2017 Annual Report
Partnering for shared success

Givaudan

engage your senses

Givaudan at a glance
Our business in 2017

109
Locations worldwide

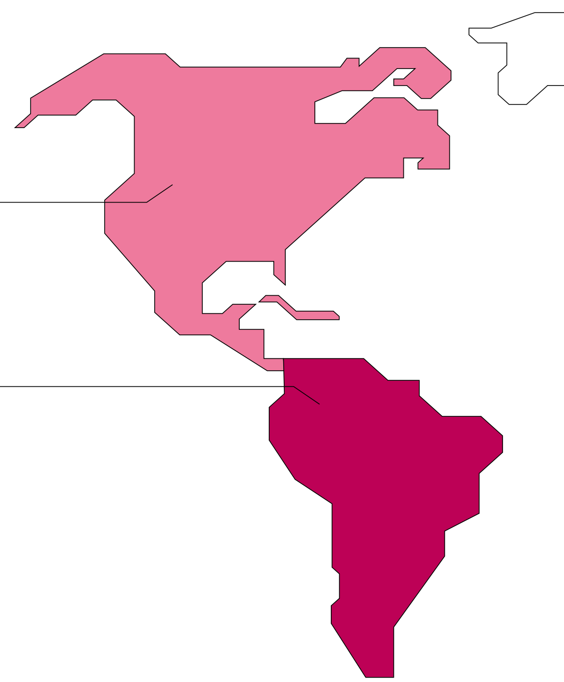
46
Production sites

424 million
R&D spend

11,170
Full time employees

Annual
sales in mature
markets
57%

Sales in North America
CHF 1,352 million
Production sites
9
Employees
2,231



Sales in Latin America
CHF 618 million
Production sites
6
Employees
1,471

Flavour Division

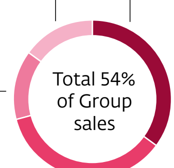
We make life taste delicious
We are dedicated to expanding the world's expression through flavours by bringing moments of delight with delicious flavour and taste experiences. Our customers – global, international, regional and local – are in the food and beverage industry and span across key segments including beverages, sweet goods, savoury, snacks and dairy. We explore the globe for ingredients, innovate to bring our customers unique propositions, and delight millions of consumers around the world.

www.givaudan.com – our company – about Givaudan

GRI Disclosure 102 – 6, 102 – 7

13%
Sweet goods
Confectionery
Baked goods
Sugar confectionery
Chocolate
Chewing gum

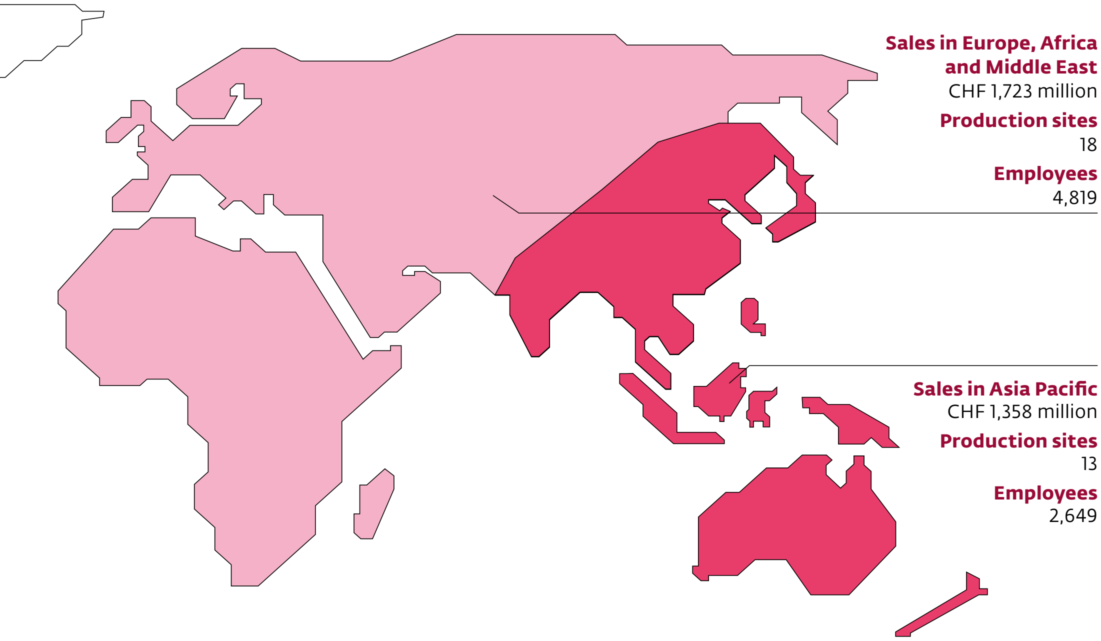
33%
Beverages
Soft drinks
Fruit juices
Instant beverages



15%
Dairy
Ice cream and yoghurt
Desserts
Yellow fats (margarines)

39%
Savoury
Ready-made meals
Snacks
Soups and sauces
Meat and poultry

19.2 million	GHG emissions	CDP score A	'A Sense of Tomorrow'
Hours worked safely	Science-based targets for 2030	Leadership level	A new sustainability approach



Annual sales in high growth markets

43%

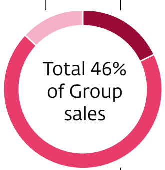
Fragrance Division

We live to perfume life

The artistry of our perfumers encompasses a myriad of scented stories for brands everywhere. Our customers – global, international, regional and local – serve end-consumer markets with fragrances for personal, home and laundry care brands as well as prestige perfumes, which bring pleasure to millions daily. And for nature-derived beauty performance, our Active Beauty offers an extensive portfolio of award-winning active cosmetic ingredients designed by teams that harness the power of nature for cutting-edge cosmetics.

13%

Fragrance Ingredients and Active Beauty



18%

Fine Fragrances
Signature fragrances
Line extensions

69%

Consumer Products
Fabric and personal care
Hair and skin care
Household and air care
Oral care

Performance highlights
Investing in the future

Sales of CHF 5.1 billion
up 4.9% on a like-for-like basis[1]

EBITDA of CHF 1,089 million

EBITDA margin of 21.6%

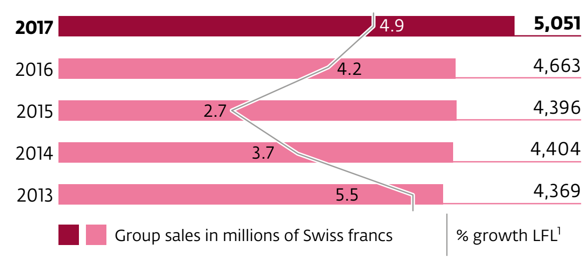
Net income of CHF 720 million
up 11.7% year-on-year

Free cash flow of 11.8% of sales

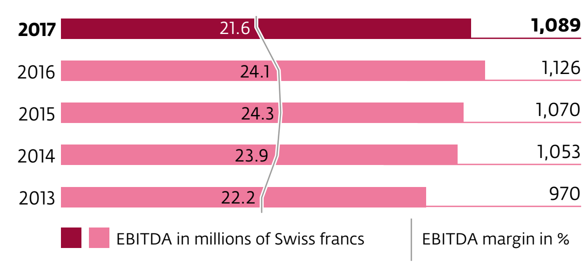
Proposed dividend[2] of CHF 58.00
per share, an increase of 3.6% year-on-year

1. Like-for-like excludes the impact of currency, acquisitions and disposals.
2. Subject to shareholder approval at the AGM on 22 March 2018.

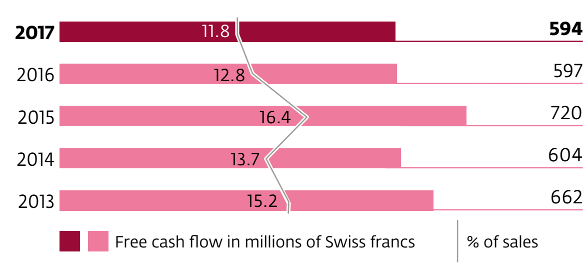
Group sales and growth rate



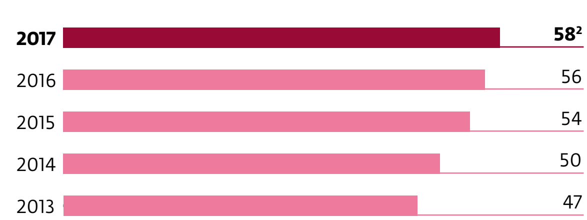
EBITDA and margin



Free cash flow



Dividend per share
in Swiss francs



2017 Annual Report
Partnering for shared success

True partnerships with our key stakeholders are crucial in creating shared success and a sustainable future.

In nurturing these partnerships and as part of our 2020 strategy, we are determined to continue our industry-leading investment in innovation by increasing our network of strategic partners and expanding our natural, sensorial and cosmetic capabilities. We invest significantly in our talent and foster a great place to work. Furthermore, we enhance our responsible sourcing in collaboration with our suppliers and embrace our responsibility to minimise our impact on the environment while strengthening the social and economic fabric of the communities in which we operate.

About this report
Presenting what matters most

> "Integrated Reporting, with its core aspect of value creation, offers the possibility of presenting what matters most."
>
> **Gilles Andrier, Chief Executive Officer**

We continue our journey towards Integrated Reporting based on the framework of the International Integrated Reporting Council, which offers a platform for presenting what matters most and communicating the value we create for our stakeholders.

Our priority is to provide clear, concise and meaningful information on the topics that are most important to our internal and external stakeholders and most material to our ability to create value. We have further integrated non-financial topics from our Sustainability Report.

References used in Givaudan reports

	References to Givaudan's Annual Report, Sustainability Report, or website
GRI	References to GRI Standards disclosures
SUSTAINABLE DEVELOPMENT GOALS	References to UN Sustainable Development Goals

Our commitment
This report is about how our Company's strategy, governance, performance and prospects lead to the creation of value in the short, medium and long term. The topics that are most material to our ability to create value over these periods form the basis of the disclosures in this report. We focus on showing how our financial and non-financial capital is transformed through our strategy to create value for our stakeholders.

Givaudan adheres to legal requirements, good corporate governance and follows best practices consistent with those of major international companies. All information in this report complies with the Swiss Code of Best Practice for Corporate Governance and the SIX Directive for Corporate Governance.

Our journey
We aim to offer a concise presentation of how our financial and non-financial capital contributes to our strategy, growth and business development. The chapter 'Strategic value creation' offers a view on how we create value and provides an overview of our key achievements in 2017.

Sustainability is important for our long-term financial and operational success, and is a key business driver and means of generating new value. In the report we have further integrated topics from our Sustainability Report, which will published separately on 20 March 2018.

We have further developed the concept of Givaudan's reporting suite. Icons mark the content that addresses GRI Standards, and the GRI index is listed at the end of this report. Where relevant, references to our Sustainability Report and website are included to ensure a full overview of the business, support the connectivity of information and avoid repetition. This year we have also identified which content is in line with the nine United Nations Sustainable Development Goals (SDGs) we believe we can have the most impact on.

What's next
As we continue moving to Integrated Reporting, we will further incorporate our sustainable development priorities and strengthen our reporting suite. We will regularly review the topics that are most material to our business to ensure they best reflect our value creation activities.

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Chairman's introduction
Creating value with our partners

Givaudan finished a successful second year of its 2020 strategy with strong business momentum. In 2017 we delivered solid topline growth and free cash flow generation, in line with our projected average 2020 financial targets.

On the basis of Givaudan's healthy performance in 2017, and its continued solid financial position, the Board of Directors will propose an increase in the dividend to CHF 58.00 at the Annual General Meeting on 22 March 2018. This is the seventeenth increase since our listing on the Swiss stock exchange.

The second year of our 5-year strategy cycle was marked by one of persistent external challenges in the market, requiring us to remain agile and adaptable. Raw material volatility continued, leading to higher prices in certain categories. In addition, consumers continued to demand more natural products, increasing expectations from our customers to develop more complex natural solutions. We take every challenge as an opportunity to expand and deliver long term value to our stakeholders. I have been impressed by the way in which the business is able to respond to these challenges, and continuously perform to remain the market leader.

The global economy is expected to continue to strengthen next year, with forecasts predicting 2.9% growth in 2018–2019[1]. Set against a more positive economic outlook, there will be continued headwinds from ongoing political, policy and economic uncertainties in many parts of the world. The widely documented global megatrends of a growing global population, increasing urbanisation and rising life expectation continue to have implications for the flavour and fragrance industry. Our 2020 strategy has been developed with these trends in mind, and I am confident we are in a strong position to take advantage of these opportunities afforded to us.

> I am confident we are in a strong position to take advantage of the opportunities afforded to us.

Being responsive to our customers' needs remains crucial, and in 2017 we made a number of investments to evolve our business. We started on our journey to implement Givaudan Business Solutions, the foundation of our 'Delivering with Excellence' pillar, which will allow us to deliver a superior customer experience. As part of our 2020 strategy to strengthen our offering for customers we acquired Vika B.V. and Activ International, and are successfully integrating these businesses into our portfolio. We also announced the acquisition of the Nutrition Division of Centroflora Group and are in exclusive negotiations with Expressions Parfumées. In line with our strategic ambition for high growth markets, we also continued to expand our footprint in India, Mexico, China and Singapore.

To support our growth ambitions, we focused many of our activities on our own Innovation programmes, particularly in the areas of naturals and biotechnology. Through ongoing connections and partnering with innovation ecosystems, we want to strengthen our external collaborations to identify

I have every confidence that Givaudan will continue its path of value creation in the years to come.

Calvin Grieder, Chairman

new opportunities and innovative solutions. Going forward, we will focus on exploring new business and engagement models with our partners, such as accelerators and incubators, to bring innovation faster to market. The impact of digitalisation provides many new opportunities to change the way we do business. In this area, we see ever more opportunities to harness the power of big data, and artificial intelligence to provide new products and new engaging experiences. The digital world also poses challenges around cyber security. We must respond by ensuring our systems are robust and keeping pace with the rapid developments in these areas.

We will continue with our strong focus on people development, ensuring we have a strong team at every level.

In 2017, Joe Fabbri, Head of Environment, Health and Safety (EHS) and Sustainability retired from the Executive Committee. Taking forward his responsibilities, Simon Halle-Smith, Head of Human Resources is now also responsible for EHS and Willem Mutsaerts will lead on Sustainability in addition to his Head of Global Procurement role. We also announced further changes to the Executive Committee in January 2018, as following a distinguished 23-year career at Givaudan, Mauricio Graber, President of the Flavour Division will leave Givaudan to take up the role of CEO at Chr. Hansen. We are fortunate to have a strong group of senior leaders and an excellent talent and succession programme at Givaudan, which has allowed us to appoint Louie D'Amico, currently Head of Flavours Americas, as the new President for the Flavour Division and a member of the Executive Committee, effective 1 April 2018. I'd like to extend my warmest thanks to both Joe and Mauricio for their significant contributions and many achievements at Givaudan.

We will continue with our strong focus on people development, ensuring we have a strong team at every level.

Looking forward, I have every confidence that Givaudan will continue along its successful path, growing with its customers, and delighting consumers with inspiring taste and scent experiences. Through organic growth, our active acquisition approach to find opportunities in adjacent spaces, and at the same time keeping our costs well managed, we are well positioned for the future and long term success.

Throughout the year, I've had the opportunity to meet many of our employees around the world, and I am very proud of the daily contributions made by each and every one of them to the success of Givaudan. My thanks and gratitude goes to my fellow members of the Board of Directors, the Executive Committee and all employees worldwide, for all of their hard work and support.

Finally, I would like to express my thanks to our shareholders and to you for your trust. Givaudan will continue with its long term value creation for all stakeholders in the years to come.

Calvin Grieder
Chairman

1. http://pubdocs.worldbank.org/en/997531493655496869/Global-Economic-Prospects-June-2017-Highlights-Chapter-1.pdf

GRI Disclosure 102 – 10

Chief Executive Officer's review
Building strong partnerships with key stakeholders

Gilles Andrier, Chief Executive Officer, answers our shareholders' questions about Givaudan's performance in 2017, achieving the second year of our 2020 strategy, and outlook on key priorities for 2018.

What were Givaudan's major financial achievements in 2017?

With a set of solid results in 2016, the first year of our 2020 strategy, we continued through 2017 to maintain good business momentum against a backdrop of an improving environment in the second half of 2017. Our topline growth, with sales of CHF 5,051 million, an increase of 4.9% on a like for like basis, and 8.3% in Swiss francs, as well as our free cash flow of 11.8% of sales are both in line with the average financial targets we set for 2020. Our growth is well balanced between our Flavour and Fragrance divisions. We also continued to make strong operational progress across all areas of our strategic pillars of our 2020 strategy.

What were some of the challenges and how did you overcome them?

While we welcomed an improved external market environment through the second half of 2017, overall the market still remains challenging, particularly with pressure from our customers serving markets with fast and ever changing consumer desires. The pace of change shows no signs of slowing, and it is our ability to adapt and embrace change that allowed us to navigate these challenges and find new opportunities.

Following a prolonged period of weak macroeconomic growth in mature markets, we were pleased to see a return to a positive growth performance in the mature markets of Western Europe, the United States and Japan. There was good momentum in a number of high growth markets such as Africa and Middle East, as well as in high growth markets in Europe. We saw an improving growth momentum in other high growth markets, particularly in the second half of the year, in China. We remain positive these high growth markets will continue to be an important contributor to our growth.

We continue to accelerate our local and regional customer strategy, build our capabilities with naturals as well with more integrated solutions, and invest in the business with further expansion of our footprint, particularly in high growth markets. Foundations were laid for our new fragrance production hub in Changzhou, China, which will substantially increase our manufacturing capacity in the Asia Pacific region. We opened a new creative centre in Mexico City, which will bring us closer to key customers and their markets, in this region. A new fragrance encapsulation centre in Singapore, will begin operations in 2018, to enhance our leadership in encapsulation technology and production capabilities. We also continued to invest in our new flavours savoury facility in Pune, India.

Our recent strategic acquisitions, complemented by our procurement strength in naturals, position us as our customers' naturals solutions provider.

We continued to to make strong operational progress across all areas of our strategic pillars.

Gilles Andrier, Chief Executive Officer

Consumer demand for naturals continues to grow, particularly for flavours, where 43% of consumers consider an 'all natural' claim important to their purchasing decisions. We continue to respond to this through our recent strategic acquisitions, complemented by our procurement strength in naturals, to position us as our customers' naturals solutions provider.

What role did acquisitions play in supporting customer growth in 2017?

Our approach to acquisitions is to identify companies that strengthen or complement our existing capabilities, and allow us to provide even more solutions for our customers. We reached three important milestones this year in the Flavour Division with the acquisition of Activ International, and Vika B.V. and the announcement of the acquisition of the Nutrition Division of Centroflora Group. This supports our commitment to provide customers with a broader range of flavour and taste solutions that match consumer demands for clean label, organic and natural ingredients. We also continued to make good progress with the integration of Spicetec which is already resulting in new business opportunities.

To expand the capabilities of our fragrance business, we entered into exclusive negotiations to acquire Expressions Parfumées, a French fragrance creation house with a strong portfolio of local customers. They are also the first perfume house to have obtained the French Origin Guaranteed label and are pioneers of natural fragrance compounds. With each of these acquisitions, it is important we manage the integration as smoothly as possible, and work together to build the businesses.

What progress was made with Givaudan Business Solutions (GBS)?

Ensuring every customer interaction is excellent at every touch point remains fundamental to our business, and our new GBS organisation supports us to achieve this. It is the foundation of our 2020 strategy pillar, 'Delivering with excellence.' Following an extensive design phase, we started the implementation of GBS in the summer of 2017, through a phased approach beginning with Europe and APAC. GBS will provide best-in-class business services and solutions that support the Company to further improve our operational efficiency, and increase our agility.

GBS will provide best-in-class business services and solutions that support the Company to further improve our operational efficiency, and increase our agility.

We officially opened our new GBS centre in Kuala Lumpur in December 2017, which is strategically situated in Malaysia to enable Givaudan to deliver a superior customer experience as we continue to grow in the region and work towards achieving our 2020 ambition. In addition to Kuala Lumpur, we continued with the ongoing setup of two other regional GBS delivery centres, in Budapest and Buenos Aires.

What role did partnerships play in the delivery of the 2020 strategy for 2017?

Our collaborations with innovators, suppliers, employees and the communities, in which we operate, drive responsible and sustainable growth.

We are working with a number of external collaborators to create value through innovation. We started MISTA, a programme that focuses on delivering services to start-ups primarily in the Bay Area of San Francisco, and expands our New Product Development business model. We continue to be a founding partner of MassChallenge Switzerland, which allows us to connect and collaborate with high-tech start-ups that could help us transform our business, and we are in discussions with several of this year's finalists. Our investment in Sensorwake, a French start-up company, supports our ability to offer new opportunities for fragrance experience with the world's first olfactive alarm clock.

We officially launched DreamScentz™, an exciting patent-pending technology, linking fragrance with improving people's quality of sleep. This new technology was developed from years of research in our Sensory Centre of Excellence in Ashford. Other technology successes in 2017 include FreezeFrame®, to capture freshness and add taste and vibrancy to convenience food, and Givaudan Active Beauty's newest ingredient PrimalHyal™ Gold was awarded Best Colour Cosmetics Ingredients at the Global Beauty Industry Awards.

How we partner with our suppliers is also a key part of our 2020 ambition. To build on our commitment to sustainable procurement practices, we introduced 'Sourcing for Shared Value', an approach covering three core areas of: Responsible Sourcing, Sourcing at Origin and Communities at Source. It reinforces our contribution to preserving the environment, stimulating the well-being of communities from which we source, and safeguarding resources for the long term.

Investing in our people is a critical part of ensuring sustained success, through developing the skills of our people, promoting a diverse workforce and succession planning, these all contribute to fostering a great place to work. Our Leadership Senses programme reached an important milestone this year, with all four programmes of Begin, Grow, Evolve and Enhance up and running. Over 600 leaders have benefitted from this specific focus on leadership needs. This also supports our focus on great succession and talent planning giving people interesting and varied career opportunities, and ensuring we can look within to fill key positions as the need arises.

With sustainability a key enabler of the 2020 strategy, how will 'A Sense of Tomorrow' support this?

Sustainable business is important for us, for our customers, consumers and wider society. We are consolidating efforts in three key focus areas: sourcing, innovation and the environment, under the umbrella framework of 'A Sense of Tomorrow'. By further building sustainable practices into the way we source materials, develop products and reduce our environmental footprint, Givaudan will be better able to meet our customers' needs today while anticipating ever-evolving challenges for our industry, our environment and society as a whole.

> For the third year, we received recognition from CDP for our climate action leadership, and in 2017 we were awarded an overall ranking of A.

As part of our commitment to deliver on our 'Road to Paris' commitments, we will implement ambitious new science-based targets (SBTs) to reduce greenhouse gas (GHG) emissions. We want to reduce GHG emissions from our operations and energy supply by 30% by 2030, while having a goal to reduce GHG emissions from our supply chain by 20% over the same period. We also want to increase our use of renewable electricity and have committed to sourcing 100% electricity from renewable sources by 2025. For the third year we received recognition from CDP for our climate action leadership, and in 2017 we were awarded an overall ranking of A. We became a member of the World Business Council for Sustainable Development (WBCSD), working with over 200 leading businesses to transform global food systems.

What are the priorities for the business in 2018?

We remain focused on continuing along the path of delivering our 2020 strategy, being mindful of the shifting market environment and maintaining our customer focused mindset.

Responding to the rapidly evolving consumer preferences, and working with our customers, we will help them to make their brands desirable and successful. As required, we will pursue opportunities to acquire companies that further strengthen our capabilities. We will continue with the implementation of GBS, which will allow us to create the additional financial resources needed to continue growing with our customers in the years to come.

Responding to the rapidly evolving consumer preferences, and working with our customers, we will help them to make their brands desirable and successful.

Harnessing our culture of innovation will remain critical to ensure we provide our customers with the innovations they need, as well as find ways to do things differently to remain the market leader. We see many opportunities arising from digitalisation, in creating differentiated services and new ways of working with customers, partners and employees.

Our people are at the heart of our business, and we will continue to create a great a place to work where every employee is able to contribute to our success. This is supported by our strong and effective succession planning enabling us to appoint very experienced leaders from within Givaudan, and ensuring we are able to successfully execute our 2020 strategy.

2018 will mark our 250 years heritage of engaging people's senses, and our raison d'être remains, to inspire emotion through our creations every day, everywhere, as we strive for a better tomorrow.

I am excited about the year ahead, and continuing our journey to deliver our 2020 strategy.

Gilles Andrier
Chief Executive Officer

Market trends and business environment
Being agile in a fast-changing environment

Agility and flexibility in today's environment enable us to offer a superior customer experience and deliver on our 2020 strategy.

Givaudan delivered a healthy financial performance in 2017 and continued to make significant investments for future growth across the key areas of its business. We are proud of our agility and flexibility in understanding and anticipating the trends in the markets in which we operate.

Market environment
As the global business scene emerges from a prolonged period of weak macroeconomic growth in mature markets, there remain pockets of volatility in both political and economic terms, particularly in selected high growth markets. However, in 2017 there was a pleasing return to a positive growth performance in the mature markets of Western Europe, the United States and Japan.

For Givaudan, high growth markets will continue to be an important contributor to our future growth and we remain positive about these markets. There was good momentum in a number of high growth markets such as Africa and Middle East, as well as in high growth markets in Europe. We saw an improving growth momentum in other high growth markets, particularly in the second half of the year, in China.

Today, 60% of the world's people live in Asia and within seven years the population of India is expected to surpass that of China, when China's population will be 1.4 billion and India's 1.5 billion. This burgeoning growth is an important opportunity for Givaudan.

Technology and innovation drivers
The digital world holds exciting opportunities for us to offer differentiated services and new ways of working with customers, partners and employees. Internet of things, big data, social media and predictive analytics are changing the way we do business, and understanding these opportunities allows us to adapt with agility.

Our Information Management and Technology (IM&T) team seeks to leverage business opportunities stemming from the rapid digital evolution, quickly deploying innovative digital technologies across all areas of our business, with an increasing focus on the opportunities in robotics and artificial intelligence.

The rise of cybercrime has been rapid, and protecting our business environement is a top priority for our IM&T and Enterprise Risk Management teams.

The innovation challenge faced by Givaudan is the sheer speed of change: by the time our customers bring a product to market, consumers are often already seeking something even newer – not only new products, but also new engaging experiences. Yet innovation is more than simply creating something new; for us it is about doing things differently, and doing them better and before the competition. Our culture of innovation drives us and provides our customers with the innovations they need.

Societal developments
In a world of continually changing consumer desires and customer needs, it is essential for us as a business to remain agile and flexible. We monitor the global megatrends that have the most significant impact on our business and the flavour and fragrance industry to ensure that we can anticipate changes. These include the growing consumer base, people living longer and more environmentally aware and responsible lives, and in an increasingly connected world.

www.givaudan.com – investors – vision and strategy – market trends

Regulatory environment

There have been significant regulatory changes in the flavour and fragrance industry in recent years as authorities respond to consumer demands for greater transparency of the ingredients used by the industry. These changes impact our customers and their consumer products, and we work closely with them so they may better understand the impact of the changes on their products.

We invest considerable resources and capital to meet both new and existing regulatory requirements and ensure globally compliant and safe products. Developing regulations are also monitored so we can manage their potential impact and guarantee compliance of our products.

We are advocates for our industry through the support of regulatory developments which are science-based and in the best interests of consumers, and we support international industry associations including the International Fragrance Association (IFRA) and the International Organization of the Flavor Industry (IOFI).

Sustainability approach

Our sustainability approach covers all aspects of Givaudan's business. We have aligned our approach with the United Nations Sustainable Development Goals (SDGs), the framework that encourages businesses, governments and other organisations to address the world's most pressing challenges.

In 2017, we published 'A Sense of Tomorrow', a consolidated approach to shaping a sustainable future for flavours and fragrances. It represents our commitment to working with employees, customers, suppliers, producers, local communities and many other stakeholders around the world. We created 'A Sense of Tomorrow' by focusing on Givaudan's most material sustainability issues and identifying nine SDGs where we can have the greatest impact. Under this approach we will focus on three areas: sourcing, innovation and the environment.

'A Sense of Tomorrow' gives us a clear roadmap and an opportunity to show leadership. We will focus on the three areas with new tools, frameworks, expertise, targets and ambitions to better address and raise expectations, helping us to be our customers' partner of choice.

www.givaudan.com – sustainability – sense of tomorrow

Environmental commitments

Consumers around the world are increasingly aware of issues concerning climate change, the scarcity of resources and the need to reduce waste. With these issues in mind, we will continue our work to reduce the environmental impact of our activities and create innovative new products that bring social benefit to consumers.

We are committed to continuing the development of our capabilities in this area and seek to apply them at every opportunity. For example, our expertise in green chemistry and techniques such as biocatalysis enables us to make products high in purity and yield through the use of less energy and fewer waste materials.

We are fully committed to excellence in climate action and are implementing an ambitious agenda to take action for the environment across our operations and beyond. We have built our climate action agenda on ambitious greenhouse gas (GHG) emission reduction targets. Givaudan's targets have been approved by the independent Science Based Targets initiative in alignment with the global effort to keep a temperature increase below the two-degree threshold, a key goal of the 2015 Paris Agreement on climate action. Our commitment helps many of our key customers reach their own GHG reduction targets while offering them the added assurance that their supply chains are secure today and fit for the future.

Industry trends

The Research and Markets report of March 2017 forecasts that the global flavour and fragrance industry will grow at a CAGR of 4.2% from 2017 to 2022. The report also says the main drivers of growth will be the increasing disposable income among the middle classes, changing consumer preferences, and a growing awareness among customers about buying products that contain natural ingredients.

Sales by the global industry were estimated to be $24.5 billion in 2016, up from $24.1 billion in 2015, according to Leffingwell & Associates, which also estimated the market share of the top 11 companies in the industry to have grown from 75.4% in 2015 to 78.0% in 2016.

The industry trend is for companies to diversify their portfolios by adding adjacent categories, products and applications, as well as complementary corporate structures. There have been no major mergers and acquisitions in recent years, although smaller acquisitions and partnerships continue to be a feature for companies seeking growth in adjacent areas.

Our acquisitions over the last three years have been opportunities to grow our business both within and beyond our core fragrance and flavour capabilities, for example by expanding our offerings in naturals, integrated solutions and Active Beauty.

Market share

The flavour and fragrance industry has grown steadily in recent years and the total market value is estimated to be worth approximately US $24 billion.

The top four players are Givaudan, Firmenich, IFF and Symrise, with Givaudan the industry leader with annual sales of CHF 5,051 million.

Strategic value creation

Our vision

To inspire emotion through our creations every day, everywhere, as we strive for a better tomorrow.

Our mission

Together with our customers, we craft memorable experiences that bring moments of delight to consumers.

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4.9% sales growth

like-for-like, excluding the impact of currency, acquisitions and disposals

11.8% free cash flow

as a percentage of sales

Start-ups targeted

MISTA programme started: focus on delivering services to start-ups and expanding our New Product Development business model

Delivery systems expanded

Seven additional patents granted and six newly filed

Leadership capabilities strengthened

over 600 leaders benefitted from the programme's focus on specific leadership needs

Our business model
Value creation at Givaudan

Capital input → Value enhancing strategy

Financial capital
– Equity of CHF 3,538 million
– Free cash flow 11.8% of sales

Safeguarding our reputation
– Highest ethical standards in our interaction with all our stakeholders
– Our values embodied in our Principles of Conduct

People and talent
– Leadership development at all levels
– Commitment to ensuring a diverse workforce
– Annual benchmarking studies for a competitive compensation offering

Innovation and Science & Technology
– Research and development investments of CHF 424 million
– Worldwide, 481 employees in Science & Technology
– Founding partner of MassChallenge, Switzerland

Operations
– 46 production sites in 22 countries
– Sourcing over 10,000 raw materials

Internal control mechanism

External	Financial and macro-economic	Megatrends

2017 Annual Report – our business divisions – cover flap
– our vision and mission – page 12
– our value chain – page 16
– our strategy – page 18

GRI Management Approach (103–2, 103–3): Topic 201, page 14–15
Disclosure 413–1, page 15

Value creation for our stakeholders

Outcome 2017

Value creation for our stakeholders	Outcome 2017
Customers – Delivering innovation and sustainable products to our customers – Responsible Sourcing Policy since 2016, and we aim to have 90% of our raw materials volume of natural origin to be sourced responsibly by 2020 – True partnership at each step of the value chain – Expanding our global presence to ensure customer proximity	Enhancing our position in naturals capabilities with the acquisitions of Activ International and Vika B.V. Opening of new creative centre in Mexico City and GBS centre in Kuala Lumpur
Employees – A diversified and fairly compensated workforce empowered to impact their world – Our leaders are equipped and trained for the future through targeted leadership programmes – Targeted technical and functional skills development and trainee programmes – Strong talent and succession planning offering broad career opportunities	11,170 jobs worldwide 600 leaders nurtured through the Leadership Senses programme Since 2012, 90% of top positions are internally staffed
Shareholders – Seventeenth consecutive increase in the dividend since our listing on the Swiss stock exchange[1] – Increase in share price	CHF 58.00 proposed dividend[1] CHF 20,794,035,672 market capitalisation
Innovators – Driving cross-divisional synergies and choices across innovation portfolios – Creating value through innovation to support customers today and tomorrow – Establishing strategic partnerships in different innovation ecosystems – Exploring business applications enabled by new digital trends	MISTA programme started: focusing on delivering services to start-ups One-time investment in Sensorwake A three-year collaboration with CentraleSupélec
Suppliers – Long-term partnerships and direct presence and collaboration in countries of origin with producers and suppliers – Partnering with suppliers to reduce the carbon footprint of purchased goods and services – Unlocking capabilities through supplier-enabled innovation in order to boost our mutual innovation power	SOMAVA, a new joint venture agreement with Henri Fraise & Fils. 100% of our Madagascar vanilla beans from 2017 harvest will come from this new JV Supplier partnerships and long-term agreements to secure supply and reduce price volatility
Communities – Supporting local communities from which we source through social and environmental projects – Local Green Teams engaged in social activities in the communities in which we operate – Supporting the Givaudan Foundation to safeguard the future of communities and their fragile environment	Fair for Life certification for our clove leaf oil production Active Green Teams on 61 Givaudan sites A total of CHF 1,503,925 was directed to charitable spending for local communities

Internal control mechanism

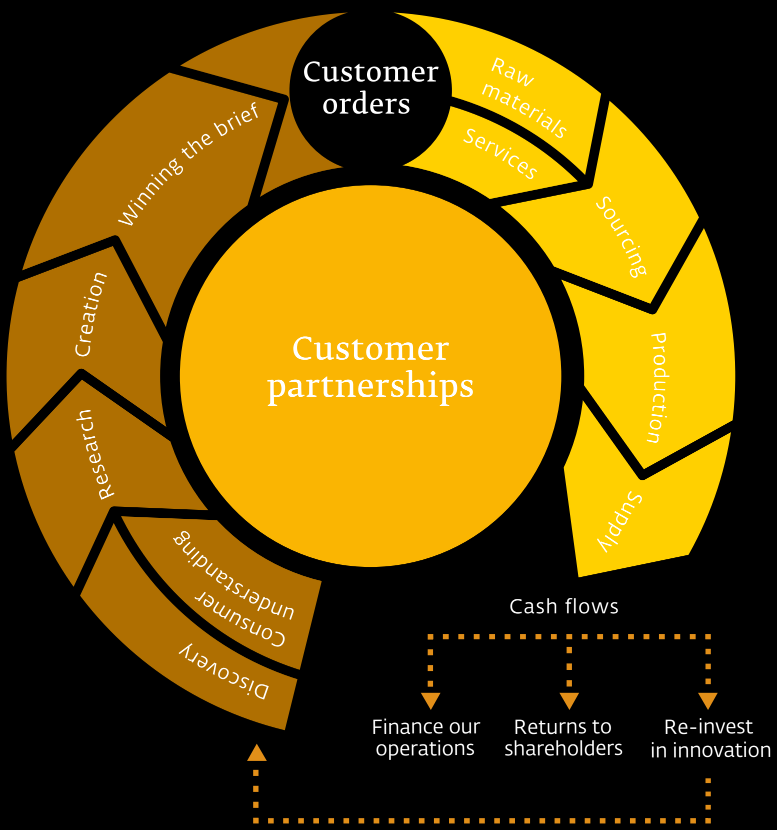
Sustainability **Regulation**

1. Subject to shareholder approval at the AGM on 22 March 2018.

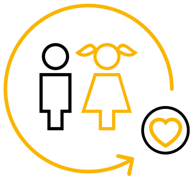
Our value chain
Focusing on our customers

We aim to deliver innovative, sustainable and high quality products to our customers, creating value through a superior customer experience.

Our 2020 ambition of 'Responsible growth. Shared success.' is a common goal that is about creating and sharing success with our customers. For us, success depends on how we best place our customers at the centre of our strategy, our execution and our day-to-day activities. We seek to be recognised by our customers for the way we truly engage with them across all touch points in our value chain. We know the importance of being able to customise to the needs of our global, international, regional and local customers.



Our capabilities
Delighting consumers with creative solutions



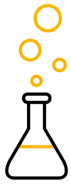
Consumer understanding

We travel the minds and lives of consumers around the world to create uniquely relevant and differentiated tastes and scents for our customers' brands

Global team experts in category understanding, cultural insight and sensorial decoding

Insights across countries, life-stages and gender

Agile global consumer-testing network



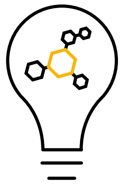
Creation

We are motivated every day to inspire delight and touch consumers' emotions

A team of passionate flavourists and perfumers

Close partnership with our customers

Unique product palette and ingredients



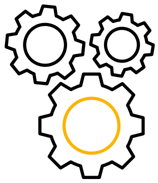
Innovation

Our culture of innovation drives us to enhance our competitive advantage sustainably, create new horizons for our business and offer leading-edge solutions to our customers

Pioneering research and development teams

Focus on the science of taste and smell

Broad product offering for diverse customer portfolio



Operational excellence

Our global operations and rapid speed to market make us a partner of choice, at our customers' service wherever they may be, whenever they need us

Global spread of operations, with local presence allowing rapid speed to market

Supply chain excellence, addressing customers' needs

Sustainable sourcing of raw materials

Our 2020 strategy
Responsible growth. Shared success.

Our 2020 ambition is about creating value for our stakeholders through sustainable and responsible growth and about shared success.

Being the partner of choice for our customers is a strategic ambition, and the measure of this ambition is the value we create with customers through sustainable, responsible growth.

Part of being the partner of choice is shared success with our employees, suppliers, and our partners in science and technology, all of whom are critical in delivering on this ambition.

Our 2020 ambition is to create further value through profitable, responsible growth by building on the three strategic pillars of growing with our customers, delivering with excellence, and partnering for shared success. This growth ambition translates into financial targets of an average 4 – 5% sales growth and an average 12 – 17% free cash flow over a five-year period by 2020.

Two years into our strategy, we remain on track to achieve our financial targets and continue to make strong operational progress in each of our strategic pillars.

4 – 5% Average organic sales growth[1]	12 – 17% Average free cash flow as % of sales[1]	Partner of choice
Growing with our customers	**Delivering with excellence**	**Partnering for shared success**
High growth markets; Health and well-being; Consumer preferred products; Integrated solutions	Excellence in execution	Innovators; Suppliers; People; Communities

1. Over a five-year period by 2020

Growing with our customers
Leveraging capabilities to drive success

4.9% Organic sales growth

With customers at the heart of our business, we leverage our knowledge of markets and consumer preferences to help customers grow their brands.

We set an ambitious financial target of 4 – 5% average organic sales growth over the five-year period by 2020, and are well on track in 2017 with sales of CHF 5,051 million, an increase of 4.9% on a like-for-like basis.

High growth markets

We focus our resources on further building our presence in markets where we see high growth opportunities and can accompany our customers in growing their business.

Key achievements in 2017:

– **Celebrating Silver Jubilee in Singapore.** Our site in Singapore celebrated a great milestone: 25 years of success and achievement in the market.

– **New fragrance encapsulation centre in Singapore.** With foundations laid and operations expected to start in 2018, the centre will enhance our leadership in encapsulation technology and production capabilities.

– **Fragrance Creative Centre opened in Mexico City.** Strategically situated close to key customers and their markets, the new centre offers expertise in fragrance creation together with custom-built fragrance evaluation services.

– **China fragrance production hub.** Foundations were laid during the year for our new facility in Changzhou, Jiangsu province, which will substantially increase our manufacturing capacity in China. With a total investment of about CHF 100 million, it is our largest investment in China to date.

Success story

Celebrating a flagship site

Since opening in 2012, our Makó manufacturing facility in Hungary has enabled us to meet increasing customer demand for speed, agility and quality. With its large capacity of production and its high level of automation, the site has reached new standards in delivering with excellence for our customers.

Celebrating five years of operations, Makó has achieved many milestones in key areas such as service, quality, cost, safety and sustainability. The site not only represents Givaudan's leading position in the industry, but also demonstrates to customers how we constantly strive to deliver a superior customer experience.

Givaudan Flavour production site, Makó, Hungary

Success story

Cultivating innovative thinking and sharing

Our new Fragrance Creative Centre in Mexico City provides an environment that cultivates innovative thinking, sharing and collaboration while bringing us closer to key customers and their markets.

With about 2,800 square metres of space, the new centre hosts our creative and development teams, application and technology labs, marketing and consumer market research, as well as our commercial teams for Mexico and Central America. It will play an important role by offering expert craftsmanship and a deep knowledge in fragrance creation together with custom-built fragrance evaluation services to deliver the finest quality perfumes.

Our business in Mexico began in 1949 and since then we've been innovating and developing as consumers' tastes change and evolve. Today, by enhancing our creative capabilities in Mexico and Central America, we are supporting long-term business growth in the region, a key market in our 2020 strategy.

New Fragrance Creative Centre, Mexico

Health and well-being

There are many opportunities for us to provide customers with solutions to help them meet the increased demands of consumers around nutrition and healthier lifestyles.

Key achievements in 2017:

- **Taste attributes playing a key role in the success of healthy products.** We made significant headway supporting customers in many areas of taste including thinking beyond sugar replacement, and advancements in taste technologies to deliver delicious plant and dairy proteins in nutritional beverages and meat analogues.
- **Awards for Revivyl™.** We made progress with microbiome, winning two major industry awards for a unique microbiome-based ingredient and gaining market success.
- **Partnership with Draco Natural Products.** A strategic partnership was established for the development of a new proprietary line of bioactive botanical ingredients, based on Chinese traditional medicine, for our Active Beauty business. Draco's expertise in effective naturally derived products will bring innovative solutions to our ingredients portfolio.
- **BisaboLife™ launched by Active Beauty.** This sustainable molecule, produced by an exclusive fermentation process, is fully bio-sourced and cares for a sensitive skin and scalp.

Success story

Thought leadership in sustainable foods

We have a comprehensive strategy addressing growing need and demand for natural ingredients, clean labels, sustainability and products that support health and well-being, with a strong focus on Naturals.

Part of communicating our expanding Naturals capabilities and thought leadership in this area was through sponsoring and presenting at the four Sustainable Foods Summits during 2017 – in San Francisco, Amsterdam, São Paulo and Singapore – where we had the opportunity to contribute to discussions on key sustainability topics with senior executives from across the industry. This partnering for shared success will help us to grow with our customers, a key pillar of our 2020 strategy.

Success story

Beauty from the natural world

In our search for sustainable alternatives for the beauty market, we have launched a new ingredient that is fully bio-sourced and takes care of sensitive skin and scalp by fortifying and soothing the skin while restoring its comfort.

BisaboLife™ meets demands from consumers who are increasingly integrating health and well-being into their daily lives and are aware of sustainability concerns. For our customers, it provides an innovative solution to meet these demands by allowing them to replace ingredients from unsustainable sources. Brands love this new biosourced and natural soothing material which helps care for consumers with sensitive skin.

The new ingredient brings together our knowledge and expertise in science and technology to innovate responsibly, and we are committed to developing new and innovative products for our customers that respect sustainable processes as well as the environment.

Success story

Reinventing citrus

The citrus family is an important part of our perfumers' palette, and we are re-inventing these ingredients to provide building blocks for our creative teams so they can be even more inspired.

We have modernised this olfactive family by sourcing the best qualities at origin and combining them with our creative approach of crafting with purpose. And we have combined different crafting techniques to deliver an olfactive vision for our perfumers, resulting in an exclusive citrus collection appealing to customers for its differentiation of top notes to base notes.

Consumer preferred products

We put customers at the heart of what we do, making them feel valued, confident and understood. We are a true partner at each step of the creation and value chain.

Key achievements in 2017:

- **Expanding our natural flavour portfolio.** Our procurement strength in naturals and our existing knowledge base and expertise in natural flavourings combined to position us as our customers' naturals solutions provider.

- **Creating awareness in naturals.** Unique posts about naturals were shared across all of the Company's social media channels as part of Flavour Division's digital campaign, designed to showcase our expanding capabilities in natural flavours and natural food solutions.

- **Condé Nast partnership.** We trained students in fragrance appreciation and understanding at Condé Nast's Center of Fashion & Design in Shanghai, engaging Chinese consumers in the universe of perfume.

- **Reinventing citrus.** We source the best qualities of citrus essential oils from Italian suppliers and with innovative crafting technologies to create new exclusive ingredients: seven ingredients have been added to our perfumers' palettes bringing new olfactive signatures to consumers from fizzy green notes to long lasting citrus effect.

- **Negotiations to acquire Expressions Parfumées.** This acquisition will expand our presence with local and regional customers, and grow our capabilities in natural ingredients.

Success story

Consumers demand naturals

Naturalness is an important demand driver in today's FMCG markets, with consumers increasingly looking for products they can trust from recognised natural sources.

Natural flavours make up a large part of Givaudan's global flavour sales, and over 90% of our innovation resources are dedicated to research in naturals. Sales of natural flavours are growing rapidly with 43% of consumers considering an 'all natural' claim important to their purchasing decisions.

Our recent strategic acquisitions, procurement strength in naturals and existing knowledge base and expertise in natural flavourings make us our customers' naturals solutions partner.

Integrated solutions

We look at opportunities to grow our business through ways that go beyond our core flavour and fragrance capabilities, enhancing the Company's value proposition to customers and creating new avenues for growth.

In 2016 we completed the acquisition of Spicetec Flavours & Seasonings, strengthening the breadth of our industry-leading natural ingredients, flavour and taste solutions. In 2017 we further continued to expand our capabilities in naturals and integrated solutions, bringing added value to customers. These acquisitions included:

- **Activ International,** acquired in January, which strengthens our capabilities in natural savoury solutions and extracts;
- **Vika B.V.,** acquired in September, which extends our portfolio of natural dairy solutions and extracts;
- **Centroflora Nutra,** the nutrition division of Centroflora Group, which will further build our global offering of natural extracts and expand our presence in Brazil. We announced our intention to acquire this company in September.

Success story

Growing our portfolio beyond flavours

Givaudan seeks to ensure responsible growth and shared success for shareholders, customers and all key stakeholders. Part of this growth strategy is integrated solutions and naturals, where we can grow our business in ways that go beyond our core flavour and fragrance capabilities.

In naturals, for example, our existing knowledge and expertise in natural flavours has been strengthened even further with the recent acquisition of companies that bring complementary capabilities to enhance our customer offerings.

The portfolios of these companies – Activ International, Vika B.V. and Centroflora Nutra – strengthen our Company's value proposition to customers and enable new opportunities for growth in our natural flavour offerings. For Givaudan, Activ brings a range of natural and organic flavours; Vika brings a broad set of natural dairy and savoury solutions; while Centroflora Nutra brings manufactured botanical extracts and dehydrated fruits.

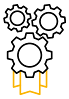
It's all part of our strategy of growing our business through naturals and integrated solutions.

Delivering with excellence
Driving excellence across the value chain

11.8% **Free cash flow as % of sales**

With customer needs in mind, we drive excellence across the value chain in delivering our products, services and business processes.

We have set an ambitious financial target of 12–17% average free cash flow as a percentage of sales and, with 11.8% free cash flow in 2017, we are on track to achieve our 2020 target.



Excellence in execution

Givaudan Business Solutions
Givaudan Business Solutions (GBS) is the foundation of our commitment to deliver with excellence and is designed to improve internal efficiencies, leverage best practices from across the organisation and increase our agility. GBS will enable us to offer our customers a superior experience and contribute to meeting our 2020 financial targets.

We have a comprehensive approach supporting the organisation during GBS implementation, and we are building on our strong position to create the structure that best fits Givaudan, doing so progressively over the next three years.

Key achievements with GBS in 2017:

- **Implementation started.** We started the implementation of GBS for pilot sites in Europe and for a limited scope of activities in Asia Pacific.

- **Activities moved.** The activities of the former Givaudan Finance Services were moved into GBS, with the Budapest and Buenos Aires locations established as the GBS centres for Europe and the Americas respectively.

- **Asia Pacific centre opened.** Kuala Lumpur, Malaysia is the location of the GBS centre for the Asia Pacific region. The centre was inaugurated in December 2017.

Success story

Welcoming our new GBS delivery centre in Kuala Lumpur

We officially opened our new Givaudan Business Solutions (GBS) delivery centre in Kuala Lumpur at the end of 2017. The centre is strategically situated in Malaysia to take advantage of its talent and technology.

Initially focusing on finance and procurement services, the centre will begin implementing the full range of GBS activities in 2019 and be home to the business services and solutions that will form a platform for the Company's growth in this region.

New GBS delivery centre in Kuala Lumpur

Information Management & Technology (IM&T)
As part of GBS, our IM&T teams offer continued support to our business. By optimally leveraging digital trends and technology, they develop differentiating services and new ways of working with our customers, partners and employees. This is achieved by using state-of-the-art technologies in processes such as supply chain, master data management and procurement to make them faster and smarter.

Key achievements for IM&T in 2017:

- **CentraleSupélec collaboration.** We established a three-year partnership with this French institute of research and higher education in engineering and science which will focus on data science applied to our world of taste and smell.

- **GBS enablement.** We were able to offer GBS the best of starts, thanks to the delivery of digital solutions in areas such as advanced planning and service management, leveraging artificial intelligence and robotics process automation techniques.

- **Soliance, Libragen, Induchem France and Spicetec integrated.** These recently acquired companies were integrated into Givaudan systems, in support of our 2020 strategies.

- **Educative beauty app developed.** A new app for Active Beauty is to be used by experts to share Company advances in scientific expertise with customers and consumers worldwide.

Superior customer experience
From innovation to sales, our business divisions drive initiatives to ensure we deliver with excellence and offer a superior customer experience.

Key achievements in 2017:

- **Superior Customer Experience (SCE).** Our Flavour Division introduced SCE, engaging all employees through an SCE programme. SCE is about making our customers feel valued, confident and understood, by creating positive impact and consistently great experiences at all points of contact.

- **SCE core principles.** Six core principles make it easier for Flavours employees to understand SCE. These core principles are anchored in our DNA, define our behaviour in the working environment and help us build our customer-centric culture. For employees in all roles, the principles make it easier to understand what SCE means.

- **Top supplier awards.** Consumer products and fine fragrances customers from around the world awarded us for our creativity, sustainability and collaboration.

Excellence in operations
We are fully committed to excellence in climate action and are implementing an ambitious agenda in taking action for the environment across our operations and beyond.

Key achievements in 2017:

- **Science based targets.** We announced ambitious science based targets to reduce absolute Scope 1 and 2 GHG emissions by 30% between 2015 and 2030. We also aim to reduce Scope 3 GHG emissions by 20% over the same period.

- **CDP 'A' listing.** For the third year, we gained a listing on CDP's 'A' list of companies leading the corporate response to climate change.

Success story

Delivering excellence in manufacturing operations

The Flavours manufacturing network has 34 manufacturing and six distribution sites which produce hundreds of thousands of tonnes of ingredients and finished products each year.

This is a vast network and every improvement in efficiency, responsiveness, quality, sustainability and safety helps us move towards greater excellence in manufacturing operations.

Flavours Operations uses Lean methodologies to simplify processes and reduce waste, helping our teams to deliver efficiently and effectively. Our operations costs, for example, are now the lowest they have ever been.

In 2017, our Operations teams in Singapore and São Paulo, Brazil were both awarded Lean Silver-Gold certification, the first Givaudan Flavours manufacturing sites globally to achieve this accreditation.

Partnering for shared success
Building to be the partner of choice

Partner of choice

We nurture and value true partnerships with our key stakeholder groups for shared success. These collaborations, which drive responsible and sustainable growth, are with innovators, suppliers, employees and communities in which we operate.

Innovators

Driven by a culture of innovation, we create new horizons for our business and offer differentiated and sustainable solutions to our customers. By connecting and collaborating, we want to strengthen internal and external collaborations for a Company-wide, holistic approach to partners, customers and suppliers.

Key partnerships in 2017:

- **Start-ups targeted.** We piloted MISTA, a programme that focuses on delivering services to start-ups primarily in the Bay Area of San Francisco and expands our New Product Development business model which targets emerging start-ups in the food and beverage industry.
- **Academic partnership.** Students at the University of California, Berkeley are involved in a market opportunity to transform the meat industry. We are helping students create flavours and aromas for enticing non-meat proteins.
- **Sensorwake investment.** A one-time investment was made in Sensorwake, a French start-up company leading innovation in the consumer technology sector and which is responsible for creating the world's first olfactive alarm clock.

Our divisional and global Science & Technology teams drive value in innovation. Achievements by these teams during 2017 helped to create value through innovation, supporting and growing the business today and looking for opportunities for business growth tomorrow and the day after tomorrow:

- **Freshness captured.** Launch of FreezeFrame® in Flavours: a technology for capturing the moment when ingredients are at their freshest. It brings a fresh taste and vibrancy to convenience food as if fresh ingredients were just added.
- **Cheese capabilities boosted.** We strengthened our capabilities in cheese with the acquisition of Vika.
- **Protection on delivery systems expanded.** We continued to build our delivery systems portfolio with the granting of seven additional patents and six newly filed.
- **Mechacaps® Kiln launched.** This is a novel delivery technology for controlled fragrance release in powder and liquid detergents, including single unit doses.
- **Global Beauty Industry Award.** We gained Best Colour Cosmetics Ingredient award for PrimalHyal™ Gold, a new ingredient from Active Beauty. Created by means of sustainable manufacturing processes, the ingredient allows the incorporation of hyaluronic acid in oil-based formulas such as pressed powder, body oil and suncare oil.
- **Juicy bloom booster.** A very potent and diffusive fruity and nature-identical odorant, Esterly™, was added to the perfumers' palette. It supports and boosts juicy, matured and fruity impressions, and adds a remarkable radiance and signature to many perfumer creations.
- **Sleep quality optimised.** We launched DreamScentz™, a patent-pending Fragrance technology to optimise the quality of sleep. Through the link between fragrance, positive mood states and a proper night's sleep, we strive to provide breakthrough solutions for people to sleep better.
- **Fine Fragrance with skin protection announced.** Active Beauty unveiled a concept called [Yu], a patent-pending innovative fine fragrance featuring the active ingredient Revivyl™, a holistic skin renewal accelerator.
- **Matcha tea inspired.** Tea Dione™ was added to our perfumers' palette. It originates from a successful research programme as a nature-identical version of a molecule found in matcha tea and praised for its clean, milky matcha green tea note refreshed with anisic facets.

Success story

Adding vibrancy with freshness flavour solutions

We all know that 'first burst' of freshness in foods, the vibrancy of freshly added ingredients. But it's a joy that may not always be there, especially in convenience foods.

Our Flavours teams have developed a range of freshness flavour solutions using FreezeFrame®, a technology to capture freshness and add taste and vibrancy to convenience foods.

Launched in 2017, initially in a range of seven top notes and taste solutions, the new innovation fits with our existing flavour solutions and is a direct response to strong consumer demand for fresher tasting convenience foods.

It's an innovative approach that grew from Givaudan's Chef's Council in New York, where we explored with some of the world's leading chefs what makes a freshly prepared eating experience. It helped us understand what freshness perception means and translate the taste of freshly prepared food into vibrant flavour solutions that will revitalise the eating experience of convenience foods.

Success story

MassChallenge: strengthening collaboration

Becoming a founding partner of MassChallenge Switzerland in 2016 was a key step for us in fostering a culture of open innovation. It's a great opportunity to connect and collaborate with hi-tech start-ups that could transform our business and shape the future industry landscape.

During the MassChallenge accelerator programme in 2017, for example, we talked with several finalists, one of them being the Swiss start-up Sleepiz, which offers contact-free solutions to measure a patient's vital signs to enable a diagnosis of sleep disorders in the home environment. From 2018, the MassChallenge platform will be used as a foundation for the European Institute of Innovation & Technology (EIT) Food Accelerator Network.

MassChallenge awards ceremony, November 2017

Success story

DreamScentz™ – offering sweet (smelling) dreams

Waking from your night's sleep feeling relaxed, revitalised and refreshed may no longer be just a dream, thanks to research from Givaudan that demonstrates the power of fragrance in improving the quality of sleep.

A patent-pending technology that uses the power of scent to enhance the quality of sleep, DreamScentz™ is based on the link between fragrance, positive mood states and a proper night's rest. With consumers increasingly looking for help to gain a better night's sleep, DreamScentz™ could be the innovative breakthrough solution sought by people around the world. It's about turning the power of scent into a science that will also add value to our customers' products.

Suppliers

We seek to generate maximum value with suppliers through long-term and sustainable partnerships. These collaborations aim to create mutual value on supply continuity, quality, cost, innovation, responsibility and our ability to deliver the best ingredients. As a result, they enable us to differentiate our product offering to customers.

Key achievements in 2017:

- **Supplier partnerships extended.** We created additional partnerships and long-term agreements with suppliers to secure supply and reduce price volatility.
- **'Sourcing for Shared Value' introduced.** A comprehensive approach was announced that further strengthens our long-term commitment to sustainable procurement practices.
- **Vanilla bean agreement.** A joint venture agreement with Henri Fraise & Fils, called SOMAVA, gives us access to 70 years of experience in sourcing and curing vanilla beans from Madagascar.
- **Guarana supply secured.** This agreement concerns the long-term supply of guarana and helping local communities by working in partnership with a local supplier in Brazil to support a cooperative of over 80 producer families in the southern Bahia region. The venture contributes to securing a stable source of income for the producer families.
- **Supplier Enabled Innovation.** A new Procurement Innovation team was appointed to accelerate the creation of mutual value through Supplier Enabled Innovation.
- **Indirect Materials and Services.** We worked closely with suppliers in several areas in Indirect Materials and Services such as logistics, maintenance and packaging to identify and implement joint improvement projects.

Success story

Sourcing for shared value

Givaudan is committed to ensuring that all of our raw materials are produced in a way that respects both, people and the environment. Our comprehensive approach, Sourcing for Shared Value, builds on this long-term commitment to sustainable procurement practices. It reinforces our contribution to preserving the environment, stimulating the well-being of communities from which we source, and safeguarding resources for the long term.

By embedding social and environmental purpose in the way we source, we can best respond to our customers' evolving needs and the increasingly stringent demands of consumers for more sustainable, healthier and differentiated products.

Success story

Creating mutual value

Close collaboration with suppliers and driving cross-divisional synergies are two factors enabling us to create new value. An example of Supplier Enabled Innovation during the year was an exclusive partnership with a flavour supplier that allows our perfumers access to innovative, natural and sustainable apple oil.

Taking the purée from juice production to craft this delicious apple oil offers a super-premium product that brings a true, natural green apple top note to the fragrance pallet for the first time. It's the sort of value-creating collaboration that is a focus for our Procurement Innovation team, formed in 2017.

People

We are committed to fostering a great place to work where our people are motivated to perform at their best, impact their world and contribute to the Company's success. To ensure sustained success, we develop the skills of our people, nurture a pipeline of industry experts and future leaders, and strongly promote a diverse workforce that works in an agile and collaborative way.

Success story

Engaging creativity in attracting talent

Designing engaging material to attract today's talent and finding ways to strengthen our employer brand in a creative way, has helped promote Givaudan as employer of choice – both on a global and local level. During 2017, we launched an engaging employer branding film and developed customised digital material supporting local recruitment activities. This multimedia material included employee photographs and testimonials, a dedicated webpage as well as advertisements on a mix of digital channels. At the HVG Job Fair in Budapest, we won the prize for "most creative approach to attracting talent", an encouraging recognition of our creativity.

www.givaudan.com – careers – job search – budapest

Key achievements in 2017:

- **Talent management developed.** We continued to build development plans in our talent management process. Our Global HR talent council met four times during the year to discuss cross-business talent development. The Executive Committee, in addition to the in-depth talent reviews at the beginning of the year, held dedicated talent reviews at the EC meetings throughout 2017.
- **Masterclasses extended.** Our investment in targeted technical and functional training continued with Masterclasses now in place in both our business divisions. We also organised academies for finance and controlling, and IM&T.
- **Leadership Senses completed.** Designed to strengthen our leadership capabilities, four Leadership Senses programmes are now established, completing the rollout. Over 600 leaders have benefitted from the programme's focus on specific leadership needs.
- **Flavourist trainees graduated.** Our global Flavourist School programme ensures all flavourists are trained in the same curriculum. Graduation of flavourist trainees took place in EAME and Asia Pacific.
- **Employer branding boosted.** An employer branding film was launched to strengthen our global employer brand.
- **'Pay for Performance' strengthened.** We strengthened our 'Pay for Performance' philosophy and increased transparency of pay linked to individual job levels.
- **ONE Givaudan piloted.** An engaging global onboarding programme called ONE Givaudan was piloted. A first for us, the programme reached 90 participants in pilots in four global locations.

Success story

ONE Givaudan Onboarding new employees

Our people bring enormous value and strengthen our business. This is why it is important for us to integrate our new employees from the very start. We are committed to providing a solid foundation to set them up for success.

Launched in 2017, ONE Givaudan offers a holistic and engaging experience for new employees across all regions. Global onboarding, a first for us, ensures that new joiners acquire fundamental knowledge about our Company and its rich heritage, our business and our DNA. Internal experts deliver the sessions with passion, communicating their expertise and the value we bring to our customers.

Participants have shared an appreciation of the content and the opportunity to network with experts and peers from across the organisation. They leave with a great sense of pride, motivated and engaged to begin their journey.

"This is such a great opportunity to leverage the diversity of our new joiners across our regions and introduce them the value chain that puts the customers at the heart of everything we do. We have created a shared experience where we come together to be part of ONE Givaudan." Michèle Telio, Global learning and development consultant.

Participants at ONE Givaudan

Communities

Local communities where we source raw materials contribute to our business. We are committed to working together with these communities in causes that benefit them and our raw material supply chain. Our cross-functional site Green Teams are dedicated to driving local sustainability activities.

Key achievements in 2017:

- **Waste management progress.** Our Cuernavaca site in Mexico continued to make progress towards their sustainability goal of zero waste to landfill by 2020. Further site initiatives in 2017 included identifying local waste management partners who can guarantee disposal with positive environmental effects.
- **Recycling citrus oil.** Our Riverfront site in Pudong, China has found ways of reusing citrus oil, a by-product of flavours production. Two local companies now use the oil so we can avoid incineration and related energy consumption.
- **'Year of Giving'.** Employees in Dubai gave their support to the 'Year of Giving' initiative by the United Arab Emirates president through blood donations and donations of clothes, toys and books to labour camp workers.
- **Healthy eye programmes.** Employees at our Jigani site in India continued their support for healthy eye programmes, in partnership with the Vittala International Institute of Ophthalmology (VIIO) of Bangalore.

GRI Disclosure 413 – 1

Success story

lifestyle@givaudan – it's a winner

If you were lucky enough to visit our site in Dubai during 2017 you might have been surprised to see employees dressed in the national costumes of countries around the world, or cycling 'around the world' (statically), or even watching a movie. You might have even noticed them dancing, or cooking, or in yoga and meditation sessions.

Over 20 activities in three categories – wellness, nutrition and fitness – were delivered over 12 months, helping 85 employees become fitter, healthier, engaged and fully on board this enterprising initiative, lifestyle@givaudan.

Performance review

Givaudan delivered a healthy financial performance in 2017 despite market challenges. This performance is in line with our 2020 financial targets and enables us to maintain momentum in creating long-term value creation for all stakeholders.

In this section:

Performance review	**32**
Business performance – Group	**33**
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Business performance – Fragrance Division	**34**
Capital markets	**36**

4.9% sales growth

like-for-like, excluding the impact of currency, acquisitions and disposals

8.3% sales growth

in Swiss francs

CHF 1,089 million

EBITDA

21.6% EBITDA margin

11.8% free cash flow

as a percentage of sales

CHF 58.00

proposed dividend, subject to shareholder approval at the AGM on 22 March 2018

Performance review
Strong financial performance

Performance review – Group

For the year ended 31 December, in millions of Swiss francs, except where indicated otherwise	2017	2016	Percentage change
Sales and results			
Group sales	**5,051**	**4,663**	**8.3%**
Like-for-like sales growth (in %)	**4.9%**	**4.2%**	
Gross profit	**2,250**	**2,128**	**5.7%**
as % of sales	44.5%	45.6%	
EBITDA [1]	**1,089**	**1,126**	**(3.3%)**
as % of sales	21.6%	24.1%	
Operating income	**869**	**875**	**(0.7%)**
as % of sales	17.2%	18.8%	
Income attributable to equity holders of the parent	**720**	**644**	**11.9%**
as % of sales	14.2%	13.8%	
Balance sheet and cash flows			
Operating cash flow	**861**	**805**	**7.0%**
as % of sales	17.0%	17.3%	
Free cash flow	**594**	**597**	**(0.5%)**
as % of sales	11.8%	12.8%	
Total assets	**7,309**	**6,514**	**12.2%**
Equity in % of Total assets	48.4%	50.6%	
Net debt	**1,074**	**930**	**15.5%**
Leverage ratio (in %)	**21%**	**19%**	

1. EBITDA: Earnings Before Interest (and other financial income (expense), net), Tax, Depreciation and Amortisation. This corresponds to operating income before depreciation, amortisation and impairment of long-lived assets.

Note: Like-for-like excludes the impact of currency, acquisitions and disposals

Direct economic value generated and distributed [1]

For the year ended 31 December, in millions of Swiss francs	2017	2016	Percentage change
Revenues	5,093	4,738	7.5%
Operating costs	(3,073)	(2,830)	8.6%
Payments to governments	(79)	(106)	(25.5%)
Payments to providers of capital	(557)	(546)	2.0%
Employee wages and benefits	(1,141)	(1,024)	11.4%
Economic value retained	**243**	**232**	**4.7%**

1. Value added is defined as the value created by the activities of our business minus costs relating to operations, payments to governments and providers of capital, and employee wages and benefits.

GRI Disclosure 102 – 7, 201 – 1

Business performance – Group

Givaudan completed the year with good business momentum and with the project pipeline and win rates being sustained at high levels. The good growth was achieved across all product segments and geographies, with recent acquisitions all contributing positively. The Company continues to implement price increases in collaboration with its customers to fully compensate for the increases in input costs.

Group sales

Givaudan Group full year sales were CHF 5,051 million, an increase of 4.9% on a like-for-like basis and 8.3% in Swiss francs when compared to 2016.

Gross margin

The gross margin was 44.5% compared to 45.6% in 2016. Despite continued productivity gains and cost discipline, the decline in the gross margin was mainly due to the dilution arising from the pricing actions to fully compensate for increased input costs.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

The EBITDA was CHF 1,089 million in 2017 compared to CHF 1,126 million in 2016, a decrease of 3.3% in Swiss francs and 3.8% in local currency. The EBITDA margin was 21.6% in 2017 compared to 24.1% in 2016. The reduction is largely attributed to the costs incurred in relation to the Givaudan Business Solutions (GBS) programme with full year costs of CHF 107 million, of which CHF 47 million was cash, being partially offset by non-cash gains resulting from changes in pension plans of CHF 20 million. As a reminder, in 2016 the Group recognised a net one-off non-cash gain of CHF 62 million resulting mainly from changes in pension plans.

Operating income

The operating income was CHF 869 million compared to CHF 875 million, a decrease of 0.8% versus 2016. When measured in local currency terms, the operating income decreased by 1.5%. The operating margin decreased to 17.2% in 2017 from 18.8% in 2016.

Financial performance

Financing costs in 2017 were CHF 42 million, versus CHF 51 million for the same period in 2016. In 2017, the Group continued to refinance at lower interest rates. Other financial expense, net of income, were CHF 32 million in 2017, versus the CHF 40 million reported in 2016, with increased hedging costs offset by reduced currency volatility in markets where currencies could not be hedged.

The income tax expense as a percentage of income before taxes was 9%, compared to 18% in 2016 mainly arising from lower tax expenses in the United States. Excluding items of a non-recurring nature, the income tax expense as a percentage of income before taxes was 15%.

Net income

The net income increased to CHF 720 million in 2017 from CHF 644 million in 2016, an increase of 11.7%. This results in a net profit margin of 14.2%, versus 13.8% in 2016. Basic earnings per share increased to CHF 78.18 versus CHF 69.95 for the same period in 2016.

Cash flow

Givaudan delivered an operating cash flow of CHF 861 million in 2017, compared to CHF 805 million in 2016. As a percentage of sales, working capital was essentially flat when compared to 2016.

Total net investments in property, plant and equipment were CHF 189 million, compared to CHF 135 million in 2016. During 2017 the Group continued its investments to support growth in high growth markets, most notably the new flavours savoury facility in Pune, India, the Zurich Innovation Centre (ZIC) and the fragrance division investments in Singapore and China.

Intangible asset additions were CHF 53 million in 2017, compared to CHF 40 million in 2016 as the Company continued to invest in its IT platform capabilities, including those to support the introduction of the Givaudan Business Solutions organisation. Total net investments in tangible and intangible assets were 4.8% of sales in 2017, compared to 3.8% in 2016.

Operating cash flow after net investments was CHF 619 million in 2017, versus the CHF 630 million recorded in 2016. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 594 million in 2017, versus CHF 597 million for the comparable period in 2016. As a percentage of sales, free cash flow in 2017 was 11.8%, compared to 12.8% in 2016.

Financial position

Givaudan's financial position remained solid at the end of the year. Net debt at December 2017 was CHF 1,074 million, compared to CHF 930 million at December 2016, with the increase driven by the Group's acquisitions and investment programme. At the end of December 2017 the leverage ratio was 21%, compared to 19% at the end of 2016.

Givaudan Business solutions

In July 2017 Givaudan announced the details of the planned implementation of Givaudan Business Solutions, a global organisation providing best-in-class internal processes and services.

The introduction of Givaudan Business Solutions is fully on track, with the first implementation steps expected in the first half of 2018 in Europe and in Asia Pacific.

In 2017, the Group incurred costs of CHF 107 million, of which CHF 47 million was cash, in relation to the preparation and first steps of the Givaudan Business Solutions organisation.

Dividend proposal
At the Annual General Meeting on 22 March 2018, Givaudan's Board of Directors will propose a cash dividend of CHF 58.00 per share for the financial year 2017, an increase of 3.6% versus 2016. This is the seventeenth consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000.

Business performance – Flavour Division

Sales
Flavour Division sales were CHF 2,708 million, an increase of 5.3% on a like-for-like basis and 11.3% in Swiss francs. Including Spicetec, acquired in July 2016, Activ International, acquired in January 2017 and Vika B.V. acquired in September 2017, the growth was 12.4% in local currency.

From a segment perspective, Dairy, Snacks and Beverages were the main contributors to the division's growth, with all segments in positive territory.

Asia Pacific and North America experienced robust growth whilst Latin America was negatively impacted by the economic situation in Brazil. Europe, Africa and the Middle East delivered good growth, driven by Beverages, Snacks and Savoury. All regions delivered a high level of new wins in the key segments.

As a result of the 2020 strategy, sales in Naturals increased at double-digit levels and in high single-digits in the Health & Wellness area.

The EBITDA increased by 15.4% to CHF 603 million from CHF 523 million in 2016. The EBITDA margin was 22.3% in 2017, up from 21.5% in 2016.

The operating income increased by 23.9% to CHF 473 million in 2017 from CHF 382 million for the same period in 2016. The operating margin increased to 17.5% in 2017 from 15.7% in 2016.

Asia Pacific
Sales in Asia Pacific grew by 3.8% on a like-for-like basis. Singapore, India, Philippines and Thailand delivered a double-digit performance, whilst Australia delivered a high single-digit increase. Despite challenging market conditions, China reported good growth in the second half of the year, whilst Indonesia saw a decline versus strong comparables in 2016.

Growth in the mature markets was driven by strong double-digit growth in Singapore and positive performance coming from Taiwan and Oceania.

Local and regional customers continued to grow strongly across the region, whilst from a segment perspective, Beverages, Dairy and Savoury contributed significantly to the overall growth.

Europe, Africa and Middle East
Sales increased by 5.1% on a like-for-like basis, with double-digit growth in Africa and the Middle East led by Egypt, Saudi Arabia and Nigeria and single-digit growth in the markets of Central and Eastern Europe, led by Turkey and Russia. The mature markets of Western Europe grew moderately led by the Benelux, UK, Ireland and Italy.

Within the segments there was good growth in Beverages, Snacks and Savoury as main contributors to the positive growth.

North America
On a like-for-like basis, sales in North America grew 8.5% in 2017. The strong performance was a result of new wins and growth of existing business in the Beverages and Dairy segments.

Latin America
Latin America sales increased by 1.5%, against a strong comparable of 17.1% in 2016. Good sales momentum in Argentina and Mexico was offset by the negative result related to the economic situation in Brazil.

Flavour Division – Sales
in millions of Swiss francs

Flavour Division – EBITDA
in millions of Swiss francs

Flavour Division – Operating income
in millions of Swiss francs

Business performance – Fragrance Division

Sales
Fragrance Division sales were CHF 2,343 million, an increase of 4.5% on a like-for-like basis and 5.1% in Swiss francs.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 4.8% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 2,036 million from CHF 1,933 million in 2016.

Fine Fragrances sales grew 7.2% on a like-for-like basis, driven both by strong new business and low erosion levels.

Consumer Products sales increased by 4.1% on a like-for-like basis, driven by all customer groups and balanced growth in both high growth and mature markets.

Sales of Fragrance Ingredients and Active Beauty increased by 2.8% on a like-for-like basis. Sales in Active Beauty grew double digit, driven by strong sales of the Active ingredients and Encapsulation systems. Sales of Fragrance ingredients were flat versus last year as a result of an improved performance in the latter months of the year.

The EBITDA of the Fragrance Division was CHF 486 million in 2017 compared to CHF 603 million in 2016, despite consistent underlying profitability. The reduction is largely attributed to the costs incurred in relation to the Givaudan Business Solutions (GBS) programme with full year costs of CHF 107 million in 2017, partially offset by non-cash gains resulting from pension changes of CHF 18 million. As a reminder, in 2016 the division recognised a net one-off non-cash gain of CHF 62 million resulting mainly from changes in pension plans.

As a result, the EBITDA margin was 20.7% in 2017 compared to 27.0% in 2016.

The operating income was CHF 396 million in 2017, versus CHF 493 million for the same period in 2016. The operating margin was 16.9% in 2017 compared to 22.1% in 2016.

As part of the Group's 2020 strategy to expand the capabilities of its fragrance business, Givaudan announced on December 18, 2017, that it had entered into exclusive negotiations to acquire Expressions Parfumées, a French fragrance creation house.

Fine Fragrances

Fine Fragrances sales grew 7.2% on a like-for-like basis led by strong new business wins across all customer groups. In mature markets double-digit growth in Western Europe was delivered through new business and the solid performance of existing fragrances. North America sales grew against a strong prior year comparable driven by high new business levels offsetting erosion. Growth in high growth markets was driven by the Middle East with a combination of new business and volume gains at a number of customers and growth in Latin America in the second half of 2017.

Fine Fragrances enjoyed a successful awards season for Givaudan perfumes around the world. Numerous awards have been received in the USA, Latin America and Europe across both men's and women's fragrance categories. These awards confirm the leading role in the fine fragrance industry and recognize Givaudan's capabilities in creating products that consumers love.

Consumer products

The Consumer Products Business increased by 4.1% on a like-for-like basis with balanced growth in both high growth and mature markets. This performance was supported by a solid increase with international customers and sustained growth with local and regional customers which experienced double-digit growth in 2016.

On a regional basis, Latin America continued to deliver double-digit growth with all customer groups against strong prior year comparables. Asia recorded a sustainable increase driven by international customers, with particularly strong results in the South Asia sub-region across all product segments.

In Europe, Africa and Middle East, sales growth was reported on all customer groups and all sub-regions. Sales in North America showed strong year on year growth against a high prior year comparable thanks to all customer groups and product segments.

On a product segment basis, home care delivered solid sales growth, whilst Oral care and fabric care segments also contributed to the performance.

Fragrance Ingredients and Active Beauty

Sales of Fragrance Ingredients and Active Beauty increased by 2.8% on a like-for-like basis. Sales of Active Beauty were double-digit driven by strong sales on the Active ingredients and Encapsulation systems. Sales of Fragrance ingredients were flat versus last year as a result of an improved performance in the latter months of the year. Sales of Fragrance Ingredients in Europe and South-America recorded solid growth, whilst in Asia and North-America the sales were below prior year levels.

Fragrance Division – Sales
in millions of Swiss francs

Fragrance Division – EBITDA
in millions of Swiss francs

Fragrance Division – Operating income
in millions of Swiss francs

GRI Management Approach (103 – 2, 103 – 3): Topic 201, pages 32 – 35

Capital markets
Long-term value creation

Givaudan's strong track record in financial performance has created significant value for shareholders, through a year-on-year increase in the dividend paid to shareholders, as well as through positive share price development and share repurchase programmes.

We are proud of the value we have created for our shareholders since our Company was listed on the Swiss stock exchange in 2000. It is a success that we seek to continue, through the delivery of our 2020 strategy and through investing in the future long term growth of our Company.

Shares

Givaudan's strong financial performance since 2000 has resulted in significant value creation for shareholders in terms of 'Total Shareholder Return'. Over CHF 20 billion in value has been created for shareholders in the form of dividend payments, share repurchase programmes and share price appreciation since the Company's spin-off in 2000.

At the end of 2017, Givaudan had approximately 30,202 shareholders (99% are registered), owning 62% of the capital. The top 20 shareholders, registered and non-registered, owned 58% of the capital. Swiss and US shareholders held approximately 57% of all shares.

Market capitalisation

Givaudan's market capitalisation amounted to CHF 20,794,035,672 on 29 December 2017 which was the last trading day of the year. This corresponds to an increase of 20.69% compared to the previous year.

Dividend policy and dividend proposal

Givaudan is strongly committed to return surplus cash to shareholders. The dividend has risen year-on-year since 2000, when the Company was listed on the Swiss stock exchange. In 2017, Givaudan's free cash flow was CHF 594 million.

At the Annual General Meeting on 22 March 2018, Givaudan's Board of Directors will propose a cash dividend of CHF 58.00 per share for the financial year 2017, an increase of 3.6% compared to 2016. If approved, this will be the 17th consecutive dividend increase following Givaudan's listing on the Swiss stock exchange.

Investor relations

Timely and responsible information is important in partnering with our stakeholders to ensure transparency and continuously raise awareness about our Company.

Members of our Executive Committee, together with our Investor Relations team, hold regular roadshows and conferences during the year to meet existing and potential shareholders. Site visits, annual conferences and global presentations help to further increase awareness and give information on the value we create for all our stakeholders.

Details of these meetings and roadshows can be found on our website.

www.givaudan.com – investors – shareholder information – investor calendar – showcasing investor events

Market capitalisation*
in millions of Swiss francs

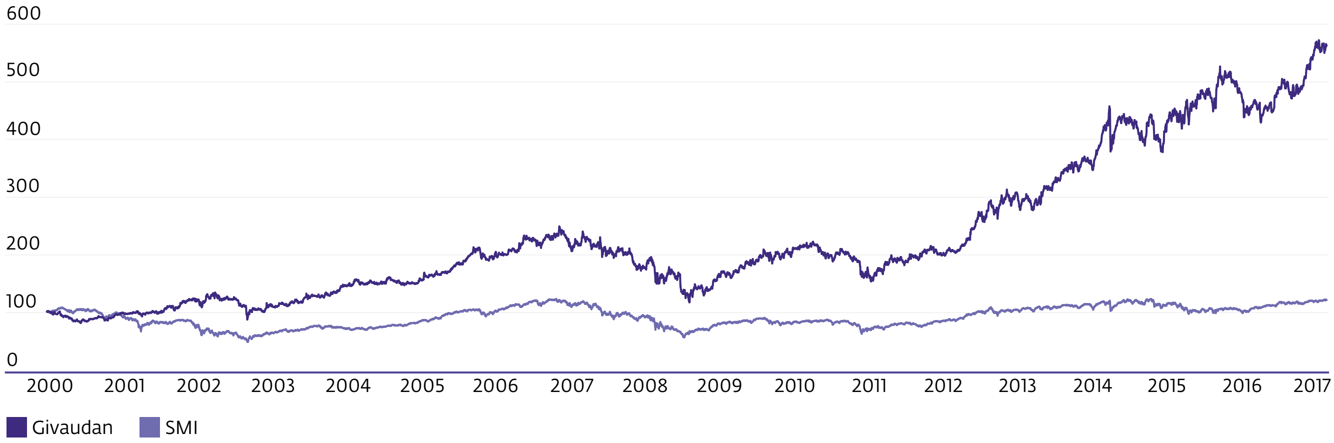
*At the last trading day of the year

Key share figures

For the year ended 31 December. In Swiss francs except for number of shares	2017	2016
Market capitalisation (in millions)	**20,794**	17,230
Number of issued shares	**9,233,586**	9,233,586
Share price as at 31 December	**2,252**	1,866
Share price, highest	**2,289**	2,106
Share price, lowest	**1,716**	1,674
Earnings per share – basic	**78.18**	69.95
Total shareholder return (in %)	**23.69**	5.32

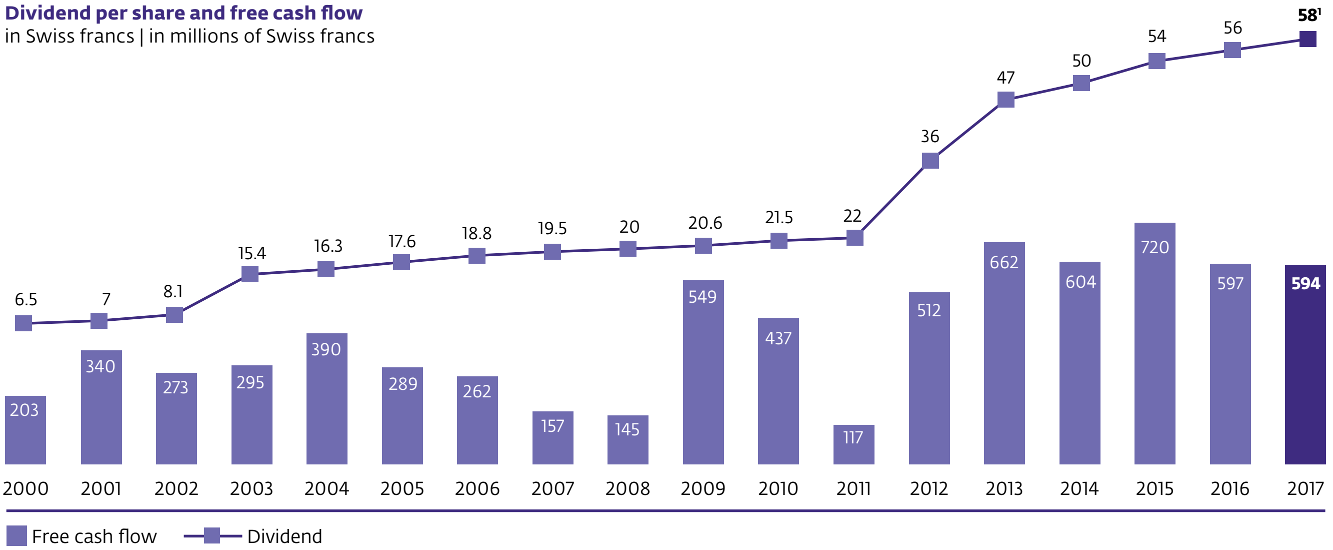
Share price development

in %



Dividend per share and free cash flow

in Swiss francs | in millions of Swiss francs



1. Subject to shareholder approval at the AGM on 22 March 2018.

Differentiating business enablers

Creating value through excellence in areas central to our sustainable business are the enablers that differentiate us. These enablers range from Givaudan Business Solutions, our people and EHS to supply, regulatory, compliance and risk management.

In this section:

Givaudan Business Solutions	**40**
From sourcing to supply	**42**
Our talent, performance and culture	**44**
Environment, health and safety	**47**
Risk management	**49**
Compliance	**53**
Regulatory and public policy	**56**

> 10,000 different raw materials

sourced in over 100 countries

11,170 full time employees

working in 109 sites in 50 countries

0.33 lost time injury rate

down 68% since 2009

Givaudan Business Solutions
Creating a platform for the future

Givaudan Business Solutions will improve internal efficiencies, leverage best practices across the organisation and increase our agility to better deliver to customers.

In an increasingly complex and challenging market environment, we constantly seek ways to remain competitive in the long term and create opportunities to grow alongside our customers. We saw the need to proactively evolve our internal processes to be better equipped to meet the changing needs of our customers and their consumers.

We took the decision to design and build Givaudan Business Solutions (GBS), the foundation of our strategic pillar 'delivering with excellence', to further improve our operational efficiency, increase our agility and reduce our internal complexities. It will enable us to offer our customers a superior experience and, ultimately, enable us to meet our 2020 financial targets. We will build on our strong position to create the structure that best fits Givaudan, doing so progressively over the next three years.

Innovative and efficient solutions and services

The acronym GBS typically stands for Global Business Services and refers to an entity that is often outsourced, managing basic transactional activities, but our GBS is unique. Givaudan employees, who embrace our DNA and commitment to the customer, make up our GBS teams. The solutions GBS provides are fully in support of and aligned with the business and are designed to enable the new and innovative ways of working that will increase our effectiveness.

The solutions from GBS have been designed to be straightforward and easy to use, leverage innovation to enable us to work in new ways, and scalable and replicable across our business divisions and geographies. In addition, we designed solutions that aim to reduce internal complexities and add value to the business, allowing our people to focus more on core activities and their professional development.

GBS will take some processes from each of the following areas

Integrated business solutions
Procurement, supply chain, Enterprise Data Management (EDM), Finance & Controlling

Best practices and business solutions
EHS & Sustainability, Continuous improvement, Finance & Controlling

Simple employee solutions
IM&T
Human resources

At the heart of GBS, we have designed seamlessly integrated Supply Chain, Finance, Procurement and Enterprise Data Management (EDM) solutions that will bring direct value to our customers. To drive excellence in execution throughout Givaudan, GBS will be the home to a common continuous improvement approach shared by the divisions and functions so that we can harmonise our activities, better leverage best practices and address improvement opportunities more systematically. Finally, we will focus on bringing simplicity to our internal customers in the areas of HR, IM&T, Controlling, EHS and Sustainability.

The benefits of a fully implemented GBS will include proactive monitoring of our supply chain to ensure our customers get what they need, when they need it, every time; the use of digital innovation to speed up many of our processes, such as order entry and confirmation, from days to hours. The transfer of administrative activities from our local HR and Controlling professionals will allow them to focus on supporting our business and our people through increased partnership with the business.

One team, three delivery centres

As part of the design process, we recognised that some processes would be best executed locally, close to the markets and our customers, while others would be better performed centrally. As such, GBS will operate from three regional delivery centres and a satellite supply chain location in North America. In Europe and the Americas we will expand our existing centres in Budapest, Hungary and Buenos Aires, Argentina. In Asia Pacific, we have opened a new centre in Kuala Lumpur, Malaysia. While the majority of GBS solutions will be delivered from the centralised teams in these locations, collaboration with current Givaudan sites will be essential.

Implementation

The implementation in Europe has begun, with the UK and Germany as our pilot sites. In addition, the activities of Givaudan Finance Services and Procurement support centres were transitioned to GBS in August 2017. In Asia Pacific, Finance and IM&S procurement activities began the move in 2017, with the other functional areas being implemented in 2019. We will continue to move activities into the GBS centres over the next three years with implementation in North America and Latin America starting in mid-2018.

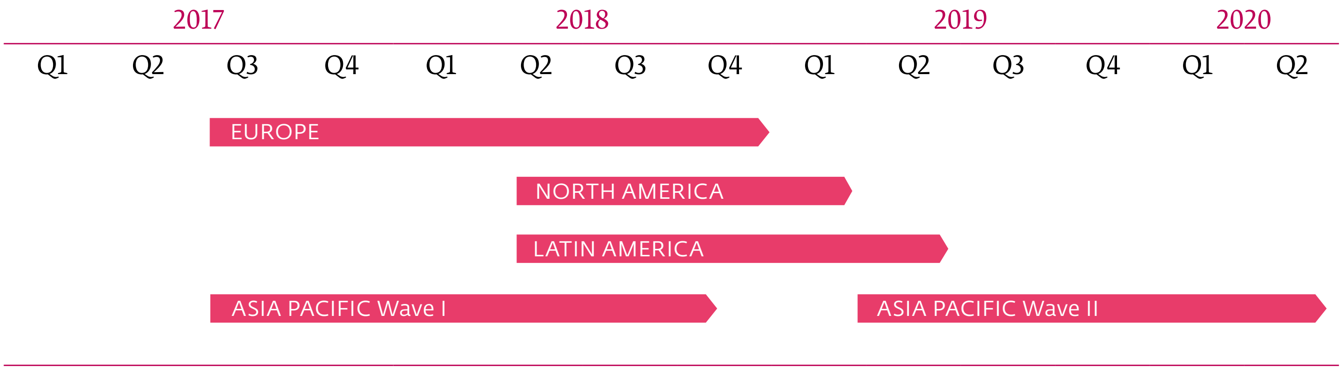
GBS is a unique opportunity to simplify our current processes and leverage innovation to build the platform that will enable us to deliver with excellence in the future. However, this new organisational structure and ways of working will have implications for existing Givaudan locations. We are committed to ensuring that all employees affected are supported as we move forward with the implementation.

Givaudan will invest CHF 170 million until mid-2020. This investment will generate annual recurring savings of CHF 60 million once fully implemented.

When complete, we are confident we will have the platform required to drive efficiency, leverage best practices from across the organisation and continually improve our processes, to the benefit of all of our stakeholders.

2017 Annual Report – strategic value creation – delivering with excellence – page 23

Implementation timeline



From sourcing to supply
Maximising value with suppliers

Our mission is to maximise value with suppliers to create profitable business and deliver the best ingredients, enabling us to differentiate our products.

We bring our mission to life through our global procurement strategy, which has mutual value creation at its heart. With a focus on financial, risk, innovation and responsible sourcing related initiatives, we provide true value to our internal and external partners. Our professional procurement team collaborates in ways that enable us to contribute to the objectives of Givaudan and our suppliers. The team aims to be trusted advisors, involved in the Company's markets and capable of adapting to rapidly changing environments.

Raw materials

We are expanding our global category management team to increase our sourcing coverage to the entire raw material portfolio and transfer 'purchase to pay' activities to the Givaudan Business Solutions centres. To enhance stakeholder collaboration, the global team will be enriched with several additional internal business partner roles. This new

Procurement by numbers

Spend Analysis	People	Raw Materials	Supplier Management	Contract Management
We manage CHF 2.5 bn spend per year	>229 procurement employees in 39 sites	We source >10,000 different raw materials in >100 countries	3,000 raw material suppliers ~12,000 Indirect Materials and Services	We manage >25,000 contracts

organisational structure optimises the utilisation of our talent, determines the right priorities with our business partners and provides the opportunity to increase our focus on risk, responsibility and innovation through strong supplier partnerships.

Indirect Materials and Services (IM&S)

The IM&S team is continuously enhancing the proximity to our business partners. The team engages with its internal customers in all sites to understand their needs. This close collaboration is fundamental in determining the right focus on strategic initiatives, negotiations and supplier management.

With the introduction of regional category management in the Europe, Africa, Middle East, Latin America and Asia Pacific regions, we further optimise our resource allocation between global, regional and local teams, strengthening internal business connections and best geographical distribution of buying power.

These steps will strengthen collaboration with business partners, operating efficiency and value creation for our Company's ambition to deliver a superior experience to our customers.

Sourcing for Shared Value

In order to embed a sustainability purpose in our sourcing activities, our approach is built to ensure our materials are responsibly sourced, to secure a stable supply of our sourced materials, and to ensure local producers and their communities benefit from working with us.

- Our Responsible Sourcing programme drives compliance in the way products are produced and encourages suppliers to achieve high standards in health and safety, and in social, environmental and business integrity. The programme is the blueprint for how we work with our partners and suppliers to protect fragile natural sources and lead supply chain transparency in the flavour and fragrance industry.

- Sourcing at Origin initiatives secure the supply and quality of key natural ingredients in countries of origin by working directly with producers and suppliers while fostering local value creation. By investing in direct collection networks and exclusive farming partnerships in China, Indonesia, Malaysia and Madagascar, Givaudan strengthens the local economic fabric in countries of origin and contributes to more stable incomes for thousands of smallholder producer families.

- Communities at Source projects support producers and their communities through a range of projects in 11 countries around the world. In the past 10 years, in collaboration with NGOs, local partners and the communities themselves, we have positively impacted thousands of producers and their families in the areas of agriculture and production practices, education, health and nutrition. We also support sourcing communities in safeguarding their surrounding environment and natural resources.

www.givaudan.com – sustainability – sourcing for shared value

Innovation

Accelerating the creation of mutual value through Supplier Enabled Innovation is a key goal, and a dedicated Procurement Innovation team was appointed in 2017. This team is working with the procurement organisation and our two divisions to offer solutions that meet Givaudan's business challenges. Articulated around three core pillars of innovation – cost innovation, incremental innovation and disruptive innovation – the team is defining a framework for long-term collaboration in raw materials and indirect material supply.

Supply chain

In 2017, we continued the implementation of our 2020 supply chain strategy. This is aimed at bringing more agility, reflecting fast-changing customer needs while continuing to reduce our supply chain costs. The divisional supply chain functions worked closely together in the design of the Givaudan Business Solutions model, the new organisational entity that will host and provide some supply chain services to the divisions in future.

Both business divisions saw another year of solid service levels and continued to work on further improving supply chain cost ratios while integrating recent acquisitions. The fully deployed SAP platform and the tools and processes developed by the supply chain excellence programme continued to provide a very solid foundation for more advanced supply chain improvement opportunities.

The strong collaboration between the divisional supply chain organisations and procurement is resulting in valuable synergies on risk management, supplier inbound optimisation and transport costs transparency.

Collaboration with sales teams and customers is vital in our strategy to collect reliable forecast information as part of the sales and operations process that is now a key pillar.

Agility and a customer-centric mindset are central themes to our supply chain journey in 2017-2020. Our shared mission is to deliver superior value to our customers through agile, reliable service and continuity of supply at optimised cost and with minimal environmental impact.

GRI Disclosure 102 – 9, 102 – 10

Our talent, performance and culture
Contributing to sustainable growth

Fundamental to our success are more than 11,100 employees working at 109 sites in over 40 countries.

There are over 90 nationalities at Givaudan, creating a workforce of many different cultures and backgrounds. Helping customers build their brands, our people have a wide variety of skills ranging from researchers to perfumers, evaluators and sensory scientists and from flavourists and food technologists to production workers, and administrative and commercial teams.

Valuing people

In 2017, we hired 1,553 employees, and our turnover rate was largely stable, at 10% compared to 9% in 2016. These new employees joined a workforce that has a mix of age and gender in a variety of geographical locations with different employment contracts and types of work. It is a priority for us to have the right balance, aiming at attracting, developing and retaining talented and creative professionals, engaged in making a positive difference.

28% of employees are covered by collective bargaining agreements.

Genuine dialogue is important in enabling employees and the Company to better understand each other's challenges and find ways to resolve them. We have a proud history of constructive dialogue with employee representatives and we support the freedom of individuals to join trade unions or other employee representative bodies. Givaudan regularly consults with employee representatives, for example we continue to hold regular European Works Council consultations with a group of employees, which represents works council members from all European Union member states where we have operations. The purpose is to inform and consult employees about significant changes in the organisation, ensure the right to freedom of association and collective bargaining is not put at risk, and to report any feedback to the Executive Committee. The last European Works Council was held on 28 September 2017.

Communication is particularly important when employees are affected by significant operational changes. We respect legal local notice periods prior to the implementation of changes that could substantially affect our employees, either through direct communication to our employees or through their elected representatives, works councils or other groups. In countries where there are collective agreements and where it is mandatory, minimum notice periods regarding operational changes are specified. These range from no notice to three months, depending on the country and based on local laws and practices.

GRI Management Approach (103 – 2, 103 – 3): Topic 401, 402, 407
Disclosure 102 – 41, 402 – 1, 407 – 1

Talent

We aim to nurture a pipeline of industry experts and future leaders and to develop their skills for sustained success. We are able to strengthen our leadership capabilities through our Leadership Senses programme, now a complete suite of four programmes, each targeting a different level of the Company's leadership. A strong pool of local talent and industry experts is also important in order to support growth in all markets. This is done by further embedding our Talent Acquisition organisation to support business needs.

We also invest in delivering targeted technical and functional development programmes through Masterclasses for the business divisions and our academies for Finance, Controlling, Procurement and IM&T. Our perfumers and flavourists are accompanied in their development by following programmes in our Perfumery School and our global Flavourist School programme.

GRI Management Approach (103 – 2, 103 – 3): Topic 404

Staff turnover by age group, gender and region

	Age range <30	Age range 30–50	Age range >50	Female	Male	Total
Asia Pacific	15%	6%	10%	7%	9%	**8%**
Europe, Africa and Middle East	18%	8%	8%	11%	8%	**9%**
Latin America	15%	10%	14%	11%	12%	**12%**
North America	17%	10%	11%	12%	10%	**11%**
Total 2017	**16%**	**9%**	**11%**	**10%**	**10%**	**10%**
Total 2016	15%	8%	8%	8%	10%	**9%**

GRI Disclosure 401 – 1

New employee hires by age group, gender and region

	Age range <30	Age range 30 – 50	Age range >50	Female	Male	Total
Asia Pacific	158	190	8	151	205	**356**
Europe, Africa and Middle East	270	371	33	309	365	**674**
Latin America	147	117	4	80	188	**268**
North America	103	120	32	94	161	**255**
Total 2017	**678**	**798**	**77**	**634**	**919**	**1,553**
Total 2016	653	811	145	635	974	**1,609**

GRI Disclosure 401 – 1

Employees by employment type[1]

	Full-time – women	Full-time – men	Part-time – women	Part-time – men	Total – women	Total – men
Asia Pacific	1,168	1,498	9	3	**1,177**	**1,501**
Europe, Africa and Middle East	1,696	3,062	135	28	**1,831**	**3,090**
Latin America	498	975	6	0	**504**	**975**
North America	795	1,434	6	0	**801**	**1,434**
Total 2017	**4,157**	**6,969**	**156**	**31**	**4,313**	**7,000**
Total 2016	3,932	6,616	154	33	**4,086**	**6,649**

Employees by employment contract[1]

	Permanent – women	Permanent – men	Temporary – women	Temporary – men	Total – women	Total – men
Asia Pacific	1,156	1,477	21	24	**1,177**	**1,501**
Europe, Africa and Middle East	1,776	2,988	55	102	**1,831**	**3,090**
Latin America	500	973	4	2	**504**	**975**
North America	801	1,434	0	0	**801**	**1,434**
Total 2017	**4,233**	**6,872**	**80**	**128**	**4,313**	**7,000**
Total 2016	4,006	6,559	80	80	**4,086**	**6,649**

1. Social indicators include full-time employees and internal temporary employees. Regarding our recent acquisitions, employees at Active International are included, employees at Vika B.V. are not included.

GRI Disclosure 102 – 8

Performance

In order to create an environment where people are motivated to perform at their best, we continue to focus on individual performance and career discussions. This is in part achieved through continuous feedback and coaching where the quality of communication can help engender trust. In 2017, we launched an initiative aimed at increasing positive conversations around personal performance, development and advancement at all levels of the organisation.

Employees receiving regular performance and career development reviews

in %	2017	2016
Women	**91**	92
Men	**63**	63

The discrepancy between the ratios for female and male employees is due to the fact that more men are under collective agreements.

GRI Disclosure 404 – 3

With our commitment to an empowered workforce comes our commitment that all employees are paid at least – and in most cases well above – the minimum salary stipulated by law or collective agreements. Our compensation packages are competitive and enable us to attract, retain and motivate qualified employees. We conduct annual benchmarking studies to ensure our compensation offering is competitive. Salaries are reviewed by taking into account macroeconomic data such as cost of living and market evolution. In high inflation countries, salaries may be reviewed more frequently than annually. In addition, our profit sharing scheme allows non-management employees to share in Company profits.

2017 Compensation Report – profit sharing plan – page 82

GRI Management Approach (103 – 2, 103 – 3): Topic 202

Related to this topic is the ratio of basic salary and remuneration of women to men. This is a priority topic at Givaudan and studies have been conducted in our key markets where we operate. We strive to have equal pay for equal responsibilities. For example, the results of the study of our headquarters in Switzerland show that the average base salary difference between men and women is 0.7% for equivalent roles and skills sets. For total cash compensation (fixed and variable pay) the difference is 0.8%. The study was conducted according to the methodology developed by the Swiss Federal Office for Gender Equality.

GRI Disclosure 405 – 2

Culture

We foster a positive environment of openness and curiosity, where we shape and share innovative ideas that drive sustainable growth and create memorable flavours and fragrances. By being challenging, we perform with a mindset of best and see challenges as opportunities for a better future. We anticipate what's next, welcome debate and challenge the way business is done. And by acting with heart and soul, we drive positive change, establish true partnerships, take responsibility for our actions and act with empathy and humility.

We need to know if we are on the right path, and so engaging the voice of employees is important and our global Employee Engagement Survey offers every employee the opportunity to express how they feel about working at Givaudan. The latest survey was conducted in September 2016 and showed that 87% of employees were proud to work for Givaudan.

We embrace a balanced workforce throughout our organisation and are fully committed to increasing inclusiveness and diversity in our workforce. Our Diversity Position Statement outlines our commitment to ensuring a representative workforce that reflects the diverse communities in which we operate. We aim to increase the representation of high growth market nationalities and women in managerial positions, and we produce analytics to track progress in this regard. Our HR teams, led by the Talent and Diversity Programme Manager, who was appointed in 2016, were involved during 2017 in creating a 'Better Balance' roadmap for the future.

www.givaudan.com – our company – corporate governance – position statements – diversity

Performance indicators

Composition of governance (Executive Committee and Board of Directors)

	Executive Committee/ Board	%	<30	30–50	>50
Women	3	20%	0	1	2
Men	12	80%	0	1	11

Employees[1] categories and composition of governance bodies

	Women			Men			Total
	<30	30–50	>50	<30	30–50	>50	
Senior management	0	23	17	0	65	73	**178**
Middle management	46	1,171	239	39	1,140	508	**3,143**
Associates	657	1,680	480	931	3,035	1,209	**7,992**
Total	**703**	**2,874**	**736**	**970**	**4,240**	**1,790**	**11,313**

1. Including the Executive Committee.
All figures include full time and internal temporary employees; they exclude Vika B.V.

GRI Management Approach (103 – 2, 103 – 3): Topic 405, 406
Disclosure 405 – 1

Environment, health and safety
Continuous EHS improvement

Protecting the environment, safeguarding our employees' health and ensuring the safety of all who work at Givaudan are key values in our Company.

Givaudan's environment, health and safety (EHS) mission goes beyond rules and processes by aiming to empower all employees to take shared responsibility in safeguarding the environment and protecting their own health and safety as well as that of their colleagues. This translates into a passion to ensure that 'Everyone gets Home Safe everyday'. In 2017, we began the rollout of a new EHS strategy that builds on the successful platform of the past and focuses on areas needing reinforcement to achieve continued success.

Embedding EHS in our culture

Our goal is to enhance this EHS mindset in the daily activities of all employees so it becomes second nature and the right thing to do. To achieve this, we have created an EHS Excellence model to highlight and leverage the critical elements of Givaudan's DNA. This model, which is being rolled out in 2018, uses a workshop approach to raise the visibility and impact of our EHS culture even further. It also helps our leadership teams assess their site and function against the desired culture and, in turn, agree on actions for improvement.

Fuelling further development in this area will be the training of new EHS facilitators in an approach that will depart from the traditional 'centre outwards' approach. This programme will start in 2018 and enhance and support local ownership of EHS matters. The people trained will gain external accreditation from IOSH (the UK-based Institution of Occupational Safety and Health) as part of our investment in their skills and development.

Safeguarding our ability to deliver to customers

Stakeholder trust is key to the Company's success, and we continue to strengthen our relationship with all our stakeholders through an inclusive and professional approach to EHS matters. This includes the implementation of our EHS Management System, which covers elements such as EHS Directives, Standards and compliance requirements. Helping to confirm the successful implementation of these requirements are our EHS internal audits – standard practice throughout our organisation.

Our stakeholders include the communities and neighbourhoods where we operate. They are critical to our long-term success, as is our commitment to taking action for the environment. We take every precaution to operate safely in these communities while providing social and economic value, and reducing our environmental footprint.

In 2017, our commitment to drive an ambitious climate action was recognised by CDP, the non-profit global environmental disclosure platform. CDP awarded Givaudan an A for climate action leadership and A – for our commitment to water management. It was our third year on the leadership level and we have been disclosing greenhouse gas (GHG) emissions through our participation in CDP since 2007.

During the year, we set ambitious emissions reduction targets through the Science Based Targets initiative. We seek not only to reduce emissions in our own operations, but also within our value chain. We have therefore committed to achieving a 30% GHG emissions reduction by 2030. We can achieve this by converting our electricity supply to fully renewable sources by 2025, and by leading significant energy consumption reduction projects across our operations. Furthermore, we will engage with our suppliers to reduce the carbon footprint of purchased goods and services.

2017 Sustainability Report, published in March 2018

EHS organisational continuous improvement

Givaudan is committed to driving continuous improvement in EHS performance. This commitment is underlined by our adherence to the Responsible Care® Global Charter, a voluntary commitment by the global chemical industry to drive continuous improvement and achieve excellence in EHS performance. We have strengthened our position on occupational health by implementing a new system of ergonomic assessments and an improved material handling and control programme.

Furthermore, our Global EHS Centre of Expertise oversees areas such as environmental protection and climate action, material stewardship, hazardous material management, occupational health, behavioural and process safety management and odour emissions control, and manages our Global Safety Laboratory.

Finally in 2017, we engaged in a new global travel assistance programme benefitting all employees, and we continued to use and develop internal volunteer specialists as regional champions who work in process safety, occupational health and hazardous materials compliance.

Looking ahead

Empowering everybody to safeguard the environment and protect people's health and safety continues to be embedded in our culture. We know that a safe place to work is also a great place to work. EHS Weeks on sites around the world continued in 2017 and are highly successful in engaging and energising our people. We see a clear increase in the number of people watching out for themselves and their colleagues and will continue to build on our EHS Weeks to help in implementing our new EHS strategy.

GRI Management Approach (103 – 2, 103 – 3): Topic 403

Health and safety indicators

Health and safety data

	2009	2016	**2017**
Fatalities	0	0	0
Number of LTIs	79	32	32
LTI rate	1.03	0.36	0.33
Lost day rate[1]	N/A	10.88	6.73
Number of Restricted Work Cases (RWC)	28	37	45
Number of Medical Treatment Cases (MTC)	28	34	61
Number of Total Recordable Cases (TRC)	135	103	138
Total Recordable Case Rate[2]	1.76	1.15	1.43
Number of lost days[3]	N/A	973	647
Number of hours worked[4]	15,341,093	17,886,782	19,239,626
Absenteeism[5]	N/A	2.4%	2.5%

1. Number of lost work days resulting from work-related accidents per 200,000 working hours. Calculation based on scheduled work days lost from the day after the accident.
2. LTI and TRC are both according to the official OSHA definitions.
3. 2016 includes 236 days carried over from previous year. 2017 includes one day carried over from previous year.
4. 9.7% of these represent external contractors for whom the Company is liable.
5. Compared to the number of normal available working days, includes correction for employees working on a part-time basis.

Total recordable cases by region and gender

Region	**Women**	**Men**
Asia Pacific	3	7
Europe, Middle East & Africa	14	59
Latin America	0	8
North America	9	38
Total	**26**	**112**

LTI rate, lost day rate, absenteeism – by region

Region	**LTI rate**	**Lost day rate**	**Absenteeism**
Asia Pacific	0	0	1.5%
Europe, Middle East & Africa	0.49	7.34	3.8%
Latin America	0.14	2.38	0.9%
North America	0.57	17.77	2.4%

GRI Disclosure 403 – 2

Risk management
An integral part of our business

We have robust structures and processes in place to ensure the effective management of risks to our business, and are committed to the highest ethical standards in the conduct of our business.

The pace of change has increased markedly in our industry in recent years, and it is critical that our efforts in risk management and compliance keep up with and even anticipate these changes. However, efficiency and effectiveness in these areas also allows us to identify business opportunities to the benefit of all stakeholders.

Enterprise Risk Management

Risk taking is core to our innovation capacity, our entrepreneurial success and ultimately our sustained value creation.

Enterprise Risk Management (ERM) is the process of assessing, treating and monitoring the effects of uncertainty that may affect the attainment of Givaudan's objectives, especially its publicly stated strategic objectives, or jeopardise Givaudan's long-term business success. Managing risk is an integral part of Givaudan's business. We operate a structured system of identifying, assessing and deciding on responses to mitigate key risks. Givaudan seeks to consciously take the appropriate amount of risk, to manage these risks competently at the right level of the organisation, and to seize related business opportunities.

The Board of Directors is responsible for defining and approving the ERM approach. Execution of the overall ERM process is delegated to the Executive Committee.

Principles and responsibilities

Our ERM approach is based on our Enterprise Risk Management Charter, which was updated by the Board of Directors in 2017. The approach is compliant with applicable laws, SIX Directives, the Swiss Code of Best Practice for Corporate Governance and in line with best practice. Givaudan uses the COSO ERM: 2016 framework and ISO 31000 as references.

The ERM Charter describes the ERM principles, framework, process and methodology and governance and defines the associated roles and responsibilities and corresponding delegated authorities. It also lays down the framework for the reporting mechanism.

The chart outlined on the next page describes the respective roles and responsibilities of each function.

ERM applies to the Flavour and Fragrance businesses, as well as to support functions. It reviews all types of risks (threats and opportunities) in terms of their nature, their source and their consequences. For the top Company risks, the consequences are stated in terms of impact on the EBITDA of the Group.

Givaudan's principle-based approach to risk management:

- Pragmatic and tailored to the Company
- Aims at value creation and protection
- Integral part of processes and decision-making
- Addresses uncertainty explicitly
- Structured, dynamic, iterative and responsive to change
- Based on the best available information

Givaudan's ERM contributes to:

- safeguarding Company value and assets and a protection of shareholder interests
- exploiting strategic opportunities to further create Company value
- improving awareness amongst all key internal stakeholders of the nature and magnitude of the Company's risks
- providing risk-based management information for effective decision making
- improving compliance with good corporate governance guidelines and practices as well as applicable laws and regulations

The annual ERM process includes the following steps:

- a structured and comprehensive identification and compilation of essential threats and opportunities on the basis of an overall risk universe, which includes internal and external benchmarks
- analysis and assessment of the threats and opportunities so identified and determination of their likelihood of occurrence and corresponding impact to understand the underlying risk drivers
- formulation of the appropriate measures to exploit an opportunity and/or respond to a threat and
- tracking and reporting of risks and risk response actions.

Givaudan's management is accountable for ensuring risks are appropriately and adequately identified and analysed in a timely manner. Risk response actions are taken at individual and combined levels. Management reports annually on the status of the risks and risk response actions to the Board of Directors.

The annual assessment and management process is coordinated by the Corporate Compliance Officer. Corporate Internal Audit provides assurance on the effectiveness of the risk management process.

Enterprise Risk Management Framework

Board /Audit Committee

Executive Committee

1st Line: Risk ownership	**2nd Line: Functional risk management support**	**3rd Line: Internal assurance**
– Line management – Core value chain – Certain support functions (Finance, HR, IT)	– ERM function – Legal and compliance functions, including Regulatory, EHS – Sustainability	– Internal audit – Other internal audit functions
Responsible for identifying, assessing, exploiting/mitigating, monitoring and reporting risk in own area Implements processes and procedures in own area	Expertise in analysing specific risk categories Guidance and support for managing specific risk categories	Independent reviews and assurance

External assurance and other requirements

- Mandatory external financial audit
- Regulators
- Other external stakeholders

At the strategic level, a member of the Executive Committee is designated as the risk owner for each top Company risk. He or she has the responsibility for managing the risk on a Group-wide basis. Risks below the level of top risk are clustered by risk area.

Each cluster also has an Executive Committee member as its owner, though the actual risks are owned at the appropriate level of management.

2017 Governance Report, page 71

Risk categories

In 2017, Givaudan performed an in-depth risk review process to re-evaluate the Company's risks and focused on further risk response actions for the top Company risks on the basis of the work done in previous years.

The current major risk areas include the following:

Strategic risks

Business model risk
Our business model might become obsolete, specifically through the advent of digitisation.

Risk of changes in consumer preferences
Consumers may change their preferences for products with fragrances and/or flavours they want to consume and how they acquire them.

Customer risk
Changes at our customers may change their way of working with us and may negatively impact on our own strategy.

Competition risk
Changes in behaviour of existing competitors or new entrants may change the competitive landscape, in particular in relation to new business models. This may impact negatively on Givaudan's competitive position in one or more markets.

Givaudan addresses the above strategic risks by monitoring the competitive landscape, regularly reviewing its own business model and strategy, managing the relationships with our customers and conducting consumer intelligence.

Sustainability risks

Risk of climate change / water scarcity
Climate change may lead to a number of effects which in turn impact our ability to operate. These may include water scarcity at one or more of our manufacturing sites or issues with our supply, in particular of natural raw materials.

We address climate change risk through a comprehensive programme designed to minimise our impact on climate change:

– We have a plan to stabilise our GHG emissions until 2020 and reducing them thereafter in alignment with the 2015 United Nations Climate Change Conference, COP 21 and approved Science based targets.

– We continue to work to reduce the environmental impact of our activities. Our expertise in green chemistry and techniques such as biocatalysis enables us to make products high in purity and yield, using less energy and fewer hazardous materials. We will continue to develop our capabilities in this area and seek to apply them at every opportunity in the future.

– We are developing a global water strategy that includes local action plans with priority actions for high-risk sites. A new standard on water management is being developed and will be part of our EHS directives and standards.

> We address climate change risk through a comprehensive programme designed to minimise our impact on climate change.

Operational risk

Disruption / breakdown of operations
A breakdown of our operations may threaten our ability to produce and deliver quality products/services to competitive prices on a timely basis. Such breakdown may be caused by internal or external factors. Givaudan addresses this risk through a number of processes including structural architectural measures, behavioural measures and business continuity planning.

Disruption of supply chains / suppliers
A disruption in the supply of the raw materials we require for our production or volatility of raw material prices may negatively impact our ability to produce at competitive prices and in a timely manner. Such disruption may be caused by external factors such as climate change or a breakdown at one or more of our suppliers. Givaudan's procurement function has a process to monitor and manage supply chain risks arising from raw materials. Moreover, supply and price volatility are monitored through a cross-functional risk management process which is integrated with global supply chain management and enables us to mitigate raw materials sourcing risks.

Environment, Health and Safety and operational risk management

If Givaudan should operate in a way that is harmful to the environment and/or causes community nuisance (odour emissions, waste water) this could result in fines, reputational impact or even losing our license to operate.

Our Environment, Health and Safety (EHS) function regularly carries out comprehensive risk assessments at the Company's production and major commercial sites. In 2017, the EHS Centre of Expertise further enhanced our process risk analysis methodology and capabilities in line with leading industry standards in order to identify actions and manage them internally using a proprietary EHS Management System with formally documented solutions and closure records. Its main focus is the chemical and powder handling processes.

Givaudan's growth path of organic expansion and acquisitions inevitably involves some essential large-scale projects. EHS, as a full team member, is involved from the beginning of each project to assess and minimise risks. Our EHS teams support the design of all new building activities so that, in EHS terms, the plants we build today use learnings from the past and are fit for the future. In India, for example, a new EHS programme designed specifically for contractors was a significant success in a large-scale construction site project.

Information technology risk

In a fast moving digital world, information and communication technologies are critical for Givaudan to address new consumer behaviours and to collaborate with its customers to give them the best experience. However, digitalisation also creates new threats and requires a permanent monitoring of information security risks and an extension of the risk assessment scope. In addition to continuously adapting its information and network systems, Givaudan focuses on extensive awareness programmes to all employees as critical stakeholders in the protection of the digital space.

Financial risks

Please consult the Financial Report regarding our financial risk management.

2017 Financial Report – pages 112 – 116

Legal and regulatory risks

Product quality / product safety risk

A faulty product or one that is not compliant with regulations or non-performing could expose Givaudan to consumer health issues, customer complaints, warranty claims, returns and re-runs, product liability claims or litigation and lead to loss of revenues, market share and business reputation. Our flavour and fragrance product safety assessment programme is designed to ensure that all products are safe for consumer use. At the core of the programme is a systematic safety evaluation of the ingredients used in our flavour and fragrance products, and control of their use which is managed by our global IT systems. All new ingredients are evaluated for human and environmental safety, as required, prior to their use. Our flavour and fragrance products are created to comply with all appropriate end consumer product safety regulations in the markets in which they will be sold.

> All new ingredients are evaluated for human and environmental safety prior to their use.

In addition, Givaudan supports, and in many cases leads, industry-wide programmes of the respective industry associations (the International Fragrance Association and the International Organization of the Flavor Industry) for assuring the safe use of flavours and fragrances in consumer products.

Legal and compliance risks

Should our employees, especially key individuals within the organisation (Board members, Executive Committee members, senior management) display or tolerate behaviour that is illegal or unethical, this could lead to reputational as well as financial damage to Givaudan. The Corporate Compliance function undertakes a regular assessment of Givaudan's legal and compliance risks at local and global levels and addresses any issues with the Executive Committee and the Audit Committee. Non-compliant behaviour is investigated and sanctioned in accordance with a comprehensive procedure.

GRI Disclosure 102 – 11, pages 49 – 52

Compliance
Protecting our reputation

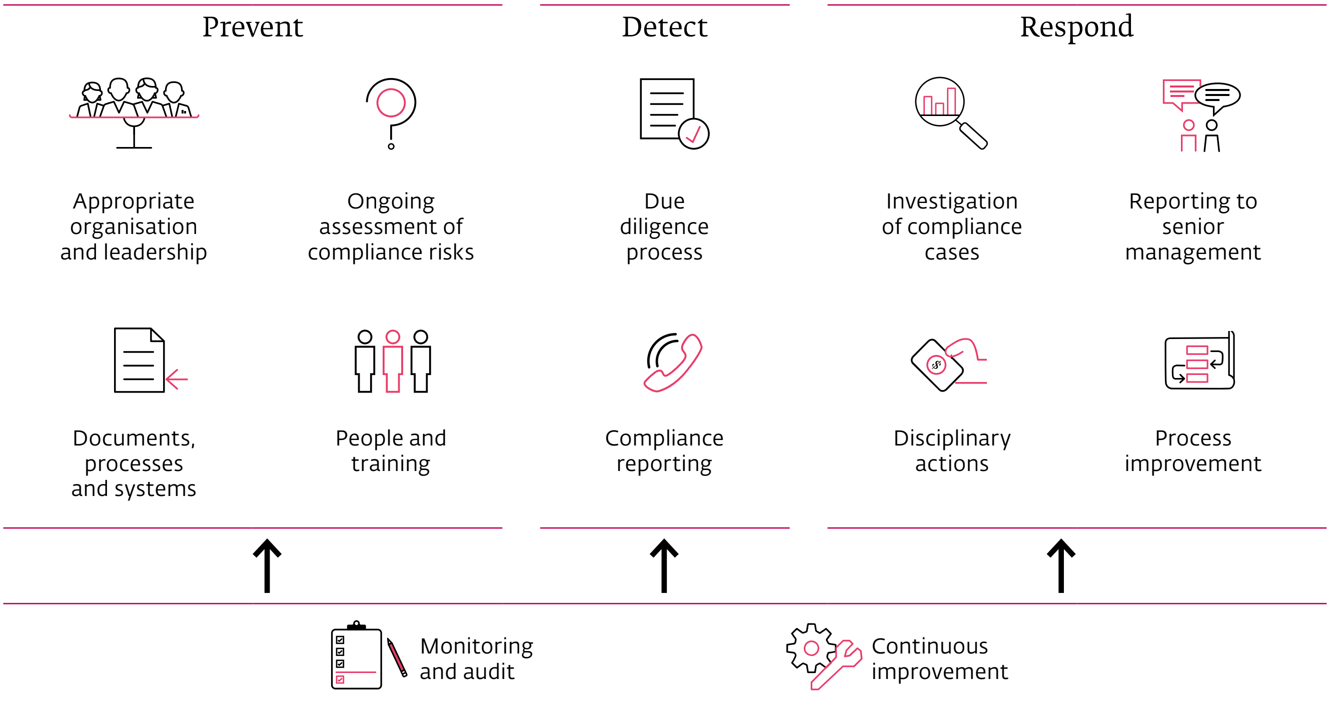
Givaudan's good reputation and name has been built over a long and rich history.

To preserve it, we are committed to adhere to the highest ethical standards in the way we interact with all our stakeholders – customers, suppliers, shareholders, employees, competitors, government agencies and the communities in which we operate. Being open, transparent and honest in our dealings with these stakeholders allows us to grow responsibly and share our success.

Principles of Conduct

The basis for Givaudan's ethical standards is laid out in the Company's 'Principles of Conduct', last reviewed and updated in 2016. The Principles of Conduct consist of three pillars: Legal & Ethical Business Dealings, Responsible Corporate Citizenship and Protecting Givaudan's Assets.

The Principles also include a section on 'How we live the Principles', which reiterates each employee's responsibility for ethics and integrity and explains the channels for reporting any violation of the Principles, including the worldwide Compliance Helpline. These 'Principles of Conduct', as well as any policies specifying any principle, are available in all 15 Company languages.



The Principles of Conduct are supported and mirrored by Givaudan's Responsible Sourcing Policy, a code of conduct for our suppliers, which was also issued in 2016 to ensure that our partners abide by the same high standards we do.

www.givaudan.com – our company – corporate governance – rules and policies
www.givaudan.com – our company – corporate governance – compliance

Organisation and process

To strengthen the implementation of the Principles of Conduct, in 2017 Givaudan updated its Compliance and Ethics Programme Policy. The Compliance and Ethics Programme is based on the compliance and fraud prevention concept of "prevent – detect – respond". The Corporate Compliance Officer oversees the administration of the Compliance and Ethics Programme and coordinates with dedicated functions for effective compliance management.

The Corporate Compliance Officer is assisted by a global compliance team and a network of local compliance officers and regional compliance coordinators to further enhance the function. The Group Data Protection Officer, reporting to the Corporate Compliance Officer, oversees the implementation of the Group Data Protection strategy to address changes that will happen on the entry into force of new legislation in the European Union as well as in Switzerland.

The Corporate Compliance Officer carries out regular compliance risk assessments with the local compliance officers and corporate functions.

The Company has a Group-wide Compliance Helpline system which allows employees to report suspected or actual misconduct or violations of the Company's policies on a confidential basis and without fear of retaliation. It also has a grievance mechanism as part of its Responsible Sourcing Policy to allow suppliers to bring grievances to the attention of Givaudan.

The Company has a compliance incident investigation procedure and process in place for investigations of compliance allegations received through any channel. Depending on the nature of the allegations, these cases are handled either locally or centrally. Where required, outside forensic support is sought.

Other compliance processes include the process for selection and engagement of third-party agents and distributors and the global vendor selection of the Procurement organisation.

Management of compliance with specific areas of operational compliance risk such as product safety/regulatory, trade affairs, environment, and occupational health and safety (EHS) is ensured by specific dedicated corporate functions.

Organisation's values and principles

Legal & ethical business dealings	Compliance with the law and Givaudan Policies
	Bribery and corruption
	Gifts and entertainment
	Competition law
	Insider dealing
	Conflicts of interests
	Ethical conduct
Responsible corporate citizenship	Human rights
	Preserving the environment
	Diversity and fair treatment
	Fair employment standards and safe work environment
	Child labour
Protecting Givaudan's assets	Fraud against Givaudan
	Open communication
	Protection of confidential information and trade secrets, intellectual property
	Conduct in research, development, application and creation

GRI Management Approach (103 – 2, 103 – 3): Topic 205, 408, 409, 412, pages 53 – 54

Anti-bribery management

The Principles of Conduct state that Givaudan has zero tolerance of bribery and corruption, and does not make facilitation payments.

Most countries where Givaudan operates have strict anti-bribery laws, including the UK Bribery Act, the US Foreign Corrupt Practices Act, the French Loi Sapin 2 and anti-bribery laws and regulations of other countries where Givaudan either already does business or intends to do so.

Anti-corruption compliance is managed as part of the Givaudan compliance management system through the following instruments:

– Corruption is one of the risk areas regularly reviewed by the Corporate Compliance Officer as part of a compliance risk assessment.

– Corruption and inappropriate gifts and entertainments are prohibited in Givaudan's Principles of Conduct and they are addressed in more detail in the Global Anti-Bribery, Gifts, Entertainment and Hospitality policy, including the reporting of gifts and entertainment. Both documents are available to employees in all major Company languages.

– Givaudan has included corruption and gifts/entertainment in its basic compliance training for all permanent employees and issues specific anti-bribery training to selected employees.

– Givaudan discloses charitable contributions and sponsorship.

– As part of monitoring activities, the Compliance Helpline allows employees to report compliance issues in confidence. The helpline is open in all sites, and available in all major Company languages.

– Givaudan has a procedure for the selection and engagement of agents and distributors, which includes a formal due diligence review and minimum requirements for agent contracts and payments.

GRI Management Approach (103 – 2, 103 – 3): Topic 205

Training and monitoring

New mandatory compliance training on the updated Principles of Conduct was launched in 2017 to all employees worldwide. The training material is available as online training in all major Company languages and includes material on anti-bribery, corruption and corporate social responsibility. The completion rate currently stands at 82%. All members of the Executive Committee have completed the training.

Specific anti-bribery training also continued in 2017. Since 2013, 5,160 senior managers, including all members of the Executive Committee and other employees whose work involves regular and direct contact with external stakeholders, have completed this specific anti-bribery training out of 5,290 who have been invited.

In 2017, the Company continued to review its policies and processes to ensure compliance with changing applicable law, including the French Loi Sapin 2, as well as the EU's General Data Protection Regulation and other applicable data protection legislation.

GRI Disclosure 205 – 2

Human rights

Givaudan endorses the UN Guiding Principles on Business and Human Rights and bases its human rights commitment on the International Bill of Human Rights, consisting of the Universal Declaration of Human Rights and the International Labour Organization's fundamental conventions on Rights at Work.

In 2017, we started a three-phase Human Rights Impact Assessment that aims to meet best practice standards in the management of human rights. The first phase is a high-level human rights risk assessment of our operations which should be completed in early 2018, and the full assessment is expected to be finished in 2019.

GRI Management Approach (103 – 2, 103 – 3): Topic 412
Disclosure 412 – 1

Forced and child labour

We are against all forms of forced labour and exploitation of children. Our Principles of Conduct stipulate that we will not provide employment to children before they have completed their compulsory education. In 2017, we had no incidents of forced or child labour at Givaudan.

www.givaudan.com – our company – corporate governance – principles of conduct

GRI Management Approach (103 – 2, 103 – 3): Topic 408
Disclosure 408 – 1, 409 – 1

Local communities

Communities where we operate around the world can be affected by our business, and these local stakeholders may in turn impact our activities. We are active in developing and sustaining our relationships with these communities and take the views of local representatives into account in our sustainability activities.

Formal links at most of our sites have been established with local authorities and with significant organisations representing neighbours or working on specific environmental and social issues.

2017 Annual Report – strategic value creation – communities – page 29

GRI Management Approach (103 – 2, 103 – 3): Topic 413

Charitable giving

We monitor charitable spend at every site and have had an annual budget allocation process for charitable giving for all our sites since 2012. This spend is controlled and consolidated by a sustainability controller. Every site manager is responsible for how the site budget is spent, and each of these managers has some freedom to allocate funding to local organisations providing they comply with Givaudan guidelines and local laws on non-profit organisations. In 2017, the total spend on charitable giving for local communities was CHF 1,503,925.

GRI Disclosure 102 – 16, pages 53 – 55

Regulatory and public policy
Ensuring safe products in all markets

Our Regulatory and Product Safety teams provide critical information that enables customers around the world to use our products in the knowledge they are safe and compliant for the intended use.

As new regulations are proposed and implemented in the global flavour and fragrance industry, we are at the forefront of ensuring our products comply with the relevant changes. We work closely with our customers to help them understand the changes as well as the impact they will have on their consumer products. Beyond this direct support of our customers' needs, we continue to lead efforts to help shape the industry landscape by committing resources and sharing expertise.

We are committed to ensuring that our products are safe for consumers, workers and the environment when used as intended, and that these products are compliant in the markets around the world where we sell.

This advocacy, support and expertise is provided by 200 employees at over 25 locations with different skills, ranging from scientists to trade and safety and toxicology experts.

Flavours

Consumer expectations continued to drive health initiatives during the year. This resulted in government policies and advocacy initiatives in areas such as reduced salt and sugar, genetically modified consumables, naturalness, traceability, and sustainability and organic movements. These initiatives are gaining significant momentum in markets such as Brazil, India, Africa and the Middle East.

Consumers also increased their demand for more understandable, friendlier ingredient descriptions on labels. In response, Givaudan launched a programme to create ingredient declarations on flavourings recognised by customers as spices and ingredients. The global initiative, 'Flavouring by Foodstuff', which involves the Regulatory teams working together with our science and commercial teams, is expected to be completed during the first part of 2018.

There was a continued global trend during the year for countries, specifically in emerging markets, to align and harmonise their regulations with Codex Alimentarius standards and provisions. Givaudan actively supports these efforts through associations such as the International Organization of the Flavor Industry (IOFI). This support is aimed at further reductions in non-tariff barriers to trade, helping free global trade and service to our customers in those countries.

Our team was also active in meeting a requirement by authorities in Europe for additional toxicological testing for a number of existing flavour ingredients. Because of consequent restrictions, we have removed one ingredient due to EU delisting the material and restricted the use levels of several others, which is managed through our robust compliance engine. Our advocacy team continues to work through relevant industry associations with the authorities on issues around current flavouring ingredients, and we continue to ensure compliance with regulations and provide correct classification and labelling information.

From a regulatory point of view, the integration of the Spicetec product portfolio was completed during the year and our teams are working on the inclusion of the Activ and the Vika portfolios.

Fragrances

Like their Regulatory colleagues in Flavours, our team in Fragrances closely monitors changes in relevant legislation. A significant bill during the year was the passing of California's Cleaning Product Right to Know Act 2017, the first of its type requiring manufacturers of cleaning products to disclose chemical ingredients, including fragrance materials. While fragrance formula disclosure will be required, it does enable some protection of intellectual property for manufacturers. Givaudan is well prepared to support the implementation of this new disclosure law.

While this law is currently focused on the USA and concerns only cleaning products, we expect that during 2018 it will widen to cosmetics and in due course involve similar legislation and eventually move to other regions of the world as well.

We continue to encourage the industry to focus on consistent levels of consumer disclosure while preserving the ability to maintain intellectual property protection of fragrance formula, a balance that was well achieved in the Californian legislation.

Meanwhile in Europe the registration phase of REACH will end in May 2018, by which time all substances in scope must be registered, and Givaudan is well placed to meet its commitments. While this 10-year period of REACH registration is coming to a conclusion, we foresee years of additional work needed to support ECHA decisions on the evaluation of some of our registrations that will continue to require significant investment. In addition, we are continuing efforts to ensure our remaining suppliers meet their commitments as well.

Product labelling

Transparency is increasingly expected in all areas of our business, from supply chain data to R&D information and formulas. It is important that we provide all the necessary information for the proper handling of materials we sell to enable our customers to manage any environment, health and safety risks associated with the use of our ingredients.

> We evaluate all the ingredients used in our formulas for any EHS impact and this information is disclosed and filed with the relevant regulatory bodies whenever necessary.

We evaluate all the ingredients used in our formulas for any EHS impact and this information is disclosed and filed with the relevant regulatory bodies whenever necessary. Quality and environmental data about our products, including safety information, are made available to users through product labels and safety data sheets (SDS). The SDS, which are available in more than 45 languages, are attached to every consignment and available to customers on request. For flavour products, information related to allergen, GMO, organic, nutritional and religious criteria can be provided.

Our procedures require product and service information for sourcing, content, safe use, and disposal. All of our sold products delivered to our customers are subject to product information requirements and regulations. We ensure that 100% of our products are safe for consumers under the products' intended purpose of use; the safety and quality of our products is assured through stringent methodologies.

In Flavours, we are responding to the move from clean to clear labelling and an increasing consumer desire to understand what goes into their food. They seek ingredients that sound familiar, natural and simple, and are easy to pronounce, without a chemical association. Our 'Flavouring by Foodstuff' initiative aims to meet this need and although there are regional differences in regulatory requirements, our priority is not to mislead customers in the changes we are introducing to our product labelling.

GRI Management Approach (103 – 2, 103 – 3): Topic 416, 417
Disclosure 416 – 1, 417 – 1

Public policy

Givaudan does not fund any political party in any country. We have an internal policy on charitable giving and community support that excludes any direct or indirect political donations or support. However, we support, and in many cases lead, the development of public policies that impact the flavour and fragrance industry.

> We support and often lead industry-wide programmes with international industry associations such as IFRA and IOFI.

We also support and often lead industry-wide programmes with international industry associations such as the International Fragrance Association (IFRA) and the International Organization of the Flavor Industry (IOFI). In addition, we work with many national associations to help ensure the safe use of flavours and fragrances in consumer products.

Governance report

We continuously strive to improve our robust framework of corporate governance in order to ensure the effective functioning of the governing bodies of the Company.

In this section:

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Shareholders' participation	**75**
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New Chairman elected

Calvin Grieder was elected at the 2017 AGM and succeeds Dr Jürg Witmer

4 Board Committees

ensuring strategic coverage of material issues

3 women represented

on the Board of Directors and Executive Committee combined

Corporate governance
Our framework of checks and balances

The Governance chapter is aligned with international standards and has been prepared in accordance with the 'Swiss Code of Obligations', the 'Directive on Information Relating to Corporate Governance' issued by the SIX Swiss Exchange and the 'Swiss Code of Best Practice for Corporate Governance' issued by economiesuisse.

The internal corporate governance framework is based on Givaudan's Articles of Incorporation. The 'Board Regulations of Givaudan SA', the Company's organisational regulation, further clarifies the duties, powers and regulations of the governing bodies of the Company.

Except when otherwise provided by law, the Articles of Incorporation and Givaudan's Board Regulations, all areas of management are fully delegated by the Board of Directors, with the power to sub-delegate to the Chief Executive Officer, the Executive Committee and its members. The Board Regulations of Givaudan also specifies the duties and the functioning of its four Board Committees.

The Articles of Incorporation, Board Regulations of Givaudan and other documentation regarding Givaudan's principles of corporate governance can be found at:

www.givaudan.com – our company – corporate governance – rules and policies

1. Group structure and shareholders

1.1 Group structure

1.1.1 Description of the issuer's operational Group structure
Givaudan SA, the parent company of the Givaudan Group, with its registered corporate headquarters at 5 Chemin de la Parfumerie, 1214 Vernier, Switzerland ('the Company'), is a 'société anonyme', pursuant to art. 620 et seq. of the Swiss Code of Obligations. It is listed on the SIX Swiss Exchange under security number 1064593, ISIN CH0010645932.

The Company is the global leader in the flavour and fragrance industry, offering its products to global, regional and local food, beverage, consumer goods, fragrance and cosmetics companies. The Company operates around the world and has two principal divisions: Flavour and Fragrance. The Flavour Division consists of four business units: Beverages, Dairy, Savoury and Sweet Goods. The Fragrance Division has three business units: Fine Fragrances, Consumer Products, as well as Fragrance Ingredients and Active Beauty.

Both divisions have a sales and marketing presence in all major countries and markets as well as Research and Development organisations. They share resources and knowledge in the areas of research and consumer understanding, where applicable. Corporate functions include Finance, Procurement, Science and Technology, Legal, Compliance and Communications, as well as Human Resources (HR). In August 2017, the Company started the implementation of a new global organisational unit Givaudan Business Solutions (GBS) to provide best-in-class internal processes and services in the areas of Finance, Controlling, HR, Procurement, Supply Chain, Environment, Health & Safety (EHS), Enterprise Data Management, Information Management and Technology (IM&T), Sustainability and Continuous Improvement.

1.1.2 Listed companies within the scope of consolidation
The Company does not have any publicly listed subsidiaries.

1.1.3 Unlisted companies within the scope of consolidation

The list of principal consolidated companies, their domiciles and the shareholding is presented in appendix page 172 to the consolidated financial statements of the 2017 Financial Report. Note 1 to the consolidated financial statements as well as note 3 to the statutory financial statements offer more details regarding the structure of the Group. All unlisted subsidiaries are wholly-owned, unless otherwise indicated in notes 3 and 5 to the statutory financial statements mentioned above.
The 2017 Financial Report is printed in English as part of the 2017 Annual Report or can be downloaded on the Company website:

www.givaudan.com – investors –
online annual report – download centre

GRI Disclosure 102 – 1, 102 – 2, 102 – 3, 102 – 5, 102 – 45

1.2 Significant shareholders

To the knowledge of the Company, the following were the only shareholders holding more than 3% of the share capital of Givaudan SA as at 31 December 2017 (or as at the date of their last notification under article 20 of the Stock Exchange Act): The notifications can be viewed on the following site:

www.six-swiss-exchange.com – market data – shares –
givaudan – overview – significant shareholders

The Company has not entered into any shareholder agreements with any of its significant shareholders.

Significant shareholders

2017	in %
Beneficial owners	
William H. Gates III – Cascade Investment	13.86
BlackRock Inc	5.18
MFS Investment Management	5.04
Nominees	
Nortrust Nominees Ltd.	14.90
Chase Nominees Ltd.	5.21
Messieurs Pictet & Cie.	4.40

1.3 Cross-shareholdings

The Company does not have any cross-shareholdings with any other company.

2. Capital structure

2.1 Capital on the disclosure deadline

Ordinary share capital

As at 31 December 2017, the Company's ordinary share capital amounted to CHF 92,335,860 fully paid in and divided into 9,233,586 registered shares with a par value of CHF 10.00 each.

The market capitalisation of the Company at 31 December 2017 was CHF 20,794,035,672.

2.2 Authorised and conditional capital in particular

Authorised share capital

The Company does not have any authorised share capital.

Conditional share capital

The Company's share capital can be increased by:

– issuing up to 161,820 shares through the exercise of option rights granted to employees and/or the members of the Board of Directors of the Group.

– issuing up to 463,215 shares through the exercise of option or conversion rights granted in connection with bond issues of Givaudan SA or a Group company.

  The Board of Directors is authorised to exclude the shareholders' preferential right to subscribe to such bonds if the purpose is to finance acquisitions or to issue convertible bonds or warrants on the international capital market. In that case, the bonds or warrants must be offered to the public at market conditions, the deadline for exercising option rights must be not more than six years and the deadline for exercising conversion rights must be not more than 15 years from the issue of the bond or warrants and the exercise or conversion price for new shares must be at a level corresponding at least to the market conditions at the time of issue.

– issuing up to 123,163 shares through the exercise of option rights granted to the shareholders of Givaudan SA.

For the conditional share capital, the subscription rights of the shareholders are excluded.

The acquisition of shares through the exercise of option or conversion rights and the transfer of such shares are subject to restrictions as described in the next section.

2.3 Changes in capital

The information regarding the year 2015 is available in notes 9 and 10 to the statutory financial statements of the 2015 Financial Report. Details of the changes in equity for the years 2016 and 2017 are given in notes 8 and 9 to the statutory financial statements of the 2017 Financial Report.

2.4 Shares and participation certificates

The Company has one class of shares only. All shares are registered shares with a par value of CHF 10.00 each. Subject to the limitations described below, all shares have the same rights in all respects. Every share gives the right to one vote and to an equal dividend.

2.5 Dividend-right certificates

Other than the registered shares, dividend-right certificates and participation certificates do not exist.

2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability for each share category; indication of statutory group clauses and rules for granting exceptions

At the Annual General Meeting of shareholders on 20 March 2014, the previously existing registration and voting rights restrictions were abolished. Today, the Company no longer has limitations on transferability of shares.

2.6.2 Reasons for granting exceptions in the year under review

This is not applicable because the Company has no limitations on transferability of shares.

2.6.3 Permissibility of nominee registrations; indication of any percent clauses and registration conditions

Subject to the provisions mentioned in the next paragraph, registration with voting rights in the Company's share register is conditional on shareholders declaring that they have acquired the shares in their own name and for their own account.

Based on a regulation of the Board of Directors, nominee shareholders may be entered with voting rights in the share register of the Company for up to 2% of the share capital without further condition, and for more than 2% if they undertake to disclose to the Company the name, address, nationality and number of shares held by the beneficial owners.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability

Limitations on transferability and nominee registrations may be changed by a positive vote of the absolute majority of the share votes represented at a shareholders' meeting.

2.7 Convertible bonds and warrants/options

There are no bonds or warrants outstanding that are convertible into shares of Givaudan SA.

LTR: Werner Bauer, Michael Carlos, Ingrid Deltenre, Calvin Grieder, Thomas Rufer, Lilian Biner, Victor Balli

3. Board of Directors

According to the Articles of Incorporation of Givaudan, the Board of Directors may consist of between seven and nine members.

Givaudan's seven Board members have an in-depth knowledge of their relevant areas of expertise, and provide contributions in the areas of strategy, the flavour and fragrance industry, finance, research and innovation, marketing and regulatory affairs. The Board's knowledge, diversity and expertise are an important asset in leading a company of Givaudan's size in a complex and fast-changing environment.

At the Annual General meeting in March 2017, Dr Jürg Witmer retired from the Board of Directors and from the position of Chairman. Calvin Grieder was elected new Chairman. Prof. Dr-Ing Werner Bauer was appointed Vice-Chairman by the Board.

As of 31 December 2017, the following were members of the Board of Directors:

3.1 Members of the Board of Directors

Calvin Grieder
Chairman

Engineer
Swiss national, born 1955 in the USA
Non-executive
First elected in 2014

In 1980, Calvin Grieder started his career as Marketing Manager with Georg Fischer Ltd in Switzerland and continued in various executive positions at Swiss and German companies including Bürkert Controls Ltd., Mikron Machines Ltd, Swiss Industrial Company (SIG) Ltd and Swisscom Telecom Ltd, where he served as Head of the Mobile and Internet business and Member of the Executive Board. He was CEO of the international engineering group Bühler from 2001 to 2016.

Until March 2017, Calvin Grieder held the following mandates in companies that are quoted on an official stock exchange: member and Vice-Chairman of the Board of Implenia AG.

Calvin Grieder holds the following mandates in companies that are non-quoted: Chairman of the Board of Bühler Group, member of the Board of Trustees of Avenir Suisse, owner and member of the Board of CGTech in Küsnacht (now Carivel7 AG), member of the Advisory Board of the ETH, Department of Mechanical and Process Engineering, member of the Steering Committee of digitalswitzerland and member of the Foundation Board of the Swiss Future Fund.

Calvin Grieder holds a Master of Science from the ETH Zurich and has completed an Advanced Management Program (AMP) at Harvard University.

Prof. Dr-Ing. Werner Bauer
Vice-Chairman

Businessman

German and Swiss national, born 1950

Non-executive

First elected 2014

Prof. Dr-Ing. Werner Bauer started his career as a university professor in chemical engineering at the Technical University in Hamburg, Germany. After serving as the Director of the Fraunhofer Institute for Food Technology & Packaging and as Professor in Food Processing Technology at the Technical University of Munich from 1985 to 1990, he joined Nestlé as Head of the Nestlé Research Centre in Lausanne in 1990. After heading commercially Nestlé South and East Africa he joined general management as Executive Vice-President in 2002, responsible for technical, production, environment and R&D. In 2007 he became Executive Vice-President and Head of Innovation, Technology, Research and Development, a position from which he retired in September 2013.

Prof. Bauer holds the following mandates in companies that are quoted on an official stock exchange: member of the Boards of Lonza Group AG and GEA Group AG. He holds the following mandates in companies that are non-quoted: Chairman of the Board of Trustees of the Bertelsmann Foundation, member and vice-chairman of the Board of Bertelsmann SE & Co. KGaA, Chairman of the Board of Nestlé Deutschland AG (until June 2017).

Prof. Dr-Ing. Werner Bauer received a Diploma and a PhD in Chemical Engineering from the University Erlangen-Nürnberg in Germany.

Victor Balli
Director

Businessman

Swiss national, born 1957

Non-executive

First elected in 2016

Victor Balli started his professional career in 1985, working as a Financial Analyst & Business Development Manager with EniChem International SA in Zurich and Milan. From 1991 to 1995, he worked as a Principal with Adinvest AG, a corporate finance advisory company with offices in Zurich, San Francisco, New York, and London. Victor Balli held various positions at Minibar between 1996 and 2005, most recently as Chief Executive Officer EMEA as of 2005. Since 2007 Victor Balli has been Chief Financial Officer and member of the Executive Committee of Barry Callebaut, a position he will leave at the end of February 2018.

Victor Balli holds the following mandates in companies that are quoted on an official stock exchange: Member of the Board of KWS Saat SE (as of 14 December 2017).

He holds the following mandates in companies that are non-quoted: Member of the Board of Niantic Finance AG. From 1 January 2018, Mr Balli will be member of the Board of the Federal Audit Oversight Authority.

Victor Balli has a Masters in Economics from the University of St. Gallen and a Masters in Chemical Engineering from the Swiss Federal Institute of Technology in Zurich.

Lilian Biner
Director

Businesswoman

Swedish national, born 1962

Non-executive

First elected 2011

Lilian Biner has senior management experience from retail and consumer goods companies. These posts have most recently included Chief Financial Officer and Executive Vice President with Axel Johnson AB in 2007 and Head of Strategic Pricing for Electrolux Major Appliances Europe, a company she joined in 2000 as head of HR and Organisational Development.

Lilian Biner holds the following mandates in companies that are quoted on an official stock exchange: Chairman of the Board of Cloetta AB, member of the Boards of LE Lundbergföretagen and Nobia AB. She left the Board of Thule Group AB in April 2017.

She holds the following mandates in companies that are non-quoted: member of the Board of a-connect (group) ag.

Lilian Biner is a graduate of the Stockholm School of Economics.

Michael Carlos
Director

Businessman

French national, born 1950

Non-executive

First elected 2015

Michael Carlos started his career with Givaudan in 1984 as General Manager in Hong Kong. He became Head of the European Creative Centre in Argenteuil in 1992 where he was in charge of integrating the creative resources from Givaudan and Roure. In 1999, he was appointed Global Head of Consumer Products and then President of the Fragrance Division in 2004, a position from which he retired in 2014.

Michael Carlos holds the following mandates in companies that are quoted on an official stock exchange: member of the Board of Deinove SA. He also holds the following mandates: Chairman of the International Fragrance Association (IFRA), Chairman of the Research Institute of Fragrance Materials, member of the Board of Manus Bio Inc. since April 2017, and Chairman of the Board of Scent Design SA.

Michael Carlos holds an MBA from the Indian Institute of Management and a degree in chemical engineering from the Indian Institute of Technology.

Ingrid Deltenre
Director

Businesswoman

Dutch and Swiss national, born 1960

Non-executive

First elected 2015

Ingrid Deltenre has held several executive positions in the press and media including Director of Publisuisse from 1999 to 2004, and Director of the leading public TV broadcaster in German-speaking Switzerland, Schweizer Fernsehen, from 2004 to 2009. In 2010, she became Director General of the Geneva-based European Broadcasting Union (EBU), a position she held until June 2017.

She holds the following mandates in companies that are quoted on an official stock exchange: member of the Board of Banque Cantonale Vaudoise, and member of the Supervisory Board of Deutsche Post/DHL.

She also is a member of the board of Agence France Presse and a member of the steering board of the Executive MBA of the University of Zurich.

Ingrid Deltenre holds a Bachelor of Arts in Journalism and Educational Sciences from the University of Zurich.

Thomas Rufer
Director

Certified Public Accountant

Swiss national, born 1952

Non-executive

First elected 2009

Thomas Rufer joined Arthur Andersen in 1976, where he held several positions in audit and business consulting (accounting, organisation, internal control and risk management). He was Country Managing Partner for Arthur Andersen Switzerland from 1993 to 2001. Since 2002, he has been an independent consultant in accounting, corporate governance, risk management and internal control.

He holds the following mandates in non-listed companies: Member of the Swiss Takeover Board. Until 31 December 2017 Chairman of the Board of Directors of the Federal Audit Oversight Authority.

Thomas Rufer has a degree in business administration (économiste d'entreprise HES) and is a Swiss Certified Public Accountant.

Board of Directors, its committees and election dates 2017

Board of Directors[1]

Calvin Grieder
Chairman since March 2017
Swiss
born 1955
Member since 2014

Prof. Dr-Ing. Werner Bauer
German and Swiss
born 1950
Member since 2014

Victor Balli
Swiss
born 1957
Member since 2016

Lilian Biner
Swedish
born 1962
Member since 2011

Dr. Jürg Witmer
Chairman until March 2017[1]
Swiss
born 1948
Member since 1999

Michael Carlos
French
born 1950
Member since 2015

Ingrid Deltenre
Dutch and Swiss
born 1960
Member since 2015

Thomas Rufer
Swiss
born 1952
Member since 2009

Audit Committee

Thomas Rufer (Chairman), entire year
Lilian Biner, entire year
Victor Balli, entire year

- Assists the Board in its oversight responsibilities with respect to financial reporting
- Ensures effectiveness and efficiency of internal control, risk management and compliance systems
- Assesses and overviews the internal and external audit processes

Compensation Committee

Prof. Dr-Ing. Werner Bauer (Chairman), entire year
Ingrid Deltenre, entire year
Calvin Grieder, until March 2017
Victor Balli, from March 2017

- Reviews and recommends the compensation policies to the Board
- Approves the remuneration for the Executive Committee
- Prepares the Compensation Report

Nomination and Governance Committee

Dr Jürg Witmer (Chairman), until March 2017[1]
Calvin Grieder (Chairman), from March 2017
Ingrid Deltenre, entire year
Lilian Biner, until March 2017
Michael Carlos, from March 2017

- Assists the Board in applying principles of good corporate governance
- Prepares appointments to the Board and the Executive Committee

Innovation Committee

Michael Carlos (Chairman), entire year
Calvin Grieder, entire year
Prof. Dr-Ing. Werner Bauer, entire year

- Assists the Board in scientific matters relating to the flavours, fragrances and cosmetics Industry
- Identifies opportunities, proposes and screens potential innovation partners

1. Dr. Jürg Witmer retired as Board member, as Chairman and as Chairman of the Nomination and Governance Committee on 23 March 2017.

3.2 Other activities and vested interests

Please refer to the biographies of the Board members described in section 3.1 for their other activities and vested interests.

Except for those described in section 3.1, no Board member of Givaudan SA holds any material permanent management or consultancy functions for significant domestic or foreign interest groups nor any significant official functions or political posts. The Board of Directors assesses the independence of its members.

As at 31 December 2017, all members of the Board of Directors were non-executive and, apart from Michael Carlos, all of the Board members were independent in accordance with article 14 of the Swiss Code of Best Practice for Corporate Governance. None of the Board members has important business connections with Givaudan SA or any of its affiliates. Michael Carlos was President of the Fragrance Division of the Company until the end of 2014.

3.3 Rules in the Articles of Incorporation on the number of permitted activities pursuant to Art. 12 para. 1 point 1 of the Ordinance against Excessive Compensation (OaEC)

Article 32 of the Articles of Incorporation of the Company permits the following external mandates for members of the Board of Directors:

- Members of the Board of Directors may not hold more than four additional mandates in companies that are quoted on an official stock exchange and seven additional mandates in non-quoted companies

- The following mandates are not subject to these limitations:
  - mandates in companies which are controlled by the corporation
  - mandates held by order and on behalf of the corporation or any controlled company. No member of the Board of Directors or of the Executive Committee shall hold more than ten such mandates
  - mandates in associations, foundations, charitable organisations, trusts, employee welfare foundations and other comparable structures. No member of the Board of Directors or of the Executive Committee shall hold more than 15 such mandates.

'Mandates' mean mandates in the supreme governing body of a legal entity which is required to be registered in the Swiss commercial register or a corresponding foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

3.4 Elections and terms of office

3.4.1 Principles of the election procedure, rules differing from the statutory legal provisions with regard to the appointment of the Chairman, the members of the Compensation Committee and the independent proxy

The Company amended its Articles of Incorporation at the Annual General Meeting 2014 to align with the new requirements of the OaEC. The rules regarding the appointment of the Chairman, the members of the Compensation Committee and the independent proxy do not deviate from the statutory legal provisions. All Board members, the Chairman, the members of the Compensation Committee and the independent proxy are elected annually and individually for one year, being the time from one ordinary Annual General Meeting to the next one.

3.4.2 For each Board member: date of first election to Board and attendance of meetings

For the dates of first election to the Board and attendance of Board and committee meetings, please refer to the tables on pages 66 and 68.

3.5 Internal organisational structure

3.5.1 Allocation of tasks among the Board members

The Chairman is elected annually at the Annual General Meeting. He prepares the agenda and chairs meetings of the shareholders, convenes, prepares and chairs the meetings of the Board of Directors, coordinates the work of the Board committees, prepares and supervises the implementation of resolutions of the Board of Directors (to the extent not delegated to a committee), supervises the course of business and the activities of the Executive Committee, proposes succession candidates for appointment to the Board of Directors or to the Executive Committee and proposes the global remuneration of the Chief Executive Officer and other members of the Executive Committee to the Compensation Committee.

The Chairman receives all invitations and minutes of Committee meetings and is entitled to attend these meetings. The Chairman further decides in cases which fall under the tasks and powers of the Board of Directors, but in which a timely decision of the Board of Directors cannot be made because of urgency. In such cases, the Chairman informs the members of the Board of Directors as quickly as possible and the corresponding resolution is minuted at the next Board meeting.

If the Chairman is unable to act, the Vice-Chairman exercises his functions, assuming all his tasks and powers.

Meetings: attendance 2017

Board member	Number of Board meetings / calls attended		Number of Audit Committee meetings attended		Number of Compensation Committee meetings attended		Number of Nomination and Governance Committee meetings attended		Number of Innovation Committee meetings attended	
	Jan – Mar	Mar – Dec	Jan –Mar	Mar – Dec	Jan – Mar	Mar – Dec	Jan – Mar	Mar – Dec	Jan – Mar	Mar – Dec
Dr Jürg Witmer	2	n/a					1	n/a		
Calvin Grieder	2	5			2	n/a	n/a	3	0	2
Victor Balli	2	5	1	3	n/a	2				
Prof. Dr-Ing. Werner Bauer	2	5			2	2			0	2
Lilian Biner	2	5	1	3			1	n/a		
Michael Carlos	2	5					n/a	3	0	2
Ingrid Deltenre	2	5			2	2	1	3		
Thomas Rufer	2	5	1	3						
Meetings held in period	**2**	**5**	**1**	**3**	**2**	**2**	**1**	**3**	0	**2**
Meetings held in the year	**7**		**4**		**4**		**4**		**2**	
Average length of meetings	**1.2 days**		**3 to 4 hours**		**1.5 to 2 hours**		**1 to 1.5 hour**		**4 hours**	

3.5.2 For each committee of the Board of Directors: list of members – tasks – areas of responsibility

The Board of Directors has established four Committees: an Audit Committee, a Nomination and Governance Committee, a Compensation Committee and an Innovation Committee. Each committee is led by a Committee Chairman whose main responsibilities are to organise, lead and minute the meetings. For the participation of the Board members in the committees, please refer to the table on page 66.

Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information, the systems of internal controls and the audit process. It carries out certain preparatory work for the Board of Directors as a whole. The Audit Committee currently consists of three members of the Board. All of them have the requisite financial experience.

The Audit Committee ensures that the Company's risk management systems are efficient and effective. It promotes effective communication among the Board, management, the internal audit function and external audit. It reviews and approves the compensation of the external auditors for the annual audit.

The Audit Committee met four times in 2017. Each meeting lasted approximately three to four hours. The Head of Internal Audit, the Chief Financial Officer, the Corporate Compliance Officer and the External Lead Audit Partner attended all meetings, apart from certain private sessions.

Compensation Committee

The Compensation Committee reviews and recommends the compensation policies to the Board of Directors. It approves the remuneration of the Chief Executive Officer and the other members of the Executive Committee as well as all performance-related remuneration instruments and pension fund policies. Since the OaEC came into force, the Committee prepares the Compensation Report to be established by the Board.

The Compensation Committee consists of three members of the Board. The Committee takes advice from external independent compensation specialists and consults with the Chairman and the Chief Executive Officer on specific matters where appropriate. Since the Annual General Meeting 2014, the members of the Compensation Committee are elected by the shareholders from the re-elected Board members.

In 2017, the Compensation Committee met four times. The average duration of each meeting was approximately 1.5 to 2 hours. During these meetings the Committee reviewed, among other things, the short and long term incentive plan parameters as well as the alignment of Executive Committee and Board of Directors compensation with the Company's principles and policy. Where appropriate, the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Head of Global Human Resources and/or the Head of Compensation and Benefits attended the meetings.

2017 Compensation Report – page 80

Nomination and Governance Committee
The Nomination and Governance Committee assists the Board in applying the principles of good corporate governance. It prepares appointments to the Board of Directors and the Executive Committee and advises on the succession planning process of the Company. It consists of three members of the Board.

The Nomination and Governance Committee met four times during 2017 to prepare changes in the composition of the Board and the Board committees as well as senior management succession. It also reviewed the independence of the Board members. Each meeting lasted between one and one and a half hours.

Innovation Committee
The Innovation Committee advises the Board on scientific matters relevant to the flavour and fragrance and cosmetics industry, or other additional fields the Board may request. It acts as a sounding board to the Board of Directors, offering different perspectives and identifying opportunities in the innovation space. It also proposes and screens potential innovation partners and validates and reviews projects on request of management.

The Innovation Committee met twice during 2017 to discuss innovation strategies for different areas of the Company. Each meeting lasted approximately four hours. The Head of Global Science and Technology attended both meetings. Further members of senior management as well as external advisors also attended one or more of the meetings.

More information on the Board of Directors and the roles of the Committees are described in the following sections of Givaudan's website:

www.givaudan.com – our company – management – board of directors
www.givaudan.com – our company – management – board of directors – committees of the board

3.5.3 Work methods of the Board and its Committees
Board meetings are held periodically and also when matters require a meeting, or on the written request of one of the members of the Board. Ordinary Board meetings are held on average once a quarter plus one additional ordinary Board meeting to approve the Annual Report. The Chairman, after consultation with the Chief Executive Officer, sets the agenda for each Board meeting. Decisions may also be taken by circulation (in writing, including by PDF sent by e-mail) or by telecommunication (including telephone and video-conference), provided that none of the Board members requests a formal meeting.

Meetings of Board Committees are usually held in connection with Board meetings, with additional meetings scheduled as required. The Board of Directors receives regular reports from its Committees and the Chairman, as well as from the Executive Committee.

The minutes of all Committee meetings are prepared by the Board secretary and circulated to all Board members.

In preparation for Board and committee meetings, the Board members involved receive pertinent information for pre-reading via a secure electronic document sharing system.

In 2017, the Givaudan Board of Directors held seven meetings, including one constitutive meeting directly following the general meeting of shareholders and one extraordinary meeting by telephone. Regular meetings in Switzerland usually last for one to one and a half days, while Board meetings at Givaudan locations outside Switzerland last for two to three days, including visits to sites and strategic locations and discussion with the management of the visited region. Extraordinary meetings are usually shorter.

In October 2017, the Board visited the Company's flavour and fragrance sites in the United States.

Apart from the constitutive meeting directly following the general meeting of shareholders and the extraordinary meeting by telephone, the Company's operational and financial performance was presented by management and reviewed by the Board during each Board meeting. The Board was also informed about, and discussed, various aspects of the Company's future strategy, all major business development and investment projects, management succession planning and compensation and other major business items as well as the findings of Internal Audit and risk management. Except for the constitutive meeting and certain closed sessions, the Chief Executive Officer, the Chief Financial Officer and the presidents of the two divisions were present at all meetings. The other members of the Executive Committee attended two meetings. Selected senior managers were invited to address specific projects at regular Board meetings. The Head of Corporate Internal Audit and the Corporate Compliance Officer each reported once to the Board of Directors.

In 2017, the Board conducted one annual self-assessment and had continuous discussion of its own succession planning.

The attendance of Board members at Board and Committee meetings in 2017 as well as the average duration of the meetings can be seen in the table on page 68.

3.6 Definition of areas of responsibility

The Board of Directors is responsible for the ultimate direction, strategic supervision and control of the management of the Company, as well as other matters which, by law, are under its responsibility. This includes the establishment of medium- and long-term strategies and of directives defining Company policies and the giving of the necessary instructions in areas such as acquisitions, major investments and long-term financial commitments exceeding certain thresholds.

In accordance with Swiss law, the Articles of Incorporation and the Board Regulations of Givaudan, the duties of the Board of Directors include the following matters:

- the ultimate management of the Company and, in particular, the establishment of medium- and long-term strategies and of directives defining Company policies and the giving of the necessary instructions
- the establishment of the organisation
- the approval of the annual Group budget
- the structuring of the accounting system and of the financial controlling, as well as the financial planning
- the assessment of the Company's risk management
- the decision on investments in, or divestments of, fixed and tangible assets of a global amount exceeding the limit set by the corporate investment guidelines established by the Board of Directors
- the appointment and removal of the persons entrusted with the management and representation of the Company, in particular the Chief Executive Officer and the other members of the Executive Committee
- the ultimate supervision of the persons entrusted with the management, in particular with respect to compliance with the law, the Articles of Incorporation, regulations and instructions given in any areas relevant to the Company, such as working conditions, environmental protection, trade practices, competition rules, insider dealing and ad hoc publicity
- the preparation of the annual business report, as well as the preparation of the Annual General Meeting of shareholders and the implementation of its resolutions
- the notification of the court in case of insolvency
- the decisions regarding the subsequent performance of contributions on shares not fully paid in
- the ascertainment of share capital increases to the extent that these fall under the powers of the Board of Directors and resulting confirmations and modifications to the Articles of Incorporation
- the verification of the special professional qualifications of the auditors.

Except as otherwise provided by Swiss law, the Articles of Incorporation and the Board Regulations, all other areas of management are fully delegated by the Board of Directors to the Chief Executive Officer, the Executive Committee and its members.

The Board Regulations can be found at:

www.givaudan.com – our company – corporate governance – rules and policies

3.7 Information and control instruments vis-à-vis senior management

The Board recognises that in order to be able to carry out its tasks of ultimate direction of the Company and supervision of the management, it needs to be fully informed about all matters that materially impact Givaudan. To ensure this, the Board has at its disposal an information and control system which comprises the following instruments:

Management information system

The Board ensures that it has sufficient information for appropriate decision-making through a management information system with wide-ranging information rights for the Board members:

- the Chairman of the Board receives invitations and minutes of Executive Committee meetings on a regular basis and the Chief Executive Officer and the Chief Financial Officer report regularly to the Chairman of the Board of Directors
- the Chief Executive Officer and the Chief Financial Officer are present and report at all regular Board meetings and answer all requests for information by the Board members about any matter concerning Givaudan that is transacted. Other members of the Executive Committee and selected senior managers are regularly invited to address specific projects at regular Board meetings. All members of the Executive Committee have a duty to provide information at meetings of the Board of Directors on request
- the Head of Internal Audit and the Corporate Compliance Officer report to the Board once a year. The Board also receives annual reports on Environment, Health and Safety, Sustainability and Risk Management
- the Head of Internal Audit and the Corporate Compliance Officer are present and report at each meeting of the Audit

Committee. The Chief Financial Officer is also present at all meetings of the Audit Committee, as are the external auditors

- the Head of Human Resources, the Head of Compensation & Benefits and the Chief Executive Officer are present at each Compensation Committee meeting, except when questions of compensation for Executive Committee members are being deliberated. The Chairman also attends regularly the meetings of the Compensation Committee

- all Board members have access to all Committee meeting minutes

- the Board of Directors receives summarised monthly reports from the Executive Committee, which include performance against key performance indicators. All Board members are immediately informed on extraordinary events. They also have direct access to the Givaudan intranet where all internal information on key events, presentations and organisational changes are posted. In addition, the Board members receive relevant information, including media releases and information to investors and financial analysts

- in preparation for each Board meeting, the Board members receive information and reports from the Executive Committee and other members of senior management via a secure electronic document sharing system and other means of communication

- the Board of Directors visits at least one Givaudan country operation per year, where Board members meet members of senior local management. Additionally, Board members are encouraged to visit country operations when travelling and to meet local and regional senior management to allow Board members the opportunity of getting first-hand information on local and regional developments and interacting directly with management across the globe

- the Board has regular access to the Chief Executive Officer, Chief Financial Officer and the other members of the Executive Committee. Any Board member may request from the Chief Executive Officer and other members of the Executive Committee information concerning the course of the business.

Risk management
Givaudan has established an internal risk management process that is based on the Givaudan Enterprise Risk Management Charter. It focuses on identifying and managing/exploiting risks.

The Board of Directors defines the strategic risk management framework. This process is under the responsibility of the Executive Committee. The risk management process follows a structured assessment, review and reporting cycle that is coordinated by the Corporate Compliance Officer to ensure a harmonised Group-wide approach.

For each identified strategic top-level Company risk a member of the Executive Committee is designated as the risk owner with the responsibility to manage the risk on a Group-wide basis. Once a year the Executive Committee reports to the Board on the risk management process, the strategic risks and the mitigation actions. Corporate Internal Audit provides assurance on the effectiveness of the risk management process.

2017 Annual Report – differentiating business enablers – risk management – pages 49 – 52

Internal audit
The Corporate Internal Audit function is established as an independent and objective corporate function reporting directly to the Audit Committee.

Its role is to evaluate and contribute to the continuous improvement of the Company's risk management and control systems. This specifically includes the analysis and evaluation of the effectiveness of business processes and recommendations for adjustments where necessary.

Corporate Internal Audit uses a risk-based audit approach aimed at providing assurance on all relevant business processes across Givaudan entities. This approach follows a business process audit methodology that provides value to the local entities and to the Group's management.

Givaudan corporate strategy, risk management findings, past audit results, management input, changes in organisation and Corporate Internal Audit experience are the elements taken into account to build the annual internal audit plan. Effective communication and reporting ensure an efficient implementation of the audit recommendations. For specific audits of affiliates, the internal audit function is supported by dedicated staff from EY. The internal audit activity is reported to the full Board of Directors once a year.

GRI Disclosure 102 – 18, pages 63 – 71

4. Executive Committee

The Executive Committee, under the leadership of the Chief Executive Officer, is responsible for all areas of operational management of the Company that are not specifically reserved to the Board of Directors.

The Chief Executive Officer is appointed by the Board of Directors upon recommendation of the Nomination Committee. Subject to the powers attributed to him, he has the task of achieving the strategic objectives of the Company and determining the operational priorities. In addition, he leads, supervises and coordinates the other members of the Executive Committee, including convening, preparing and chairing the meetings of the Executive Committee.

LtR: Willem Mutsaerts, Mauricio Graber, Tom Hallam, Gilles Andrier, Maurizio Volpi, Anne Tayac, Simon Halle-Smith, Chris Thoen

The members of the Executive Committee are appointed by the Board of Directors on recommendation of the Chief Executive Officer after evaluation by the Nomination Committee. The Executive Committee is responsible for developing the Company's strategic as well as long-term business and financial plans. Key areas of responsibility also include the management and supervision of all areas of the business development on an operational basis, and approving investment decisions.

The tasks and powers of the Executive Committee include the approval of investments, leasing agreements and divestments within the corporate investment guidelines. The Executive Committee approves important business projects, prepares the business plan of the Company and the budgets of the individual divisions and functions.

In addition, it plays a key role – together with the Human Resources organisation – in the periodic review of the talent management programme, including succession planning for key positions. Alliances and partnerships with outside institutions, such as universities, think tanks and other business partners, are also monitored by the Executive Committee.

The members of the Executive Committee are individually responsible for the business areas assigned to them.

Sustainability

The Head of Global Procurement and Sustainability, a member of the Executive Committee, heads the Company's sustainability programme. He is supported by a cross-functional corporate sustainability steering committee and a sustainability leadership team made up of internal specialists in corporate responsibility and sustainability to implement the programme. The Head of Global Procurement and Sustainability reports annually to the Board of Directors on sustainability matters.

The Executive Committee meets generally on a monthly basis to discuss general Company business and strategy. In 2017, the Committee held eight meetings at Company sites around the world, each meeting lasting between one and three days. In addition, the Chief Executive Officer, the Chief Financial Officer and the presidents of the two divisions held an additional four meetings.

These meetings are an opportunity to interact with local management and to visit Givaudan locations across the globe. Each major region is visited at least once a year to ensure a close interaction with all the different business areas.

4.1 Members of the Executive Committee

Gilles Andrier
Chief Executive Officer

French national

Born in 1961

Appointed in 2005

Gilles Andrier spent the first part of his career with Accenture in management consulting before joining Givaudan in 1993 as Fragrance Division Controller and Assistant to the Chief Executive Officer. He later held various positions including Head of Fragrance Operations in the USA and Head of Consumer Products in Europe. He was appointed Head of Fine Fragrances, Europe in 2001 before becoming Global Head of Fine Fragrances in 2003 and then CEO of Givaudan in 2005.

Other mandates held by Gilles Andrier are: independent non-executive Director of Albea SA, member of the Board of the Swiss-American Chamber of Commerce (until June 2017), and Co-Chairman of the Board of the Natural Resources Stewardship Circle.

Gilles Andrier graduated with two Masters in Engineering from ENSEEIH Toulouse.

Tom Hallam
Chief Financial Officer

British and Swiss national

Born in 1966

Appointed in 2017

Tom Hallam began his career in the UK working in various industries and positions. He moved to Switzerland in 1996 to join Serono in Geneva, where he held a number of positions of increasing responsibility including Financial Director for Manufacturing Operations, and in 2001 he was appointed Vice President, Corporate Finance. Tom joined Givaudan in 2008 as Group Controller, based in Vernier, Switzerland with responsibility for financial reporting and compliance, strategic planning and management of Givaudan's business development process. He was appointed Chief Financial Officer effective 1 January 2017.

Tom Hallam graduated from the University of Manchester, UK with a BA (Hons) in Accounting and Finance and subsequently qualified as a member of the Chartered Institute of Management Accountants.

Mauricio Graber
President Flavour Division

Mexican national

Born in 1963

Appointed in 2006

Mauricio Graber began his career with Givaudan in 1995 as Managing Director for Latin America with Tastemaker. When Tastemaker was acquired by Givaudan, Mauricio Graber became Managing Director for Mexico, Central America and the Caribbean before becoming Vice-President for Latin America in 2000. He was appointed President of the Givaudan Flavour Division in 2006.

Other mandates held by Mauricio Graber are: member of the Board of the International Organization of the Flavor Industry (IOFI).

Mauricio Graber holds a BSc in Electronic Engineering from Universidad Autónoma Metropolitana and a Masters in Management from the JL Kellogg Graduate School of Management, Northwestern University, USA.

Maurizio Volpi
President Fragrance Division

Italian national

Born in 1969

Appointed in 2015

Maurizio Volpi began his career in consumer goods with P&G and Reckitt Benckiser in Italy, working in various marketing roles. In 2000, he joined Givaudan Italy as Account Manager in Milan before moving to Argenteuil in 2003 as Head of Marketing Consumer Products Europe. Maurizio Volpi subsequently took on roles of increasing responsibility at the global level: Head of Global Marketing Consumer Products, Head of Global Marketing and Consumer Market Research for both Consumer Products and Fine Fragrances, and World Account Manager for Unilever. He was appointed Regional Head of Western and Eastern Europe (WEE) for the Consumer Products business in 2012 and in 2015 became President of the Givaudan Fragrance Division.

Maurizio Volpi holds a degree in Economics from the Bocconi University in Milan, Italy.

Simon Halle-Smith
Head of Global Human Resources and EHS

British national

Born in 1966

Appointed in 2015

Simon Halle-Smith began his career in the pharmaceutical industry in 1991. He worked with Eli Lilly & Company in the UK in Clinical Trial Project Management, Sales and Human Resources. In 2004, he joined Quest as HR Director for the UK, before being appointed European HR Director in 2005. When Quest was acquired by Givaudan in 2007, he continued as European HR Director before being appointed Head of HR for the Fragrance Division in 2009. In 2015, Simon Halle-Smith became Head of Global Human Resources and a member of the Executive Committee. He took on the additional responsibility for Environment, Health and Safety (EHS) as of March 2017.

Simon Halle-Smith has a Bachelors in Biology and Chemistry and a PhD in Biochemistry from the University of East Anglia in the UK.

Willem Mutsaerts
Head of Global Procurement and Sustainability

Dutch national

Born in 1962

Appointed in 2015

Willem Mutsaerts joined Givaudan in 1989, initially with responsibility for sales in Benelux. He moved on to become Regional Account Manager for the APAC region in Singapore before being appointed Head of Global Purchasing for Fragrances. In 2001, he took commercial responsibility for Fragrance consumer products in the EAME region, and in 2007 was appointed Head of Global Operations Fragrances. Willem Mutsaerts became Head of Global Procurement and a member of the Executive Committee in October 2015. As of March 2017, he took on the additional responsibility of head of Givaudan's Sustainability programme.

Willem Mutsaerts has a degree in international marketing and is the holder of an MBA obtained at Golden Gate University in Singapore.

Anne Tayac
Head of Givaudan Business Solutions

French national

Born in 1968

Appointed in 2016

Anne Tayac began her career as a Quality Assurance coordinator with Robertet in Grasse. She joined Givaudan France in 1996 as Head of Quality Management before being promoted to Global Head of Fragrance Quality Management in 1998. Anne relocated to Vernier in 2003 where she assumed roles of increasing responsibility in Quality Management, Customer Care, SAP deployment change management, Fragrance and Flavour Supply Chain Excellence and was most recently responsible for leading Global Fragrance Operations. She was appointed as Head of Givaudan Business Solutions (GBS) in August 2016.

Anne Tayac has a Master in Flavours and Fragrances from Sciences University in Le Havre, France and in Analytical Control and Quality from Sciences University in Marseille, France.

Chris Thoen
Head of Global Science & Technology

American and Belgian national

Born in 1960

Appointed in 2015

Chris Thoen began his career in enzymology and plant genetics with Plant Genetic Systems in Ghent before joining Procter & Gamble in Brussels in 1988. At P&G, he held positions of increasing responsibility in the Fabric & Home Care and Personal Health Care division. In 2009, he became Managing Director of the Global Connect + Develop Office responsible for Open Innovation with external partners at corporate level. Chris Thoen joined Givaudan as Head of Science and Technology for Flavours in 2011. He was appointed Head of Global Science and Technology in 2015.

Other mandates held by Chris Thoen are: member of the Board of Directors of MassChallenge CH Association and member of the Board of the Association EIT Food CLC West IVZW.

Chris Thoen holds a Masters in Chemistry and a PhD in Biochemistry from the University of Antwerp, Belgium.

Changes to the Executive Committee

At the end of June 2017 Joe Fabbri, Head of Global Environment, Health and Safety (EHS) and Sustainability retired from the Executive Committee. Simon Halle-Smith, Head of Global Human Resources, took on the additional responsible for EHS, and Willem Mutsaerts, Head of Global Procurement, assumed the additional responsibility for Sustainability.

4.2 Other activities and vested interests

Please refer to the biographies of the members of the Executive Committee described in section 4.1 for their other activities and vested interests.

Except for those described in section 4.1, no member of the Executive Committee of Givaudan SA holds any material permanent management or consultancy functions for significant domestic or foreign interest groups nor any significant official functions or political posts.

4.3 Rules in the Articles of Incorporation on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC

Article 32 of the Articles of Incorporation of the Company permits the following external mandates for members of the Executive Committee:

- members of the Executive Committee may, subject to approval by the Board of Directors, hold up to two mandates in quoted or non-quoted companies

- the following mandates are not subject to these limitations:
  - mandates in companies which are controlled by the corporation
  - mandates held by order and on behalf of the corporation or any controlled company. No member of the Board of Directors or of the Executive Committee shall hold more than ten such mandates
  - mandates in associations, foundations, charitable organisations, trusts, employee welfare foundations and other comparable structures. No member of the Board of Directors or of the Executive Committee shall hold more than 15 such mandates.

'Mandates' mean mandates in the supreme governing body of a legal entity which is required to be registered in the Swiss commercial register or a corresponding foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

4.4 Key elements of all management contracts between the issuer and companies (or natural persons) not belonging to the Group

The Company has not entered into any management contracts with third parties that fall within the scope of Subsection 4.4 of the SIX Directive on Information Relating to Corporate Governance.

GRI Disclosure 102 – 18, pages 71 – 75

5. Compensation, shareholdings and loans

In accordance with the Swiss Code of Obligations and the SIX Directive on Corporate Governance, Givaudan publishes the details of the remuneration of its Board of Directors and its Executive Committee in the separate 'Compensation Report' in this Annual Report as well as in the 2017 Financial Report.

6. Shareholders' participation

6.1 Voting rights and representation restrictions

6.1.1 All voting rights restrictions; indication of any statutory group clauses and rules on granting exceptions, particularly in the case of institutional voting rights representatives

At the Annual General Meeting of shareholders on 20 March 2014, the previously existing registration and voting rights restrictions were removed. Today, the Company has no limitations on voting rights for ordinary shareholders.

For restrictions on nominee shareholders, see section 2.6.3.

6.1.2 Reasons for granting exceptions in the year under review

Not applicable as the Company does not have any voting rights restrictions for ordinary shareholders.

6.1.3 Procedure and conditions for abolishing statutory voting rights restrictions

Any change in the above rules requires a positive vote of the absolute majority of the share votes represented at a shareholders' meeting, as prescribed by Swiss law.

6.1.4 Statutory rules on participation in the general meeting of shareholders if they differ from applicable legal provisions

There are no deviations from the Swiss legal provisions.

Any shareholder who, on the day determined by the Board of Directors, is registered as a shareholder with voting rights has the right to attend and to vote at the shareholders' meeting. Each shareholder may be represented at the shareholders' meeting by another shareholder who is authorised by a written proxy, by a legal representative or by the independent voting rights representative ('independent proxy') elected by the Annual General Meeting of shareholders.

6.1.5 Information on any rules which might be laid down in the Articles of Incorporation on the issue of instructions to the independent proxy, and any rules in the Articles of Incorporation on the electronic participation in the general meeting of shareholders

Article 10 of the Articles of Incorporation of the Company states that the Board of Directors establishes the rules on shareholder participation and representation in the shareholders' meeting, including the rules on proxies and voting instructions (by electronic means or otherwise).

6.2 Statutory quorums

The Articles of Incorporation of Givaudan SA follow the majority rules prescribed by Swiss law for decisions of general meetings of shareholders.

6.3 Convocation of the general meeting of shareholders

The convocation of shareholders registered with voting rights to general shareholders' meetings is made by publication in the Swiss official trade journal (SHAB/FOSC) at least 20 days prior to the day of the meeting. Shareholders representing at least 10% of the share capital may demand in writing that a shareholders' meeting be convened, setting forth the items to be included on the agenda and the proposals.

6.4 Agenda

Shareholders representing shares for a nominal value of at least CHF 1 million may demand in writing at least 45 days before the meeting that an item be included in the agenda, setting forth the item and the proposal.

6.5 Inscriptions into the share register

Shareholders will be registered with a right to vote in the share register of Givaudan SA until the record date set by the Board of Directors for each shareholders' meeting. The register date for the ordinary general meeting is specified in the invitation and is set approximately two weeks before the meeting. Only shareholders who hold shares registered in the share register with a right to vote at a certain date, or their representatives, are entitled to vote.

Givaudan SA has not granted any exceptions to this rule.

7. Change of control and defence measures

7.1 Duty to make an offer

The Articles of Incorporation of Givaudan SA do not contain any rules on opting out or opting up under Swiss law.

General Swiss legal provisions apply, which provide that anyone who acquires more than 33.3% of the voting rights of a listed company is required to make a public offer to acquire all listed securities of the Company that are listed for trading on the SIX Swiss Exchange.

7.2 Clauses on changes of control

In the event of a change of control, restricted share units (RSU) and performance shares granted, as the case may be, by the Company to members of the Board of Directors and to a total of 421 senior management and employees may vest immediately. All other defence measures against change of control situations previously in effect were deleted by the Board of Directors in 2007.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

At the Annual General Meeting of shareholders on 26 March 2009, Deloitte SA was first appointed as Group and statutory auditor of Givaudan SA and its affiliates and has held the audit mandate since that time. At the Annual General Meeting of shareholders on 23 March 2017, Deloitte SA was reappointed as statutory auditor for the business year 2017. Since March 2016, the responsible lead auditor for the Givaudan audit at Deloitte has been Ms Karine Szegedi Pingoud, Partner.

The Audit Committee and the Board reconsider on an annual basis whether the statutory auditors should be proposed for re-election to the shareholders' meeting.

8.2 Auditing fees

The fees of Deloitte for professional services related to the audit of the Group's annual accounts for the year 2017 were CHF 3.4 million. This amount includes fees for the audit of Givaudan SA, its subsidiaries, and of the consolidated financial statements.

8.3 Additional fees

In addition, for the year 2017, Deloitte rendered tax and compliance related services for a total of CHF 0.9 million.

8.4 Informational instruments pertaining to the external audit

The external auditor presents the outcome of the audit directly to the Audit Committee after the end of each reporting year. The Audit Committee is also responsible for evaluating the performance of Deloitte as external auditors pursuant to a set of defined criteria. In addition, the Committee reviews and approves the compensation and evaluates and approves other services provided by the external auditor. During 2017 Deloitte attended all four of the Audit Committee meetings.

The scope of the audit is defined in an engagement letter signed by the Chairman of the Audit Committee and the Chief Financial Officer.

9. Information policy

Givaudan's Principles of Disclosure and Transparency are described in detail at:

www.givaudan.com – our company – corporate governance – rules and policies

Givaudan's Articles of Incorporation can be found at:

www.givaudan.com – our company – corporate governance – rules and policies

Hard copies of Company publications such as the Annual Report are available on request.

All Corporate publications such as the Annual Report, the Half Year Report and the Sustainability GRI Report can also be downloaded from Givaudan's website at:

www.givaudan.com – media – publications

Quarterly sales information and other media releases can be found at:

www.givaudan.com – media – media releases

All relevant information can also be found at:

www.six-swiss-exchange.com – market data – shares – Givaudan – company details

The complete calendar of events is available at:

www.givaudan.com – investors – shareholder information – investor calendar

For further information please contact:
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Compensation report

Fair and competitive compensation is essential to attract, motivate and retain the best talent in the industry.

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CHF 22.8 million

total compensation (fixed & variable)
of the Executive Committee

CHF 2.9 million

total compensation of the Board of Directors

Competitive compensation

to attract, motivate and retain
the best talent in the industry

Fair compensation

with consistent salary scale to reflect job levels,
functions and geographic regions

Pay for performance

rewarding employees for their contribution
to business results

Compensation Report
Attract, motivate and retain

Givaudan aims to attract, motivate and retain the highest calibre of professional and executive talent to sustain its leadership position within the flavour and fragrance industry. The Company's compensation policies are an essential component of this strategy, and as such a key driver of organisational performance.

Our compensation programmes are aligned to our strategy and reflect the performance of the business and of individuals. We have rigorous governance, policies and processes to ensure that our compensation practices are aligned with our principles of integrity, fairness and transparency.

This report on compensation, complementing our business and financial reports, has been prepared in compliance with the Ordinance against Excessive Compensation at Listed Stock Companies (OaEC) and with the Directive on Information relating to Corporate Governance, issued by the SIX Swiss Exchange. The report also comprises information required under the Swiss Code of Obligations and takes into account the recommendations set out in the Swiss Code of Best Practice for Corporate Governance of Economiesuisse.

1. Compensation governance

1.1 Compensation Committee

The Compensation Committee supports the Board of Directors (Board) in establishing and reviewing compensation policies. It regularly reviews Company-wide programmes in regard to base salary, pension and benefit plans. The Compensation Committee also annually reviews and approves the performance targets and related payouts under the annual incentives and share-based long-term incentives, while the applicable performance criteria are set by the Board.

The Compensation Committee is also responsible for reviewing and approving individual compensation and benefits of each Executive Committee member as well as recommending compensation for the Board.

The Compensation Committee consists of three independent members of the Board and is currently chaired by Prof. Dr-Ing. Werner Bauer. The Chief Executive Officer is regularly invited to Compensation Committee meetings. The Head of Global Human Resources acts as secretary of the Compensation Committee. The Chairman of the Compensation Committee may invite other executives as appropriate. However, executives do not participate in discussions regarding their own compensation.

The Compensation Committee meets three to five times a year and informs the Board of its deliberations, recommendations and resolutions after each meeting. The minutes of the meetings are available to the full Board. The Committee utilises independent external consultants to benchmark the compensation of senior management and the Board.

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I. Compensation Committee standing agenda items and approvals

Timing	Agenda items	Proposed[1]	Consultation	Approved
Beginning of year	Compensation Report	Compensation Committee		Board of Directors[3]
	Prior year annual incentive achievement	CEO[2]		Compensation Committee
	Set current year performance targets	CEO[2]		Compensation Committee
	Long-term incentive award allocation	CEO[2]		Compensation Committee
	Maximum amounts for shareholder voting on Executive Committee and Board compensation	Compensation Committee		Board of Directors (preliminary)[3]
Mid-year / end of year	Long-term incentive achievement against targets	CEO[2]		Compensation Committee
	Compensation of the Executive Committee	CEO[2]		Compensation Committee
	Compensation of the Board of Directors	Compensation Committee		Board of Directors
	Changes to compensation system (if any)	Compensation Committee	Chairman	Board of Directors
	Preview of key items for next year	CEO / Compensation Committee		–

1. CEO compensation proposed by Chairman of the Compensation Committee.
2. Individual concerned does not attend/abstains.
3. Subject to shareholders' vote (binding vote on maximum compensation amounts, consultative vote on Compensation report).

Table I above summarises the Compensation Committee standing agenda items and approvals.

1.2 Specific activities in 2017

In 2017, beside its regular activities throughout the year, the Compensation Committee undertook a comprehensive review of the Performance Share Plan. Accordingly, changes to the PSP payout matrix will be introduced in 2018, reflecting our overall increasingly challenging targets and conversely further limiting payouts in the event of lower performance. Further details are provided in section 3.6.

Additionally, an increase in share ownership requirements for Executive Committee members was introduced in September 2017 under revised Guidelines. Further details are provided in section 6.

1.3 Governance rules

The Articles of Incorporation of Givaudan include rules on the principles applicable to performance-related pay and to the allocation of equity securities, convertible rights and options (Arts. 23-25), additional amounts for payments to Executive Committee members appointed after the vote on pay at the shareholders' meeting (Art. 27), loans, credit facilities and post-employment benefits for the Executive Committee and Board (Arts. 30 and 31) and the vote on pay at the shareholders' meeting (Art. 26).

Full details on these rules are available on the Givaudan's website:

www.givaudan.com – our company – corporate governance – rules and policies

In line with Givaudan's Articles of Incorporation, at the 2018 Annual General Meeting the Board will submit the following maximum aggregate amounts for shareholder approval:

- Compensation of the Board for the period until the 2019 ordinary shareholders' meeting
- Short-term variable compensation of the Executive Committee for the 2017 fiscal year
- Fixed and long-term variable compensation of the Executive Committee for the 2018 fiscal year

The calculation approach to be applied for determining the amounts to be approved by shareholders is aligned with the Compensation Report valuation methodologies.

Givaudan will also submit the 2017 Compensation Report to a consultative vote at the 2018 Annual General Meeting.

2. Compensation principles

2.1 Board of Directors

In order to reinforce their independence in exercising their supervisory duties, members of the Board receive fixed compensation only. They are not eligible to any performance-based compensation and are not insured in the Company pension plans.

The Board compensation is paid in cash and in the form of Restricted Share Units (RSUs). RSUs are a right to receive shares of Givaudan after a three-year blocking period. They link the compensation with the share price evolution of the Company and strengthen the alignment with shareholders' interests.

2.2 Executives and employees

The ability to attract, motivate and retain the right talented employees globally is key to the continued success of Givaudan. Our competitive remuneration policy supports this ambition and is based on the following principles:

- Pay for performance: through our variable pay plans, employees participate in the Company's overall success and are rewarded for their contribution to business results.
- Alignment of interests: Givaudan seeks to align management and shareholders' interests by rewarding long-term value creation through share-based programmes.
- External competitiveness: overall compensation positioning should enable Givaudan to attract and retain highly talented individuals critical to its success.
- Internal consistency and fairness: internal pay scales reflect job level, function and geographic market.

Givaudan's total compensation in 2017 is composed of the following elements:

- Base salary: base salaries are regularly benchmarked in each location and pay scales are reviewed annually according to local market evolution. As a general rule, pay scales are built around market median.
- Profit Sharing Plan: non-management employees participate in the global Profit Sharing Plan. Payouts are based on yearly evolution of Group EBITDA.
- Annual Incentive Plan: this plan covers all managers and executives globally. It rewards participants for the achievement of financial targets and other organisational and individual objectives. Depending on the achievement of performance criteria, payouts can vary between 0% and 200% of target payout.
- Performance Share Plan (PSP): this plan links executives and selected manager compensation to the evolution of the Givaudan share price and long-term business objectives through the award of Performance Shares. Depending on the achievement of performance criteria, participants may receive between zero and two Givaudan shares per performance share at the end of the three-year vesting period.
- Benefits (indirect compensation): benefit plans seek to address current and future security needs of employees. These generally include retirement, health, death and disability benefits. Benefits-in-kind such as Company vehicles are offered to certain employees according to local market practice.

As illustrated in table II below, every Givaudan employee's remuneration is linked to Company performance through cash-based and/or share-based variable pay plans and is aligned with Givaudan's compensation principles.

3. Compensation of Givaudan executives

3.1 Compensation benchmarking

The compensation of Givaudan executives, in terms of both structure and level, is regularly benchmarked against

II. Givaudan compensation

Compensation	Participants (number of participants)	Payout	Link to compensation principles	Alignment with the business strategy
Base salary	All employees (11,000)	Cash	Attract and retain highly talented individuals. Provides internal consistency and fairness	Nurture a pipeline of industry experts and future leaders to develop skills for sustained success
Profit Sharing Plan	Non-management employees (7,000)	Cash	Contribution to Group financial objectives	Reward our people to share in Group profit
Annual Incentive Plan[1]	Manager and executives (4,000)	Cash	Contribution to financial objectives	Achieve annual organic sales growth and EBITDA target and individual performance objectives
Performance Share Plan[1] (PSP)	Executives and selected managers (400)	Givaudan shares[2]	Alignment of management with long-term targets and shareholders' interests	Achieve long-term organic sales growth and free cash flow targets
Benefits	All employees (11,000)	Insurances, pension, fringe benefits	Protection against risk, attract and retain	Same as base salary

1. The Annual Incentive Plan and PSP plan are described in more detail in the next sections.
2. Unless local laws prevent allocation of Givaudan shares, in which case payout is in cash.

individuals in similar positions within listed European companies that are comparable in size and international presence. Comparable companies included in our compensation surveys may consist of:

- Flavour and fragrance companies
- European companies in related industries:
  - consumer products
  - food and beverage
  - speciality chemicals
- Swiss multinational companies of a size similar to Givaudan (excluding the financial services sector).

To the extent that the median size of the peer group of companies differs from Givaudan's size (taking into account revenue, market capitalisation and number of employees), regression techniques are applied to adjust raw survey results for strict comparability.

All benchmarking activity related to Executive Committee positions is performed by independent consultants. Benchmarking for other executive positions is performed internally by the Compensation unit, using survey data provided by external consultants. Givaudan's executive compensation targets base pay at the market median. Executives have the opportunity to be rewarded with above-median pay for sustained outstanding performance from a number of variable compensation components. These variable elements reflect achievements against quantitative targets established by the Board, as well as the contribution and leadership qualities of individual executives. Variable compensation, particularly long-term components, represents a significant portion of an executive's total compensation. The weight of variable compensation increases with executives' level of responsibility and the impact of their position on Company results.

In 2017, Executive Committee compensation was benchmarked against a peer group of other Swiss multinational companies of a size similar to Givaudan. This peer group consisted of Swiss Leader Index (SLI) companies, excluding the five largest companies and financial services institutions. The benchmark included 18 companies: Actelion, Adecco, Aryzta, Clariant, Dufry, Galenica, Geberit, Kuehne + Nagel, LafargeHolcim, Lonza, Richemont, Schindler, SGS, Sika, Sonova, Swatch, Swisscom and Syngenta.

III. Executive compensation benchmark

	Below median	Median	Above median
Fixed pay[1]		■	
Short-term incentive[2]	■		
Long-term incentive[3]			■
Total compensation		■	

1. Includes base salary, pension and other benefits
2. Annual Incentive Plan (please refer to section 3.5)
3. Performance Share Plan (please refer to section 3.6)

The results confirm that total compensation of the Executive Committee is aligned with the market. The long-term incentive compensation is positioned above median, which is in line with Givaudan policy and reflects our strong focus on rewarding outstanding performance over the long term.

In 2017, independent consulting services were contracted with EY to conduct this Executive Committee benchmark. EY provides additional advisory and tax services.

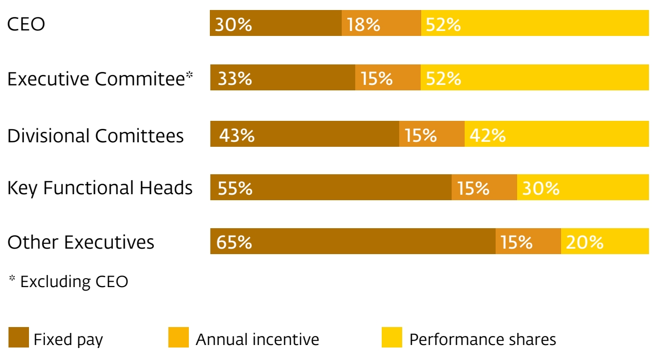
3.2 Compensation mix

The total compensation of Givaudan executives consists of direct and indirect compensation components.

- Direct compensation consists of base salary, annual incentive and share-based components
- Indirect compensation includes retirement coverage, health benefits, death and disability protection as well as certain benefits-in-kind according to local market practice.

The chart below illustrates the direct compensation mix at target for Givaudan executives in 2017.

IV. Direct compensation mix policy guidelines



The table below illustrates the structure and purpose of the two incentive schemes.

V. Variable compensation overview

	Annual Incentive Plan	Performance Share Plan
Participants	Managers and executives	Key talent and executives
Purpose	To reward managers and executives for the achievement of annual organisational targets and overall individual performance	To link compensation to shareholder value creation and achievement of business objectives
Grants	Annual grant	Annual grant
Vesting	End of each year	3 years
Conditions for vesting	Achievement of annual EBITDA and sales growth targets	Achievement relative sales growth and FCF/sales targets over 4 years
Payout	Cash	Shares[1]

1. Unless local laws prevent allocation of Givaudan shares, in which case payout is in cash.

3.3 Clawback provisions

As part of the Givaudan compensation programme and ensuring appropriate risk management, all incentive-based compensation (Annual Incentive and PSP) is subject to clawback provisions. The respective plan rules provide the Compensation Committee with absolute discretion to cancel any payouts that would otherwise be due, including for reasons linked to an individual's performance or behaviour. With regard to the PSP, this means that any right to receive Givaudan shares at the end of the vesting period will lapse if such a determination is made by the Compensation Committee. In 2017, the Compensation Committee did not exercise clawback for any current or former Executive Committee members.

3.4 Base salary

Base salaries are established on the basis of the scope and responsibilities of the function, the external value of the role and the profile of the incumbent in terms of skills, experience and individual performance. To ensure market competitiveness, base salaries are reviewed annually. Base salary adjustments (if any) are based primarily on market evolution, taking into consideration the executive's performance and contribution to Company results.

3.5 Annual Incentive Plan

The Annual Incentive Plan is designed to reward managers' and executives' individual performance and contribution to Givaudan annual objectives.

Performance criteria

In 2017, the Annual Incentive Plan for Executive Committee members was based on the following performance criteria:

- Sales Growth targets in local currencies: 50%
- EBITDA margin targets: 50%

For the purpose of the Annual Incentive Plan, EBITDA is expressed as a percentage of sales. Measurement at Group level is considered, except where divisional level is more appropriate having regard to the members' scope of responsibility.

Givaudan's compensation system has been designed for alignment with our Company's vision and strategy and enshrines the principles of pay-for-performance. To provide shareholders the ability to assess this performance link and in line with Givaudan's commitment to transparency, the Company discloses ex-post the overall payout factor under its variable pay plans. The disclosure approach protects the Company's commercially sensitive, forward-looking information. Provision of such information, such as relating to Annual Incentive Plan performance targets, could otherwise put the Company and its shareholders at a competitive disadvantage. Details of the Performance Share Plan threshold, targets and maximum are presented in the Compensation Report.

Annual incentive payouts for managers and executives below the Executive Committee level are based on a mix of organisational performance objectives, cascaded from Givaudan Group objectives, and individual performance, taking into consideration achievement of personal objectives, day-to-day job responsibilities and the demonstration of behaviours in line with the Givaudan core values.

Incentive targets, caps and payouts

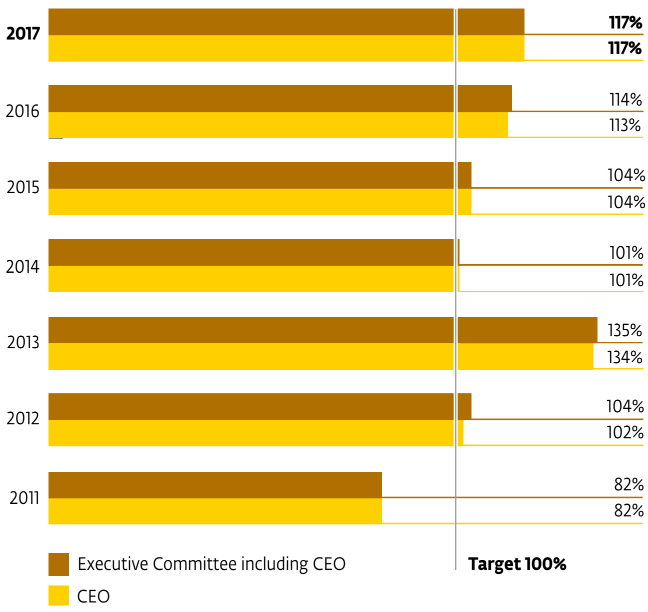
Expressed as a percentage of base salary, annual incentives at target were the following in 2017:

- Chief Executive Officer: 80%
- Chief Financial Officer and Division Presidents: 60%
- Other Executive Committee members: 50%
- Division Management Committee members: 35% – 50%
- Other executives and managers: 10% – 35%

Based on the performance achievements, incentive payouts may vary between 0% and a cap of 200% of target incentive. Minimum threshold achievement is required, otherwise no annual incentive is paid.

In 2017, sales growth and the EBITDA were above target. This resulted in an average of 117% of target payout for the Chief Executive Officer as well as the other members of the Executive Committee. Table VI summarises historical annual incentive achievement against target since 2011.

VI. Historical annual incentive achievement



3.6 Performance Share Plan

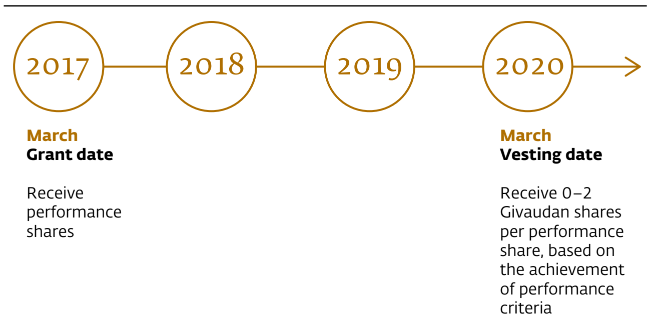
Executives and selected management members are eligible to participate in the Performance Share Plan (PSP). The PSP is designed to reward executives and key talent who significantly influence the long-term success of the business.

Within the PSP, participants are granted Performance Shares annually. The total number of Performance Shares granted, and the plan parameters generally, are approved each year by the Compensation Committee. Givaudan applies a policy to cap the maximum value of PSP allocations. For Executive Committee members the annual total grant value per member is 2 to 3 times annual base salary.

Performance Shares vest three years from grant date based on the achievement of performance criteria measured over the performance period. The operation of the PSP is summarised in the following diagram:

VII. Operation of the PSP

Performance criteria



Performance target setting

Performance is measured on the vesting date based on the extent performance criteria have been met over the previous four years. Measuring performance over an extended four-year period is consistent with the long-term outlook of the business. The performance criteria that apply to grants are a combination of:

- Relative average sales growth as compared to the sales growth of selected peer group companies; and
- Cumulative Free Cash Flow (FCF) margin, expressed as a percentage of cumulative sales.

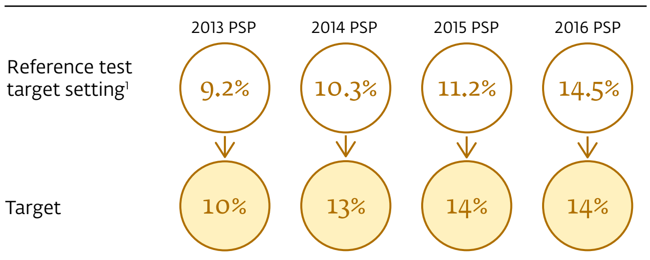
The structure of performance criteria calculation has been specifically designed to be challenging.

For average sales growth, the peer group includes companies from the flavour and fragrance industry that publish sales in local currency. These companies represent in total approximately 75% of this market. The peer companies currently included in the group are Firmenich, Hasegawa, IFF, Robertet, Sensient, Symrise and Takasago. The performance range for relative sales growth extends from -2% to +2% annualised sales growth versus peer group over the four-year performance period.

In the case of FCF margin, final achievement is calculated as the average of the reported FCF margin for each of the four performance years. This means that the Givaudan's FCF for each year of the performance period is summed, and this cumulative result is divided by the sum of Givaudan's sales in each year of the performance period. The assessment over four years ensures that the performance targets are stringent and reward sustained Company performance. The performance range extends from 9% to 19%.

Target setting and testing against targets follows adherence to strict governance policies. Careful consideration is given to Givaudan's performance and its projections. In addition, a reference test against historical achievements is conducted.

VIII. Historical FCF margin vs set target



1. Cumulative FCF margin of the related previous 4 years

Share payout caps
Based on the extent that performance criteria are met, the actual number of shares vesting at the end of the performance period may vary between 0% and 200% of the Performance Shares initially granted. The level of vesting is dependent on the combination of performance achievement against both criteria.

A payout of 200% would require an achievement level above the maximum threshold for both criteria.

An achievement level below the minimum threshold on either measure results in a 0% payout.

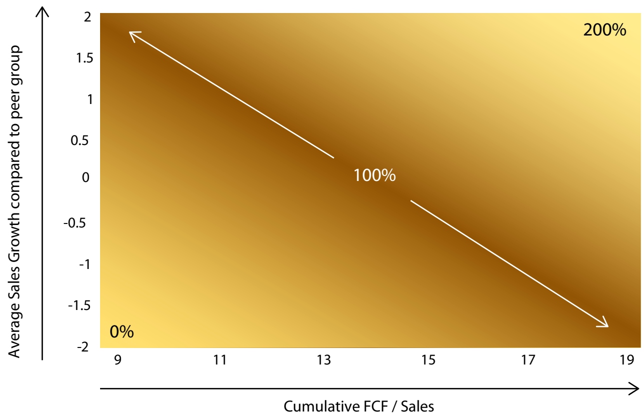
Different combinations of relative sales growth and FCF achievements within the above ranges lead to payouts between 0% and 200%, ranked according to their long-term economic value generation for the Company.

A 100% payout can be obtained where a target combination of the performance criteria is met, such as when relative average sales growth is in line with the peer group and cumulative FCF margin is 14%.

Participants do not receive any dividends or have any voting rights in respect of Performance Shares during the vesting period.

In general, Performance Shares lapse on cessation of employment. In specific circumstances such as death, disability or retirement, Performance Shares may vest subject to satisfaction of the performance criteria. In case of a change of control, Performance Shares may vest immediately.

IX. Performance Share Plan payout matrix



Darker region represents target achievement region for 100% payout

Vesting in 2017
The 2014 PSP vested on 29 March 2017 with a 105% payout (2016: 145% payout). This reflects above target achievement on FCF and slightly below target achievement on relative sales growth. In the event of lower levels of achievement the PSP will vest below target (or not at all) such as was the case for the previous Givaudan Performance Share Plan having vested in 2013 at 50% of target payout.

For reference, Givaudan tests performance against other benchmark metrics, including relative total shareholder return (TSR), and we continue to outperform the market in many regards. For instance, Givaudan's TSR measured over recent four year periods has generally been at or above third quartile compared to our benchmark peer group.

X. 2014 PSP achievement

Criteria	Performance Payout	Payout
Average sales growth compared to peer group	-0.5%	→ **105%** of performance shares granted
Cumulative FCF/sales*	14.5%	

* Formula = Σ (Free cash flow margin reporting year x sales in reporting currency in year / Σ Sales in reporting currency in year)

3.7 Previous long-term incentive plan arrangements
Previous awards under legacy LTIP arrangements included stock options, Restricted Share Units and Performance Shares. All awards under the previous plans have now vested. The Performance Shares under the previous long-term incentive were granted in 2008 and vested in 2013 to an achievement level of 50% based on testing against the predefined economic value generation measured over a five-year period.

3.8 Proposed long-term incentive plan changes
In 2017, Givaudan undertook a comprehensive review of the PSP in regards to feedback from shareholders, suitability of the plan since inception and the future direction of the Company. Based on the review, including consideration of adapting/replacing the PSP and evolving market practice, Givaudan concluded that the overall current LTIP design should be retained. It was confirmed that the PSP is ideally tailored to Givaudan, adhering to our compensation principles in particular delivering on the pay for performance principle.

Within the overall design and based on the above considerations, Givaudan determined that some adjustments to the existing programme are appropriate. In particular, the performance matrix has been revised, and the following new features will be introduced in 2018:

– The performance range for relative sales growth will be shifted to a range of -1.5% to 2.5% (currently -2% to 2%)

– A payout cap at 100% will be introduced in cases where relative sales growth may be below the peer group, even if exceptional FCF margin is achieved; and

– Achieving threshold, target and maximum payout will be made more challenging overall.

XI. Executive Committee compensation summary

in Swiss francs	Gilles Andrier CEO 2017	Gilles Andrier CEO 2016	Executive Committee members (excluding CEO)[1] 2017	Executive Committee members (excluding CEO)[2] 2016	Total 2017	Total 2016
Base salary	1,045,952	1,035,599	3,970,375	3,819,306	5,016,327	4,854,905
Pension benefits[3]	445,076	442,705	1,048,011	1,558,506	1,493,087	2,001,211
Other benefits[4]	114,688	111,061	800,451	792,134	915,139	903,195
Total fixed compensation	1,605,716	1,589,365	5,818,837	6,169,946	7,424,553	7,759,311
Annual incentive[5]	977,142	944,804	2,513,556	2,342,717	3,490,698	3,287,521
Number of performance shares granted[6]	1,777	1,686	5,549	5,441	7,326	7,127
Value at grant[7]	2,881,583	2,882,048	8,998,258	9,300,845	11,879,841	12,182,893
Total variable compensation	3,858,725	3,826,852	11,511,814	11,643,562	15,370,539	15,470,414
Total compensation	**5,464,441**	**5,416,217**	**17,330,651**	**17,813,508**	**22,795,092**	**23,229,725**
Employer social security[8]	442,000	438,000	1,413,000	1,427,000	1,855,000	1,865,000

1. Represents (a) full year compensation of seven Executive Committee members, (b) partial year compensation of the outgoing Chief Financial Officer, Matthias Währen, who stepped down from his role on 1 January 2017 and retired on 30 June 2017 and (c) full year compensation for Joe Fabbri who stepped down from his Executive Committee role on 1 July 2017 and retired on 31 December 2017.
2. Represents full year compensation of eight Executive Committee members and partial year compensation of one new Executive Committee members who was appointed on 1 August 2016.
3. Company contributions to broad-based pension and retirement savings plans and annualised expenses accrued for supplementary executive retirement benefit.
4. Represents annual value of health and welfare plans, international assignment benefits and other benefits in kind.
5. Annual incentive accrued in reporting period based on performance in the reporting period.
6. 2017 Performance shares vest on 15 April 2020, 2016 Performance shares vest on 15 April 2019.
7. Value at grant calculated according to IFRS methodology and based on 100% achievement of performance targets.
8. 2017 estimated social security charges based on 2017 compensation; 2016 estimated social security charges based on 2016 compensation.

The combination of the above reinforces that retaining the leading position at or above our peers is a key feature to delivering long-term success. In parallel, FCF margin will be retained as an equal contributor to payout potential, with the provision that the extent to which outperformance on FCF may counterbalance lower sales growth achievement is significantly restricted.

In addition, the overall mix of performance criteria of the variable compensation programmes (Annual Incentive and PSP) were considered and it was concluded that they remain appropriate and consistent with our disclosed strategy. This includes that the different measurement approaches, such as absolute and relative assessment, over the various time periods are differentiated and aligned with ensuring appropriate annual and long-term achievement of targets.

Finally, the review confirmed the PSP vesting and performance testing periods remain appropriate to Givaudan and are aligned with market practice. Considering the compensation principles' objective to ensure alignment of Executive Committee members with shareholders, the share ownership guidelines were reviewed and the minimum holdings will be increased in 2018 to two times annual base salary. Further details are provided in section 6. Further details of the updated PSP will be disclosed in the 2018 Compensation Report.

3.9 Benefits
The Executive Committee members participate in the benefits plans of the Company, consisting mainly of retirement, insurance and health care plans that are designed to provide a reasonable level of protection for the employees and their dependants in respect of the risks of retirement, ill-health, disability and death.

Executive Committee members are also provided with certain executive perquisites and benefits in kind according to competitive market practice. The aggregate monetary value of these benefits is evaluated at fair value and disclosed in the compensation tables.

4. Compensation of the Executive Committee

4.1 Compensation levels in 2017
In 2017, total compensation reported remained stable compared to 2016.

Total compensation for 2017 represented:

- full year compensation for eight Executive Committee members (including CEO)

- full year compensation for Joe Fabbri who stepped down from the Executive Committee on 1 July 2017 and provided transitional services and support on strategic projects until his retirement on 31 December 2017

– partial year compensation for the former Chief Financial Officer, Matthias Währen, who stepped down on 1 January 2017 and provided transitional services and support on strategic projects until his retirement on 30 June 2017, i.e. compensation for 9.5 full time equivalent members (including CEO).

Total compensation for 2016 represented full year compensation of eight Executive Committee members and partial year compensation of one new Executive Committee member, Anne Tayac, who was appointed Head of Givaudan Business Solutions on 1 August 2016, i.e. compensation for 9.4 full time equivalent members (including CEO).

Further details are provided in section 4.6.

Executive Committee member compensation has been set in accordance with our compensation principles, including consideration of roles and responsibilities and with reference to our compensation benchmarks.

4.2 Highest total compensation

The Chief Executive Officer, Gilles Andrier, received the highest total compensation in 2017. For compensation details, please refer to table XI.

4.3 Other compensation, fees and loans to members or former members of the Executive Committee

No other compensation or fees were accrued for or paid to any member or former member of the Executive Committee during the reporting period. No member or former member of the Executive Committee or related parties had any loan outstanding as of 31 December 2017.

4.4 Special compensation of Executive Committee members who left the Company during the reporting period

Matthias Währen retired from his role as Chief Financial Officer on 30 June 2017. He did not receive any special compensation as a result of his retirement. All compensation is included in the compensation table XI.

4.5 Employment contract termination clauses of Executive Committee members

Employment contracts of Executive Committee members have been amended for compliance with the OaEC and our Articles of Incorporation. Accordingly, contractual entitlements are within the specified thresholds, in particular the maximum contractual notice period is six months and any non-compete clause does not exceed 12 months. No additional compensation or benefits are provided in the case of change in control, except for long-term incentive awards that may vest immediately.

All contractual arrangements of Executive Committee members are approved by the Compensation Committee of the Board.

4.6 Compensation voting for Executive Committee members

The compensation paid is within the amounts approved by shareholders in the respective Annual General Meeting. For 2016 compensation and as already disclosed in the respective Compensation Report, an additional supplementary amount of CHF 142,204 was paid in accordance with the Givaudan Articles of Incorporation (Art. 27).

The fixed and long term variable compensation approved for 2017 was CHF 19,800,000 (2016: CHF 19,800,000).

The annual incentive, short term variable compensation amount for 2017 was CHF 3,490,698 and will be submitted for approval at the 2018 Annual General Meeting (2016: CHF 3,287,520).

5. Compensation of the Board of Directors

Compensation of Board members consists of Director fees, Committee fees and Restricted Share Units (RSUs). Fees are paid at the end of each year in office completed. RSUs give participants the right to receive Givaudan shares (or a cash equivalent in countries where securities laws prevent the offering of Givaudan securities) at the end of a three-year blocking period. During this period Board members must hold RSUs (accordingly are restricted from trading RSUs or the underlying Givaudan shares), thereby aligning with shareholder interests over the longer term. Board members are entitled to receive Givaudan shares regardless of membership status so that, for example, if re-election does not occur during the restriction period, awarded RSUs are retained by the respective Board member. Such practice has been implemented in line with best practice in support of Givaudan's commitment to ensuring Board independence.

The annual fees for Board membership and additional functions are summarised in the table XII. The fees are consistent with prior year levels.

XII. Board of Directors fees – Summary

	Annual fees (CHF)	Restricted Shares Compensation (CHF)[3]
Chairman of the Board[1]	400,000	580,000
Vice-Chairman of the Board[1]	100,000	145,000
Board membership	100,000	145,000
Chairman – Audit Committee[2]	55,000	
Chairman – Other Committees[2]	40,000	
Membership – All Committees	25,000	

1. Incl. Board membership fees
2. Incl. Committee membership fees
3. Number of RSUs granted represents the closest match to the values displayed

The Chairman of the Board does not receive any additional Board Membership or Committee fees. Similarly, a Committee Chairman does not receive any additional Committee Membership fees.

XIII. Board of Directors compensation summary

2017 in Swiss francs	Calvin Grieder Chairman[5]	Victor Balli[5]	Prof. Dr-Ing. Werner Bauer[5]	Lilian Biner[5]	Michael Carlos[5]	Ingrid Deltenre[5]	Thomas Rufer[5]	Dr Jürg Witmer[6]	Total 2017[1]
Director fees[2]	325,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,025,000
Committee fees[2]	61,250	43,750	65,000	31,250	58,750	50,000	55,000	10,000	375,000
Total fixed (cash)	386,250	143,750	165,000	131,250	158,750	150,000	155,000	110,000	1,400,000
Number of RSUs granted[3]	360	90	90	90	90	90	90		900
Value at grant[4]	583,776	145,944	145,944	145,944	145,944	145,944	145,944		1,459,440
Total compensation	**970,026**	**289,694**	**310,944**	**277,194**	**304,694**	**295,944**	**300,944**	**110,000**	**2,859,440**

1. Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
2. Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
3. RSUs vest on 15 April 2020.
4. Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
5. The function of each member of the Board of Directors are indicated on pages 63-65 in the Corporate Governance section of the 2017 Annual Report.
6. Retired at the Annual General Meeting in March 2017.

Estimated social security charges based on 2017 compensation amounted to CHF 205,000 (2016: CHF 221,000).
In addition to the above, payments to Board members for out-of-pocket expenses amounted to CHF 70,000 (2016: 70,000).

2016 in Swiss francs	Dr Jürg Witmer Chairman[7]	André Hoffmann[6,7]	Victor Balli[5,7]	Prof. Dr-Ing. Werner Bauer[7]	Lilian Biner[7]	Michael Carlos[7]	Ingrid Deltenre[7]	Calvin Grieder[7]	Peter Kappeler[6,7]	Thomas Rufer[7]	Total 2016[1]
Director fees[2]	400,000	25,000	75,000	100,000	100,000	100,000	100,000	100,000	25,000	100,000	1,125,000
Committee fees[2]	40,000	10,000	18,750	65,000	50,000	40,000	50,000	50,000	6,250	55,000	385,000
Total fixed (cash)	440,000	35,000	93,750	165,000	150,000	140,000	150,000	150,000	31,250	155,000	1,510,000
Number of RSUs granted[3]	340		85	85	85	85	85	85		85	935
Value at grant[4]	581,196		145,299	145,299	145,299	145,299	145,299	145,299		145,299	1,598,289
Total compensation	**1,021,196**	**35,000**	**239,049**	**310,299**	**295,299**	**285,299**	**295,299**	**295,299**	**31,250**	**300,299**	**3,108,289**

1. Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
2. Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
3. RSUs vest on 15 April 2019.
4. Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
5. Elected at the Annual General Meeting in March 2016.
6. Retired at the Annual General Meeting in March 2016.
7. The function of each member of the Board of Directors are indicated on pages 80-84 in the Corporate Governance section of the 2016 Annual Report.

Each Board member receives an additional amount of CHF 10,000 to cover out-of-pocket expenses. This amount is paid for the coming year in office. The RSUs are also granted for the same period.

Board fees are aligned with the total Board compensation approved by shareholders at the 2016 Annual General Meeting and with market practice. In 2017, Board member compensation was benchmarked against a peer group of other Swiss multinational companies of a size similar to Givaudan. This peer group consisted of Swiss Leader Index (SLI) companies that disclose board fee policy information, excluding the five largest companies and financial services institutions. The benchmark included 17 companies: Actelion, Adecco, Aryzta, Clariant, Dufry, Geberit, Kuehne + Nagel, LafargeHolcim, Lonza, Richemont, Schindler, SGS, Sika, Sonova, Swatch, Swisscom and Syngenta.

The compensation paid to the Board members for the reporting period is shown in table XIII.

5.1 Compensation of the Board member with the highest compensation

The Board member with the highest compensation in 2017 was Calvin Grieder, Chairman of the Board since 23 March 2017. For compensation details please refer to table XIII.

5.2 Other compensation, fees and loans to members or former members of the Board

No additional compensation or fees were paid to any member of the Board. No Board member or related parties had any loan outstanding as of 31 December 2017.

5.3 Special compensation of members of the Board who left the Company during the reporting period

No such compensation was incurred during the reporting period.

5.4 Compensation voting for members of the Board

The compensation paid to the Board members for the period between the 2016 and 2017 Annual General Meetings (CHF 3,073,289) is within the amount approved by shareholders at the 2016 Annual General Meeting (CHF 3,300,000). Amounts approved at the 2017 Annual General Meeting (CHF 2,950,000) will be paid by the end of the year in office and validated in the 2018 Compensation Report. Such approved and paid amounts will differ from those shown in the Board compensation summary table which, according to the OaEC, must include compensation paid in the reporting year.

6. Share ownership guidelines

Givaudan introduced share ownership guidelines (Guidelines) in 2013, under which Executive Committee members must hold approximately one time their annual base salary in Givaudan shares. This requirement should be met by 2016, or within three years from the beginning of the calendar year after joining the Executive Committee.

In September 2017, Givaudan introduced updated Guidelines. Under the new Guidelines, requirements were increased for all Executive Committee members to two times annual base salary in Givaudan shares. In general, the Guidelines should be met within five years from the beginning of the calendar year after joining the Executive Committee. Transitional arrangements to the new Guidelines are in place for Executive Committee members appointed before 2016, such that all such members should reach the new Guideline holding requirement latest 2020.

Ownership of Givaudan shares by Executive Committee members as per 31 December 2017 is shown in table XV.

7. Ownership of Givaudan securities

7.1 Board of Directors

As per 31 December 2017, the Chairman and other Board members, including persons closely connected to them held 3,360 Givaudan shares in total. For further details, please refer to table XIV showing:

- The shares held individually by each Board member as per 31 December 2017.
- The RSUs that were granted in 2015 – 2017 and were still owned by members of the Board as per 31 December 2017.

The Company is not aware of any other ownership of shares, share options/option rights, RSUs or Performance Shares as per 31 December 2017 by persons closely connected to members of the Board.

XIV. Board of Directors: ownership of Givaudan securities

2017 in numbers	Shares	Unvested RSUs
Calvin Grieder, Chairman	119	536
Victor Balli		175
Prof. Dr-Ing. Werner Bauer	1,089	266
Lilian Biner	496	266
Michael Carlos	921	266
Ingrid Deltenre	26	266
Thomas Rufer	709	266
Total 2017	**3,360**	**2,041**
Total 2016	5,546	2,797

7.2 Executive Committee

The Chief Executive Officer and other members of the Executive Committee, including persons closely connected to them, held 6,423 Givaudan shares. For further details, please refer to table XV showing:

- The shares held individually by each member of the Executive Committee as per 31 December 2017.
- The unvested Performance Shares that were granted in 2015–2017 and were still owned by members of the Executive Committee as per 31 December 2017.

XV. Executive Committee: ownership of Givaudan securities

2017 in numbers	Shares	Unvested performance shares
Gilles Andrier, CEO	3,300	4,909
Tom Hallam	220	1,014
Mauricio Graber	750	2,817
Maurizio Volpi	785	2,313
Simon Halle-Smith	105	1,277
Willem Mutsaerts	199	1,361
Anne Tayac	110	917
Chris Thoen	685	1,337
Total 2017	**6,154**	**15,945**
Total 2016	4,460	19,278

No member of the Executive Committee held any share options or option rights as at 31 December 2017 (31 December 2016: no member of the Executive Committee held any share options or option rights).

One person closely connected to a member of the Executive Committee owned 269 unvested Performance Shares as at 31 December 2017.

The Company is not aware of any other ownership of shares, share options/option rights, RSUs or Performance Shares as per 31 December 2017 by persons closely connected to members of the Executive Committee.

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Report of the statutory auditor

To the General Meeting of Givaudan SA, Vernier

We have audited the accompanying compensation report of Givaudan SA for the year ended December 31, 2017. Our audit is limited to the information provided in section 4 and 5 presented on page 87 to 90 in accordance with the articles 14 to 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance).

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, sections 4 and 5 of the compensation report of Givaudan SA for the year ended December 31, 2017 comply with Swiss law and articles 14 – 16 of the Ordinance.

Deloitte SA

Karine Szegedi Pingoud	Joëlle Herbette
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Geneva, 24 January 2018

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Consolidated financial statements

Consolidated Income Statement

For the year ended 31 December

in millions of Swiss francs, except for earnings per share data	Note	**2017**	2016
Sales	7	5,051	4,663
Cost of sales		(2,801)	(2,535)
Gross profit		**2,250**	**2,128**
as % of sales		44.5%	45.6%
Selling, marketing and distribution expenses		(669)	(640)
Research and product development expenses		(424)	(400)
Administration expenses		(178)	(186)
Share of (loss) profit of jointly controlled entities	10	–	(1)
Other operating income	11	42	75
Other operating expense	12	(152)	(101)
Operating income		**869**	**875**
as % of sales		17.2%	18.8%
Financing costs	14	(42)	(51)
Other financial income (expense), net	15	(32)	(40)
Income before taxes		**795**	**784**
Income taxes	16	(75)	(140)
Income for the period		**720**	**644**
Attribution			
Income attributable to equity holders of the parent		720	644
as % of sales		14.2%	13.8%
Earnings per share – basic (CHF)	**17**	**78.18**	**69.95**
Earnings per share – diluted (CHF)	**17**	**77.54**	**69.34**

The notes on pages 99 to 149 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

in millions of Swiss francs	Note	2017	2016
Income for the period		**720**	**644**
Items that may be reclassified to the income statement			
Cash flow hedges			
Movement in fair value, net		3	(14)
Gains (losses) removed from equity and recognised in the consolidated income statement	15	5	10
Movement on income tax	16	–	1
Exchange differences arising on translation of foreign operations			
Change in currency translation		63	(125)
Movement on income tax	16	–	2
Items that will not be reclassified to the income statement			
Defined benefit pension plans			
Remeasurement gains (losses) of post employment benefit obligations	8	55	(148)
Movement on income tax	16	(38)	33
Other comprehensive income for the period		**88**	**(241)**
Total comprehensive income for the period		**808**	**403**
Attribution			
Total comprehensive income attributable to equity holders of the parent		808	403

The notes on pages 99 to 149 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December

in millions of Swiss francs	Note	2017	2016
Cash and cash equivalents	5,18	534	328
Derivative financial instruments	5	16	9
Derivatives on own equity instruments	27		3
Financial assets at fair value through income statement	5	2	1
Accounts receivable – trade	5,19	1,147	996
Inventories	20	902	788
Current tax assets	16	32	26
Prepayments		123	96
Other current assets	5	98	96
Current assets		**2,854**	**2,343**
Derivative financial instruments	5	1	–
Property, plant and equipment	21	1,579	1,442
Intangible assets	22	2,482	2,311
Deferred tax assets	16	207	259
Post-employment benefit plan assets	8	21	12
Financial assets at fair value through income statement	5	63	59
Jointly controlled entities	10	33	35
Investment property	23	16	
Other long-term assets		53	53
Non-current assets		**4,455**	**4,171**
Total assets		**7,309**	**6,514**
Short-term debt	5,24	308	7
Derivative financial instruments	5	12	32
Accounts payable - trade and others	5	662	494
Accrued payroll & payroll taxes		149	143
Current tax liabilities	16	49	46
Financial liability: own equity instruments	27	93	57
Provisions	26	57	6
Other current liabilities		195	174
Current liabilities		**1,525**	**959**
Derivative financial instruments	5	60	62
Long-term debt	5,24	1,300	1,251
Provisions	26	67	59
Post-employment benefit plan liabilities	8	644	722
Deferred tax liabilities	16	99	93
Other non-current liabilities		76	75
Non-current liabilities		**2,246**	**2,262**
Total liabilities		**3,771**	**3,221**
Share capital	28	92	92
Retained earnings and reserves	28	5,682	5,477
Own equity instruments	28	(157)	(109)
Other components of equity	27,28	(2,079)	(2,167)
Equity attributable to equity holders of the parent		**3,538**	**3,293**
Total equity		**3,538**	**3,293**
Total liabilities and equity		**7,309**	**6,514**

The notes on pages 99 to 149 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December

2017 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Currency translation differences	Remeasure-ment of post employment benefit obligations	Total equity
Note	28	28	27,28			8	
Balance as at 1 January	**92**	**5,477**	**(109)**	**(73)**	**(1,519)**	**(575)**	**3,293**
Income for the period		720					720
Other comprehensive income for the period				8	63	17	88
Total comprehensive income for the period		**720**		**8**	**63**	**17**	**808**
Dividends paid		(515)					(515)
Movement on own equity instruments, net			(48)				(48)
Net change in other equity items		**(515)**	**(48)**				**(563)**
Balance as at 31 December	**92**	**5,682**	**(157)**	**(65)**	**(1,456)**	**(558)**	**3,538**

2016 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Currency translation differences	Remeasure-ment of post employment benefit obligations	Total equity
Note	28	28	27,28			8	
Balance as at 1 January	**92**	**5,373**	**(79)**	**(70)**	**(1,396)**	**(505)**	**3,415**
Income for the period		644					644
Other comprehensive income for the period				(3)	(123)	(115)	(241)
Total comprehensive income for the period		**644**		**(3)**	**(123)**	**(115)**	**403**
Dividends paid		(495)					(495)
Movement on own equity instruments, net			(30)				(30)
Transfers		(45)				45	
Net change in other equity items		**(540)**	**(30)**			**45**	**(525)**
Balance as at 31 December	**92**	**5,477**	**(109)**	**(73)**	**(1,519)**	**(575)**	**3,293**

The notes on pages 99 to 149 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

in millions of Swiss francs	Note	2017	2016
Income for the period		720	644
Income tax expense	16	75	140
Interest expense	14	29	42
Non-operating income and expense	14,15	45	49
Operating income		**869**	**875**
Depreciation of property, plant and equipment	21	114	113
Amortisation of intangible assets	22	104	132
Impairment of long-lived assets	21,22	2	6
Other non-cash items			
– share-based payments		35	33
– pension expense	8	14	(23)
– additional and unused provisions, net	26	69	10
– other non-cash items		(52)	(10)
Adjustments for non-cash items		**286**	**261**
(Increase) decrease in inventories		(107)	(38)
(Increase) decrease in accounts receivable		(125)	(107)
(Increase) decrease in other current assets		(29)	(53)
Increase (decrease) in accounts payable		136	55
Increase (decrease) in other current liabilities		12	52
(Increase) decrease in working capital		**(113)**	**(91)**
Income taxes paid		**(73)**	**(127)**
Pension contributions paid	8	(53)	(45)
Provisions used	26	(10)	(8)
Purchase and sale of own equity instruments, net		(45)	(48)
Impact of financial transactions on operating income/expense, net			(12)
Cash flows from (for) operating activities		**861**	**805**
Increase in long-term debt	25	350	299
(Decrease) in long-term debt	25	(17)	–
Increase in short-term debt	25	670	463
(Decrease) in short-term debt	25	(705)	(663)
Cash flows from debt, net		**298**	**99**
Interest paid	25	(24)	(33)
Purchase and sale of derivative financial instruments, net	25	–	(8)
Others, net	25	(7)	–
Cash flows from financial liabilities		**267**	**58**
Distribution to the shareholders paid	28	(515)	(495)
Cash flows from (for) financing activities		**(248)**	**(437)**
Acquisition of property, plant and equipment	21	(191)	(136)
Acquisition of intangible assets	22	(53)	(40)
Payments for investment property	23	(1)	
Increase in share capital of jointly controlled entities	10		(9)
Acquisition of subsidiary, net of cash acquired	6	(224)	(331)
Proceeds from the disposal of property, plant and equipment	21	2	1
Interest received		3	2
Dividends received from jointly controlled entities		2	
Purchase and sale of financial assets at fair value through income statement, net		–	23
Impact of financial transactions on investing, net		35	
Others, net		(2)	(13)
Cash flows from (for) investing activities		**(429)**	**(503)**
Net increase (decrease) in cash and cash equivalents		**184**	**(135)**
Net effect of currency translation on cash and cash equivalents		22	(15)
Cash and cash equivalents at the beginning of the period	18	328	478
Cash and cash equivalents at the end of the period		**534**	**328**

The notes on pages 99 to 149 form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Group Organisation

Givaudan SA and its subsidiaries (hereafter 'the Group') operate under the name Givaudan. Givaudan SA is a limited liability company incorporated and domiciled in Switzerland. The Group is headquartered in Vernier, near Geneva, Switzerland. Givaudan is a leading supplier of creative fragrance and flavour products to the consumer goods industry. It operates in over 100 countries and has subsidiaries and branches in more than 40 countries. Worldwide, it employs 11,170 people. A list of the principal Group companies is shown in Note 33 to the consolidated financial statements.

The Group is listed on the SIX Swiss Exchange (GIVN).

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and Swiss law.

They are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through the income statement, and of own equity instruments classified as derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Critical accounting estimates and judgments are disclosed in Note 3.

Givaudan SA's Board of Directors approved these consolidated financial statements on 24 January 2018.

2.1.1 Changes in Accounting Policies and Disclosures

Standards, amendments and interpretations effective in 2017

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in the 2016 consolidated financial statements, with the exception of the adoption as of 1 January 2017 of the standards described below:

Amendments to IAS 7: Disclosure Initiative improve the information provided to the users of financial statements on an entity's financing activities. Entities shall provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The adoption of the amendments to IAS 7 resulted in a modification of the information disclosed on debt, with a reconciliation of the carrying amount of the debt at the beginning and end of the period (See Note 24 Debt) and on the changes in liabilities arising from financing activities (See Note 25 Changes in liabilities arising from financing activities).

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses clarify that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The adoption of these amendments does not change the current practice applied by the Group.

Annual Improvements to IFRS Standards 2014 – 2016 Cycle set out amendments across three different standards, related basis for conclusions and guidance, out of which one is effective in 2017; amendments to IFRS 12 Disclosure of Interests in Other Entities. The adoption of these amendments has no impact because the Group does not hold currently assets classified as held for sale.

The Group has adopted the cost model in compliance with IAS 40 Investment property.

2.1.2. IFRSs and IFRICs issued but not yet effective
New and revised standards and interpretations, issued but not yet effective, have been reviewed to identify the nature of the future changes in accounting policy and to estimate the effect of any necessary changes in the consolidated financial statements and supporting notes upon their adoption.

a) Issued and effective for 2018

IFRS 9 Financial Instruments (as revised in 2014). The Group has early adopted this standard in 2016.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces existing revenue recognition guidance including IAS 18 Revenues, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programme.

The Group has evaluated the impacts of this standard. Contracts with customers relate primarily to the delivery of manufactured products and molecules of fragrance and flavour to the agreed upon specifications and may contain additional performance obligations for certain clients such as the assignment of specific application technologies, joint market research and particular stock conditions. Most of these additional performance obligations are not distinct because they are highly dependent on the delivery of manufactured products and molecules of fragrance and flavour. Generally, the transaction price includes estimating variable consideration such as rebates granted to customers.

The Group assessed that the adoption of the standard does not impact its consolidated financial statements. Therefore the retrospective transition method will not require a restatement of the consolidated financial statements.

The clarifications to IFRS 15 issued in April 2016 do not change the above described assessment.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The adoption of these amendments has no impact on the current share-based payments programmes held within the Group.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts do not change the impact of the earlier adoption of IFRS 9 as the Group is not affected by IFRS 4.

Amendments to IAS40: Transfers of Investment Property reinforce the principle for transfers into, or out of, investment property under IAS 40. The Group has not yet evaluated the impact of these amendments on its consolidated financial statements.

Annual Improvements to IFRS Standards 2014 – 2016 Cycle set out amendments across three different standards, related basis for conclusions and guidance, out of which two are effective in 2018, namely amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and amendments to IAS 28 Investments in Associates and Joint Ventures. These amendments are not relevant for the Group.

IFRIC 22: Foreign Currency Transactions and Advance Consideration sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency. The adoption of this interpretation does not change the current practice applied by the Group.

b) Issued and effective for 2019 and after

Amendments to IFRS 10 and IAS 28: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The adoption of these amendments has no impact on the accounting of the joint arrangements currently held by the Group.

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, and lessors to confirm the continuation of classifying leases as operating or finance. The Group is currently evaluating the accounting impact of the adoption of this standard.

IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes. The clarification confirms the current practices of the Group.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures clarify that an entity must apply IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The adoption of these amendments has no impact on the joint arrangements currently held by the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation address the concerns about how IFRS 9 Financial Instruments classifies particular prepayable financial assets. These amendments are not relevant as the Group does not enter in such particular instruments.

IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard is not relevant for the Group as it does not operate in the insurance business.

2.2 Consolidation

The subsidiaries that are consolidated are those companies controlled, directly or indirectly, by Givaudan SA. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if there are indications of a change in facts and circumstances.

Companies acquired during the year are consolidated from the date on which operating control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes to the acquirer.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, shares issued and liabilities undertaken or assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of net assets of the subsidiary acquired is recognised as goodwill.

Where necessary, changes are made to the accounting policies of subsidiaries to bring and ensure consistency with the policies adopted by the Group.

Assets and liabilities, equity, income, expenses and cash flows resulting from inter-company transactions are eliminated in full on consolidation.

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2.3 Interest in a Joint Venture

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists when the strategic, financial and operating decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting until the date on which the Group ceases to have joint control over the joint venture. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the income statement and the other comprehensive income of the joint venture. Adjustments are made where necessary to bring the accounting policies in line with those adopted by the Group. Unrealised gains and losses on transactions between the Group and a jointly controlled entity are eliminated to the extent of the Group's interest in the joint venture.

2.4 Foreign Currency Valuation

2.4.1 Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the functional currency of that entity. The functional currency is normally the one in which the entity primarily generates and expends cash. The consolidated financial statements are presented in millions of Swiss francs (CHF), the Swiss franc being the Group's presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions, or using a rate that approximates the exchange rates on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in other financial income (expense), net, except for:

- Exchange differences deferred in equity as qualifying cash flow hedges on certain foreign currency risks and qualifying net investment hedges.

- Exchange differences on monetary items to a foreign operation for which settlement is neither planned nor likely to occur, therefore forming part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to the income statement on disposal of the net investment or on partial disposal when there is a loss of control of subsidiary or a loss of joint control over a jointly controlled entity.

- Exchange differences on foreign currency borrowings relating to assets under construction which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

2.4.3 Translation of the financial statements of foreign subsidiaries

For the purpose of presenting consolidated financial statements, the assets and liabilities of Group companies reporting in currencies other than Swiss francs (foreign operations) are translated into Swiss francs using exchange rates prevailing at the end of the reporting period. Cash flows, income and expenses items of Group companies are translated each month independently at the average exchange rates for the period when it is considered a reasonable approximation of the underlying transaction rate. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

2.5 Segment Reporting

The operating segments are identified on the basis of internal reports that are regularly reviewed by the Executive Committee, the members of the Executive Committee being the chief operating decision makers, in order to allocate resources to the segments and to assess their performance. The internal financial reporting is consistently prepared along the lines of the two operating Divisions: Fragrances and Flavours.

The business units of each Division, respectively Fine Fragrances, Consumer Products, and Fragrance Ingredients and Active Beauty for the Fragrance Division and Beverages, Dairy, Savoury and Sweet Goods for the Flavour Division, are not considered as separately reportable operating segments as decision making about the allocation of resources and the assessment of performance are not made at this level.

Inter-segment transfers or transactions are set on an arm's length basis.

Information about geographical areas is determined based on the Group's operations; Switzerland, Europe, Africa and Middle East; North America; Latin America and Asia Pacific. Revenues from external customers are shown by destination.

2.6 Sales of Goods

Revenue from sales of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Sales of goods are reduced for estimated volume discounts, rebates, and sales taxes. The Group recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and when significant risks and rewards of ownership of the goods are transferred to the buyer.

2.7 Research and Product Development

The Group is active in research and in formulas, technologies and product developments. In addition to its internal scientific efforts, the Group collaborates with outside partners.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internal developments or developments obtained through agreements on formulas, technologies and products costs are capitalised as intangible assets when there is an identifiable asset that will generate probable economic benefits and when the cost can be measured reliably. When the conditions for recognition of an intangible asset are not met, development expenditure is recognised in the income statement in the period in which it is incurred.

2.8 Employee Benefit Costs

Wages, salaries, social security contributions, annual leave and paid sick leave, bonuses and non-monetary benefits are expensed in the year in which the associated services are rendered by the Group's employees.

2.8.1 Pension obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, principally dependent on an employee's years of service and remuneration at retirement. Plans are usually funded by payments from the Group and employees to financially independent trusts. The liability recognised in the statement of financial position is the aggregate of the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Where a plan is unfunded, only a liability representing the present value of the defined benefit obligation is recognised in the statement of financial position. The present value of the defined benefit obligation is calculated by independent actuaries using the projected unit credit method twice a year, at interim and annual publication. This reflects the discounted expected future payment required to settle the obligation resulting from employee service in the current and prior periods. The future cash outflows incorporate actuarial assumptions primarily regarding the projected rates of remuneration growth, and long-term indexation rates. Discount rates, used to determine the present value of the defined benefit obligation, are based on the market yields of high quality corporate bonds in the country concerned. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. Pension assets and liabilities in different defined benefit schemes are not offset unless the Group has a legally enforceable right to use the surplus in one plan to settle obligations in the other plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into publicly or privately administrated funds. The Group has no further payment obligations once the contributions have been made. The contributions are charged to the income statement in the year to which they relate.

2.8.2 Other post-retirement obligations

Some Group companies provide certain post-retirement healthcare and life insurance benefits to their retirees, the entitlement to which is usually based on the employee remaining in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the periods in which employees render service to the Group.

2.9 Share-Based Payments

The Group has established a performance share plan to align the long-term interests of key executives and members of the Board of Directors with the interests of the shareholders.

Key executives are awarded a portion of their performance-related compensation in equity-settled share-based payment transactions. The costs are recorded in each relevant functions part of the employees' remuneration as personnel expenses with a corresponding entry in equity in own equity instruments for equity-settled share-based payment transactions. The different share-based payments are described below:

2.9.1 Performance Share Plan

Key executives are awarded a portion of their performance-related compensation in equity-settled share-based payment transactions in the form of a performance share plan.

The performance share plan is established with Givaudan registered shares and a vesting period of three years. The Group has at its disposal either treasury shares or conditional share capital.

The cost of equity-settled instruments is expensed as employee remuneration over the vesting period, together with a corresponding increase in equity in own equity instruments. The cost is determined by reference to the fair value of the shares expected to be delivered at the date of vesting. Performance conditions are included in the assumptions in which the number of shares varies. No market conditions are involved.

The fair value is determined as the market price at grant date reduced by the present value of dividends expected or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders during the vesting period.

At each statement of financial position date, the Group revises its estimates of the number of shares that are expected to be delivered. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

2.9.2 Restricted Shares Plan

The members of the Board of Directors receive a portion of their compensation in equity-settled share-based payment transactions in the form of restricted share units.

Restricted shares are set generally with a vesting period of three years, during which the restricted shares cannot be settled or transferred. The Group has at its disposal treasury shares for the delivery of the restricted shares.

The cost of these equity-settled instruments to be expensed, together with a corresponding increase in equity, over the vesting period, is determined by reference to the fair value of the restricted shares granted at the date of the grant. Service conditions are included in the assumptions about the number of restricted shares that are expected to become deliverable. No performance conditions are included.

The fair value is determined as the market price at grant date reduced by the present value of dividends expected or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders during the vesting period.

At each statement of financial position date, the Group revises its estimates of the number of restricted shares that are expected to be delivered. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

2.10 Taxation

Income taxes include all taxes based upon the taxable profits of the Group, including withholding taxes payable on the distribution of retained earnings within the Group. Other taxes not based on income, such as property and capital taxes, are included either in operating expenses or in financial expenses according to their nature. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are provided based on the full liability method, under which deferred tax consequences are recognised for temporary differences between the tax bases of assets and liabilities and their carrying values. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which those items can be utilised. Management considers that these tax benefits are probable on the basis of business projections on the relevant entities.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable income.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and interests in jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Current tax assets and liabilities are offset and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items that are recognised outside the income statement, in which case the tax is also recognised outside the income statement.

2.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks and similar institutions. Cash equivalents are held for the purpose of meeting short-term cash commitments (maturity of three months or less from the date of acquisition) and are subject to an insignificant risk of changes in value.

2.12 Financial Assets

Financial assets are classified as financial assets at fair value through the income statement except for trade receivables which are classified at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Regular way purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace. All regular way purchases or sales of financial assets are recognised and derecognised at the settlement date i.e. the date that the asset is delivered to or by the Group. Financial assets are classified as current assets, unless they are expected to be realised beyond twelve months of the statement of financial position date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the following amounts are recognised in the income statement: (i) the difference between the asset's carrying amount and the sum of the consideration received and receivable; (ii) the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity.

Dividend income from investments is recognised in the line Other financial income (expense), net when the right to receive payment has been established. Interest income is accrued on a time basis and included in the line Other financial income (expense), net.

2.12.1 Financial assets at fair value through the income statement

Financial assets such as debt instruments, equity securities, investment funds and derivatives not designated as effective hedging instruments are classified in this category.

Debt instruments are held with the objective to manage cash flows by both collecting their contractual cash flows and selling them at market price when needed. The main purpose of such instruments is to fund obligations related to employees. They are designated as financial assets measured at fair value through the income statement to avoid recognition inconsistency resulting from changes in fair values of the financial assets and the obligations.

Other financial assets which are not debt instruments are held with the main objectives to participate in long-term partnerships, to hedge certain financial risks, and to fund obligations related to employees. Their designation as financial assets measured at fair value through the income statement is in line with management intentions to hold such assets.

These financial assets are initially measured at fair value whereas directly attributable transaction costs are expensed in the income statement. At the end of each period, the carrying value is adjusted to the fair value with a corresponding entry in the income statement until the investment is derecognised.

The subsidiaries in the United States of America entered over the years into various life insurance contracts called corporate-owned life insurance (COLI) to fund long-term obligations related to employees. For both the COLI contracts and the associated long-term obligations, adjustments to the fair value, gains and losses, are recognised in the income statement.

For quoted equity instruments, the fair value is the market value, being calculated by reference to share exchange quoted selling prices at close of business on the statement of financial position date. Non-quoted financial assets are valued at fair value based on observable market transactions or if not available based on prices given by reputable financial institutions or on the price of the latest transaction.

2.12.2 Financial assets at amortised cost

Trade receivables are the only financial assets classified as subsequently measured at amortised cost. They reach the objective of collecting contractual cash flows over their life.

Trade receivables are carried at amortised cost less allowances for loss. They generally do not contain a significant financing component. The allowance loss measurement is then determined by applying a simplified approach equalling the lifetime expected credit losses. Under this approach the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. An allowance for loss is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Losses are recorded within selling, marketing and distribution expenses in the income statement. Trade receivables are deemed as impaired when there is an indication of significant financial difficulties of the debtor (delinquency in or default on payments occurs, probability of bankruptcy or need for financial reorganisation).

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2.13 Derivative Financial Instruments and Hedging Activities

Most derivative instruments are entered into to provide economic hedges. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method to recognise the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity are shown in the statement of changes in equity. These derivatives are presented as current or non-current on the basis of their settlement dates.

2.13.1 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within other comprehensive income, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is immediately recognised in financing costs in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged transaction affects the income statement, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or liability, the amounts are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability.

When forward contracts are used to hedge forecast transactions such as future debt issuance, management assumes that the sources of hedge effectiveness in regards of the characteristics of the hedging relationship is sufficiently immaterial to exclusively perform a qualitative assessment.

When the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the ultimate forecast transaction occurs. If the forecast transaction is no longer expected to occur, any cumulative gain or loss existing in equity is immediately taken to the income statement.

2.13.2 Derivatives at fair value through the income statement

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through the income statement. At each statement of financial position date, these derivative instruments are valued at fair value based on quoted market prices, with the unrealised gain or loss recognised in the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivatives, at which time a realised gain or loss is recognised in the income statement.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average cost formula. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Cost of sales includes the corresponding direct production costs of goods manufactured and services rendered as well as related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.15 Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost of purchase or construction and subsequently at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes expenditure that is attributable to the purchase or construction. It includes, for qualifying assets, borrowing costs in accordance with the Group's accounting policy (see Note 2.19), and cost of its dismantlement, removal or restoration, related to the obligation for which an entity incurs as a consequence of installing the asset.

The assets are depreciated on a straight-line basis, except for land, which is not depreciated. Estimated useful lives of major classes of depreciable assets are as follows:

– Buildings and land improvements	40 years
– Machinery and equipment	5 – 15 years
– Office equipment	3 years
– Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

The carrying values of plant and equipment are written down to their recoverable amount when the carrying value is greater than their estimated recoverable amount (see Note 2.18).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount with gains being recognised within other operating income and losses being recognised within other operating expense within the income statement. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent costs such as repairs and maintenance are recognised as expenses as incurred.

2.16 Leases

Leases of assets are classified as operating leases when substantially all the risks and rewards of ownership of the assets are retained by the lessor. Operating lease payments are charged to the income statement on a straight-line basis over the term of the lease. The Group holds only operating leases.

2.17 Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is recognised in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment or more frequently when there are indications of impairment, and carried at cost less accumulated impairment losses. Impairment charges on goodwill are not reversed. Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are recognised in the local currency at the effective date of the transaction and translated at year-end exchange rates. For the purpose of impairment testing, goodwill is allocated to the cash-generating units being the Group's reportable operating segments: Fragrance Division and Flavour Division.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Internal developments are capitalised as intangible assets when there is an identifiable asset that will generate probable economic benefits and when the cost can be measured reliably. Costs include all costs directly attributable to preparing the asset for use. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Separately acquired intangible assets are capitalised when the identifiable asset will generate probable economic benefits and when its cost can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is on a straight-line basis over the estimated economic useful life of the asset. Useful life is determined based on the character of the asset and may be indefinite. In that case, asset is not amortised but annually tested for impairment. Estimated definite useful life of major classes of amortisable assets are as follows:

– Name and product brands	2 – 7 years
– Software/ERP system	3 – 7 years
– Process-oriented technology	5 – 20 years
– Client relationships	15 – 23 years

Gains or losses arising on the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount with gains being recognised within other operating income and losses being recognised in other operating expense within the income statement.

2.18 Impairment of Long-Lived Assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the recoverable amount of a non-financial asset, being the higher of its fair value less cost to sell and its value in use, is less than its carrying amount, then the carrying amount is reduced to the asset's recoverable value. This reduction is recognised as an impairment loss within other operating expense within the income statement. Value in use is determined by using pre-tax cash-flow projections over a five-year period and a terminal value. These are discounted using a pre-tax discount rate that reflects current market conditions of the time value of money and the risks specific to the asset.

Intangible assets with indefinite useful life are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

An impairment loss is reversed if there has been a change in the circumstances used to determine the recoverable amount. A previously recognised impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

2.19 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2.20 Accounts Payable – Trade and Others

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are carried at amortised cost.

2.21 Debt

The proceeds of straight bonds, of private placements and of debt issued are recognised as the proceeds received, net of transaction costs incurred. Any discount arising from the coupon rate, represented by the difference between the net proceeds and the redemption value, is amortised using the effective interest rate method and charged to interest expense over the life of the bonds or the private placements. Debt is derecognised at redemption date.

Debt is classified within current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation.

2.23 Own Equity Instruments

Own equity instruments are own shares and derivatives on own shares. Purchases and sales are accounted for at the settlement date.

Purchases of own shares are recognised at acquisition cost including transaction costs as a deduction from equity. The original cost of acquisition, results from resale and other movements are recognised as changes in equity, net. Treasury shares acquired by the execution of own equity derivatives are recognised at the execution date market price.

The settlement and the contract for derivatives on own shares determine the categorisation of each instrument. When the contract assumes the settlement is made by exchanging a fixed amount of cash for a fixed number of treasury shares, the contract is recognised in equity except for a forward contract to buy and write put options which is recognised as a financial liability. When the contract assumes the settlement either net in cash or net in treasury shares or in the case of option of settlement, the contract is recognised as a derivative. Instruments recognised in equity are recognised at acquisition cost including transaction costs. Instruments recognised as financial liabilities are recognised at the net present value of the strike price of the derivative on own shares with the interest charge recognised over the life of the derivative in the line Financing costs of the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivative, with the realised gain or loss recognised in equity.

At each statement of financial position date, instruments recognised as derivatives are valued at fair value based on quoted market prices, with any unrealised gain or loss recognised in the line Other financial income (expense), net in the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivatives, with any realised gain or loss recognised.

2.24 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.25 Statement of Cash Flows

Cash flows from operating activities arise from the principal activities of the Group in the Fragrance and Flavour businesses. The indirect method is used whereby the operating income is adjusted for the transactions of a non-cash nature in order to derive the cash generated from operations. It includes income tax paid on all activities.

Cash flows from financing activities are primarily the proceeds from the issue and repayment of the debt instruments, the dividend payment to shareholders and interest paid. Cash flows from long-term and short-term borrowings are reported separately of gross cash receipts and gross cash payments.

Cash flows from investing activities arise principally from the investments in property, plant and equipment and intangible assets, from the acquisition of subsidiaries, and from the transactions with jointly controlled entities.

2.26 Distribution to the Shareholders

Dividend distributions or distributions out of statutory capital reserves from “capital contributions – additional paid-in capital” are recognised in the period in which they are approved by the Group’s shareholders.

3. Critical Accounting Estimates and Judgments

The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3.1 Critical Accounting Estimates and Assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are for the most part related to:

1) The impairment of goodwill requiring estimations of the value in use of the cash-generating units to which goodwill is allocated (see Note 22)

2) The impairment of long-lived assets requiring estimations to measure the recoverable amount of an asset or group of assets (see Note 21 and 22)

3) The calculation of the present value of defined benefit obligations requiring financial and demographic assumptions (see Note 8)

4) The determination and provision for income taxes requiring estimated calculations for which the ultimate tax determination is uncertain (see Note 16)

5) The provisions requiring assumptions to determine reliable best estimates (see Note 26)

6) The contingent liabilities assessment (see Note 30)

If, in the future, estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

3.2 Critical Judgments in Applying the Entity's Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Computer software and Enterprise Resource Planning: Computer software is internally developed programmes or modifications that result in new or in substantial improvements of existing IT systems and applications (see Note 22).

- Internal developments on formulas, technologies and products: The outcome of these developments depends on their final assemblage and application, which varies to meet customer needs, and consequently the future economic benefits of these developments are not certain. Thus the criteria for the recognition as an asset of the internal developments on formulas, technologies and products are generally not met. The expenditures on these activities are recognised as expense in the period in which they are incurred.

4. Foreign Exchange Rates

Foreign currency to Swiss francs exchange rates	ISO code	Units	31 Dec 2017	Average 2017	31 Dec 2016	Average 2016	31 Dec 2015	Average 2015
Dollar	USD	1	0.97	0.98	1.02	0.99	1.00	0.96
Euro	EUR	1	1.17	1.11	1.07	1.09	1.09	1.07
Pound	GBP	1	1.32	1.27	1.25	1.34	1.48	1.47
Yen	JPY	100	0.86	0.88	0.87	0.91	0.83	0.80
Singapore dollar	SGD	1	0.73	0.71	0.70	0.71	0.71	0.70
Real	BRL	1	0.30	0.31	0.31	0.29	0.25	0.29
Renminbi	CNY	1	0.15	0.15	0.15	0.15	0.15	0.15
Mexican peso	MXN	100	4.96	5.20	4.93	5.33	5.83	6.09
Rupiah	IDR	10,000	0.72	0.73	0.75	0.74	0.73	0.72

5. Financial Risk Management

5.1 Capital Management

The objective of the Group when managing capital is to maintain the ability to continue as a going concern whilst maximising shareholder value through an optimal balance of debt and equity.

In order to maintain or adjust the capital structure, management may increase or decrease leverage by issuing or reimbursing debt, and may propose to adjust the amounts distributed to the shareholders, return capital to shareholders, issue new shares and cancel shares through share buyback programmes.

The Group monitors its capital structure on the basis of a leverage ratio, defined as net debt divided by the equity plus net debt. Net debt is calculated as the total of the consolidated short-term and long-term debt, less cash and cash equivalents. Equity is calculated as the total equity attributable to equity holders of the parent excluding the defined benefit pension plans remeasurement elements.

The Group has entered into several private placements which contain various covenants with externally imposed capital requirements. The Group was in compliance with these requirements as at 31 December 2017 and 2016. The leverage ratio as at 31 December was as follows:

in millions of Swiss francs	Note	2017	2016
Short-term debt	24	308	7
Long-term debt	24	1,300	1,251
Less: cash and cash equivalents	18	(534)	(328)
Net Debt		**1,074**	**930**
Total equity attributable to equity holders of the parent		3,538	3,293
Remeasurement of post employment benefit obligations	8	558	575
Equity		**4,096**	**3,868**
Net Debt and Equity		**5,170**	**4,798**
Leverage ratio		**21%**	**19%**

The Group intends to maintain its medium term leverage ratio below 25%.

5.2 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group generally enters into financial derivative transactions to hedge underlying business related exposures.

Risk management is carried out by a team within the central treasury department (hereafter "Group Treasury") under the risk management policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Group Treasury monitors and manages financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risk. To manage the interest rate and currency risk arising from the Group's operations and its sources of finance, the Group enters into derivative transactions, primarily interest rate swaps, forward currency contracts and options. Compliance with policies and exposure limits is reviewed by the treasury controlling on a continuous basis. Group Treasury issues monthly reports for the Chief Financial Officer and quarterly reports for the Audit Committee.

Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

2017 in millions of Swiss francs	Note	At amortised cost	At fair value through the income statement	Derivatives used for hedge accounting	Other financial liabilities	Total
Current financial assets						
Cash and cash equivalents	18	534				534
Derivative financial instruments	5.3		16			16
Financial assets at fair value through income statement	5.3		2			2
Accounts receivable – trade	19	1,147				1,147
Other current assets [a]		98				98
Non-current financial assets						
Derivative financial instruments [b]	5.3			1		1
Financial assets at fair value through income statement	5.3		63			63
Total financial assets as at 31 December		**1,779**	**81**	**1**		**1,861**
Current financial liabilities						
Short-term debt	24				308	308
Derivative financial instruments	5.3		12			12
Accounts payable					662	662
Non-current financial liabilities						
Derivative financial instruments [b]	5.3			60		60
Long-term debt	24				1,300	1,300
Total financial liabilities as at 31 December			**12**	**60**	**2,270**	**2,342**

a) Other current assets consist of other receivables non trade.
b) Derivatives qualified as hedge accounting on non-current transactions are classified and presented as non-current assets or liabilities (see Note 2.13).

2016 in millions of Swiss francs	Note	At amortised cost	At fair value through the income statement	Derivatives used for hedge accounting	Other financial liabilities	Total
Current financial assets						
Cash and cash equivalents	18	328				328
Derivative financial instruments	5.3		9			9
Financial assets at fair value through income statement	5.3		1			1
Accounts receivable – trade	19	996				996
Other current assets [a]		192				192
Non-current financial assets						
Derivative financial instruments [b]	5.3			–		–
Financial assets at fair value through income statement	5.3		59			59
Total financial assets as at 31 December		**1,516**	**69**	**–**		**1,585**
Current financial liabilities						
Short-term debt	24				7	7
Derivative financial instruments	5.3		32			32
Accounts payable					494	494
Non-current financial liabilities						
Derivative financial instruments [b]	5.3			62		62
Long-term debt	24				1,251	1,251
Total financial liabilities as at 31 December			**32**	**62**	**1,752**	**1,846**

a) Other current assets consist of other receivables non trade.
b) Derivatives qualified as hedge accounting on non-current transactions are classified and presented as non-current liabilities (see Note 2.13).

The carrying amount of each class of financial assets and liabilities disclosed in the previous tables approximates the fair value. The fair value of each class of financial assets and liabilities, except financial assets at amortised cost, is determined by reference to published price quotations and is estimated based on valuation techniques using the quoted market prices. Given the nature of the Group's accounts receivable trade items, the carrying value is considered as equivalent to the fair value.

5.2.1 Market Risk

The Group's activities primarily expose it to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Group enters into a number of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- Currency derivatives, mainly forward foreign exchange contracts, to hedge the exchange rate risk arising from recorded transactions.
- Interest rate swaps and other instruments to mitigate the risk of interest rate increases and/or to optimally manage interest rate costs depending on the prevailing interest rate environment.

Market risk exposures are measured using sensitivity analysis. There has been no change during the year in the structure of the Group's exposure to market risks or the manner in which these risks are managed.

5.2.1.1 Foreign Exchange Risk

The Group operates across the world and is exposed to movements in foreign currencies affecting its net income and financial position. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

It is the Group's policy to enter into derivative transactions to hedge current, forecasted foreign currency transactions, and translation risk arising from certain investments in foreign operations with a functional currency different from the Group's presentation currency.

While these are hedges related to underlying business transactions, the Group generally does not apply hedge accounting on transactions related to management of its foreign exchange risk. In 2017, the Group applied hedge accounting on the foreign currency risk related to the acquisition of Vika B.V. and the foreseen acquisitions of Centroflora Nutra and Expressions Parfumées.

Group Treasury centrally manages foreign exchange risk management activities against the functional currency of each subsidiary, and is required to hedge, whenever cost-effective, their largest exposures.

The measurement of the foreign currency risk expresses the total exposure by currency, which is in the opinion of Group Treasury a representative manner to monitor the risk. It measures the cumulative foreign exchange risk of all subsidiaries of recognised assets and liabilities that are denominated in a currency (e.g. USD) that is not the subsidiary's functional currency (e.g. other than USD).

The following table summarises the significant exposures to the foreign currency risk at the date of the consolidated statement of financial position:

Currency exposure 2017 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Currency exposure without hedge[a]	337	(415)	(75)	(155)	144
Hedged amount	(332)	411	38	152	(160)
Currency exposure including hedge	5[b]	(4)	(37)	(3)	(16)

a) + long position; - short position.
b) Mainly due to unhedged positions in countries where hedging is not cost-effective.

Currency exposure 2016 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Currency exposure without hedge[a]	388	(42)	(6)	(149)	121
Hedged amount	(406)	22	4	148	(127)
Currency exposure including hedge	(18)[b]	(20)	(2)	(1)	(6)

a) + long position; - short position.
b) Mainly due to unhedged positions in countries where hedging is not cost-effective.

In the exposure calculations, the intra Group positions, except those related to net investments in foreign operations, are included. The following table summarises the sensitivity to transactional currency exposures of the main currencies at 31 December. The sensitivity analysis is disclosed for each currency representing significant exposure:

Currency risks 2017 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Reasonable shift	11%	6%	6%	10%	7%
Impact on income statement if the currency strengthens against all other currencies	(1)	–	(2)	–	(1)
Impact on income statement if the currency weakens against all other currencies	1	–	2	–	1

Currency risks 2016 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Reasonable shift	13%	8%	8%	11%	7%
Impact on income statement if the currency strengthens against all other currencies	(4)	(2)	–	–	–
Impact on income statement if the currency weakens against all other currencies	4	2	–	–	–

The sensitivity is based on the exposure at the date of the consolidated statement of financial position and based on assumptions deemed reasonable by management, showing the impact on income before tax. Management uses historical volatilities of the significant currencies contributing to the exposure to determine the reasonable change.

5.2.1.2 Interest Rate Risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates, and invests in debt financial instruments. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially counterbalanced by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Group Treasury manages interest rate risk centrally by simulating various scenarios on liabilities taking into consideration refinancing, renewal of existing positions and hedging. Hedging strategies are applied by either positioning the liabilities or protecting interest expense through different interest cycles. Hedging activities are regularly evaluated to align interest rate views and defined risk limits. Group Treasury manages interest rate risk mainly by the use of interest rate swap contracts and forward interest rate contracts.

The following table shows the sensitivity to interest rate changes:

As at 31 December 2017 in millions of Swiss francs	150 basis points increase	25 basis points decrease
Impact on income statement	–	–
Impact on equity	65	(13)

As at 31 December 2016 in millions of Swiss francs	150 basis points increase	25 basis points decrease
Impact on income statement	–	–
Impact on equity	64	(13)

The sensitivity is based on exposure on liabilities at the date of the consolidated statement of financial position using assumptions which have been deemed reasonable by management showing the impact on the income before tax.

Cash flow hedges

Inception date	Hedged items	Hedge instruments	Objectives	Comments
2009	Highly probable future debt issuances in 2011.	Several forward starting interest rate swaps commencing in 2011, totalling CHF 200 million with an average rate of 2.69% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In June 2011, the Group issued a 2.50% 7 year public bond (maturity 15 June 2018) with a nominal value of CHF 300 million. Correspondingly, hedge positions assigned to this bond issuance of CHF 200 million have been closed. The amortisation of the realised loss of CHF 14 million was recognised in Financing costs over 5 years until 15 June 2016.
2009	Highly probable future debt issuances in 2012.	Several forward starting interest rate swaps commencing in 2012, totalling CHF 250 million with an average rate of 2.70% and a 5 year maturity and CHF 50 million with an average rate of 2.45% and a 3 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In December 2011, the Group issued a dual tranche public bond, totalling CHF 300 million, respectively of CHF 150 million at a rate of 1.250% for 5 years and CHF 150 million at the rate of 2.125% for 10 years. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss was recognised in Financing costs for CHF 4 million over 3 years until 7 December 2014, and CHF 28 million over 5 years until 7 December 2016.
2011/ 2012	Highly probable future debt issuances in 2014.	Several forward starting interest rate swaps commencing in 2014, totalling CHF 250 million with an average rate of 1.54% and a 5 year maturity.	Protection against future increases in 0interest rates and to fix the interest rates.	In March 2014, the Group issued a 1.00% 6.5 year public bond with a nominal value of CHF 100 million; and a 1.75% 10 year public bond with a nominal value of CHF 150 million. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss of CHF 15 million is recognised in Financing costs over 5 years until 19 March 2019.
2012	Highly probable future debt issuances in 2016.	Several forward starting interest rate swaps commencing in 2016, totalling CHF 75 million with an average rate of 1.63% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In December 2016, the Group issued a 0.000% 6 year public bond with a nominal value of CHF 100 million; and a 0.625% 15 year public bond with a nominal value of CHF 200 million. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss of CHF 8 million is recognised in Financing costs over 5 years until 7 December 2021.
2012	Highly probable future private placements issuance in the USA in 2013.	Several derivatives instruments fixing the interest rate at 1.80% on average for a total amount of USD 100 million.	Protection against short-term increases in USD interest rates and to fix the interest rates.	The cash flow hedges were effective during the period. The amount of USD 1 million (equivalent to CHF 1 million) deferred in hedging reserve in other comprehensive income is recycled over the next 10 years as Financing cost from 6 February 2013, date when the proceeds were received.
2012/ 2014	Highly probable future debt issuances in 2018.	Several forward starting interest rate swaps commencing in 2018, totalling CHF 150 million with an average rate of 1.90% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2020.	Several forward starting interest rate swaps commencing in 2020, totalling CHF 75 million with an average rate of 2.12% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2021.	Several forward starting interest rate swaps commencing in 2021, totalling CHF 125 million with an average rate of 2.05% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2024.	Several forward starting interest rate swaps commencing in 2024, totalling CHF 100 million with an average rate of 2.35% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2016/ 2017	Highly probable future debt issuances in 2031.	Several forward starting interest rate swaps commencing in 2031, totalling CHF 100 million with an average rate of 0.92% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.

5.2.1.3 Price Risk

The Group is exposed to equity price risk arising from equity investments held classified at fair value through income statement. The Group manages its price risk through a diversification of portfolios within the limits approved by the Board of Directors.

The Group holds its own shares to meet future expected obligations under the various share-based payment schemes.

Sensitivity analysis

The Group's equity portfolio is composed exclusively of US shares. The benchmark for the reasonable change is an average of historical volatility of US indexes (16% for the last three years).

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period:

2017 – reasonable shifts: 16%US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	6	(6)

2016 – reasonable shifts: 16%US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	5	(5)

5.2.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Commercial Credit risk is managed by the Group's subsidiaries and monitored on a Group basis whilst counterparty risk related to financial institutions is centrally managed within the Group Treasury function.

Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits, ongoing credit evaluation and account monitoring procedures. Generally, there is no significant concentration of trade receivables or commercial counterparty credit risk, due to the large number of customers that the Group deals with and their wide geographical spread with the exception of one single external customer that generates revenues, mainly attributable to the Fragrance Division, of approximately CHF 583 million (2016: CHF 552 million). Countries, credit limits and exposures are continuously monitored.

The credit risk on liquid funds, derivatives and other monetary financial assets is limited because the counterparties are financial institutions with investment grade ratings.

The following table presents the credit risk exposure to individual financial institutions:

			2017			2016
	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks
AAA – range	7	7	1	46	46	1
AA – range	147	147	1	60	59	2
A – range	225	121	7	47	41	5
BBB – range	155	91	6	169	76	6

The carrying amount of financial assets recognised in the consolidated financial statements which is net of impairment losses, represents the Group's maximum exposure to credit risk.

5.2.3 Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash, marketable securities, availability of funds through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed and uncommitted credit lines.

Group Treasury monitors and manages cash at the Group level and defines the maximum cash level at subsidiary level. Cash surpluses held by subsidiaries over and above amounts required for working capital management are transferred to the central treasury centre. The surplus of cash is generally invested in interest bearing current accounts, time deposits, money market deposits and funds. When necessary, intercompany loans are granted by the Group to subsidiaries to meet their non-recurrent payment obligations.

The following table analyses the Group's remaining contractual maturity for financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is obliged to pay. The table includes both interest and principal cash flows:

2017 in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Short-term debt (excluding bank overdrafts)	(308)				(308)
Accounts payable	(662)				(662)
Net settled derivative financial instruments		(2)	(18)	(41)	(61)
Gross settled derivative financial instruments – outflows	(1,394)	(524)			(1,918)
Gross settled derivative financial instruments – inflows	1,396	526			1,922
Long-term debt	(20)	(8)	(588)	(823)	(1,439)
Balance as at 31 December	**(988)**	**(8)**	**(606)**	**(864)**	**(2,466)**

2016 in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Accounts payable	(494)				(494)
Net settled derivative financial instruments	–		(14)	(48)	(62)
Gross settled derivative financial instruments – outflows	(1,335)	(266)			(1,601)
Gross settled derivative financial instruments – inflows	1,314	264			1,578
Long-term debt	(19)	(5)	(662)	(702)	(1,388)
Balance as at 31 December	**(534)**	**(7)**	**(676)**	**(750)**	**(1,967)**

5.3 Fair Value Measurements

The following tables present the Group's assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is measured:

- **Level 1** inputs to measure fair value are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- **Level 2** inputs to measure fair value are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- **Level 3** inputs to measure fair value are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2017 in millions of Swiss francs	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
Forward foreign exchange contracts		16		16
Swaps (hedge accounting)		1		1
Corporate owned life insurance		32		32
Equity securities	2	15		17
Debt securities		16		16
Total assets	**2**	**80**		**82**
Financial liabilities at fair value through income statement				
Forward foreign exchange contracts		12		12
Swaps (hedge accounting)		60		60
Swaps (no hedge accounting)		–		–
Total liabilities		**72**		**72**

2016 in millions of Swiss francs	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
Forward foreign exchange contracts		9		9
Swaps (hedge accounting)		–		–
Corporate owned life insurance		29		29
Equity securities	1	13		14
Debt securities	–	17		17
Total assets	**1**	**68**		**69**
Financial liabilities at fair value through income statement				
Forward foreign exchange contracts		31		31
Swaps (hedge accounting)		62		62
Swaps (no hedge accounting)		1		1
Total liabilities		**94**		**94**

Financial assets and liabilities at fair value through income statement are measured with Level 1 and Level 2 inputs. They mainly consist of forward foreign exchange contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts, of interest swaps that are measured using quoted interest rates and yield curves derived from quoted interest rates matching maturities of the contracts, and of corporate owned life insurance (COLI) that are measured on quoted instruments with similar credit ratings and terms in a mix of money market, fixed income and equity funds managed by unrelated fund managers.

There was no transfer between Level 1 and 2 in the period. The Group did not carry out any transactions on level 3 type assets during 2017 and 2016, nor did it have any assets in this category at 31 December 2017 and 2016.

6. Acquisitions

During 2017 Givaudan made two acquisitions, Activ International and Vika B.V.

On 16 January 2017, 100% of the share capital of Activ International and its affiliates was acquired for a purchase price of CHF 114 million. Activ International offers a range of natural and organic flavours, marine extracts, seafood and vegetable based culinary solutions to customers. Activ operates from locations in Bienne (Switzerland), Somerset (New Jersey, USA), Melaka (Malaysia), Mitry-Mory (Paris, France) and Arequipa (Peru), employing globally 165 employees.

The goodwill of CHF 75 million on the acquisition relates mainly to the value of the qualified workforce and expected synergies that do not meet the criteria for recognition as separable intangible assets.

The assets acquired and liabilities assumed of Activ International are recorded at fair value at the date of acquisition. Total net assets acquired of CHF 39 million consist of cash (CHF 3 million), working capital (CHF 8 million), fixed assets (CHF 16 million), intangible assets which are made up of process knowledge, research expertise, client relationships, name and product brands (CHF 32 million), deferred tax liabilities (CHF 8 million) and other liabilities (CHF 12 million). The total purchase price of CHF 114 million was settled in cash, resulting in a goodwill of CHF 75 million. The value of acquired assets and liabilities has been finalised, no adjustment was made to the acquisition values.

On 1 September 2017, Givaudan acquired 100% of the share capital of Vika B.V. and its affiliates for a purchase price of CHF 116 million. Vika offers a range of natural dairy ingredients, fonds and stocks, as well as meat and plant based extracts to customers in the food and beverage industry. Vika operates from locations in Ede (The Netherlands), Higham Ferrers (United Kingdom), Maasmechelen (Belgium) and Auckland (New Zealand), employing globally 200 employees.

The identifiable assets and liabilities of Vika are recorded at fair value at the date of acquisition. Total net assets acquired of CHF 76 million consist of cash (CHF 3 million), working capital (CHF 14 million), fixed assets (CHF 24 million), intangible assets which are made up of process knowledge, research expertise, client relationships, name and product brands (CHF 73 million), deferred tax liabilities (CHF 20 million) and other liabilities (CHF 18 million). The total purchase price of CHF 116 million was settled in cash, resulting in a goodwill of CHF 40 million that relates mainly to the value of the qualified workforce and expected synergies that do not meet the criteria for recognition as separable intangible assets.

In compliance with IFRS 3, these values determined are provisional and the Group has twelve months from the date of acquisition to finalise the allocation of the acquisition price.

7. Segment Information

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to allocate resources to the segments and to assess their performance. The Executive Committee considers the business from a divisional perspective:

Fragrances Manufacture and sale of fragrances into three global business units: Fine Fragrances, Consumer Products and, Fragrance Ingredients and Active Beauty; and

Flavours Manufacture and sale of flavours into four business units: Beverages, Dairy, Savoury and Sweet Goods. The information of these business units are reviewed by the Executive Committee primarily by region.

The performance of the operating segments is based on EBITDA as a percentage of sales.

Business segments

in millions of Swiss francs	Fragrances 2017	Fragrances 2016	Flavours 2017	Flavours 2016	Group 2017	Group 2016
Segment sales	2,343	2,230	2,717	2,446	5,060	4,676
Less inter segment sales[a]	–	–	(9)	(13)	(9)	(13)
Segment sales to third parties	**2,343**	**2,230**	**2,708**	**2,433**	**5,051**	**4,663**
EBITDA	**486**	**603**	**603**	**523**	**1,089**	**1,126**
as % of sales	20.7%	27.0%	22.3%	21.5%	21.6%	24.1%
Depreciation	(48)	(51)	(66)	(62)	(114)	(113)
Amortisation	(42)	(59)	(62)	(73)	(104)	(132)
Impairment of long-lived assets			(2)	(6)	(2)	(6)
Addition to Property, plant and equipment	90	59	123	113	213	172
Acquisition of Property, plant and equipment			40	30	40	30
Addition to Intangible assets	25	41	22	7	47	48
Acquisition of Intangible assets			105	112	105	112
Total Gross Investments	**115**	**100**	**290**	**262**	**405**	**362**

a) Transfer prices for inter-divisional sales are set on an arm's length basis.

The amounts by division provided to the Executive Committee are measured in a consistent manner in terms of accounting policies with the consolidated financial statements.

Reconciliation table to Group's operating income

in millions of Swiss francs	Fragrances 2017	Fragrances 2016	Flavours 2017	Flavours 2016	Group 2017	Group 2016
EBITDA	**486**	**603**	**603**	**523**	**1,089**	**1,126**
Depreciation	(48)	(51)	(66)	(62)	(114)	(113)
Amortisation	(42)	(59)	(62)	(73)	(104)	(132)
Impairment of long-lived assets			(2)	(6)	(2)	(6)
Operating income	**396**	**493**	**473**	**382**	**869**	**875**
as % of sales	16.9%	22.1%	17.5%	15.7%	17.2%	18.8%
Financing costs					(42)	(51)
Other financial income (expense), net					(32)	(40)
Income before taxes					**795**	**784**
as % of sales					15.7%	16.8%

Entity-wide disclosures

The breakdown of revenues from the major group of similar products is as follows:

in millions of Swiss francs	2017	2016
Fragrance Division		
Fragrance Compounds	2,036	1,933
Fragrance Ingredients and Active Beauty	307	297
Flavour Division		
Flavour Compounds	2,708	2,433
Total revenues	**5,051**	**4,663**

The Group operates in five geographical areas: Switzerland (country of domicile); Europe, Africa and Middle East; North America; Latin America; and Asia Pacific.

	Segment sales [a]		Non-current assets [b]	
in millions of Swiss francs	**2017**	2016	**2017**	2016
Switzerland	49	45	1,490	1,435
Europe	1,312	1,205	625	436
Africa and Middle East	362	351	54	50
North America	1,352	1,151	1,182	1,235
Latin America	618	591	151	135
Asia Pacific	1,358	1,320	592	497
Total geographical segments	**5,051**	**4,663**	**4,094**	**3,788**

a) Segment sales are revenues from external customers and are shown by destination.

b) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets. They consist of property, plant and equipment, intangible assets and investments in jointly controlled entities.

Revenues of approximately CHF 583 million (2016: CHF 552 million) are derived from a single external customer. These revenues are mainly attributable to the Fragrance Division.

8. Employee Benefits

The following amounts related to employee remuneration and benefits are included in determining operating income:

in millions of Swiss francs	**2017**	2016
Wages and salaries	841	783
Social security costs	121	115
Post-employment benefits: defined benefit plans	14	(23)
Post-employment benefits: defined contribution plans	33	19
Equity-settled instruments	35	44
Cash-settled instruments		(5)
Change in fair value on own equity instruments		–
Other employee benefits	97	91
Total employees' remuneration	**1,141**	**1,024**

Defined Benefit Plans

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The most significant plans are held in Switzerland, United States of America and United Kingdom (further information by country is disclosed at the end of this note).

During 2016, the defined benefit plans held in the United States of America and United Kingdom have been frozen which means that no further build up of benefits will occur in these plans. These freezes resulted in one-off non-cash gains of CHF 55 million in the United States of America and CHF 7 million in the United Kingdom recognised in the line "other operating income" in the consolidated income statement.

During 2017, the defined benefit plan held in Switzerland was amended principally by reducing the conversion rate used to convert the retirement savings capital into a pension and by increasing savings contributions from both the employees and employer. These plan amendments resulted in a one-off non-cash gain of CHF 4 million recognised net in the line "other operating income" in the consolidated income statement.

During 2017, the supplemental medical coverage of the US post-retirement medical plan was changed. The plan amendment resulted in a one-time past service gain of CHF 16 million recognised in the line "other operating income" in the consolidated income statement.

Non-pension plans consist primarily of post-retirement healthcare and life insurance schemes, principally in the United States of America.

The amounts recognised in the consolidated income statement are as follows:

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Current service cost	30	4	34	37	2	39
Gain arising from settlement	(4)	(16)	(20)	(62)		(62)
Total included in employees' remuneration	**26**	**(12)**	**14**	**(25)**	**2**	**(23)**
Net interest cost included in financing costs	10	2	12	10	3	13
Total components of defined benefit cost	**36**	**(10)**	**26**	**(15)**	**5**	**(10)**
Of which arising from:						
Funded obligations	32	(13)	19	(17)	5	(12)
Unfunded obligations	4	3	7	2	–	2

The amounts recognised in other comprehensive income are as follows:

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
(Gains) losses from change in demographic assumptions	(10)	1	(9)	25	(1)	24
(Gains) losses from change in financial assumptions	30	3	33	188	2	190
Experience (gains) losses	9	–	9	11	(6)	5
Return on plan assets less interest on plan assets	(88)	–	(88)	(71)	–	(71)
Remeasurement (gains) losses of post employment benefit obligations	**(59)**	**4**	**(55)**	**153**	**(5)**	**148**
Of which arising from:						
Funded obligations	(60)	4	(56)	148	(5)	143
Unfunded obligations	1		1	5	–	5

The amounts recognised in the statement of financial position are as follows:

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Funded obligations						
Present value of funded obligations	(2,128)	(56)	(2,184)	(2,094)	(70)	(2,164)
Fair value of plan assets	1,640	–	1,640	1,538	1	1,539
Recognised asset (liability) for funded obligations, net	**(488)**	**(56)**	**(544)**	**(556)**	**(69)**	**(625)**
Unfunded obligations						
Present value of unfunded obligations	(74)	(11)	(85)	(80)	(11)	(91)
Recognised asset (liability) for unfunded obligations	**(74)**	**(11)**	**(85)**	**(80)**	**(11)**	**(91)**
Total defined benefit asset (liability)	**(562)**	**(67)**	**(629)**	**(636)**	**(80)**	**(716)**
Deficit recognised as liabilities for post employment benefits	(583)	(67)	(650)	(648)	(80)	(728)
Surplus recognised as part of the other long-term assets	21		21	12		12
Total net asset (liability) recognised	**(562)**	**(67)**	**(629)**	**(636)**	**(80)**	**(716)**

Amounts recognised in the statement of financial position for post-employment defined benefit plans are predominantly non-current. The non-current portion is reported as non-current assets and non-current liabilities. The current portion is reported as current liabilities within other current liabilities.

Changes in the present value of the defined benefit obligation are as follows:

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Balance as at 1 January	**2,174**	**81**	**2,255**	**2,038**	**84**	**2,122**
Amounts recognised in the income statement						
Current service cost	30	4	34	37	2	39
Interest cost	39	2	41	46	3	49
Amounts recognised in the other comprehensive income						
(Gains) losses from change in demographic assumptions	(10)	1	(9)	25	(1)	24
(Gains) losses from change in financial assumptions	30	3	33	188	2	190
Experience (gains) losses	9	–	9	11	(6)	5
Employee contributions	11	1	12	10	1	11
Benefit payments	(79)	(4)	(83)	(66)	(4)	(70)
Settlements [a]	(4)	(16)	(20)	(62)		(62)
Currency translation effects	2	(5)	(3)	(53)	–	(53)
Balance as at 31 December	**2,202**	**67**	**2,269**	**2,174**	**81**	**2,255**

a) Settlements related to the freeze in the United States of America and United Kingdom (2016) and to plan amendments in Switzerland and the United States of America (2017).

Changes in the fair value of the plan assets are as follows:

			2017			2016
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Balance as at 1 January	**1,538**	**1**	**1,539**	**1,491**	**1**	**1,492**
Amounts recognised in the income statement						
Interest income	29	–	29	36	–	36
Amounts recognised in the other comprehensive income						
Return on plan assets less interest on plan assets	88	–	88	71	–	71
Employer contributions	50	3	53	42	3	45
Employee contributions	11	1	12	10	1	11
Benefit payments	(79)	(4)	(83)	(66)	(4)	(70)
Currency translation effects	3	(1)	2	(46)	–	(46)
Balance as at 31 December	**1,640**		**1,640**	**1,538**	**1**	**1,539**

Plan assets are comprised as follows:

in millions of Swiss francs		2017		2016
Debt	386	24%	489	32%
Equity	590	36%	602	39%
Property	214	13%	215	14%
Insurances policies and other	450	27%	233	15%
Total	**1,640**	**100%**	**1,539**	**100%**

The investment strategies are diversified within the respective statutory requirements of each country providing long-term returns with an acceptable level of risk. The plan assets are primarily quoted in an active market with exception of the property and insurance policies.

The plan assets do not include Givaudan registered shares. They do not include any property occupied by, or other assets used by, the Group.

The Group operates defined benefit plans in many countries for which the actuarial assumptions vary based on local economic and social conditions. The assumptions used in the actuarial valuations of the most significant defined benefit plans, in countries with stable currencies and interest rates, were as follows:

Weighted percentage	**2017**	2016
Discount rates	1.8%	1.9%
Projected rates of remuneration growth	1.8%	1.7%
Future pension increases	0.8%	0.8%
Healthcare cost trend rate	4.9%	5.0%

The overall discount rate and the overall projected rates of remuneration growth are calculated by weighting the individual rates in accordance with the defined benefit obligation of the plans.

Sensitivity analysis

The defined benefit obligations are calculated on the basis of various financial and demographic assumptions. The below information quantifies the consequences of a change in some key assumptions.

The effects ((gain)/loss) of the change in assumptions are as follows:

in millions of Swiss francs	Change in assumption	Effects of the change	Increase in assumption	Decrease in assumption
Discount rate	0.5%	on the current service cost	(4)	5
		on the defined benefit obligation	(182)	201
Salary increases	0.5%	on the current service cost	1	(1)
		on the defined benefit obligation	9	(9)
Pension increases	0.5%	on the current service cost	2	–
		on the defined benefit obligation	125	(43)
Medical cost trend	1.0%	on the current service cost	–	–
		on the defined benefit obligation	3	(3)
Life expectancy	1 year	on the current service cost	1	(1)
		on the defined benefit obligation	77	(78)

Information by country

Switzerland

According to the Swiss Federal Law on Occupational Retirement, Survivors and Disability (LPP/BVG), the pension plan is managed by an independent, legally autonomous entity which has the legal structure of a foundation. The plan was amended during the second half of 2017 principally by reducing the conversion rate used to convert the retirement savings capital into a pension and by increasing savings contributions from both the employees and employer.

The Board of Trustees of the foundation is composed of equal numbers of employee and employer representatives. Each year the Board of Trustees decides the level of interest, if any, to apply to the retirement accounts in accordance with the pension policy. It is also responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The foundation provides benefits on a defined contribution basis.

The majority of the employees are participants to the plan and are insured against the financial consequences of old age, disability and death. The employer and employees pay contributions to the pension plan at rates set out in the foundation rules based on a percentage of salary. The amount of the retirement account can be taken by the employee at retirement in the form of pension or capital.

Under IAS19 employee benefits, the pension plan is classified as defined benefit plan due to the promises and underlying benefits guarantees. Consequently the pension obligation is calculated by using the projected unit credit method.

The Group expects to contribute CHF 24 million to these plans during 2018.

United States of America
The main US pension plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law the assets of the plan are legally separate from the employer and are held in a pension trust. The plan was frozen during the first six months of 2016 and consequently no further accrual of benefits will continue as at the date of enforcement of the plan change.

The law requires minimum and maximum amounts that can be contributed to the trust, together with limitations on the amount of benefits that may be provided under the plan. There are named fiduciaries that are responsible for ensuring the plan is managed in accordance with the law. The fiduciaries are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The plan provides benefits on a defined benefit basis.

The accrued benefits based on service to the plan freeze are payable at retirement and on death in service. With exceptions for optional lump sum amounts for certain sections of the plan, the benefits are paid out as annuities.

Under IAS19 employee benefits, the pension obligations are calculated by using the projected unit credit method.

The Group expects to contribute CHF 5 million to these plans during 2018.

United Kingdom
The two occupational pension schemes (Quest UK Pension Scheme and Givaudan UK Pension Plan) are arranged under the applicable UK Pension Schemes and Pensions Acts and managed as legally autonomous pension trusts by the Boards of Trustees. The plans were frozen during the second half of 2016 and consequently no further accrual benefits will continue as at the date of enforcement of the plan change.

The Boards of Trustees are composed of two employee representatives and four employer representatives, for the Quest UK Pension Scheme, and three employee representatives, three employer representatives plus two pensioner representatives for the Givaudan UK Pension Plan. The Boards of Trustees are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. In their respective sections, both trusts provide benefits on a defined benefit basis and are now frozen to future accruals and members.

The accrued benefits based on service to the plan freeze are payable at retirement and on death in service. With exceptions for trivial amounts, transfer values, lump sum death benefits and tax free lump sums, the benefits are paid out as annuities.

Under IAS19 employee benefits, the pension obligations in the defined benefit sections of both the Quest UK Pension Scheme and the Givaudan UK Pension Plan are calculated by using the projected unit credit method.

The Group expects to contribute CHF 8 million to these plans during 2018.

Rest of the world
The Group operates other retirement plans classified either as defined benefit or defined contribution plans in some other countries. No individual plan other than those described above is considered material to the Group.

The Group expects to contribute CHF 3 million to these plans in 2018.

The funding position of the funded defined benefit plans are as follows:

As at 31 December 2017 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Other countries	Total
Present value of defined benefit obligation	1,202	453	390	83	2,128
Fair value of plan asset	823	403	370	44	1,640
Deficit / (surplus)	**379**	**50**	**20**	**39**	**488**
Funding ratio	68.5%	89.0%	94.9%	53.0%	77.1%

As at 31 December 2016 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Other countries	Total
Present value of defined benefit obligation	1,208	442	366	78	2,094
Fair value of plan asset	797	382	316	43	1,538
Deficit / (surplus)	**411**	**60**	**50**	**35**	**556**
Funding ratio	66.0%	86.4%	86.3%	55.1%	73.4%

Key assumptions

2017 in percentage	Switzerland	United States of America	United Kingdom
Discount rate	0.70	3.70	2.40
Future salary increases	2.00	n/a	n/a
Future pension increases	0.00	n/a	2.25
Future average life expectancy for a pensioner retiring at age 65	23.4	21.8	23.0

2016 in percentage	Switzerland	United States of America	United Kingdom
Discount rate	0.60	4.25	2.60
Future salary increases	2.00	n/a	n/a
Future pension increases	0.00	n/a	2.55
Future average life expectancy for a pensioner retiring at age 65	23.3	21.8	23.2

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following tables:

(i) Switzerland: BVG2015
(ii) United States of America: RP2014
(iii) United Kingdom: S2PA

Allowance for future improvements in mortality have been allowed for as appropriate in each country. In Switzerland the generational rates have been used. In the United States of America the published rates have been adjusted and projected in accordance with the MP2017 scale. In the United Kingdom the rates reflect the latest (2016) CMI projections with a 1.25% long term rate of improvement.

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9. Share-Based Payments

Performance share plan

Performance shares are granted on a yearly basis. The performance shares are converted into tradable and transferable shares of Givaudan SA after the vesting period, subject to performance conditions. The performance metric is a combination of the average sales growth of selected peer companies and the cumulative free cash flow margin. There is no market vesting condition involved and participation in this plan is mandatory.

Year of grant	Commencing date	Vesting date	Number of shares expected to be delivered at vesting date	Fair value at grant date (CHF)
2015	31 Mar 2015	31 Mar 2018	23,628	1,595.9
2016	31 Mar 2016	15 Apr 2019	22,181	1,709.4
2017	31 Mar 2017	15 Apr 2020	23,232	1,621.6

The cost of the equity-settled instruments of CHF 33 million (2016: CHF 42 million) has been expensed in the consolidated income statement. A marginal portion of the number of shares expected to be delivered can be settled in cash in the jurisdictions where a physical delivery is not admitted.

Equity-settled instruments related to restricted shares

Restricted shares shown in the table below have been granted on a yearly basis. These shares are tradable and transferable after the vesting period. Participation in these plans is mandatory.

Restricted shares outstanding at the end of the year have the following terms:

Year of grant	Commencing date	Vesting date	Restricted share at grant date (CHF)	**Number of restricted share 2017**	Number of restricted share 2016
2014	31 Mar 2014	31 Mar 2017	1,214.4		1,190
2015	31 Mar 2015	31 Mar 2018	1,595.9	1,092	1,092
2016	31 Mar 2016	15 Apr 2019	1,709.4	935	935
2017	31 Mar 2017	15 Apr 2020	1,621.6	900	

Of the 2,927 outstanding restricted shares (2016: 3,217), no share (2016: none) was deliverable. The cost of these equity-settled instruments of CHF 2 million (2016: CHF 2 million) has been expensed in the consolidated income statement.

Movements in the number of restricted shares outstanding are as follows:

Number of restricted shares	**2017**	2016
As at 1 January	**3,217**	**3,407**
Granted	900	935
Delivered/Sold	(1,190)	(1,125)
As at 31 December	**2,927**	**3,217**

For these plans, the Group has at its disposal treasury shares.

10. Jointly Controlled Entities

Year of incorporation	Name of Joint ventures	Principal activity	Country of incorporation	Ownership interest
2014	Jiangsu Xinrui Aromatics Ltd	Production of fragrance ingredients	China	49%
2014	BGN Tech LLC	Innovative natural ingredients	USA	49%
2015	Natural Extracts International Ltd	Natural ingredient derivatives production	Mauritius	49%
2016	Vanilla International Ltd	Natural ingredient collection and extract	Mauritius	49%

Summarised financial information in respect of the Group's joint ventures is set out below. The following net assets represent 100% of the jointly controlled entities:

As at 31 December in millions of Swiss francs	**2017**	2016
Current assets	113	114
Non-current assets	67	41
Current liabilities	(99)	(79)
Non-current liabilities	(14)	(5)
Total net assets of joint ventures	**67**	**71**

As at 31 December in millions of Swiss francs	**2017**	2016
Income	36	9
Expenses	(35)	(11)

11. Other Operating Income

in millions of Swiss francs	**2017**	2016
Gains on disposal of fixed assets	1	
Other income	41	75
Total other operating income	**42**	**75**

For the year ended 31 December 2017, the Group recognised one-off non-cash gains of CHF 16 million in the United States of America and CHF 4 million in Switzerland (2016: CHF 55 million in the United States of America and CHF 7 million in the United Kingdom) related to defined benefit plans.

12. Other Operating Expense

in millions of Swiss francs	**2017**	2016
Project Related expenses [a]	107	14
Amortisation of intangible assets	12	47
Impairment of long-lived assets	2	6
Losses on disposal of fixed assets	4	4
Environmental provisions	1	4
Business taxes	15	12
Acquisition and integration related expenses	1	1
Other expenses	10	13
Total other operating expense	**152**	**101**

a) Primarily relates to Givaudan Business Solutions (GBS).

13. Expenses by Nature

in millions of Swiss francs	Note	2017	2016
Raw materials and consumables used		1,980	1,769
Total employee remuneration	8	1,141	1,024
Depreciation, amortisation and impairment charges	21,22	220	251
Transportation expenses		48	45
Freight expenses		96	89
Consulting and service expenses		140	116
Energies		56	53
IT related costs		50	46
Other expenses		451	395
Total operating expenses by nature		**4,182**	**3,788**

14. Financing Costs

in millions of Swiss francs	Note	2017	2016
Interest expense		29	42
Net interest related to defined benefit pension plans	8	12	13
Derivative interest (gains) losses		–	(5)
Amortisation of debt discounts		1	1
Total financing costs		**42**	**51**

15. Other Financial (Income) Expense, Net

in millions of Swiss francs	2017	2016
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	(79)	88
Exchange (gains) losses, net	103	(59)
Realised (gains) losses from financial instruments measured at fair value through income statement	–	–
Unrealised (gains) losses from financial instruments measured at fair value through income statement	(8)	(4)
Interest (income) expense	(3)	1
Capital taxes and other non business taxes	10	9
Other (income) expense, net	9	5
Total other financial (income) expense, net	**32**	**40**

16. Income Taxes

Amounts charged to (credited in) the consolidated statement of comprehensive income are as follows:

				2017				2016
in millions of Swiss francs	Income statement	Other comprehensive income	Own equity instruments	Total	Income statement	Other comprehensive income	Own equity instruments	Total
Current taxes								
– in respect of current year	100	(3)	(1)	96	117	–		117
– in respect of prior years	(17)			(17)	(10)			(10)
Deferred taxes								
– in respect of current year	(6)	40	–	34	33	(36)	–	(3)
– reclassified from equity to income statement	–	–		–				
– in respect of prior years	(2)	1		(1)	–		3	3
Total income tax expense	**75**	**38**	**(1)**	**112**	**140**	**(36)**	**3**	**107**

Since the Group operates globally, it is subject to income taxes in many different tax jurisdictions. As such, in determining the provision for income taxes, judgment is required as there are transactions for which the ultimate tax determination is uncertain at the time of preparing the financial statements. As a result, any differences between the final tax outcome and the amounts that were initially recorded impact the current and deferred taxes in the period in which such final determinations are made.

The Group calculates on the basis of the income statement its average applicable tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, including research tax credits and withholding tax on dividends, interest and royalties.

The Group's average applicable tax rate differs from the Group's effective tax rate as follows:

	2017	2016
Group's average applicable tax rate	**16%**	**20%**
Tax effect of		
Income not taxable	(2%)	(2%)
Expenses not deductible	1%	1%
Change in tax rate	(2%)	
Other adjustments of income taxes of prior years	(3%)	(1%)
Other differences	(1%)	–
Group's effective tax rate	**9%**	**18%**

The variation in the Group's average applicable tax rate arises due to changes in the composition of the Group's profitability within the Group's subsidiaries, in accordance with the Group's business profile in terms of geographical presence, product mix and customer portfolio, as well as external factors related to changes in local statutory tax rates.

In December 2017, the United States of America introduced a new tax law with an effective date of 1 January 2018. The new law contains a Corporate Tax rate of 21% compared to 35% under the previous tax law. The revised rate has been applied to the temporary differences recognised in the 2017 statement of financial position of the Group's United States subsidiaries.

Income tax assets and liabilities

Amounts recognised in the statement of financial position related to income taxes are as follows:

As at 31 December in millions of Swiss francs	**2017**	2016
Current income tax assets	32	26
Current income tax liabilities	(49)	(46)
Total net current income tax asset (liability)	**(17)**	**(20)**

2017 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other differences	Total
Net deferred tax asset (liability) as at 1 January	**(94)**	**(58)**	**190**	**32**	**96**	**166**
Acquisition	(3)	(25)			1	(27)
(Credited) debited to consolidated income statement	11	24	(7)	(26)	6	8
(Credited) debited to other comprehensive income			(38)		(3)	(41)
(Credited) debited to own equity instruments					–	–
Currency translation effects	(1)	–	(1)	–	4	2
Net deferred tax asset (liability) as at 31 December	**(87)**	**(59)**	**144**	**6**	**104**	**108**
Deferred tax assets						207
Deferred tax liabilities						(99)
Net deferred tax asset (liability) as at 31 December						**108**

2016 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other differences	Total
Net deferred tax asset (liability) as at 1 January	**(89)**	**(64)**	**173**	**59**	**89**	**168**
Acquisition						
(Credited) debited to consolidated income statement	(6)	6	(15)	(25)	7	(33)
(Credited) debited to other comprehensive income			33		3	36
(Credited) debited to own equity instruments					(3)	(3)
Currency translation effects	1	–	(1)	(2)	–	(2)
Net deferred tax asset (liability) as at 31 December	**(94)**	**(58)**	**190**	**32**	**96**	**166**
Deferred tax assets						259
Deferred tax liabilities						(93)
Net deferred tax asset (liability) as at 31 December						**166**

Amounts recognised in the statement of financial position for deferred taxes are reported as non-current assets and non-current liabilities; the current portion will be charged or credited to the consolidated income statement during 2018.

Deferred tax assets on loss carry forwards of CHF 6 million (2016: CHF 32 million) have been recognised, the majority of which expires after 2021. The management considers that there will be future taxable profit available against which these tax losses can be recovered. There are no significant deferred tax assets on unused tax losses which have not been recognised (2016: CHF 4 million).

Deferred tax assets on tax credits of CHF 69 million (2016: CHF 59 million) have been recognised.

A deferred tax liability of CHF 25 million has been recognised in 2017 (2016: CHF 24 million) for certain foreign subsidiaries which have undistributed earnings subject to withholding tax when paid out as dividend as the parent entity is in a position to forecast the timing of distributions expected in the foreseeable future, whereas no deferred tax liability could be recognised for undistributed earnings of CHF 467 million (2016: CHF 429 million).

17. Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding:

	2017	2016
Income attributable to equity holder of the parent (in millions of Swiss francs)	**720**	**644**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(24,120)	(27,646)
Net weighted average number of shares outstanding	**9,209,466**	**9,205,940**
Basic earnings per share (CHF)	**78.18**	**69.95**

Diluted earnings per share

For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted to assume conversion of all potentially dilutive shares:

	2017	2016
Income attributable to equity holder of the parent (in millions of Swiss francs)	**720**	**644**
Weighted average number of shares outstanding for diluted earnings per share of 76'464 (2016: 81,316)	**9,285,930**	**9,287,256**
Diluted earnings per share (CHF)	**77.54**	**69.34**

18. Cash and Cash Equivalents

in millions of Swiss francs	2017	2016
Cash on hand and balances with banks	273	207
Short-term investments	261	121
Balance as at 31 December	**534**	**328**

19. Accounts Receivable – Trade

in millions of Swiss francs	2017	2016
Accounts receivable	1,162	1,009
Notes receivable	1	1
Less: allowance for doubtful accounts	(16)	(14)
Balance as at 31 December	**1,147**	**996**

Ageing list:

in millions of Swiss francs	2017	2016
Neither past due nor impaired	1,062	939
Less than 30 days	71	48
30–60 days	14	9
60–90 days	4	4
Above 90 days	12	10
Less: allowance for doubtful accounts	(16)	(14)
Balance as at 31 December	**1,147**	**996**

Movement in the allowance for doubtful accounts:

in millions of Swiss francs	2017	2016
Balance as at 1 January	**(14)**	**(11)**
Increase in allowance for doubtful accounts recognised in consolidated income statement	(5)	(5)
Amounts written off as uncollectible	–	–
Reversal of allowance for doubtful accounts	3	1
Currency translation effects		1
Balance as at 31 December	**(16)**	**(14)**

No significant impairment charge has been recognised in the consolidated income statement in 2017 or in 2016. Past due and impaired receivables are still considered recoverable. The carrying amount of accounts receivable – trade is considered to correspond to the fair value.

20. Inventories

in millions of Swiss francs	2017	2016
Raw materials and supplies	359	312
Work in process	34	26
Intermediate and finished goods	549	482
Less: allowance for slow moving and obsolete inventories	(40)	(32)
Balance as at 31 December	**902**	**788**

In 2017 the amount of write-down of inventories was CHF 35 million (2016: CHF 36 million). At 31 December 2017 and 2016 no significant inventory was valued at net realisable value.

21. Property, Plant and Equipment

2017 in millions of Swiss francs	Land	Buildings and land improve-ments	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**95**	**722**	**531**	**94**	**1,442**
Additions	–	1	4	208	213
Acquisitions	13	14	12	1	40
Disposals	–	(2)	(3)		(5)
Transfers	–	41	67	(108)	
Impairment		(2)	–		(2)
Depreciation		(33)	(81)		(114)
Reclassified as investment property	(2)	(13)	–		(15)
Currency translation effects	3	10	5	2	20
Balance as at 31 December	**109**	**738**	**535**	**197**	**1,579**
Cost	109	1,218	1,627	197	3,151
Accumulated depreciation		(465)	(1,088)		(1,553)
Accumulated impairment		(15)	(4)		(19)
Balance as at 31 December	**109**	**738**	**535**	**197**	**1,579**

2016 in millions of Swiss francs	Land	Buildings and land improve-ments	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**91**	**708**	**530**	**55**	**1,384**
Additions	3	9	3	157	172
Acquisition	3	17	10	–	30
Disposals		(1)	(4)		(5)
Transfers		35	81	(116)	
Impairment		(6)			(6)
Depreciation		(33)	(80)		(113)
Currency translation effects	(2)	(7)	(9)	(2)	(20)
Balance as at 31 December	**95**	**722**	**531**	**94**	**1,442**
Cost	95	1,180	1,598	94	2,967
Accumulated depreciation		(440)	(1,063)		(1,503)
Accumulated impairment		(18)	(4)		(22)
Balance as at 31 December	**95**	**722**	**531**	**94**	**1,442**

At 31 December 2017 and 2016 no significant capitalised borrowing costs were accounted for.

22. Intangible Assets

2017 in millions of Swiss francs	Goodwill	Process-oriented technology and other	Client relationships	Name and product brands	Software / ERP system	Total
Net book value						
Balance as at 1 January	**1,791**	**184**	**203**	**3**	**130**	**2,311**
Additions		4			43	47
Acquisitions	115	34	68	3	–	220
Amortisation		(34)	(28)	(2)	(40)	(104)
Currency translation effects	6	2	–	–	–	8
Balance as at 31 December	**1,912**	**190**	**243**	**4**	**133**	**2,482**
Cost	1,912	863	483	7	667	3,932
Accumulated amortisation		(669)	(240)	(3)	(534)	(1,446)
Accumulated impairment		(4)				(4)
Balance as at 31 December	**1,912**	**190**	**243**	**4**	**133**	**2,482**

2016 in millions of Swiss francs	Goodwill	Process-oriented technology and other	Client relationships	Name and product brands	Software / ERP system	Total
Net book value						
Balance as at 1 January	**1,707**	**173**	**143**	**3**	**171**	**2,197**
Additions		12			36	48
Acquisition	150	30	81	1		262
Amortisation		(30)	(24)	(1)	(77)	(132)
Currency translation effects	(66)	(1)	3	–	–	(64)
Balance as at 31 December	**1,791**	**184**	**203**	**3**	**130**	**2,311**
Cost	1,791	823	415	4	624	3,657
Accumulated amortisation		(635)	(212)	(1)	(494)	(1,342)
Accumulated impairment		(4)				(4)
Balance as at 31 December	**1,791**	**184**	**203**	**3**	**130**	**2,311**

Classification of amortisation expenses is as follows:

			2017			2016
in millions of Swiss francs	Fragrances	Flavours	Total	Fragrances	Flavours	Total
Cost of sales	9	9	18	10	6	16
Selling, marketing and distribution expenses	15	23	38	16	20	36
Research and product development expenses	9	21	30	8	21	29
Administration expenses	3	3	6	2	2	4
Other operating expenses	6	6	12	23	24	47
Total	**42**	**62**	**104**	**59**	**73**	**132**

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs), which are defined as the Fragrance Division and the Flavour Division. Goodwill allocated to these two CGUs was CHF 590 million (2016: CHF 572 million) to the Fragrance Division and CHF 1,322 million (2016: CHF 1,219 million) to the Flavour Division.

The recoverable amount of each CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial business plans and budgets approved by management covering a five year period, as well as a terminal value. The basis of the key assumptions is market growth adjusted for estimated market share gains. The terminal value assumes no further growth beyond the five year period. The discount rate used to discount the estimated future cash flows has a number of components which are derived from capital market information where the cost of equity corresponds to the return expected by the shareholders by benchmarking with comparable companies in the fragrance and flavour industry, and where the cost of debt is based on the conditions on which companies with similar credit rating can obtain financing.

A discount rate of 10.3% (2016: 9.7%) was applied to cash flow projections of the Fragrance Division and to cash flow projections of the Flavour Division. These discount rates are pre-tax.

No impairment loss in either division resulted from the impairment tests for goodwill. The outcome of the impairment test was not sensitive to reasonable changes in the cash flows and in the discount rate in the periods presented.

Process-oriented technology and other

This consists mainly of process-oriented technology, formulas, molecules, delivery systems as well as process knowledge and research expertise in innovative cosmetic solutions, acquired when the Group purchased Food Ingredients Specialties (FIS), International Bioflavors (IBF), Quest International, Soliance, Induchem, Spicetec, Activ International and Vika.

In 2016, the Group invested CHF 12 million in bioscience through agreement with outside partner to apply strain technology to active beauty which represents an intangible asset with indefinite useful life.

Client relationships

As part of the acquisition of Quest International, Induchem, Spicetec, Activ International and Vika, the Group acquired client relationships in the Flavour and Fragrance Divisions, mainly consisting of client relationships with key customers.

Name and product brands

In connection with the acquisition of Induchem, Spicetec, Activ International and Vika, the Group acquired name and product brands in active beauty and in natural flavour businesses.

Software/ERP system

This consists of internally generated intangible assets associated with the development of identifiable software products and ERP systems.

The residual useful lives of the acquired intangible assets carried at cost, being their fair value at acquisition date, are determined in accordance with the principles set out in Note 2.17. Remaining useful lives of major classes of amortisable intangible assets are as follows:

- Software 2.7 years
- Name and product brands 2.4 years
- Process-oriented technology and other 6.6 years
- Client relationships 13.7 years

23. Investment Property

In 2017, the Group entered into an agreement to develop real estate at its facility in Kemptthal with a third party. As the agreement meets the criteria of IAS 40, the value of land and buildings has been transferred to Investment property. No significant costs were incurred to date.

24. Debt

2017 in millions of Swiss francs	Floating rate debt Bank borrowings	Bank overdrafts	Private placements	Total	Fixed rate debt Bank borrowings	Straight bonds	Private placements	Total	Total short-term and long-term debt
Balance as at 1 January		**7**		**7**		**997**	**254**	**1,251**	**1,258**
Cash flows	(42)	(3)	116	71	(5)		232	227	298
Non-cash changes									
- Amortisation of debt discount						1		1	1
- Acquisition / Divestment	13	3		16	14			14	30
- Currency effects	30		1	31			(10)	(10)	21
Balance as at 31 December	**1**	**7**	**117**	**125**	**9**	**998**	**476**	**1,483**	**1,608**
Within 1 year		7		7	1	300		301	308
Within 1 to 3 years	1			1	2	100	39	141	142
Within 3 to 5 years			117	117	2	249		251	368
Thereafter					4	349	437	790	790
Balance as at 31 December	**1**	**7**	**117**	**125**	**9**	**998**	**476**	**1,483**	**1,608**

2016 in millions of Swiss francs	Floating rate debt Bank borrowings	Bank overdrafts	Private placements	Total	Fixed rate debt Bank borrowings	Straight bonds	Private placements	Total	Total short-term and long-term debt
Balance as at 1 January		**3**		**3**		**847**	**305**	**1,152**	**1,155**
Cash flows		4		4		149	(54)	95	99
Non-cash changes									
- Amortisation of debt discount						1		1	1
- Acquisition / Divestment									
- Currency effects							3	3	3
Balance as at 31 December		**7**		**7**		**997**	**254**	**1,251**	**1,258**
Within 1 year		7		7					7
Within 1 to 3 years						299		299	299
Within 3 to 5 years						248	41	289	289
Thereafter						450	213	663	663
Balance as at 31 December		**7**		**7**		**997**	**254**	**1,251**	**1,258**

On 16 April 2004, the Group entered into a private placement for a total amount of USD 200 million. The private placement was made by Givaudan United States, Inc. It matured at various times in instalments beginning May 2009 through April 2016 with annual interest rates ranging from 4.16% to 5.49%. There were various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Givaudan United States, Inc has been in full compliance with the covenants set. The outstanding amount of USD 55 million (equivalent to CHF 54 million) has been fully paid in April 2016.

On 15 June 2011, the Group issued a 2.5% seven year public bond with a nominal value of CHF 300 million. The bond was issued by Givaudan SA.

On 7 December 2011, the Group issued a dual tranche public bond transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for five years and of 2.125% for ten years. The bond was issued by Givaudan SA. The first tranche was redeemed in December 2016.

In November 2012, Givaudan United States, Inc entered into three private placements for a total amount of USD 250 million (CHF 243 million) respectively USD 40 million redeemable in February 2020 with an annual interest rate of 2.74%, USD 150 million redeemable in February 2023 with an annual interest rate of 3.30% and USD 60 million redeemable in February 2025 with an annual interest rate of 3.45%. The proceeds of these transactions have been received on 6 February 2013. There are various covenants contained in these transactions covering conditions on net worth, indebtedness and EBITDA ratio to net interest expense of Givaudan United States, Inc. The company is and has been in full compliance with the covenants set.

On 19 March 2014, the Group issued a 1.00% six and a half year public bond with a nominal value of CHF 100 million and a 1.75% ten year public bond with a nominal value of CHF 150 million. These bonds were issued by Givaudan SA.

In December 2016, the Group issued a 0.00% six year public bond with a nominal value of CHF 100 million and a 0.625% fifteen year public bond with a nominal value of CHF 200 million. These bonds were issued by Givaudan SA. The proceeds of CHF 300 million were used to repay the 1.250% five year public bond with a nominal value of CHF 150 million which was redeemed in December 2016 and to repay the short-term borrowings withdrawn during the year.

In December 2017, the Givaudan S.A. entered into a five year floating rate private placement (Schuldschein) with a nominal value of EUR 100 million (CHF 117 million) and a seven year 1.331% fixed rate private placement (Schuldschein) with a nominal value of EUR 200 million (CHF 233 million). The proceeds of EUR 300 million were used mainly to repay the short-term borrowings withdrawn during the year.

The carrying amounts of the Group's debt are denominated in the following currencies:

in millions of Swiss francs	**2017**	2016
Swiss Franc	998	997
US Dollar	244	259
Euro	365	2
Other currencies	1	–
Total debt as at 31 December	**1,608**	**1,258**

The weighted average effective interest rates at the statement of financial position date were as follows:

	2017	2016
Private placements USD	3.2%	3.3%
Private placements EUR	1.1%	
Straight bond CHF	1.6%	1.6%
Weighted average effective interest rates on gross debt	**1.7%**	**1.9%**

25. Changes in liabilities arising from financing activities

2017 in millions of Swiss francs	Balance as at 1 January	Cash impact Cash flows Inflow (Outflow)	Non-cash changes Amortisation of debt discount / premium	Acquisition / Divestment	Fair values changes and Others	Currency effects	Balance as at 31 December
Total short-term and long-term debt	1,258	298	1	30		21	1,608
Interest on liabilities	8	(24)		–	24	–	8
Derivative financial instruments	62	–			(2)		60
Others, net	12	(7)			9	(1)	13
Total liabilities from financing activities	**1,340**	**267**	**1**	**30**	**31**	**20**	**1,689**

2016 in millions of Swiss francs	Balance as at 1 January	Cash impact Cash flows Inflow (Outflow)	Non-cash changes Amortisation of debt discount / premium	Acquisition / Divestment	Fair values changes and Others	Currency effects	Balance as at 31 December
Total short-term and long-term debt	1,155	99	1			3	1,258
Interest on liabilities	9	(33)			32		8
Derivative financial instruments	62	(8)			8		62
Others, net	5	–		1	6	–	12
Total liabilities from financing activities	**1,231**	**58**	**1**	**1**	**46**	**3**	**1,340**

26. Provisions

2017 in millions of Swiss francs	Restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**3**	**8**	**26**	**28**	**65**
Additional provisions	60	3		7	70
Unused amounts reversed	(1)	–		–	(1)
Utilised during the year	(4)	(1)	(2)	(3)	(10)
Currency translation effects	–	–	–	–	–
Balance as at 31 December	**58**	**10**	**24**	**32**	**124**
Current liabilities	51	1	3	2	57
Non-current liabilities	7	9	21	30	67
Balance as at 31 December	**58**	**10**	**24**	**32**	**124**

2016 in millions of Swiss francs	Restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**3**	**11**	**23**	**26**	**63**
Additional provisions	2	3	5	4	14
Unused amounts reversed	–	(3)	(1)	–	(4)
Utilised during the year	(2)	(3)	(1)	(2)	(8)
Currency translation effects	–	–	–	–	–
Balance as at 31 December	**3**	**8**	**26**	**28**	**65**
Current liabilities	2		2	2	6
Non-current liabilities	1	8	24	26	59
Balance as at 31 December	**3**	**8**	**26**	**28**	**65**

Significant judgment is required in determining the various provisions. A range of possible outcomes is determined to make reliable estimates of the obligation that is sufficient for the recognition of a provision. Differences between the final obligations and the amounts that were initially recognised impact the income statement in the period in which such determination is made.

Restructuring provisions
Restructuring provisions arise from reorganisations of the Group's operations and management structure primarily related to Givaudan Business Solutions (GBS).

Claims and litigation
These provisions are made in respect of legal claims brought against the Group and potential litigations. Related estimated legal fees are also included in these provisions.

Environmental
Givaudan's affiliate, Givaudan Fragrances Corporation, is one of approximately 100 companies identified by the US Environmental Protection Agency ("EPA") as "Potentially Responsible Parties" ("PRP") for alleged contamination of the Passaic River. The EPA released a Focused Feasibility Study ("FFS") covering only the lower 8 miles of the River in 2014. In March 2016, the EPA issued its Record of Decision ("ROD") to confirm the remediation solution related to the FFS. The chosen solution entails a bank-to-bank dredge of the River, and the installation of an engineered cap, with an estimated cost of CHF 1.4 billion. One PRP agreed in 2016 to conduct the detailed remediation design, which is expected to take up to four years to complete. In March 2017, the EPA offered twenty PRP's the opportunity to cash out of their obligations pertaining to the remediation of the lower 8 miles of the River. The EPA has also selected an expert to work with the remaining PRP's on the allocation of the remediation costs, which is expected to take approximately two years to conclude.

The Cooperating Parties Group ("CPG"), of which Givaudan had been a member, issued a draft Remedial Investigation/Feasibility Study ("RI/FS") in April 2014, which proposed a Sustainable Remedy for the entire lower 17 miles of the River. The CPG is still responding to EPA comments on the RI/FS, which remains in draft form today.

At this time, there are many uncertainties associated with the final remediation plan and the Company's share of the costs, if any. However, in accordance with accounting guidance, the Group has recorded a reserve which it believes can reasonably be expected to cover the Company's obligation, if any, given the information currently available.

The other material components of the environmental provisions consist of costs to sufficiently clean and refurbish contaminated sites and to treat where necessary.

Other provisions
These consist largely of provisions related to long-term deferred compensation plan and to restoring expenses related to leased facilities.

27. Own Equity Instruments
Details of own equity instruments are as follows:

As at 31 December 2017	Settlement	Category	Maturity	Strike price (CHF)	in equivalent shares	Fair value in millions of Swiss francs
Registered shares		Equity			23,838	54
Purchased calls	Gross shares	Equity	2018	1,786.1 – 1,962.1	50,312	18
Written puts	Gross shares	Financial liability	2018	1,679.5 – 1,959.0	50,312	–

As at 31 December 2016	Settlement	Category	Maturity	Strike price (CHF)	in equivalent shares	Fair value in millions of Swiss francs
Registered shares		Equity			31,137	58
Purchased calls	Net cash	Derivative	1 Mar 2017	915.0	2,732	3
Purchased calls	Gross shares	Equity	2017	1,690.0 – 1,930.9	31,750	3
Written puts	Gross shares	Financial liability	2017	1,690.0 – 1,930.4	31,750	2

28. Equity

Share capital

As at 31 December 2017, the share capital amounts to CHF 92,335,860, divided into 9,233,586 fully paid-up registered shares, with a nominal value of CHF 10.00 each. Every share gives the right to one vote.

The Board of Directors has at its disposal conditional capital of a maximum aggregate amount of CHF 7,481,980 that may be issued through a maximum of 748,198 registered shares, of which a maximum of CHF 1,618,200 can be used for executive share option plans.

At the Annual General Meeting held on 23 March 2017 the distribution of an ordinary dividend of CHF 56.00 per share (2016: CHF 54.00 per share) was approved. The dividend payment has been paid out of available retained earnings.

Movements in own equity instruments are as follows:

		Price in Swiss francs			Total in millions of Swiss francs
2017	Number	High	Average	Low	
Balance as at 1 January	**31,137**				**109**
Purchases at cost	25,750	1,920.2	1,843.6	1,690.0	47
Sales and transfers	(33,049)	1,491.2	1,491.2	1,491.2	(49)
(Gains) losses, net recognised in equity					
Movement on registered shares, net					**(2)**
Movement on derivatives on own shares, net					**50**
Income taxes					**–**
Balance as 31 December	**23,838**				**157**

		Price in Swiss francs			Total in millions of Swiss francs
2016	Number	High	Average	Low	
Balance as at 1 January	**39,706**				**79**
Purchases at cost	38,250	1,931.0	1,327.8	1,200.0	51
Sales and transfers	(46,819)	1,402.7	1,402.7	1,402.7	(66)
(Gains) losses, net recognised in equity					–
Movement on registered shares, net					**(15)**
Movement on derivatives on own shares, net					**42**
Income taxes					**3**
Balance as 31 December	**31,137**				**109**

29. Commitments

At 31 December, the Group had operating lease commitments mainly related to buildings. Future minimum payments under non-cancellable operating leases are as follows:

in millions of Swiss francs	**2017**	2016
Within one year	36	35
Within two to five years	85	87
Thereafter	32	53
Total minimum payments	**153**	**175**

The charge in the 2017 consolidated income statement for all operating leases was CHF 45 million (2016: CHF 38 million).
The Group has capital commitments for the purchase or construction of property, plant and equipment totalling CHF 105 million (2016: CHF 43 million).

30. Contingent Liabilities

From time to time and in varying degrees, Group operations and earnings continue to be affected by political, legislative, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which it operates.

The activities in which the Group is engaged are also subject to physical risks of various kinds. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on the future operations and earnings are not predictable.

Givaudan Group companies are involved in various legal and regulatory proceedings of a nature considered typical of its business, including contractual disputes and employment litigation.

One of the Group's US affiliates, Givaudan Flavors Corporation was named as a defendant in several lawsuits brought against it and other flavour and raw chemical supply companies. The plaintiffs alleged that they sustained pulmonary injuries due to diacetyl-containing butter flavours manufactured by one or more of the flavour and raw chemical supply company defendants. The majority of the cases filed against Givaudan Flavors Corporation have been settled. The Group has already recovered or will recover amounts it is entitled to under the terms of its insurance policies.

31. Related Parties

Transactions between Givaudan SA and its subsidiaries, which are related parties of Givaudan SA, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel

The compensation of the Board of Directors and the Executive Committee during the year was as follows:

in millions of Swiss francs	**2017**	2016
Salaries and other short-term benefits	13	13
Post-employment benefits	1	2
Share-based payments	11	12
Total compensation	**25**	**27**

No other related party transactions have taken place during 2017 (2016: nil) between the Group and the key management personnel.

Reconciliation table to the Swiss code of obligations

	IFRS		Adjustments[a]		Swiss CO (Art. 663b bis)	
in millions of Swiss francs	**2017**	2016	**2017**	2016	**2017**	2016
Salaries and other short-term benefits	13	13	(6)	(6)	7	7
Post-employment benefits	1	2	1	–	2	2
Share-based payments	11	12	2	2	13	14
Total compensation	**25**	**27**	**(3)**	**(4)**	**22**	**23**

a) IFRS information is adjusted mainly to the recognition of the share-based payments, IFRS 2 versus economic value at grant date. IFRS information also includes security costs.

There are no other significant related party transactions including in the jointly controlled entities.

32. Board of Directors and Executive Committee Compensation

Compensation of members of the Board of Directors

Compensation of Board members consists of Director fees, Committee fees and Restricted Share Units (RSUs). Fees are paid at the end of each year in office completed. RSUs give participants the right to receive Givaudan shares (or a cash equivalent in countries where securities laws prevent the offering of Givaudan securities) at the end of a three-year blocking period.

The Chairman of the Board does not receive any additional Board Membership or Committee fees. Similarly, a Committee Chairman does not receive any additional Committee Membership fees. Each Board member receives an additional amount of CHF 10,000 to cover out-of-pocket expenses. This amount is paid for the coming year in office. The RSUs are also granted for the same period. The compensation paid to the Board members for the reporting period is shown in the table below:

2017 in Swiss francs	Calvin Grieder Chairman[e]	Victor Balli[e]	Prof. Dr-Ing. Werner Bauer[e]	Lilian Biner[e]	Michael Carlos[e]	Ingrid Deltenre[e]	Thomas Rufer[e]	Dr Jürg Witmer[f]	Total 2017[a]
Director fees[b]	325,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,025,000
Committee fees[b]	61,250	43,750	65,000	31,250	58,750	50,000	55,000	10,000	375,000
Total fixed (cash)	386,250	143,750	165,000	131,250	158,750	150,000	155,000	110,000	1,400,000
Number of RSUs granted[c]	360	90	90	90	90	90	90	–	900
Value at grant[d]	583,776	145,944	145,944	145,944	145,944	145,944	145,944	–	1,459,440
Total compensation	**970,026**	**289,694**	**310,944**	**277,194**	**304,694**	**295,944**	**300,944**	**110,000**	**2,859,440**

a) Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
b) Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
c) RSUs vest on 15 April 2020.
d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
e) The function of each member of the Board of Directors are indicated on pages 63-65 in the Corporate Governance section of the 2017 Annual Report.
f) Retired at the Annual General Meeting in March 2017.

Estimated social security charges based on 2017 compensation amounted to CHF 205,000 (2016: CHF 221,000).
In addition to the above, payments to Board members for out-of-pocket expenses amounted to CHF 70,000 (2016: 70,000).

2016 in Swiss francs	Dr Jürg Witmer Chairman[g]	André Hoffmann[f,g]	Victor Balli[e,g]	Prof. Dr-Ing. Werner Bauer[g]	Lilian Biner[g]	Michael Carlos[g]	Ingrid Deltenre[g]	Calvin Grieder[g]	Peter Kappeler[f,g]	Thomas Rufer[g]	Total 2016[a]
Director fees[b]	400,000	25,000	75,000	100,000	100,000	100,000	100,000	100,000	25,000	100,000	1,125,000
Committee fees[b]	40,000	10,000	18,750	65,000	50,000	40,000	50,000	50,000	6,250	55,000	385,000
Total fixed (cash)	440,000	35,000	93,750	165,000	150,000	140,000	150,000	150,000	31,250	155,000	1,510,000
Number of RSUs granted[c]	340	–	85	85	85	85	85	85	–	85	935
Value at grant[d]	581,196	–	145,299	145,299	145,299	145,299	145,299	145,299	–	145,299	1,598,289
Total compensation	**1,021,196**	**35,000**	**239,049**	**310,299**	**295,299**	**285,299**	**295,299**	**295,299**	**31,250**	**300,299**	**3,108,289**

a) Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
b) Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
c) RSUs vest on 15 April 2019.
d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
e) Elected at the Annual General Meeting in March 2016.
f) Retired at the Annual General Meeting in March 2016.
g) The function of each member of the Board of Directors are indicated on pages 80-84 in the Corporate Governance section of the 2016 Annual Report.

Other compensation, fees and loans to members or former members of the Board

No additional compensation or fees were paid to any member of the Board.
No Board member or related parties had any loan outstanding as of 31 December 2017.

Special compensation of members of the Board who left the company during the reporting period

No such compensation was incurred during the reporting period.

Compensation of members of the Executive Committee

The compensation of the Executive Committee during the year was as follows:

in Swiss francs	Gilles Andrier CEO 2017	Gilles Andrier CEO 2016	Executive Committee members (excluding CEO)[a] 2017	Executive Committee members (excluding CEO)[b] 2016	Total 2017	Total 2016
Base salary	1,045,952	1,035,599	3,970,375	3,819,306	5,016,327	4,854,905
Pension benefits[c]	445,076	442,705	1,048,011	1,558,506	1,493,087	2,001,211
Other benefits[d]	114,688	111,061	800,451	792,134	915,139	903,195
Total fixed compensation	1,605,716	1,589,365	5,818,837	6,169,946	7,424,553	7,759,311
Annual incentive[e]	977,142	944,804	2,513,556	2,342,717	3,490,698	3,287,521
Number of performance shares granted[f]	1,777	1,686	5,549	5,441	7,326	7,127
Value at grant[g]	2,881,583	2,882,048	8,998,258	9,300,845	11,879,841	12,182,893
Total variable compensation	3,858,725	3,826,852	11,511,814	11,643,562	15,370,539	15,470,414
Total compensation	**5,464,441**	**5,416,217**	**17,330,651**	**17,813,508**	**22,795,092**	**23,229,725**
Employer social security[h]	442,000	438,000	1,413,000	1,427,000	1,855,000	1,865,000

a) Represents (a) full year compensation of seven Executive Committee members, (b) partial year compensation of the outgoing Chief Financial Officer, Matthias Währen, who stepped down from his role on 1 January 2017 and retired on 30 June 2017 and (c) full year compensation for Joe Fabbri who stepped down from his Executive Committee role on 1 July 2017 and retired on 31 December 2017.

b) Represents full year compensation of eight Executive Committee members and partial year compensation of one new Executive Committee members who was appointed on 1 August 2016.

c) Company contributions to broad-based pension and retirement savings plans and annualised expenses accrued for supplementary executive retirement benefit.

d) Represents annual value of health and welfare plans, international assignment benefits and other benefits in kind.

e) Annual incentive accrued in reporting period based on performance in the reporting period.

f) 2017 Performance shares vest on 15 April 2020, 2016 Performance shares vest on 15 April 2019.

g) Value at grant calculated according to IFRS methodology and based on 100% achievement of performance targets.

h) 2017 estimated social security charges based on 2017 compensation; 2016 estimated social security charges based on 2016 compensation.

Other compensation, fees and loans to members or former members of the Executive Committee

No other compensation or fees were accrued for or paid to any member or former member of the Executive Committee during the reporting period. No member or former member of the Executive Committee or related parties had any loan outstanding as of 31 December 2017.

Special compensation of Executive Committee members who left the company during the reporting period

Matthias Währen retired from his role as Chief Financial Officer on 30 June 2017. He did not receive any special compensation as a result of his retirement. All compensation is included in the compensation table above.

Ownership of shares and unvested share rights

Details on the Givaudan share based payment plans are described in Note 9.

As per 31 December 2017, the Chairman and other Board members including persons closely connected to them held 3,360 Givaudan shares in total. For further details, please refer to the following table on the next page showing:

– The shares held individually by each Board member as per 31 December 2017.
– The RSUs that were granted in 2015-2017 and were still owned by members of the Board as per 31 December 2017.

2017 in numbers	Shares	Unvested RSUs
Calvin Grieder, Chairman	119	536
Victor Balli		175
Prof. Dr-Ing. Werner Bauer	1,089	266
Lilian Biner	496	266
Michael Carlos	921	266
Ingrid Deltenre	26	266
Thomas Rufer	709	266
Total 2017	**3,360**	**2,041**
Total 2016	5,546	2,797

The company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as per 31 December 2017 by persons closely connected to members of the Board.

The Chief Executive Officer and other members of the Executive Committee, including persons closely connected to them, held 6,423 Givaudan shares. For further details, please refer to the table below showing:

- The shares held individually by each member of the Executive Committee as per 31 December 2017.
- The unvested performance shares that were granted in 2015-2017 and were still owned by members of the Executive Committee as per 31 December 2017.

2017 in numbers	Shares	Unvested performance shares
Gilles Andrier, CEO	3,300	4,909
Tom Hallam	220	1,014
Mauricio Graber	750	2,817
Maurizio Volpi	785	2,313
Simon Halle-Smith	105	1,277
Willem Mutsaerts	199	1,361
Anne Tayac	110	917
Chris Thoen	685	1,337
Total 2017	**6,154**	**15,945**
Total 2016	4,460	19,278

No member of the Executive Committee held any share options or option rights as at 31 December 2017 (31 December 2016: no member of the Executive Committee held any share options or option rights).

One person closely connected to a member of the Executive Committee owned 269 unvested Performance Shares as at 31 December 2017.

The company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as per 31 December 2017 by persons closely connected to members of the Executive Committee.

33. List of Principal Group Companies

The following are the principal companies fully owned by the Group. Share capital is shown in thousands of currency units:

Switzerland	Givaudan SA	CHF	92,336
	Givaudan Suisse SA	CHF	4,000
	Givaudan Finance SA	CHF	100,000
	Givaudan International SA	CHF	100
	Induchem AG	CHF	500
	Vamara Holding SA	CHF	100
	Givaudan Treasury International SA	CHF	1,000
	Fondation Givaudan	-	-
Argentina	Givaudan Argentina SA	ARS	9,000
	Givaudan Argentina Servicios SA	ARS	7,000
Australia	Givaudan Australia Pty Ltd	AUD	35,812
Austria	Givaudan Austria GmbH	EUR	40
Bermuda	FF Holdings (Bermuda) Ltd	USD	12
	Givaudan International Ltd	USD	12
	FF Insurance Ltd	CHF	170
Brazil	Givaudan do Brasil Ltda	BRL	133,512
Canada	Givaudan Canada Co	CAD	12,901
Chile	Givaudan Chile Ltda	CLP	5,000
China	Givaudan Fragrances (Shanghai) Ltd	USD	7,750
	Givaudan Flavors (Shanghai) Ltd	USD	10,783
	Givaudan Specialty Products (Shanghai) Ltd	USD	12,000
	Givaudan Hong Kong Ltd	HKD	7,374
	Givaudan Flavors (Nantong) Ltd	USD	35,500
Colombia	Givaudan Colombia SA	COP	6,965,925
Czech Republic	Givaudan CR, s.r.o.	CZK	200
Egypt	Givaudan Egypt SAE	USD	11,360
	Givaudan Egypt Fragrances LLC	EGP	50
France	Givaudan France SAS	EUR	5,006
	Activ International SAS	EUR	1,925
Germany	Givaudan Deutschland GmbH	EUR	4,100
Hungary	Givaudan Hungary Kft	EUR	15
	Givaudan Business Solutions Kft	EUR	12
India	Givaudan (India) Private Ltd	INR	87,330
Indonesia	P.T. Givaudan Indonesia	IDR	2,608,000
Italy	Givaudan Italia SpA	EUR	520
Japan	Givaudan Japan K.K.	JPY	1,000,000
Korea	Givaudan Korea Ltd	KRW	550,020
Malaysia	Givaudan Business Solutions Asia Pacific Sdn.Bhd	MYR	2,000
	Givaudan Flavours & Fragrances Malaysia Sdn.Bhd	MYR	3,981
Mexico	Givaudan de Mexico SA de CV	MXN	53,611
Netherlands	Givaudan Nederland B.V.	EUR	402
	Vika B.V.	EUR	18
	Virgula B.V.	EUR	18
New Zealand	Givaudan NZ Ltd	NZD	71
Nigeria	Givaudan (Nigeria) Ltd	NGN	10,000
Peru	Givaudan Peru SAC	PEN	25
	Activ International SAC	PEN	14,043
Poland	Givaudan Polska Sp. Z.o.o.	PLN	50
Russia	Givaudan Rus LLC	RUB	9,000
Singapore	Givaudan Singapore Pte Ltd	SGD	24,000
South Africa	Givaudan South Africa (Pty) Ltd	ZAR	360,002
Spain	Givaudan Iberica, SA	EUR	8,020
Sweden	Givaudan North Europe AB	SEK	120
Thailand	Givaudan (Thailand) Ltd	THB	100,000
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi	TRY	34
United Kingdom	Givaudan UK Ltd	GBP	70
	Major International Ltd	GBP	50
	Givaudan Holdings UK Ltd	GBP	317,348
United Arab Emirates	Givaudan Middle East & Africa FZE	AED	1,000
United States of America	Givaudan United States, Inc.	USD	0.05
	Givaudan Flavors Corporation	USD	0.1
	Givaudan Fragrances Corporation	USD	0.1
	Givaudan Flavors and Fragrances, Inc.	USD	0.1
	Activ International, Inc.	USD	15,938
Venezuela	Givaudan Venezuela SA	VEF	4.5

GRI Disclosure 102-45

34. Disclosure of the Process of Risk Assessment

Risk management in Givaudan is an integral part of the business. It is a structured and continuous process of identifying, assessing and deciding on responses to risks. The reporting of the opportunities and threats that these risks create and how they might hinder the business in achieving its objectives is also part of managing risks.

Risk management is the responsibility of the Board of Directors, which delegates to the Executive Committee the management of the overall company risk management process. The Group actively promotes the continuous monitoring and management of risks at the operational management level.

The Givaudan Enterprise Risk Management Charter describes the principles, framework and process of the Givaudan Enterprise Risk Management, which ensure that material risks are identified, managed and reported. It defines the associated roles and responsibilities which are reflected in the delegated authorities. Enterprise Risk Management encompasses both the Fragrance and Flavour businesses, as well as Givaudan Group functions. It includes all types of risks in terms of their nature, their source or their consequences.

The process aims to be comprehensive, organised and documented in order to improve compliance with corporate governance regulations, guidelines and good practices; better understand the risk profile of the business; and provide additional risk-based management information for decision making.

The objectives of the Risk Management process are to continuously ensure and improve compliance with good corporate governance guidelines and practices as well as laws and regulations, where applicable; facilitate disclosure to key stakeholders of potential risks and the company's philosophy for dealing with them. At the same time, the process creates the awareness of all key executives of the magnitude of risks; provides risk-based management information for effective decision-making; and safeguard the values of the company and its assets, and protect the interests of shareholders.

Givaudan's management, at all levels, is accountable for ensuring the appropriateness, timeliness and adequacy of the risk analysis. Mitigation decisions are taken at individual and combined levels. This management is also responsible for implementing, tracking and reporting the risk mitigation directives of the Executive Committee, including periodic reporting to the Board.

The assessment is performed in collaboration between the Executive Committee, divisional and functional management teams and the Corporate Compliance Officer.

The Board of Directors' Audit Committee also promotes the effective communication between the Board, Givaudan's Executive Committee, other senior corporate functions and Corporate Internal Audit in order to foster openness and accountability.

Givaudan has carried out its annual review of internal controls over accounting and financial reporting. A risk assessment is performed throughout the Internal Control System for those identified risks which may arise from the accounting and financial reporting. Then, relevant financial reporting controls are defined for each risk.

35. Other information

On September 2017, as part of its 2020 strategy to strength capabilities in naturals and presence in Brazil, Givaudan announced the acquisition of Centroflora's Nutrition Division (i.e.Centroflora Nutra). With headquarters and a manufacturing facility in Botucatu (Brazil), Centroflora Nutra employs about 116 people and exports products globally.

On December 2017, as part of its 2020 strategy to expand the capabilities of its fragrance business, Givaudan announced that it has entered into exclusive negotiations to acquire Expressions Parfumées, a French fragrance creation house. Expressions Parfumées is based in Grasse (France), and also operates throughout Europe, Africa and the Middle East. The Company employs about 200 people globally.

As the closing of the acquisitions is expected for 2018, the proposal of those has no impact on the financial statements to December 2017.

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Statutory Auditor's Report
To the General Meeting of
GIVAUDAN SA, Vernier

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Givaudan SA and its subsidiaries (the Group), which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows for the year ended 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements, presented on pages 94 to 149, give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Audit Approach

Summary

Key audit matters	Based on our audit scoping, we identified the following key audit matters: – Taxation; – Pension; and – Acquisition accounting.
Materiality	Based on our professional judgment we determined materiality for the Group as a whole to be CHF 57 million.
Scoping	Based on our understanding of Givaudan's operations, we have defined 11 countries that are in scope for group reporting purposes. We have requested these countries to perform audit procedures to address the risks identified in our risk assessment phase. Coverage on Group sales, operating income and total assets are disclosed below.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Taxation

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
The Group operates in a large number of different jurisdictions and is therefore subject to many tax regimes with differing rules and regulations. As described in the Summary of Significant Accounting Policies in Note 2 and in Note 3 on Critical Accounting Estimates and Judgments, significant judgment is required in determining provision for income taxes, both current and deferred, as well as the assessment of provisions for uncertain tax positions including estimates of interest and penalties where appropriate. The effective tax rate of the group decreased from 18% in 2016 to 9% in 2017. The Consolidated Statement of Financial Position includes current tax assets of CHF 32 million, current tax liabilities of CHF 49 million, together with deferred tax assets of CHF 207 million and deferred tax liabilities of CHF 99 million. The tax expense recognised in the Consolidated Income Statement amounts to CHF 75 million. Details of all current and deferred tax balances are disclosed in Note 16 to the consolidated financial statements. Due to their significance to the financial statements as a whole, combined with the judgment and estimation required to determine their values, the evaluation of current and deferred tax balances is considered to be a key audit matter.	We discussed with management the adequate implementation of Group policies and controls regarding current and deferred tax, as well as the reporting of uncertain tax positions. We evaluated the design and implementation of controls in respect of provisions for current tax and the recognition and recoverability of deferred tax assets. We examined the procedures in place for the current and deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the tax circumstances. Our work was conducted with the support of our tax specialists. We performed an assessment of the material components impacting the Group's tax expense, balances and exposures, including the impact of the United States of America tax reform. We reviewed and challenged the information reported by components with the support of our own local tax specialists, where appropriate. With the support of our tax specialists at group level, we verified the consolidation and analysis of tax balances. We considered management's assessment of the validity and adequacy of provisions for uncertain tax positions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice where available including any information regarding similar cases with the relevant tax authorities. In respect of deferred tax assets and liabilities, we assessed the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income to support deferred tax assets for tax losses carried forward as disclosed in Note 16 of CHF 6 million. We validated the appropriateness and completeness of the related disclosures in Note 16 to the consolidated financial statements. Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management's estimates regarding current and deferred tax balances and provisions for uncertain tax positions.

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Pension

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
As described in the Summary of Significant Accounting Policies in Note 2 and in Note 3 on Critical Accounting Estimates and Judgments, significant judgment is required in determining the calculation of the present value of defined benefit obligations requiring financial and demographic assumptions. In addition, changes to the post-employment benefit liability may be accounted through the income statement or through other comprehensive income which adds to the complexity. The Group operates a number of defined benefit and defined contribution plans throughout the world. As disclosed in Note 8 to the consolidated financial statements, total plan assets amount to CHF 1'640 million, total post-employment funded obligations to CHF 2'184 million and post-employment unfunded obligations to CHF 85 million. The defined benefit obligations recognised in the Consolidated Statement of Financial Position represent the present value of defined benefit obligations calculated annually by independent actuaries. These actuarial valuations are sensitive to key assumptions such as discount rates. Changes in a number of the key assumptions can have a material impact on the position as disclosed in the Note 8 to the consolidated financial statements. During 2017, the Group has reviewed financial assumptions of certain pension plans in order to align them with market trends. These transactions led to a one-off non cash gain of CHF 16 million in the United States of America and CHF 4 million in Switzerland. In addition, any pension plan amendment, such as a curtailment, requires careful consideration of the accounting treatment to ensure compliance with IAS 19 Employee Benefits. We focused on this area because of the complexity of accounting treatment of each plan amendment, the level of judgment required to determine the valuation of both pension assets and pension obligations and the significance of the balances to the consolidated financial statements as a whole.	We evaluated the design and implementation of controls in respect of pension accounting. We discussed with management the adequate implementation of Group policies and controls regarding the asset valuation and the pension obligation valuation. With support from our own pension specialists, we have discussed with Group's actuary and challenged key assumptions underpinning the valuation of the pension plans at the end of 2017. Specifically we challenged the discount rate, inflation and mortality assumptions applied in the calculation and benchmarked the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the Group's own position. We found them to be within an acceptable range. We tested the data used in the valuation of the pension plans, such as employee data and we obtained confirmations to verify the completeness and accuracy of the pension plan assets. We validated the compliance of the accounting treatment of pension plan amendments and other transactions impacting pension plans with IAS 19 Employee Benefits. We validated the appropriateness and completeness of the related disclosures in Note 8 to the consolidated financial statements. Based on our audit procedures performed, we obtained sufficient audit evidence to corroborate management's estimates regarding valuation of both pension assets and pension obligations. We consider accounting treatment of each plan amendment to be appropriate and disclosures in the consolidated financial statements to be compliant with IAS 19 Employee Benefits.

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Acquisition accounting

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
As described in Note 6 to the consolidated financial statements, the Group completed the following acquisitions during 2017: – Acquisition of 100% of the share capital of Activ International on 16 January 2017 for a total purchase price of CHF 114 million. The Group acquired cash for CHF 3 million, working capital valued at CHF 8 million, fixed assets valued at CHF 16 million, intangibles valued at CHF 32 million and other liabilities valued at CHF 20 million. The acquisition resulted in the recognition of a goodwill of CHF 75 million. – Acquisition of 100% of the share capital of Vika B.V. on 1 September 2017 for a total purchase price of CHF 116 million. The Group acquired cash for CHF 3 million, working capital valued at CHF 14 million, fixed assets valued at CHF 24 million, intangibles valued at CHF 73 million and other liabilities valued at CHF 38 million. The acquisition resulted in the recognition of a goodwill of CHF 40 million. These transactions are considered as business combinations as defined by IFRS 3 Business Combinations which requires management to perform a purchase price allocation exercise to fair value the assets and liabilities of the acquired business. This requires exercise of judgments over the accounting and disclosure for the transactions. The accounting for the acquisition of assets and liabilities of these entities required a number of complex accounting judgments sensitive to key assumptions such as the weighted average cost of capital, growth rate and other assumptions used in the business plan, internal rate of return, attrition rate. In addition, the amortisation period retained for intangibles acquired also requires judgment and constitutes a significant estimate that will affect current and future financial periods. We focused on this area because of the complexity of acquisition accounting and the level of judgments related to the identification of intangible assets and the purchase price allocation to the assets and liabilities acquired.	We reviewed the sale and purchase agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management. We challenged management on the identification and valuation of tangible and intangible assets acquired and liabilities identified in the acquisition accounting against the terms of the sale and purchase agreement. We reviewed and assessed the work performed by management's valuation expert including valuation methodology for each category of asset and liability, along with the key judgments made in determining the fair values including any fair value adjustments. We determined that the methods used by the management's valuation expert were appropriate and in compliance with IFRS 3 Business Combinations. We considered and challenged the reasonableness of the assumptions, finding them to be within an acceptable range. The fair values appeared reasonable based on the judgments made. In particular, we challenged sales forecasts with historical data and market trends, we benchmarked assumptions used in determining the discount rate and the attrition rate. We also challenged the duration estimated by management for amortisation of the intangibles acquired, comparing with current Group accounting policies and other recent acquisitions. We validated the appropriateness and completeness of the related disclosures in Note 6 to the consolidated financial statements. Based on the procedures performed above, we consider the assumptions and estimates used in the measurement of the acquired assets and liabilities to be appropriate.

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Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgment we determined materiality for the Group as a whole to be CHF 57 million, based on a calculation of 7% of Group income before taxes, adjusted for non-recurring transactions. We selected Group income before taxes as the basis for determining our materiality because, in our view, this measure represents the performance of the Group and is one of the indicators against which Givaudan is commonly assessed and is a generally accepted benchmark. The materiality applied by the component auditors ranged from CHF 14.4 million to CHF 36.0 million depending on the scale of the component's operations, the component's contribution to Group sales, Group income before taxes, Group total assets and our assessment of risks specific to each location.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 2.8 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

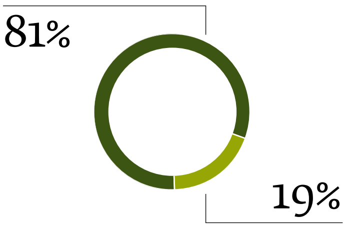
An overview of the scope of our audit

We designed our audit by obtaining an understanding of the Group and its environment, including Group-wide controls, determining materiality and assessing the risks of material misstatement in the consolidated financial statements.

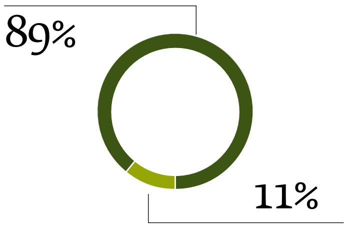
Based on our understanding of Givaudan's operations, we have defined 11 countries that are in scope for the group reporting purposes. We have requested these countries to perform audit procedures to address the risks identified in our risk assessment phase.

These countries are spread across all regions, reflecting Givaudan's operations. We obtain assurance over these countries through a combination of audit procedures performed locally within the Givaudan shared service centres and cetrally at the Head office. In aggregate, these components represented scope coverage of:

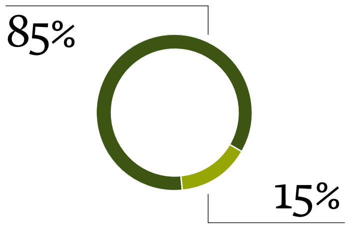
Revenues



Gross profit



Net assets



■ Audits for group reporting purposes ■ Review at group level

All other wholly owned and joint venture businesses were subject to analytical review procedures for the purpose of the Group audit. Annual statutory audits are conducted by Deloitte at the majority of the Group's affiliates, although these are predominantly completed subsequent to our audit report on the consolidated financial statements.

At the parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit.

The group audit team visited some countries in scope as defined at planning stage. We are defining our visits based on significance of the affiliates and main events occurred during the year. All component audit partners were included in our team briefing, we discussed their risk assessment and reviewed documentation of the findings from their work.

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Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte SA

Karine Szegedi Pingoud	Joëlle Herbette
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Geneva, 24 January 2018

Statutory financial statements of Givaudan SA
(Group Holding Company)

Income Statement
For the year ended 31 December

in millions of Swiss francs	Note	2017	2016
Income from investments in Group companies	3	145	224
Royalties from Group companies		1,002	916
Other operating income		1	1
Total Operating income		**1,148**	**1,141**
Research and development expenses to Group companies		(305)	(278)
Other operating expenses		(46)	(44)
Amortisation and impairment of intangible assets		(64)	(98)
Share of (loss) profit of jointly controlled entities	5	–	(1)
Total Operating expenses		**(415)**	**(421)**
Operating income		**733**	**720**
Financial expenses		(155)	(204)
Financial income		107	85
Non-operating expenses		(84)	(105)
Income before taxes		**601**	**496**
Income taxes		(10)	4
Net income		**591**	**500**

Statement of Financial Position

in millions of Swiss francs	Note	31 December 2017	31 December 2016
Cash and cash equivalents		250	112
Accounts receivable from Group companies		186	140
Other current assets		24	7
Accrued income and prepaid expenses		13	10
Current assets		**473**	**269**
Loans to Group companies		150	159
Other long-term assets		1	–
Investments in Group companies	3	2,849	2,583
Jointly controlled entities	5	32	35
Other financial assets		10	10
Intangible assets		241	257
Non-current assets		**3,283**	**3,044**
Total assets		**3,756**	**3,313**
Short-term debt	6	300	
Accounts payable to Group companies		96	82
Other current liabilities		19	18
Deferred income and accrued expenses		2	1
Current liabilities		**417**	**101**
Long-term debt	6	1,049	998
Other non-current liabilities		60	62
Non-current liabilities		**1,109**	**1,060**
Total liabilities		**1,526**	**1,161**
Share capital	8	92	92
Statutory retained earnings	8	18	18
Statutory capital reserves from capital contributions - additional paid-in capital	8	3	3
Voluntary retained earnings	8	1,542	1,542
Own shares	8, 9	(43)	(45)
Available retained earnings			
- Balance brought forward from previous year		27	42
- Net (loss) income for the year		591	500
Equity		**2,230**	**2,152**
Total liabilities and equity		**3,756**	**3,313**

Notes to the statutory financial statements

1. General Information

1.1. Structure and description of the activity

Givaudan SA is a holding company based in Vernier, near Geneva, whose main goal is to manage its investments in subsidiaries.

More specifically Givaudan SA invests in companies whose aim is to manufacture and commercialise natural and synthetic aromatic or fragrance raw materials as well as other related products. In addition, Givaudan SA invests in research and development and supplies services for the use of these products. Givaudan SA develops, registers and makes use of all trademarks, patents, licenses, manufacturing processes and formulas.

1.2. Employees

The average number of employees during the year was less than ten (2016: less than ten).

2. Summary of accounting principles adopted

The financial statements at 31 December 2017 are prepared in accordance with Swiss law.

The company is classified as a large entity as it meets the criteria to present group accounts under the definition of art. 961d al. 1 of the Swiss Code of Obligations. As Givaudan prepares and reports comprehensive consolidated financial statements under International Financial Reporting Standards (IFRS) including a cash flow statement, accompanying notes and a management report, Givaudan SA is exempt from preparing this information.

Valuation Methods and Translation of Foreign Currencies

Investments in, and loans to, Group companies are stated at cost less appropriate write-downs. Marketable securities are shown at the lower of cost and market value. Derivatives are recorded at fair value.

The currency in which Givaudan SA operates is Swiss francs (CHF) and the accounts are presented in Swiss francs. In the statement of financial position, foreign currency assets and liabilities are remeasured at year-end exchange rates with the exception of investments in Group companies which are valued at historical exchange rates. In the income statement, expenses and income in foreign currencies are converted in Swiss francs using the daily exchange rate of the transaction date. Foreign currency gains and losses are recognised in the income statement as they occur with the exception of unrealised gains which are deferred.

3. Subsidiaries

List of the direct subsidiaries of the company, which are wholly-owned unless otherwise indicated (percentage of voting rights):

Switzerland	Givaudan Suisse SA
	Givaudan Finance SA
	Prodiga AG
	Givaudan International SA
	Vamara Holding SA
	Kemptthal Immobilien Nord AG
	Activ International SA
	Select-Ingrédient SA
	Givaudan Treasury International SA
Argentina	Givaudan Argentina SA
	Givaudan Argentina Servicios SA
Australia	Givaudan Australia Pty Ltd
Austria	Givaudan Austria GmbH
Bermuda	Givaudan Capital Transactions Ltd
Brazil	Givaudan do Brasil Ltda
Canada	Givaudan Canada Co
Chile	Givaudan Chile Ltda
China	Givaudan Fragrances (Shanghai) Ltd
	Givaudan Flavors (Shanghai) Ltd
	Givaudan Specialty Products (Shanghai) Ltd
	Givaudan Hong Kong Ltd
	Givaudan Flavors (Nantong) Ltd
	Givaudan Management Consulting (Shanghai) Ltd
	Givaudan Fragrances (Changzhou) Ltd
Colombia	Givaudan Colombia SA
Czech Republic	Givaudan CR, s.r.o.
Egypt	Givaudan Egypt SAE
	Givaudan Egypt Fragrances LLC
France	Givaudan France SAS
	Activ International SAS
Germany	Givaudan Deutschland GmbH
Guatemala	Givaudan Guatemala SA
Hungary	Givaudan Hungary Kft
	Givaudan Finance Services Kft
India	Givaudan (India) Private Ltd
Indonesia	P.T. Givaudan Indonesia
	P.T. Givaudan Flavours and Fragrances Indonesia
Italy	Givaudan Italia SpA
Japan	Givaudan Japan K.K.
Korea	Givaudan Korea Ltd
Malaysia	Givaudan Malaysia Sdn.Bhd
Mexico	Givaudan de Mexico SA de CV
	Grupo Givaudan SA de CV
Netherlands	Givaudan Nederland B.V.
	Virgula B.V.
Nigeria	Givaudan (Nigeria) Ltd
Peru	Givaudan Peru SAC
Poland	Givaudan Polska Sp. Z.o.o.
Russia	Givaudan Rus LLC
Singapore	Givaudan Singapore Pte Ltd
South Africa	Givaudan South Africa (Pty) Ltd
Spain	Givaudan Iberica, SA
Sweden	Givaudan North Europe AB
Thailand	Givaudan (Thailand) Ltd
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi
United Kingdom	Givaudan Holdings UK Ltd
United Arab Emirates	Givaudan Middle East & Africa FZE
United States of America	Givaudan United States, Inc.
Venezuela	Givaudan Venezuela SA

In 2017 Givaudan SA increased its investments in Givaudan Flavors (Nantong) Ltd, Givaudan Fragrances (Changzhou) Ltd, Givaudan Argentina Servicios SA and Givaudan Malaysia Sdn.Bhd, incorporated Vamara Holding SA, Activ International SA, Select-Ingrédient SA, Activ International SAS, Virgula B.V., and created Kemptthal Immobilien Nord AG and Givaudan Treasury International SA which now owns Givaudan Treasury International B.V.

Givaudan SA also wholly owns indirectly the following substantial companies, FF Holdings (Bermuda) Ltd in Bermuda, Givaudan Flavors Corporation and Givaudan Fragrances Corporation in the United States of America.

4. Cash and cash equivalents

As at 31 December 2017, cash and cash equivalents include an amount of CHF 236 million related to the cash pooling agreements with a Group company.

As at 31 December 2016, an amount of CHF 111 million related to the cash pooling agreements with a Group company was included in the cash and cash equivalents.

5. Jointly Controlled Entities

Name of joint ventures	Principal activity	Country of incorporation	Ownership interest
Jiangsu Xinrui Aromatics Ltd	Production of fragrance ingredients	China	49%
BGN Tech LLC	Innovative natural ingredients	USA	49%
Natural Extracts International Ltd	Natural ingredient derivatives production	Mauritius	49%
Vanilla International Ltd	Natural ingredient collection and extract	Mauritius	49%

6. Debt

On 15 June 2011, Givaudan SA issued a 2.5% seven year public bond with a nominal value of CHF 300 million.

On 7 December 2011, Givaudan SA issued a dual tranche public bond transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for five years and of 2.125% for ten years. The first tranche was redeemed in December 2016.

On 19 March 2014, Givaudan SA issued a 1.00% six and a half year public bond with a nominal value of CHF 100 million and a 1.75% ten year public bond with a nominal value of CHF 150 million.

On 7 December 2016, Givaudan SA issued a 0.00% six year public bond with a nominal value of CHF 100 million and a 0.625% fifteen year public bond with a nominal value of CHF 200 million. The proceeds of CHF 300 million were used to repay the 1.250% five year public bond with a nominal value of CHF 150 million which was redeemed in December 2016 and to repay the short-term borrowings withdrawn during the year.

On 20 December 2017, Givaudan SA entered into a five year floating rate private placement (Schuldschein) with a nominal value of EUR 100 million (CHF 117 million) and a seven year 1.331% fixed rate private placement (Schuldschein) with a nominal value of EUR 200 million (CHF 233 million). The proceeds of EUR 300 million were used mainly to repay the short-term borrowings withdrawn during the year.

7. Indirect Taxes

The company is part of a Group for VAT purposes with two other affiliates of the Group in Switzerland. The company is jointly and severally liable towards the tax authorities for current and future VAT payables of the VAT Group to which it belongs.

8. Equity

As at 31 December 2017, the share capital amounts to CHF 92,335,860, divided into 9,233,586 fully paid-up registered shares, with a nominal value of CHF 10.00 each. Every share gives the right to one vote.

The Board of Directors has at its disposal conditional capital of a maximum aggregate amount of CHF 7,481,980 that may be issued through a maximum of 748,198 registered shares, of which a maximum of CHF 1,618,200 can be used for executive share option plans.

At the Annual General Meeting held on 23 March 2017 the distribution of an ordinary dividend of CHF 56.00 per share (2016: CHF 54.00 per share) was approved. The dividend payment has been made out of available retained earnings.

The movements in equity are as follows:

2017 in millions of Swiss francs	Share Capital	Statutory retained earnings	Additional paid-in capital	Voluntary retained earnings	Available retained earnings	Own shares	Total
Balance as at 1 January	**92**	**18**	**3**	**1,542**	**542**	**(45)**	**2,152**
Registered shares							
Issuance of shares							
Movement of shares						2	2
Appropriation of available earnings							
Transfer to the free reserve							
Transfer to the general legal reserve							
Distribution to the shareholders paid relating to 2016					(515)		(515)
Net profit for the year					**591**		**591**
Balance as at 31 December	**92**	**18**	**3**	**1,542**	**618**	**(43)**	**2,230**

2016 in millions of Swiss francs	Share Capital	Statutory retained earnings	Additional paid-in capital	Voluntary retained earnings	Available retained earnings	Own shares	Total
Balance as at 1 January	**92**	**18**	**402**	**2,042**	**(362)**	**(60)**	**2,132**
Registered shares							
Issuance of shares							
Movement of shares						15	15
Appropriation of available earnings							
Transfer to the free reserve				(500)	500		
Transfer to the general legal reserve							
Distribution to the shareholders paid relating to 2015			(399)		(96)		(495)
Net profit for the year					**500**		**500**
Balance as at 31 December	**92**	**18**	**3**	**1,542**	**542**	**(45)**	**2,152**

Statutory capital reserves from capital contributions – additional paid-in capital are presented separately in equity. Any payments made out of these reserves are not subject to Swiss withholding tax, nor subject to income tax on individual shareholders who are resident in Switzerland.

9. Own Shares

The movements in own shares are as follows:

2017	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**31,137**				**45**
Purchases at cost	25,750	1,920.2	1,843.6	1,690.0	47
Sales and transfers at cost	(33,049)	1,488.6	1,488.6	1,488.6	(49)
Balance as at 31 December	**23,838**				**43**

2016	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**39,706**				**60**
Purchases at cost	38,250	1,931.0	1,320.2	1,200.0	50
Sales and transfers at cost	(46,819)	1,396.0	1,396.0	1,396.0	(65)
Balance as at 31 December	**31,137**				**45**

As at 31 December 2016 and 2017, there were no other companies controlled by Givaudan SA that held Givaudan SA shares.

As at 31 December 2017, William H. Gates III (13.86%), BlackRock Inc. (5.18%), MFS Investment Management (5.04%), Nortrust Nominees Ltd (nominee; 14.9%), Chase Nominees Ltd (nominee; 5.21%) and Messieurs Pictet & Cie (nominee; 4.4%) were the only shareholders holding more than 3% of total voting rights.

10. Board of Directors and Executive Committee Compensation

Information required by Swiss law, as per art. 663b bis CO, on the Board of Directors and Executive Committee compensation are disclosed in the Givaudan consolidated financial statements, Note 32.

11. Exceptional Events

As a result of an internal restructuring, a subsidiary of Givaudan SA was liquidated during 2015 which generated a loss of CHF 1,240 million. This item had no effect on the consolidated financial statements of the Group, aside the tax impact. Net losses can be carried forward over seven years, as at December 2017 all losses were utilized.

12. Other information

On December 2017, as part of its 2020 strategy to expand the capabilities of its fragrance business, Givaudan announced that it has entered into exclusive negotiations to acquire Expressions Parfumées, a French fragrance creation house. Expressions Parfumées is based in Grasse (France), and also operates throughout Europe, Africa and the Middle East. The Company employs about 200 people globally.

As the closing is expected for 2018, the proposed acquisition has no impact on the financial statements to December 2017.

Appropriation of available earnings and distribution from the statutory capital reserves from contributions – additional paid-in capital of Givaudan SA

Proposal of the Board of Directors to the General Meeting of Shareholders

Available earnings

in Swiss francs	2017	2016
Net income for the year	590,763,886	500,446,384
Balance brought forward from previous year	27,149,322	41,648,082
Total available earnings	**617,913,208**	**542,094,466**
2016 distribution proposal of CHF 56.00 gross per share		517,080,816
2017 distribution proposal of CHF 58.00 gross per share	535,547,988	
Total appropriation of available earnings	**535,547,988**	**517,080,816**
Distribution not paid on Treasury shares held by the Group		**2,135,672**
Amount to be carried forward	**82,365,220**	**27,149,322**

Statutory capital reserves from capital contributions – additional paid-in capital

in Swiss francs	2017	2016
Balance brought forward from previous year	3,322,955	3,322,955
Total additional paid-in capital	**3,322,955**	**3,322,955**
Amount to be carried forward	**3,322,955**	**3,322,955**

Deloitte.

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Statutory Auditor's Report
To the General Meeting of
GIVAUDAN SA, Vernier

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Givaudan SA, which comprise the income statement, the statement of financial position for the year ended 31 December 2017, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 December 2017, presented on pages 156 to 163, comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Valuation of Investments in Group companies

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
As described in Note 3 to the financial statements, the Company holds investments in Givaudan Group companies with a carrying value of CHF 2'849 million as of 31 December 2017, representing 76% of total assets. In accordance with Article 960 CO, each investment held is valued individually and reviewed annually for impairment indicators. Each investment showing impairment indicators must be tested for impairment and an impairment would need to be recorded if the recoverable amount is lower than the carrying amount. The impairment test performed by Givaudan management is subject to judgment around the valuation method, key assumptions used and ability of the Group companies to generate positive cash flows in the future. Accordingly, for the purposes of our audit, we identified the impairment assessment and judgement applied by Management on the valuation of these investments as representing a key audit matter.	We discussed with management the adequate implementation of accounting policies and controls regarding the valuation of investments in Group companies. We tested the design and implementation of controls around the valuation of investments to determine whether appropriate controls are in place. We challenged the assessment of impairment indicators by the Company. We tested the valuations by critically assessing the methodology applied and the reasonableness of the underlying assumptions and judgments. We assessed the impairment testing models and calculations by: – checking the mechanical accuracy of the impairment models and the extraction of inputs from source documents; and – challenging the significant inputs and assumptions used in impairment for investments in Givaudan Group companies, such as the ability of the Group companies to generate positive cash flows in the future. We validated the appropriateness and completeness of the related disclosures in Note 3 to the financial statements. Based on the procedures performed, we obtained sufficient audit evidence to address the risk over management's estimates and consider management's key assumptions to be within a reasonable range.

Deloitte.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte SA

Karine Szegedi Pingoud Licensed Audit Expert Auditor in Charge	Joëlle Herbette Licensed Audit Expert

Geneva, 24 January 2018

Appendix

In this section:

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Location of GRI disclosures

This table provides an overview of the locations of GRI Disclosures in Givaudan's 2017 Annual Report and 2017 Sustainability Report. We publish our 2017 Sustainability Report on 20 March 2018.

The 2017 Sustainability Report includes the explanation of material topics and their boundaries for all Topic Specific Disclosures that are applicable to Givaudan.

The GRI disclosures covering Freedom of association and collective bargaining (Disclosure 407), Child labour (Disclosure 408), and Forced or compulsory labour (Disclosure 409) are covered in the Annual Report to the extent they apply to our own internal processes. Our approach to addressing these topics within our supply chain is described in the Sustainability Report.

The disclosure of the ratios of standard entry level wage by gender compared to local minimum wage (Disclosure 202 – 1) and the disclosure regarding incidents of discrimination and corrective actions taken (Disclosure 406 – 1) are omitted, because the information is unavailable. Since these disclosures are new to Givaudan's materiality matrix, we will evaluate how to gain the relevant data on a consolidated basis in the future.

GRI General Disclosures 2017	Location
Organisational profile	
GRI 102 – 1: Name of the organization	Annual Report: page 61
GRI 102 – 2: Activities, brands, products, and services	Annual Report: page 61
GRI 102 – 3: Location of headquarters	Annual Report: page 61
GRI 102 – 4: Location of operations	Annual Report: pages 175 – 179
GRI 102 – 5: Ownership and legal form	Annual Report: page 61
GRI 102 – 6: Markets served	Annual Report: Cover flap
GRI 102 – 7: Scale of the organization	Annual Report: Cover flap; page 32
GRI 102 – 8: Information on employees and other workers	Annual Report: page 45
GRI 102 – 9: Supply chain	Annual Report: page 43
GRI 102 – 10: Significant changes to the organization and its supply chain	Annual Report: page 5, 43
GRI 102 – 11: Precautionary principle or approach	Annual Report: pages 49 – 52
GRI 102 – 12: External initiatives	Sustainability Report
GRI 102 – 13: Membership of associations	Sustainability Report
Strategy	
GRI 102 – 14: Statement from senior decision-maker	Sustainability Report
GRI 102 – 15: Key impacts, risks and opportunities	Sustainability Report
Ethics and integrity	
GRI 102 – 16: Values, principles, standards, and norms of behavior	Annual Report: pages 53 – 55
Governance	
GRI 102 – 18: Governance structure	Annual Report: pages 63 – 71; 71 – 75
Stakeholder engagement	
GRI 102 – 40: List of stakeholder groups	Sustainability Report
GRI 102 – 41: Collective bargaining agreements	Annual Report: page 44
GRI 102 – 42: Identifying and selecting stakeholders	Sustainability Report
GRI 102 – 43: Approach to stakeholder engagement	Sustainability Report
GRI 102 – 44: Key topics and concerns raised	Sustainability Report

GRI General Disclosures 2017	Location
Reporting practice	
GRI 102 – 45: Entities included in the consolidated financial statements	Annual Report: page 61, 101, 148
GRI 102 – 46: Defining report content and topic Boundaries	Sustainability Report
GRI 102 – 47: List of material topics	Sustainability Report
GRI 102 – 48: Restatements of information	Sustainability Report
GRI 102 – 49: Changes in reporting	Sustainability Report
GRI 102 – 50: Reporting period	Sustainability Report
GRI 102 – 51: Date of most recent report	Sustainability Report
GRI 102 – 52: Reporting cycle	Sustainability Report
GRI 102 – 53: Contact point for questions regarding the report	Sustainability Report
GRI 102 – 54: Claims of reporting in accordance with the GRI Standards	Sustainability Report
GRI 102 – 55: GRI content index	Sustainability Report
GRI 102 – 56: External assurance	Sustainability Report

GRI Topic Specific Disclosures 2017	Location
GRI 200: Economic	
GRI 201: Economic performance	Annual Report: pages 14 – 15; 32 – 35; 123 – 128
GRI 202: Market presence	Annual Report: page 46
GRI 203: Indirect economic impacts	Sustainability Report
GRI 204: Procurement practices	Sustainability Report
GRI 205: Anti-corruption	Annual Report: pages 53 – 54; 55
GRI 300: Environmental	
GRI 301: Materials	Sustainability Report
GRI 302: Energy	Sustainability Report
GRI 303: Water	Sustainability Report
GRI 304: Biodiversity	Sustainability Report
GRI 305: Emissions	Sustainability Report
GRI 306: Effluents and waste	Sustainability Report
GRI 308: Supplier environmental assessment	Sustainability Report
GRI 400: Social	
GRI 401: Employment	Annual Report: pages 44 – 45
GRI 402: Labour/management relations	Annual Report: page 44
GRI 403: Occupational health & safety	Annual Report: page 48
GRI 404: Training and education	Annual Report: page 44; 46
GRI 405: Diversity and equal opportunity	Annual Report: page 46
GRI 406: Non-discrimination	Annual Report: page 46
GRI 407: Freedom of association and collective bargaining	Annual Report: page 44; Sustainability report
GRI 408: Child labour	Annual Report: pages 53 – 55; Sustainability report
GRI 409: Forced or compulsory labour	Annual Report: pages 53 – 55; Sustainability report
GRI 412: Human rights assessment	Annual Report: pages 53 – 55
GRI 413: Local communities	Annual Report: pages 15; 29; 55
GRI 414: Supplier social assessment	Sustainability Report
GRI 416: Customer health and safety	Annual Report: page 57
GRI 417: Marketing and labelling	Annual Report: page 57

Givaudan registered offices

Country	Legal Entity name	Address
Algeria	Givaudan International SA (Suisse) Bureau de Liaison Algérie	Tour A - 4eme Etage, Business Centre Dar El Madina, Micro Zone d'activité Hydra Lot No. 20, 16035 Algers
Argentina	Givaudan Argentina SA	Nicolàs Rodriguez Peña 1568, 5 ° B, 1021, C.A.B.A.
	Givaudan Argentina Servicios SA	Rodriguez Peña 1568, piso 5, oficina B, Ciudad Autónoma de Buenos Aires
Australia	Givaudan Australia Pty Ltd	12-14 Britton Street, Smithfield, Sydney NSW 2164
Austria	Givaudan Austria GmbH	Twin Tower Vienna, Wienerbergstrasse 11, 1109 Vienna
Bermuda	Givaudan International Ltd	Hamilton
	FF Holdings (Bermuda) Ltd	Hamilton
	FF Insurance Ltd	Hamilton
Belgium	Naska Ingredients NV	Lausbedstraat 4, 3630 Maasmechelen
Brazil	Givaudan do Brasil Ltda	Avenida Engenheiro Billings 2185, Jaguaré, São Paulo SP - 05321-010
Canada	Givaudan Canada Co.	2400 Matheson Blvd. East, Mississauga, Ontario L4W 5G9
Chile	Givaudan Chile Ltda	Avda Del Valle 869, oficina 203, Ciudad Empresarial, Comuna de Huechuraba, Santiago de Chile
China	Givaudan Flavors (Shanghai) Ltd Beijing Branch	15F Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, Beijing 100027
	Givaudan Fragrances (Shanghai) Ltd Beijing Branch	15F Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, Beijing 100027
	Givaudan Flavors (Shanghai) Ltd	668 Jing Ye Road, Jin Qiao Export Area, Pu Dong New Area, Shanghai 201201
	Givaudan Fragrances (Shanghai) Ltd	298 Li Shi Zhen Road, pilote Free Trade Zone, Shanghai 201303
	Givaudan Flavors (Shanghai) Ltd Guangzhou Branch	15F The Centrepoint, No 374-2 Beijing Road, Yue Xiu District, Guangzhou 510030
	Givaudan Fragrances (Shanghai) Ltd Guangzhou Branch	15F The Centrepoint, No 374-2 Beijing Road, Yue Xiu District, Guangzhou 510030
	Givaudan Flavors (Shanghai) Ltd Chengdu Branch	Room 2001, 2 Fu Nian Plaza, Ji Tai Road, Gao Xin District, Chengdu 610041, Sichuan Province
	Givaudan Flavors (Nantong) Ltd	No. 7 Jiang Hai Road, Nantong Economnic and Technology Development Area, Nantong, Jiangsu Province 226017
	Givaudan Flavors (Shanghai) Ltd Zhengzhou Branch	Room A1301, Bldg 2, No. 80 Jin Shui Road (East), New Green City, Zhengzhou, He Nan Province
	Givaudan Fragrances (Changzhou) Ltd	Room 232, nbr 238 Chunjiang Zhongyang, Huayuan, Xinbei District, Changzhou 213034, Jiangsu Province
	Givaudan Specialty Products (Shanghai) Ltd	222, Jiangtian East Road, Songjiang District, 201600 Shanghai
	Givaudan Management Consulting (Shanghai) Ltd	3rd floor, no. 5 building, 298 Lishizhen Road, Zhangjiang High-Tech Park, Pudong New Area, 201203 Shanghai
	Givaudan Hong Kong Ltd	6th Floor Alexandra House, 18 Chater Road, Central
Colombia	Givaudan Colombia SAS	Carrera 98 No. 25 G - 40, 151196 Bogotá D.C.
Czech Republic	Givaudan CR, s.r.o.	Klimentská 10, Praha 110 00
Egypt	Givaudan Egypt SAE	Piece 37, Industriel Zone 3, 6th of October City
	Givaudan Egypt Fragrances LLC	46 El Thawra st., 3rd floor, Appt 304, Heliopolis

Country	Legal Entity name	Address
Finland	Givaudan International SA, Branch in Finland	Niemenkatu 73, 15140 Lahti
France	Givaudan France SAS	55 Rue de la Voie des Bans, CS500024, 95102 Argenteuil Cedex
Germany	Givaudan Deutschland GmbH	Giselherstrasse 11, 44319 Dortmund
Guatemala	Givaudan Guatemala SA	Boulevar Los Proceres 18, Calle 24-69 Zona 10, Empresarial Zona Pradera, Torre 1, Oficiana 1201-01010
Hungary	Givaudan Hungary Kft	Királyhegyesi út 3, 6900 Makó
	Givaudan Business Solutions Kft	Bence utca 1. , Váci Greens B, 1138 Budapest
India	Givaudan (India) Pvt Ltd	Plot No. 26, 2nd Cross Jigani Industrial Area, Anekal Taluk, Jigani, Bangalore, Karnataka 560 105
Indonesia	PT. Givaudan Indonesia	Jl. Raya Jakarta-Bogor Km 35, Cimanggis Depok, 16951 West Java
Iran	Givaudan International SA, Iran Branch	P.O. Box 15175/534 - No.202 - 204, Gol Bld., Gol Alley, After Park Saei, Vali Asr, Tehran
Italy	Givaudan Italia SpA	Via Borgogne 5, 20121 Milano
Ivory Coast	Givaudan International SA (Bureau de représentation en Côte d'Ivoire)	Centre D'affaire Regus - Plateau Imm. BSIC, 5th fl., 7 Avenue Nogues, 01BP 5754 Abijan
Japan	Givaudan Japan K.K.	6-6 Osaki 3-chome, Shinagawa-ku, Tokyo 141-0032
Malaysia	Givaudan Flavours & Fragrances Malaysia Sdn. Bhd	48 Jalan Kota Laksamana 2/15, Taman Kota Laksamana, Seksyen 2, 75200 Melaka
	Givaudan Business Solutions Asia Pacific Sdn. Bhd	1 First Avenue, Banda Utama, level 12, Bandar Utama, PJU 6, 47800 Petaling Jaya, Selangor
Mexico	Givaudan de México SA de CV	Av. Eje Norte-Sur No. 11 Civac, 62578 Jiutepec Morelos
	Grupo Givaudan S.A. de C.V.	Av. Eje Norte-Sur No. 11 Civac, 62578 Jiutepec Morelos
Myanmar	Givaudan Singapore Pte Ltd (Myanmar Branch)	46A - 2C Excellent Condo, Pantra Street, Dagon Township, Yangon
Netherlands	Givaudan Nederland B.V.	Huizerstraatweg 28, 1411 GP Naarden
	Givaudan Treasury International B.V.	Huizerstraatweg 28, 1411 GP Naarden
	Vika B.V.	Nizolaan 4, 6718 ZC Ede
	Virgula B.V.	Nizolaan 4, 6718 ZC Ede
	Vika Nutrition B.V.	Nizolaan 4, 6718 ZC Ede
	G.A.L.M International B.V.	Nizolaan 4, 6718 ZC Ede
New Zealand	Givaudan NZ Ltd	Level 1 The Lane, Botany Town Center, Te Irirangi Drive, Botany 2010
	Cuisine Resources NZ limited	15 Crosbie Rd, Pukekohe 2120
Nigeria	Givaudan (Nigeria) Limited	Plot 2 and 4, Block D, Amuwo Odofin Industrial scheme, Apapa/Oshodi Expressway, Lagos
Pakistan	Givaudan International SA Pakistan	25 th Floor. The Ocean Tower, Block - 9. Clifton, Karachi - 75600
Peru	Givaudan Peru SAC	Av. Victor Andrés Belaúnde 147, Centro Empresarial Real, Torre Real 1 Piso 11, San Isidro 27 Lima
	Active International SAC	Ambrosio Vucetich, 200 Parque Industrial Mz K - Lt 3 Arequipa
Philippines	Givaudan Singapore Pte Ltd, Regional Operating Headquarter	37/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City 1605
Poland	Givaudan Polska Sp. z o.o.	ul. Puławska 182, IO-1 Building, 02-670 Warszawa

Country	Legal Entity name	Address
Russian Federation	Givaudan Rus LLC	Riverside Towers Business Centre, Floor 7-8, Kosmodamianskaya Naberezhnaya 52/1, 115054 Moscow
Singapore	Givaudan Singapore Pte Ltd	1 Woodland Avenue 8, Singapore 738972
South Africa	Givaudan South Africa (Pty) Ltd	9-11 Brunei Road, Tulisa Park, Johannesburg 2197
South Korea	Givaudan Korea Ltd	11-12/F Trus Tower Building, 60 Mabang-Ro, Seocho.Ku
Spain	Givaudan Ibérica, SA	Pla d'en Batllé s/n, 8470 Sant Celoni, Barcelona
Sweden	Givaudan North Europe AB	Glimmervägen 6, 224 78 Lund
Switzerland	Givaudan SA	Chemin de la Parfumerie 5, 1214 Vernier
	Givaudan Finance SA	Chemin de la Parfumerie 5, 1214 Vernier
	Givaudan Suisse SA	Chemin de la Parfumerie 5, 1214 Vernier
	Givaudan International SA	Chemin de la Parfumerie 5, 1214 Vernier
	Induchem AG	Industriestrasse 8A, 8604 Volketswil
	Activ International SA	Mettlenweg 17, 2504 Bienne
	Vamara Holding SA	Mettlenweg 17, 2504 Bienne
	Select Ingrédient SA	Mettlenweg 17, 2504 Bienne
Taiwan, Republic of China	Givaudan Singapore Pte Ltd, Taiwan Branch	7/F No 303, Hsin Yi Road, Sec 4, Taipei City Taiwan 106
Thailand	Givaudan (Thailand) Ltd	719 KPN Tower, 16 & 25 Floor, Rama 9 Road, Bangkapi Huaykwang, Bangkok 10310
Turkey	Givaudan Aroma ve Esans Sanayi ve Ticaret Ltd. Sirketi	Akat mahallesi, Bilge sokak, Park Maya Sitesi Barclay 19 No 1 daire 6/7 Besiktas, Istanbul
UAE	Givaudan Gulf Trading LLC	Concord Tower, Floor 20 & 36 , Media City, Dubai
	Givaudan Middle East & Africa FZE	Free Zone Establishment, Jafza View 19, First floor, office nbr 129, Jebel Ali Free Zone, Dubai
United Kingdom	Givaudan UK Ltd	Kennington Road, Ashford, Kent TN24 0LT
	Givaudan Holdings UK Ltd	Kennington Road, Ashford, Kent TN24 0LT
	Major International Limited	Higham Business Park, Bury Close, Higham Ferrers, Rushden NN10 8HQ
Ukraine	Givaudan International SA, Representative Office	Pimonenko Str. 13 6B/18, 04050 Kiev
United States of America	Givaudan Flavors Corporation	1199 Edison Drive, Cincinnati, OH 45216
	Givaudan Fragrances Corporation	1199 Edison Drive, Cincinnati, OH 45216
	Givaudan Flavors and Fragrances Inc.	1199 Edison Drive, Cincinnati, OH 45216
	Givaudan United States Inc.	15 East North Street, Dover, Delaware 19901
Venezuela	Givaudan Venezuela SA	Calle Veracruz con calle Cali Torre, ABA Piso 8, Ofic 8A, Las Mercedes, Caracas CP 1060
Vietnam	Givaudan Singapore Pte Ltd, Vietnam Representative Office	Giay Viet Plaza 5th Fl., 180-182 Ly Chinh Thang Street, District 3, Ho Chi Minh City

Givaudan sites worldwide

Country	Address	Legal Entity name	Fragrances	Flavours	Sales/Rep office	Creation/ Application	Production	GRI Scope [1]	GBS Centre
Algeria	Tour A - 4eme Etage, Business Centre Dar El Madina, Micro Zone d'activité Hydra Lot No. 20, 16035 Algers	Givaudan International SA (Suisse) Bureau de Liaison Algérie	✓		✓				
Argentina	San Lorenzo 4759, Esquina Ave Mitre, Munro, Prov. Buenos Aires B 1605 EIO	Givaudan Argentina SA		✓	✓	✓	✓	✓	
	Ruta 9 Panamericana Km 36.5, Partido Malvinas Argentinas, Buenos Aires B1667KOV	Givaudan Argentina SA	✓		✓	●	✓	✓	
	Tronador 4890, 8° piso, Buenos Aires C 1430 DNN CABA	Givaudan Argentina Servicios SA							✓
Australia	12-14 Britton Street, Smithfield, Sydney NSW 2164	Givaudan Australia Pty Ltd		✓			✓	✓	
	Unit 36, 5 Inglewood Place, Baulkham Hills, Sydney NSW 2153	Givaudan Australia Pty Ltd	✓	✓	✓	✓			
	Suite West 11A Ground fl., 215 Bell Street, Preston VIC 3072	Givaudan Australia Pty Ltd		✓	✓				
Austria	Twin Tower Vienna, Wienerbergstrasse 11, 1109 Vienna	Givaudan Austria GmbH		✓	✓	✓			
Brazil	Avenida Engenheiro Billings 2185, Jaguaré, São Paulo SP - 05321-010	Givaudan do Brasil Ltda	✓	✓	✓	✓	✓	✓	
	Avenida Engenheiro Billings 1653 & 1729, Jaguaré, São Paulo SP - 05321-010	Givaudan do Brasil Ltda	✓		✓	✓		✓	
Belgium	Lausbedstraat 4, 3630 Maasmechelen	Naska Ingredients NV		✓			✓		
Canada	2400 Matheson Blvd. East, Mississauga, Ontario L4W 5G9	Givaudan Canada Co.		✓	✓				
Chile	Avda Del Valle 869, oficina 202, Ciudad Empresarial, Comuna de Huechuraba, Santiago de Chile	Givaudan Chile Ltda		✓	✓	✓			
China	15F, Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, 100027 Beijing	Givaudan Flavors (Shanghai) Ltd Beijing Branch		✓	✓	●			
	15F, Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, 100027 Beijing	Givaudan Fragrances (Shanghai) Ltd Beijing Branch	✓		✓				
	668 Jing Ye Road, Jin Qiao Export Area, Pu Dong New Area, 201201 Shanghai	Givaudan Flavors (Shanghai) Ltd		✓	✓	✓	✓	✓	
	298 Li Shi Zhen Road, Zhangjiang High-Tech Park, Pudong New Area, 201203 Shanghai	Givaudan Fragrances (Shanghai) Ltd	✓		✓	✓	✓	✓	
	No. 7 Jianghai Road, Nantong Economic and Technological Development Area, 226017 Nantong, Jiangsu Province	Givaudan Flavours (Nantong) Ltd		✓			✓	✓	
	Unit 5, 15F Shuion Center, No 374-2 Beijing Road, Yue Xiu District, 510030 Guangzhou	Givaudan Flavors (Shanghai) Ltd Guangzhou Branch		✓	✓	●			
	Unit 6-7, 15F Shuion Center, No 374-2 Beijing Road, Yue Xiu District, 510030 Guangzhou	Givaudan Fragrances (Shanghai) Ltd Guangzhou Branch	✓		✓				
	222, Jiang Tian East Road, Songjiang Development Zone, 201600 Shanghai	Givaudan Specialty Products (Shanghai) Ltd	✓	✓			✓	✓	
	Room 2001, 20F Funian Plaza-2, No. 666 Jitai Road, Gaoxin District, 610041 Chengdu, Sichuan Province	Givaudan Flavors (Shanghai) Ltd Chengdu Branch		✓	✓	●			
	Room A1301, Bldg 2, No. 80 Jin Shui Road (East), New Green City, Zhengzhou, He Nan Province	Givaudan Flavors (Shanghai) Ltd Zhengzhou Branch		✓	✓				
	Unit 1001, 10 F Miramar Tower, 132 Nathan Road, Tsim Sha Tsui	Givaudan Hong Kong Ltd	✓	✓	✓				

Country	Address	Legal Entity name	Fragrances	Flavours	Sales/ Rep office	Creation/ Application	Production	GRI Scope [1]	GBS Centre
Colombia	Carrera 98 No. 25 G - 40, 151196 Bogotá D.C.	Givaudan Colombia SAS	✓	✓	✓	✓			
Czech Republic	Klimentská 10, Praha 110 00	Givaudan CR, s.r.o.		✓	✓				
Egypt	Piece 37, Industriel Zone 3, 6th of October City	Givaudan Egypt SAE		✓	✓	✓	✓	✓	
	46 El Thawra st., 3rd floor, Appt 304, Heliopolis	Givaudan Egypt Fragrances LLC	✓		✓				
Finland	Niemenkatu 73, 15140 Lahti	Givaudan International SA, Branch in Finland		✓	✓				
France	46, avenue Kléber, 75116 Paris	Givaudan France SAS	✓		✓	✓			
	55 Rue de la Voie des Bans, 95102 Argenteuil Cedex	Givaudan France SAS	✓		✓	✓		✓	
	19-23 Rue de la Voie des Bans, 95102 Argenteuil Cedex	Givaudan France SAS		✓	✓	✓		✓	
	Route de Bazancourt, 51110 Pomacle	Givaudan France SAS	✓		✓		✓	✓	
	Anse du Pors Gelin, 22560 Pleumeur Bodou	Givaudan France SAS	✓				✓	✓	
	3 Rue des Satellites, 31400 Toulouse	Givaudan France SAS	✓			●			
	16 rue Henri Becquerel, BP 525 - ZI Mitry Compans, 77295 Mitry Mory	Activ International SAS		✓			✓		
Germany	Giselherstrasse 11, 44319 Dortmund	Givaudan Deutschland GmbH		✓	✓	✓	✓	✓	
	Lehmweg 17, 20251 Hamburg	Givaudan Deutschland GmbH	✓		✓				
Guatemala	Boulevar Los Proceres 18, Calle 24-69 Zona 10, Empresarial Zona Pradera, Torre 1, Oficiana 1201-01010	Givaudan Guatemala SA	✓	✓	✓				
Hungary	Királyhegyesi út 3, 6900 Makó	Givaudan Hungary Kft		✓	✓		✓	✓	
	Bence utca 1. , Váci Greens B, 1138 Budapest	Givaudan Business Solutions Kft							✓
India	Plot No. 30, Survey No. 168, Dabhel Industrial Estate, Daman 396210	Givaudan (India) Pvt Ltd		✓			✓	✓	
	Survey No. 57/3 (2) & 3, Village Dunetha, Daman 396 210	Givaudan (India) Pvt Ltd		✓			✓	✓	
	Plot No. 26, 2nd Cross Jigani Industrial Area, Anekal Taluk, Jigani, Bangalore, Karnataka 560 105	Givaudan (India) Pvt Ltd	✓				✓	✓	
	13th Floor Prestige Meridian 1, 29 MG Road, Bangalore, 560001	Givaudan (India) Pvt Ltd	✓	✓	✓				
	401 Akruti Centre Point, 4th Floor, MIDC Central Road, MIDC, Andheri (East), Mumbai 400093	Givaudan (India) Pvt Ltd	✓	✓	✓	✓			
	406-410, 4th Floor, JMD Pacific Square, Sector 15, Part II, Gurgaon 122001, Haryana	Givaudan (India) Pvt Ltd	✓	✓	✓				
	H-2 Ranjangaon Industrial Area Phase II, Pune 412209	Givaudan (India) Pvt Ltd	✓	✓			✓		
Indonesia	Jl. Raya Jakarta-Bogor Km 35, Cimanggis Depok, 16951 West Java	PT. Givaudan Indonesia	✓	✓			✓	✓	
	Menara Anugrah 7th - 9th Floor, Kantor Taman E3.3, Jl. Mega Kuningan Lot 8.6 - 8.7, Kawasan Mega Kuningan, 12950 Jakarta	PT. Givaudan Indonesia	✓	✓	✓	✓			
Iran	P.O. Box 15175/534 - No.202 - 204, Gol Bld., Gol Alley, After Park Saei, Vali Asr, Tehran	Givaudan International SA, Iran Branch	✓	✓	✓				

Country	Address	Legal Entity name	Fragrances	Flavours	Sales/Rep office	Creation/ Application	Production	GRI Scope [1]	GBS Centre
Italy	Via XI Febbraio 99, 20090 Vimodrone (MI)	Givaudan Italia SpA	✓	✓	✓	●			
Ivory Coast	Centre D'affaire Regus - Plateau Imm. BSIC, 5th fl., 7 Avenue Nogues, 01BP 5754 Abijan	Givaudan International SA (Bureau de représentation en Côte d'Ivoire)	✓	✓	✓				
Japan	3014-1 Shinohara-cho, Yokohama-shi, Kanagawa 222-0026	Givaudan Japan K.K.	✓		✓	✓			
	3056 Kuno, Fukuroi-shi, Shizuoka 437-0061	Givaudan Japan K.K.			✓		✓	✓	
	3-6-6 Tokiwa New Building, Osaki, Sinagawa-Ku, Tokyo 141-0032	Givaudan Japan K.K.		✓	✓	✓			
Korea (Republic of)	11/F Trust Tower Bldg, 60 Mabang-ro, Seocho-Gu, Seoul 06775	Givaudan Korea Ltd	✓		✓	●			
	12/F Trust Tower Bldg, 60 Mabang-ro, Seocho-Gu, Seoul 06775	Givaudan Korea Ltd		✓	✓	●			
Malaysia	A-901 Menara 1, Kelana Brem Towers, Jalan SS 7/15 (Jalan Stadium), 47301 Petaling Jaya Selangor Darul Ehsan	Givaudan Flavours & Fragrances Malaysia Sdn. Bhd	✓	✓	✓	✓			
	No. 121, Jalan Usaha 10, Kawasan Perindustrian Ayer Keroh, 75450 Malacca	Givaudan Flavours & Fragrances Malaysia Sdn. Bhd		✓			✓		
	1 First Avenue, Banda Utama, level 12, Bandar Utama, PJU 6, 47800 Petaling Jaya, Selangor	Givaudan Business Solutions Asia Pacific Sdn Bhd							✓
Mexico	Camino a Quintanares Km. 1.5, Pedro Escobedo, 76700 Queretaro	Givaudan de México SA de CV	✓				✓	✓	
	Av. Eje Norte-Sur No. 11 Civac, 62578 Jiutepec Morelos	Givaudan de México SA de CV		✓	✓	✓	✓	✓	
	Av. Paseo de la Reforma #2620, piso 12 Edificio Reforma Plus, Col. Lomas Altas, 11950 Mexico, D.F	Givaudan de México SA de CV		✓	✓				
	Av. Paseo de la Reforma #2620, piso 9 Edificio Reforma Plus, Col. Lomas Altas, 11950 Mexico, D.F	Givaudan de México SA de CV	✓		✓	✓			
Myanmar	46A - 2C Excellent Condo, Pantra Street, Dagon Township, Yangon	Givaudan Singapore Pte Ltd (Myanmar Branch)	✓	✓	✓	●			
Netherlands	Huizerstraatweg 28, 1411 GP Naarden	Givaudan Nederland B.V.		✓	✓	✓	✓	✓	
	Nijverheidsweg 60, 3771 ME Barneveld	Givaudan Nederland B.V.		✓			✓	✓	
	Nizolaan 4, 6718 ZC Ede	Vika B.V.		✓		✓	✓		
New Zealand	Level 1, The Lane, Botany Town Center, Te Irirangi Drive, Botany 2010	Givaudan NZ Ltd		✓	✓				
	15 Crosbie Rd, Pukekohe 2120	Cuisine Resources NZ limited		✓			✓		
Nigeria	Plot 2 and 4, Block D, Amuwo Odofin Industrial scheme, Apapa/ Oshodi Expressway, Lagos	Givaudan (Nigeria) Limited	✓	✓	✓	●			
Pakistan	25 th Floor. Ocean Tower, Block - 9. Clifton, Karachi - 75600	Givaudan International SA Pakistan		✓	✓	●			
Peru	Av. Victor Andrés Belaúnde 147, Centro Empresarial Real, Torre Real 1 Piso 11, San Isidro 27 Lima	Givaudan Peru SAC	✓	✓	✓	●			
	Ambrosio Vucetich, 200 Parque Industrial Mz K - Lt 3 Arequipa	Active International SAC		✓			✓		
Philippines	37/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City 1605	Givaudan Singapore Pte Ltd, Regional Operating Headquarter	✓	✓	✓	●			

Country	Address	Legal Entity name	Fragrances	Flavours	Sales/Rep office	Creation/ Application	Production	GRI Scope [1]	GBS Centre
Poland	ul. Puławska 182, IO-1 Building, 02-670 Warszawa	Givaudan Polska Sp. z o.o.		✓	✓				
Russian Federation	Riverside Towers Business Centre, Floor 7-8, Kosmodamianskaya Naberezhnaya 52/1, 115054 Moscow	Givaudan Rus LLC		✓	✓	✓			
	Delovoy dom B-5, floor 9, Botanicheskiy pereulok 5, 129090 Moscow	Givaudan Rus LLC	✓		✓	✓			
Singapore	1 Woodlands Avenue 8, Singapore 738972	Givaudan Singapore Pte Ltd	✓	✓	✓	✓	✓	✓	
	1 Pioneer Turn, Singapore 627576	Givaudan Singapore Pte Ltd	✓		✓	✓	✓	✓	
	19 Chin Bee Road, Singapore 619833	Givaudan Singapore Pte Ltd		✓			✓	✓	
South Africa	9-11 Brunel Road, Tulisa Park, Johannesburg 2197	Givaudan South Africa (Pty) Ltd		✓	✓	✓	✓	✓	
	51A Galaxy Avenue, Linbro Business Park,Frankenwald, Sandton 2065	Givaudan South Africa (Pty) Ltd	✓		✓	●			
Spain	Pla d'en Batllé s/n, 8470 Sant Celoni, Barcelona	Givaudan Ibérica, SA	✓	✓	✓	△	✓	✓	
	Edificio Géminis, Bloque B 1° 2a, Parque de Negocios Mas Blau, 8820 El Prat de Llobregat, Barcelona	Givaudan Ibérica, SA	✓		✓				
Sweden	Hedvig Möllers gata 17, 22355 Lund	Givaudan North Europe AB		✓	✓				
Switzerland	Überlandstrasse 138, 8600 Dübendorf	Givaudan Schweiz AG		✓			✓	✓	
	Überlandstrasse 138, 8600 Dübendorf	Givaudan International AG		✓	✓	✓		✓	
	8310 Kemptthal	Givaudan Schweiz AG		✓		●	✓	✓	
	8310 Kemptthal	Givaudan International AG		✓		△		✓	
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan Suisse SA	✓				✓	✓	
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan International SA	✓		✓			✓	
	Industriestrasse 8A, 8604 Volketswil	Induchem AG	✓			✓	✓	✓	
	Mettlenweg 17, 2504 Bienne	Activ International SA		✓	✓				
Taiwan, PR China	7/F, No 303, Hsin Yi Road, Sec 4, Taipei City, Taiwan 106	Givaudan Singapore Pte Ltd, Taiwan Branch	✓	✓	✓	●			
Thailand	719 KPN Tower, 16 & 25 Floor, Rama 9 Road, Bangkapi Huaykwang, Bangkok 10310	Givaudan (Thailand) Ltd	✓	✓	✓	●			
Turkey	Ebulula Cad. Lale Sok., Park Maya Sitesi Barclay 19A Daire 6-7, Akatlar, Besiktas / Istanbul 34335	Givaudan Aroma ve Esans Sanayi ve Ticaret Ltd. Sirketi	✓		✓				
	Büyükdere Cad. Telpa Plaza., No 195 K.3, Levent, Istanbul 34394	Givaudan Aroma ve Esans Sanayi ve Ticaret Ltd. Sirketi		✓	✓	✓			
UAE	Concord Tower, Floor 20 & 36 , Media City, Dubai	Givaudan Gulf Trading LLC	✓	✓	✓	✓			
	Free Zone Establishment, Jafza View 19, First floor, office nbr 129, Jebel Ali Free Zone, Dubai	Givaudan Middle East & Africa FZE	✓	✓	✓				

Country	Address	Legal Entity name	Fragrances	Flavours	Sales/Rep office	Creation/ Application	Production	GRI Scope [1]	GBS Centre
United Kingdom	Magna House, 76-80 Church Street, Staines, Middx. TW18 4XR	Givaudan UK Ltd	✓		✓				
	Chippenham Drive, Kingston, Milton Keynes MK10 OAE	Givaudan UK Ltd		✓	✓	✓			
	Kennington Road, Ashford, Kent TN24 0LT	Givaudan UK Ltd	✓		✓	✓	✓	✓	
	Higham Business Park, Bury Close, Higham Ferrers, Rushden NN10 8HQ	Major International Limited		✓			✓		
Ukraine	Pimonenko Str. 13 6B/18, 04050 Kiev	Givaudan International SA, Representative Office		✓	✓				
United States of America	880 West Thorndale Avenue, Itasca, IL 60143	Givaudan Flavors Corporation		✓			✓	✓	
	580 Tollgate Road, Suite A, Elgin, IL 60123	Givaudan Flavors Corporation		✓	✓	✓			
	1199 Edison Drive 1-2, Cincinnati, OH 45216	Givaudan Flavors Corporation		✓	✓	✓		✓	
	245 Merry Lane, East Hanover, NJ 07936	Givaudan Flavors Corporation		✓	✓	✓	✓	✓	
	9500 Sam Neace Drive, Florence, KY 41042	Givaudan Flavors Corporation		✓			✓	✓	
	4705 U.S. Highway 92 East, Lakeland, FL 33801-3255	Givaudan Flavors Corporation		✓	✓		✓	✓	
	100 East 69th Street, Cincinnati, OH 45216	Givaudan Flavors Corporation		✓			✓	✓	
	International Trade Center, 300 Waterloo Valley Road, Mount Olive, NJ 07828	Givaudan Fragrances Corporation	✓				✓	✓	
	40 West 57th St. 11th floor, New York, NY 10019	Givaudan Fragrances Corporation	✓		✓	✓			
	717 Ridgedale Avenue, East Hanover, NJ 07936	Givaudan Fragrances Corporation	✓		✓	✓			
	535 Fifth AVenue, Floor 23, New-York, NJ 10017	Givaudan Fragrances Corporation	✓		✓	✓			
	195 Alexandra Way, Carol Stream, IL 60188	Givaudan Flavors Corporation		✓	✓		✓	✓	
	6 Santa Fe Way, Cranbury, NJ 08512	Givaudan Flavors Corporation		✓	✓		✓	✓	
	21 Worlds Fair Drive, Sommerset, NJ 08846	Activ International Inc.		✓			✓		
Venezuela	Calle Veracruz con calle Cali Torre, ABA Piso 8, Ofic 8A, Las Mercedes, Caracas CP 1060	Givaudan Venezuela SA	✓	✓	✓	●			
Vietnam	Giay Viet Plaza 5th Fl., 180-182 Ly Chinh Thang Street, District 3, Ho Chi Minh City	Givaudan Singapore Pte Ltd, Vietnam Representative Office	✓	✓	✓	●			

1. Locations taken into account for the environment, health and safety performance indicators.

Icons within the category Creation/Application indicate the following: ● Application only △ Creation only

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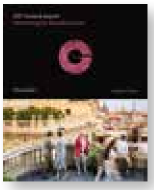
Overview of annual publications

Online 2017 Annual Report

Available in English
– From 26 January 2018
– www.givaudan.com – investors – online annual report

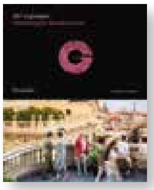
Content
Online overview of our financial and business performance, Governance and Compensation, as well as our business enablers, stories and a full download centre.



2017 Annual Report

Available in English
– PDF from 26 January 2018
– Print from 22 March 2018
– www.givaudan.com – media – publications

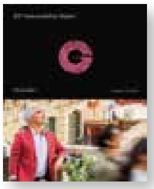
Content
Full Annual Report: Strategic value creation, Performance review, Governance and Compensation, and the Financial Report.



2017 Highlights

Available in English, French and German
– PDF and print from 22 March 2018
– www.givaudan.com – media – publications

Content
Business and financial highlights in addition to the Chairman and CEO reviews and the highlights of the Governance and Compensation reports.



2017 Sustainability Report

Available in English
– PDF from 20 March 2018
– www.givaudan.com – sustainability – publications

Content
Management and performance information on our environmental, social and economic impacts.

To order publications:
www.givaudan.com – media – publications

Givaudan Foundation

2017 Annual Report

Available in English
PDF from 22 March 2018
www.givaudan-foundation.org

The Givaudan Foundation is a non-profit organisation created in 2013 as a result of Givaudan's desire to reinforce its commitment towards the communities in which it operates. The foundation's purpose is to initiate and support projects as well as to grant donations in the areas defined by its vision and mission.

One of the causes supported by the foundation is to safeguard the future of communities and their fragile environment. There is a specific focus on three areas in which Givaudan as a company is already engaged and where its expertise and experience can be leveraged to make a difference: communities at source, blindness and nutrition. The Givaudan Foundation works closely with and relies on resources provided by Givaudan to conduct and monitor its projects. The Foundation also operates with local partners to ensure the efficient deployment of projects and their relevance to those who are intended to benefit from them.

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