

# **RESPONSIBLE SOURCING *POLICY***

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## 1. INTRODUCTION

EUROFRAGRANCE designs, manufactures, and provides fragrances to customers in the perfumery industry. The value we provide to our customers, meeting their needs and expectations, starts in our purchasing and procurement department, and includes our suppliers. To guarantee a sustainable source of products, services and materials, we evaluate internal and external factors such as environment, social or economic risks relating to cost, time, quality and safety.

At Eurofragrance we run a global supply chain, and in order to perform best practices throughout a responsible procurement policy, we have established minimum requirements and a basis to ensure the sustainable sourcing and procurement of materials. In doing so, we hope to promote and improve environmental and social conditions along our supply chain. Our procurement practices are intended to encourage actions that decrease the environmental and social impact of our activity.

In order to ensure progress and advances in the management of environmental, social and economic actions within our procurement processes and the supply chain, we present this policy, with the objective to promote sustainability and accelerate our commitments to environmental and social causes, by minimizing adverse impacts and when possible, adding value.

## 2. REFERENCE

Sustainable procurement for Eurofragrance is understood as all operating practices that concern ethical behavior, including environmental, social and economic factors, internally and in our business relationships in which we source our products and services bearing in mind our present needs without compromising our legacy to future generations.

Eurofragrance aims to cover the procurement area as drivers of sustainability and the processes involved in the supplier management; therefore, we create this policy from broader policies, codes and commitments within Eurofragrance available on our website. This responsible procurement policy is based on international standards, such as:

- ISO 20400; Sustainable procurement Guidance
- The Best Practice Guideline for Agriculture and Value Chain, from the Food and Agriculture Organization of the United Nations (FAO)
- 10 principles of fair trade of the WFTO World fair trade organization
- The Chemical Footprint Project
- CIPS Sustainable Procurement Review (SPR)
- Ecovadis Best practices
- IFRA – IOFI Sustainability Charter (The International Fragrance Association, through National Associations of fragrance and flavor manufacturers) Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

### **3. SCOPE AND GOVERNANCE**

Eurofragrance is committed to maintaining a sustainable and responsible supply chain, from supplier to customer. Therefore, Responsible Procurement Policy covers all our procurement areas, including buyers, administrative functions, staff involved and any department with direct relationship in contracting third-party services.

This policy is aligned with Eurofragrance's strategy, Sustainable Policy and business model, and will be the base for the procurement strategy and processes. These will influence all actions, programs and processes to reinforce commitment to sustainable procurement. We understand that some commitments are industry-specific and will depend on the supplier type or classification.

Sustainability at Eurofragrance implies the search for a balance between profitability, reducing costs, social development and the reduction of adverse environmental impacts from our operations and our supply chain. Therefore, Eurofragrance's Sustainability Committee in coordination with its Purchasing Department are responsible for the deployment and control of the actions and processes established in this policy. The committee is presided by the Chief Financial & Compliance Officer (CFO & CCO), with the participation of the Global Fine Fragrance Business Unit Director & General Manager IMEA, the Executive Assistant & Office Services Team Lead, the Global Technical Compliance Manager and the Global Purchasing Coordinator. And the directives of the Purchasing Department oversee the effective deployment of the commitments and the tracking and analysis of the different indicators or KPIs to measure the performance.

The Policy should be interpreted in conjunction with other existing internal management policies pertaining to sustainability, quality, environmental, as well as our codes addressing fraud, corruption, compliance and ethics. These documents commit us to excellence and respect for the environment and society along the value chain, with the objective of becoming a global leader in the creation and marketing of fragrances that promote well-being and happiness.

The principles and commitments established in this Policy are of general application to all cases where we interact with suppliers, subcontractors, external services, and/or where procurement processes are in place. Although the purchasing department leads its implementation, it must be taken into account in all business areas and involve the process of sourcing, procurement and supplier management.

### **4. PRINCIPLES AND OBJECTIVES**

This policy creates a framework and minimum requirements in procurement, covering all processes involved from the source until the final payment to our suppliers; it will be the base for supplier management and KPI measurement to be aligned with Eurofragrance and its corporate strategy. This policy aims to promote a sustainability mindset within our partners'

organizations and suppliers, while providing the best possible alignment and the right environment to generate shared value in the short, medium and long term. Following these basic principles of action will guide the management and Eurofragrance's actions in mitigating any environmental and social risks.

Procurement processes can make a difference in creating a more sustainable supply chain, as they can influence suppliers' actions and contribute to the sustainable global plan, by following these principles:

- Upholding the laws and regulations of the respective countries in which we operate, following the highest ethical standards of honesty and trust, ensuring the good reputation of Eurofragrance.
- Endorsing the highest standards of economic, social and environmental practices when it comes to procurement.
- Aligning with our current sustainability plan, strategy and initiatives.
- Sourcing and tracing our main raw materials.
- Identifying and decreasing the potential risks and hazards relating to procurement actions and our supply chain, through efficient supplier management systems.
- Promoting and communicating sustainability to our stakeholders internally and externally among our supply chain.
- Respecting and supporting the Framework Convention and the United Nations Trade and Human Rights Guidelines, including labor rights, in all economic activities.

## 5. COMMITMENTS

Eurofragrance is committed to integrating sustainability actions into all procurement processes and its supply chain. Applying best practices and appropriate social and environmental actions from supplier to customer. Eurofragrance presents through this policy its commitments and general objectives for our sustainable sourcing that meet with our procurement processes, respecting environmental, social and governance dimensions.

### Sustainable procurement processes

The aim of this policy is to integrate sustainable principles in procurement of both materials and services. This includes sourcing, selecting, contracting, remunerating as well as the distribution of Eurofragrance products. Hence our key objectives are to:

- Integrate sustainability as a core value for procurement processes.
- Involve all procurement areas especially buyers into the sustainability strategy.
- Train buyers and other staff members in charge of supplier management.
- Establish clear processes and actions throughout our procurement processes to settle responsibilities and KPIs, defining enablers, responsibilities and accountabilities.
- Promote the best actions within the purchasing and procurement department, its buyers and collaborators to ensure they share knowledge across the organization.

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### **Responsible supplier management**

Supplier management for Eurofragrance includes any process and interactions with third-party vendors that provide any goods and services. The management of suppliers aims to create maximum value and minimum risk for Eurofragrance. The inclusion of sustainability principles in our supplier management includes the following commitments:

- Implement sustainability criteria in negotiating contracts via the inclusion of sustainability, clauses or evaluation criteria.
- Create and implement measurement tools (KPIs, supplier scorecard, etc.) to track the targets of our sustainable supply chain.
- Perform audits or verifications in case the assessment has some improvement points, through third-party evaluators, in environmental, social and economic dimensions.
- Avoid discrimination with respect to the provision of products and services, including suppliers or business partners.
- Take actions when suppliers do not meet minimum requirements or don't provide any support when improvements are possible.
- Extend the commitment to sustainability to the supply chain and collaborate with suppliers, especially if single source supplier, strategic supplier or high-risk supplier.
- Prioritize purchasing from local suppliers, when possible, as packaging materials and office supplies.

Additional commitments have been established for raw materials and packaging suppliers:

- Establish a supplier classification and prioritization by level of investment to facilitate their management and adopt actions and procedures by this classification.
- Identify risks and potential hazards from our supply chain, to focus attention and resources on high-risk suppliers.
- Implement sustainability criteria in sourcing, through supplier homologation or supplier assessment in terms of sustainability and track their involvement.
- Implement a supplier evaluation, either performed by themselves or by a third-party, with environmental, social and health and safety criteria as an integral part of the evaluation process. The evaluation results shall include a score and action plan, listing areas of improvement.
- Analyze the traceability of the materials in the supply chain to determine the origin of the raw material and the country of production.

### **Supplier transparency**

- Punish any form of bribery, corruption, or conflict of interest regarding the relationship with suppliers, subcontractors or vendors.
- Abide by standards of transparency and good business practices to incorporate a culture of prevention regarding fraudulent actions.

- Implement the supplier code of ethics for all suppliers, subcontractors (services) and vendors, and measure their compliance.
- Understand the markets and regulation to uphold the legislations of the respective countries in which we operate in, e.g., REACH (Registration, Evaluation and Authorization of Chemicals).
- Ensure transparency across management systems.
- Provide a grievance system for suppliers, subcontractors and vendors to report any incidents, breaches, etc.
- Report publicly information pertaining to the number of total suppliers, investment and supplier evaluation and the breaches and corrective actions in place.
- Treat all information in accordance with current legislation.
- Comply with all applicable antitrust and competition laws that prohibit agreements or actions that unreasonably restrict trade, are misleading or lead to errors, or unjustifiably limit the action of competition without providing beneficial effects for consumers.
- Avoid violations of intellectual property and comply with the current legal framework on this matter.

### Environment in our supply chain

Environmental concerns, including those related to energy consumption, carbon footprint among others, are key topics for Eurofragrance. Our commitment is “do not harm, but doing good,” by implementing actions for a sustainable supply chain.

- Measure and request minimum environmental indicators from relevant raw material and packaging suppliers, such as waste, water, energy and carbon footprint and design a methodology to reduce their impact.
- Strive to implement measures to decrease our carbon footprint along the supply chain.
- Support the development of initiatives that reduce energy consumption within our supply chain.
- Implement measures to avoid any kind of over-exploitation, concerning Eurofragrance supply chain, if needed, ask suppliers for certifications or labels that guarantee a commitment to avoiding deforestation.
- Promote energy efficiency within processes and procedures, through the implementation of renewable resources of energy, such as solar panels.
- Guarantee compliance with current legislation related to vulnerable protected areas as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Safeguard the environmental and Human Rights criteria, if and when sourcing farmed/cultivated raw materials.
- Support suppliers in the implementation of best farming and harvesting practices, and purchase locally when and where possible.
- Switch to synthetic materials manufactured with green chemistry principles when and where possible.

- Encourage suppliers to implement their own quality and environmental management system or be certified with ISO 9001 and/or ISO 14001.
- Strive to increase reused and recycled products, supported by certification when and where possible.
- Introduce environmental criteria in the selection and purchase of all goods.

#### **Human Rights and health and safety within our supply chain**

- Comply with labor legislation and guarantee adequate and safe conditions.
- Assess our supply chain with regards to social rules, health and safety and ethical behavior to guarantee the protection of Human Rights.
- Encourage suppliers to implement their own health and safety management systems or be certified with ISO 45001.
- Promote the protection of labor conditions, diversification, minimum wages, zero discrimination, no forced work and child protection, within our supply chain.
- Measure and encourage the improvement of Human Rights and social practices within Eurofragrance supply chain, such as farming activities.

#### **Sustainable logistics**

- Incorporate environmental criteria in subcontracting logistics services when and where possible.
- Ensure that logistic partners follow the safety protocols for the shipment of dangerous goods established by Eurofragrance.

## **6. CONTROL & IMPROVEMENT PLAN**

Among the responsibilities of Eurofragrance's Sustainability Committee and Purchasing Department is the approval of the responsible procurement Policy, and any substantial modification made to it.

In conclusion, the Eurofragrance Sustainability Committee and Purchasing Department undertake to periodically review and monitor this responsible procurement Policy, adapting it to new organizational, environmental or market demands that may arise, as well as to communicate and implement it throughout the company and to stakeholders.

All Eurofragrance employees have the obligation to know, understand and comply with the provisions contained in this Policy regardless of the country or region where they are located. In addition, they must report any possible impact or non-compliance in the matter.

Eurofragrance promotes knowledge and compliance with the commitments established in this Policy, which will be permanently available on the website.

## 7. CONTACT

Any questions or suggestions about this Responsible Procurement Policy can be directed to the Eurofragrance Sustainability Committee at the email: [sustainability\\_alerts@eurofragrance.com](mailto:sustainability_alerts@eurofragrance.com)

## 8. CHANGE LOG

DATE	DOCUMENT VERSION	RESPONSIBLE	STATUS	DESCRIPTION OF THE CHANGE
October 2021	Version 1	Sustainability committee & Purchasing department	Approved	New document