</b>
	102-47	List of material topics	<b>26</b>
	102-48	Restatements of information	<b>33</b>
	102-49	Changes in reporting	<b>26</b>
	102-50	Reporting period	<b>33</b>
	102-51	Date of most recent report <sup>4</sup>	
102-52	Reporting cycle	<b>33</b>	
102-53	Contact point for questions regarding the report	<b>35</b>	
102-54	Claims of reporting in accordance with the GRI Standards	<b>33, 93</b>	
102-55	GRI content index	<b>93</b>	
102-56	External assurance	<b>34</b>	

## APPENDIX

GRI STANDARD	DISCLOSURE	PAGE	
<b>MATERIAL TOPICS</b>			
<b>GRI 200 ECONOMIC STANDARDS SERIES</b>			
<b>ECONOMIC PERFORMANCE</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	42
	103-3	Evaluation of the management approach	42
GRI 201: Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change <sup>5</sup>	42
<b>PROCUREMENT PRACTICES</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	47
	103-3	Evaluation of the management approach	47
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers <sup>15</sup>	
<b>ANTI-CORRUPTION</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	77
	103-3	Evaluation of the management approach	77
GRI 205: Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	78
<b>GRI 300 ENVIRONMENTAL STANDARDS SERIES</b>			
<b>ENERGY</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	40
	103-3	Evaluation of the management approach	40
GRI 302: Energy	302-1	Energy consumption within the organization	40
	302-3	Energy intensity	40
	302-4	Reduction of energy consumption	40
<b>WATER</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28, 42
	103-2	The management approach and its components	42
	103-3	Evaluation of the management approach	42
GRI 303: Water	303-1	Water withdrawal by source	43
<b>BIODIVERSITY</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	28
	103-3	Evaluation of the management approach	28
GRI 304: Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas <sup>12</sup>	
<b>EMISSIONS</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	41
	103-3	Evaluation of the management approach	41
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	41
	305-2	Energy indirect (Scope 2) GHG emissions	41
	305-3	Other indirect (Scope 3) GHG emissions	41
	305-4	GHG emissions intensity	41
	305-5	Reduction of GHG emissions	41
<b>EFFLUENTS AND WASTE</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	44
	103-3	Evaluation of the management approach	45
GRI 306: Effluents and Waste	306-2	Waste by type and disposal method <sup>6</sup>	45

## APPENDIX

GRI STANDARD	DISCLOSURE	PAGE	
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	47
	103-3	Evaluation of the management approach	47
GRI 308: Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria <sup>13</sup>	47
<b>GRI 400 SOCIAL STANDARDS SERIES</b>			
<b>EMPLOYMENT</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	57
	103-3	Evaluation of the management approach	57
GRI 401: Employment	401-1	New employee hires and employee turnover	58
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	60
	103-3	Evaluation of the management approach	60
GRI 403: Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	60
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities <sup>7,16</sup>	61
<b>TRAINING AND EDUCATION</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	64
	103-3	Evaluation of the management approach	64
GRI 404: Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews <sup>8</sup>	64
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	62
	103-3	Evaluation of the management approach	62
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees <sup>9</sup>	
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	83
	103-3	Evaluation of the management approach	83
GRI 407: Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	83
<b>CHILD LABOR</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	83
	103-3	Evaluation of the management approach	83
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	83
<b>FORCED OR COMPULSORY LABOR</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	83
	103-3	Evaluation of the management approach	83
GRI 409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	83
<b>LOCAL COMMUNITIES</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components <sup>10</sup>	
	103-3	Evaluation of the management approach <sup>10</sup>	
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs <sup>10</sup>	52-53



## APPENDIX

GRI STANDARD	DISCLOSURE	PAGE	
<b>SUPPLIER SOCIAL ASSESSMENT</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	47
	103-3	Evaluation of the management approach	47
GRI 414: Supplier Social Assessment	414-1	New suppliers that were screened using social criteria <sup>13</sup>	47
<b>PUBLIC POLICY</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	80
	103-3	Evaluation of the management approach	77
GRI 415: Public Policy	415-1	Political contributions	80
<b>CUSTOMER HEALTH AND SAFETY</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	85
	103-3	Evaluation of the management approach	85
GRI 416: Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services <sup>11</sup>	
<b>MARKETING AND LABELING</b>			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	87
	103-3	Evaluation of the management approach	87
GRI 417: Marketing and Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	87

### COMMENTS

<sup>1</sup> Please see our [website](#) for a detailed map of our operating locations.

<sup>2</sup> See our [2017 Annual Report](#)

<sup>3</sup> IFF fully respects the rights of its employees to freely associate and bargain collectively in a legal, ethical and safe way. In 2017, 18.7% of our permanent employees were covered by collective bargaining agreements.

<sup>4</sup> The most recent previous report was IFF's 2016 Sustainability Report: *Circular by Design*

<sup>5</sup> See our most recent [CDP Climate Change response](#) for more detail.

<sup>6</sup> "Other waste" is defined as waste for which the disposal method is chosen by a third party provider of waste disposal services. Information about the disposal method for this category is not collected at the corporate level.

<sup>7</sup> There were no fatalities in 2017.

<sup>8</sup> We use an online performance management system that captures performance history, strengthens accountability and enhances transparency. In 2017, 99% of eligible employees, regardless of gender or employee category, used the performance management system and received performance reviews.

<sup>9</sup> IFF is governed by our Board of Directors. The Board of Directors is 75% male and 25% female. Our Executive Committee (EC) is chaired by our CEO and comprises IFF's most senior executives. The EC is 75% male and 25% female. Refer to our [Proxy Statement](#) for additional information on our Board and EC members.

<sup>10</sup> We discuss local community engagement in the context of our supply chain, where it is most relevant. As part of our responsible sourcing program, we have several initiatives to support communities where our ingredients are grown. See the [Responsible Sourcing](#) section of this report for more information.

<sup>11</sup> In 2017, we experienced an FDA mandated recall of consumer products as a result of raw material received and identified by us as containing contamination. While we do not believe that any of the affected raw material was included in our finished products delivered to the customer, as the delivered product included raw material of the same vendor lot that tested positive, the FDA, after being notified by us, initiated a recall of all consumer products including raw material from the affected vendor lot due to the potential for product contamination.

### OMISSIONS

<sup>12</sup> Not applicable. Biodiversity was identified in our materiality assessment as a material topic within our supply chain. While we have not assessed the proximity of our operating locations to areas of high biodiversity value, we are working to address biodiversity within our supply chain. We have initiatives to support reforestation with several of our ingredients, including a goal to have 100% of the palm oil used in our products to be RSPO-certified by 2020.

<sup>13</sup> Not available. We currently report on our progress in screening suppliers for environmental and social criteria by reporting the percentage of our supplier spend that have been assessed through EcoVadis or Sedex. We are currently evaluating our data systems to enable future reporting on this indicator for new suppliers.

<sup>14</sup> Not applicable. We do not report detailed information for temporary and part-time employees as they do not represent a material portion of our workforce (each category represents <10% of overall headcount)

<sup>15</sup> Not applicable. We source ingredients locally wherever we can. However, many of our raw materials can only be sourced from countries where they grow naturally. As such, this indicator is not a useful metric for our business.

<sup>16</sup> Not available. Types of injury and rates of injury, occupational diseases and lost days are included in our companywide occupational health and safety reporting. Absenteeism due to safety incidents is included in the lost days rate that we report. We do not report safety rates by gender at the global level due to privacy concerns. No fatalities were reported.

# Special Note Regarding Forward-Looking Statements

Statements in this Annual Sustainability Report, which are not historical facts or information, are “forward-looking statements” within the meaning of The Private Securities Litigation Reform Act of 1995. These forward-looking statements should be evaluated with consideration given to the many risks and uncertainties inherent in the Company’s business that could cause actual results and events to differ materially from those in the forward-looking statements. Certain of such forward-looking information may be identified by such terms as “expect,” “anticipate,” “believe,” “outlook,” “may,” “estimate,” “should” and “predict” similar terms or variations thereof. Such forward-looking statements are based on a series of expectations, assumptions, estimates and projections about the Company, are not guarantees of future results or performance, and involve significant risks, uncertainties and other factors, including assumptions and projections, for all forward periods. Actual results of the Company may differ materially from any future results expressed or implied by such forward-looking statements.

The Company intends its forward-looking statements to speak only as of the time of such statements and does not undertake or plan to update or revise them as more information becomes available or to reflect changes in expectations, assumptions or results.

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521 West 57th Street  
New York, NY 10019  
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COMMUNICATION ON  
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

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