

# ACATIS FAIR VALUE SPECIAL

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## Symrise AG – a sustainable visit report

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On 12 July 2023, the company is visited by the ACATIS Team consisting of fund management, marketing and the sustainability experts surrounding Dr. Leber. Their task - to take a closer look at portfolio company Symrise. Also: A lot of questions from a variety of areas, which CEO Olaf Klinger took the time to answer.

Symrise is a multinational manufacturer of scent and flavouring substances, and it increasingly determines what we smell and taste throughout the day - from shower gel and lemonade to gummy bears and brand perfumes, drugs and much more.

In 2003, the company was the result of the merger between two medium-sized traditional companies from the Weserbergland: Haarmann & Reimer and Dragoco. Since then, the company has been making great strides, with an average growth rate of 5-7% p.a. A big driver behind this development is the new "Petfood" division - an area that is growing quickly and that is not occupied by the other competitors.

Today, the former medium-sized company is a global group of companies with approximately 12,000 employees, and it joined the DAX in September 2021 as part of the expanded index. Despite this success, the company and the employees in Holzminden

come across as very down-to-earth.

It all began with vanilla, which used to be made on a synthetic basis and is now mostly made on a natural basis. It is still one of the main products of the group. Hence it is very likely that your vanilla ice cream (whether in a cone or cup) was made with Symrise flavouring. The company boasts a very wide-ranging and diversified product portfolio, with a product turnover of 10-20% a year. This adaptability helps the company manage times of crisis. With regard to the possible introduction of EU regulations, Symrise is also pushing the conversion from synthetic production methods to 100% natural flavouring substances. At this time, the ratio is already 80% of the products. Therefore oil-based products will be phased out.

Another food trend is the reduction of sugar and salt. In this context, e.g. sugar is replaced with more natural flavours rather than sweeteners that have a harmful effect on the body. A very challenging task. We were able to taste it ourselves in the candy lab.

Around the world, the company operates plantations that grow many different plant varieties for extracting natural flavouring substances, e.g. bananas, onions, lavender or grapefruit, which in turn can be used to

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produce numerous other flavouring substances.

A project in Madagascar involving the production of the valuable bourbon vanilla, which is native to the region, has existed for many decades. The sensitive flower only blooms one night and must be pollinated by hand to obtain the sought-after vanilla pod. A science in itself! For this reason, a training centre offers free training for local farmers, in order to secure yields and a good income for the families and communities. Symrise invests heavily in the local infrastructure of Madagascar, one of the poorest countries in the world. It needed roads as well as medical supplies, water and electricity.

However, in March of this year, Symrise and three other companies in the industry were suspected of price-fixing. The anti-trust authority confiscated documents without disclosing the reason for its suspicions. Symrise responded by submitting a complaint. A first interim result is expected in August. We will keep an eye on this issue and will report accordingly.

So far, Symrise's sustainability profile has been very orderly. With a total ESG score of 58, its performance is exemplary and often better than the sector. And it is supposed to get even better. The company has set very ambitious sustainability targets that are supposed to be implemented by 2025. They include, among others, a full conversion to natural raw materials, plastic substitutes (95%) or the construction of new "green locations" that are self-sufficient with regard to

electricity from renewable energy, and which also feature water management and recycling systems. Currently, Symrise already obtains all of its electricity from renewable energies and wants to become entirely climate-neutral by 2030.

Discussion of cosmetic products often bring up the issue of animal testing. In this context, Symrise's ratio is 2%. Mr. Klinger's answer was interesting in that this ratio is the result of EU regulations that Symrise believes are totally unnecessary. The company is in discussions with the EU Commission with regard to this issue.

Overall, the day was very informative and insightful, and confirmed that we have invested in a model company when it comes to sustainability. Keep up the good work..

Nicole Török  
ACATIS Investment KVG mbH

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