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**Creating and sharing value – Story 1**  
Driving digital innovation in Fragrances

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**Creating and sharing value – Story 2**  
Raising our ambitions to become climate positive

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**Creating and sharing value – Story 3**  
The future of protein

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# 2019

Integrated  
Annual Report

# Performance highlights

## Creating responsible growth

EBITDA  
in CHF million

**1,275**

Net income  
in CHF million

**702**

EBITDA as a  
% of sales

**20.6%**

Proposed dividend  
per share in CHF

**62.00**

Absolute scope 1 + 2  
GHG emissions<sup>1</sup>

**-17%**

Renewable  
electricity

**75%**

Employees

**14,969**

Lost time injury rate<sup>2</sup>

**-79%**

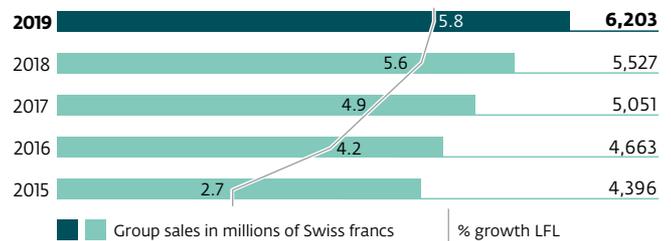
1. Since 2015, as at 30 September 2019.
2. Since 2009.
3. Like-for-like excludes the impact of currency, acquisitions and disposals.

### Group sales

CHF **6,203** million

Growth LFL<sup>3</sup>

**+5.8%**

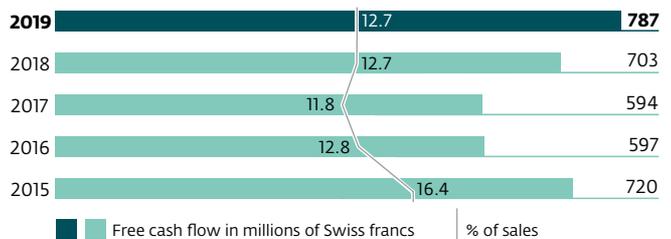


### Free cash flow

CHF **787** million

As a % of sales

**12.7%**



#### Climate Change

Givaudan has received CDP's highest 'A score' for its leadership in climate action. We were recognised for our actions to cut emissions, mitigate climate risks and develop the low-carbon economy.



#### Supplier engagement

We earned a place on the CDP Supplier Engagement leader board in recognition of our actions and strategies to reduce emissions and lower climate-related risk across our supply chain.



#### EcoVadis Gold

Givaudan has ranked in the top 1% of the 55,000 companies participating in the 2019 EcoVadis Corporate Social Responsibility (CSR) assessment with a score of 72/100. This result earned Givaudan a gold rating for the sixth year in a row.

## 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 key segments including beverages, sweet goods, dairy and savoury. We explore the globe for ingredients, innovate to bring our customers unique propositions, and delight millions of consumers around the world.

#### Sales

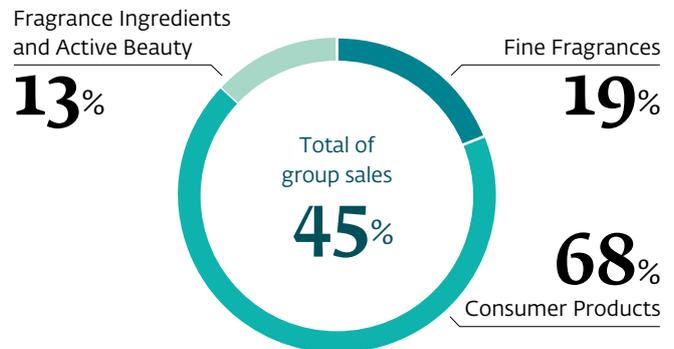


## Fragrance Division

### We live to perfume life

The artistry of our perfumers encompasses a myriad of scented stories for brands everywhere. Our customers serve the consumer markets with fragrances for body, household and laundry brands, as well as prestige fragrances, creating unforgettable fragrances. And for nature-derived beauty performance, our Active Beauty business offers a comprehensive portfolio of award-winning cosmetic ingredients that incorporate the power of nature.

#### Sales



#### SIX Switzerland Sustainability 25 Index®

We have been ranked in the list of the top 25 sustainable companies in the 2019 SIX Switzerland Sustainability 25 Index®, reflecting our strong commitment to sustainability, best exemplified by our 'A Sense of Tomorrow' approach.



#### Best-performing CEOs

Our CEO Gilles Andrier ranked number 30 on the prestigious Harvard Business Review's (HBR) annual ranking of 100 best-performing CEOs in the world. The ranking is based both on financial performance and environmental, social and governance (ESG) ratings.

# Key figures

## fully on track to deliver 2020 guidance

### Sustainable performance review

For the year ended 31 December, in millions of Swiss francs, except for environment and social data	2019	2018	Percentage change
<b>Economic</b>			
Group sales	6,203	5,527	12.2%
Like-for-like sales growth	5.8%	5.6%	
Gross profit	2,530	2,329	8.7%
as % of sales	40.8%	42.1%	
EBITDA <sup>1</sup>	1,275	1,145	11.4%
as % of sales	20.6%	20.7%	
Operating income	920	883	4.2%
as % of sales	14.8%	16.0%	
Income <sup>2</sup>	702	663	6.0%
as % of sales	11.3%	12.0%	
Operating cash flow	1,136	916	24.0%
as % of sales	18.3%	16.6%	
Free cash flow	787	703	11.9%
as % of sales	12.7%	12.7%	
Total assets	10,396	9,277	12.1%
Net debt	3,679	2,847	29.2%
Leverage ratio	47%	41%	
Share price as of last trading day of December (CHF)	3,031	2,276	33.2%
Cash dividend <sup>3</sup> (CHF)	62	60	3.3%
Earnings per share – basic (CHF)	76.17	71.92	5.9%
<b>Environmental</b>			
GHG emissions scope 1 + 2 <sup>4</sup>	(17.0%)	(13.9%)	22.3%
Renewable electricity	75.0%	69.4%	8.1%
<b>Social</b>			
Number of employees as at 31 December (FTE)	14,969	13,598	10.1%
Women in total work force	38.5%	38.2%	0.9%
Women in senior management	26.0%	24.0%	8.3%
Lost time injury rate	0.22	0.25	(12.0%)
Turnover rate	10.0%	12.0%	(16.7%)
Main direct suppliers assessed via SEDEX	80.0%	78.0%	2.6%

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

2. The income is 100% attributable to equity holders of the parent

3. 2019 dividend subject to shareholder approval at the AGM on 25 March 2020.

4. Compared to baseline year 2015. 2019 figure as at 30 September.

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

# 2019 Integrated Annual Report

## Creating and sharing value

This report outlines how we successfully created and shared value for our stakeholders during 2019. Givaudan takes every opportunity for growth and shared success by transforming our financial and intangible capitals into value for not only the Company, but also for employees, society and the environment.

We remain on track to achieve our ambitious 2020 targets as we move towards the end of our current five-year strategy cycle. We continue our reporting of this progress on the lines set out for integrated reporting – progress that allows us to drive sustainable, long-term performance while improving people’s happiness and health and helping the environment.



**Calvin Grieder**  
Chairman



**Gilles Andrier**  
Chief Executive Officer

### 2019 reporting suite

- Integrated Annual Report
- Governance, Compliance and Financial Report
- Company Highlights
- Online Integrated Report
- Sustainability GRI Index
- Our Sustainability Approach
- Sustainability Highlights

### References used



References to other pages in this report, other reports, documents or our websites for more information



Indicates UN Sustainable Development Goals Givaudan contributes to



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“ I thank you all for your commitment to and investment in Givaudan.

Calvin Grieder, Chairman

# Chairman's introduction

## Fostering a culture of excellence

I am pleased to report we finished the fourth year of our 2020 strategy with a strong performance. I am proud of all we achieved, and would like to thank you all for your commitment and investment in Givaudan.

In 2019, we delivered solid topline growth and free cash flow generation, in line with our 2020 financial targets. On the basis of Givaudan's strong performance in 2019, and its continued solid financial position, the Board of Directors will propose an increase in the dividend to CHF 62.00 at the Annual General Meeting on 25 March 2020. This is the nineteenth increase since our listing on the Swiss stock exchange.

Overall, we continued to deliver strong financial results and long-term value creation for all our stakeholders. Our strategic focus areas, driven by global megatrends and changing consumer preferences, led us to further evolve our business through acquisitions and investments for the future. The addition of several companies enhanced our ability to deliver complete solutions, extend our reach with local and regional customers, and grow opportunities in attractive adjacent spaces. Investing in our business for the long term, we also

“Our newly defined purpose marks a new chapter in our 250-year heritage.

**Gilles Andrier, CEO**

continued to expand our global presence with a number of new facilities and state-of-the-art innovation centres, ensuring close proximity to our customers and consumers.

In 2020, while we see an unsettled external economic and political landscape, the outlook for our business remains strong. Our strategic focus areas remain very relevant to shifting global trends, and we are positioned to act quickly to deliver for our customers. High growth markets will remain a key strategic focus area. Our expanded portfolio will continue to allow us to develop new and differentiated solutions for our customers. Local and regional customers will also continue to be of strategic importance, requiring us to adapt our offering and processes in more customised ways. And the role of biotechnology and digital technologies present exciting opportunities to innovate in our creation process, developing a broader and future-proof palette of ingredients for our customers.

We are proud to be Givaudan and have sharpened our understanding of why we are working for Givaudan – 'Creating for happier, healthier lives with love for nature. Let's imagine together' very well articulates why we do what we do. It represents the strong commitment we make to our customers, our people, and the planet to go beyond financial targets, and make a meaningful contribution to address the challenges faced by society. It sets our intention for the years to come, sits at the heart of our strategy going forward, and is lived by our employees day-to-day.

The climate crisis is one area where businesses need to be stronger in their actions to avoid the potential disruption to economies, society, people and planet. We've set ourselves the highest bar of becoming a climate-positive business before 2050. This is bold in scope and scale, and will require new ways of operating and interacting with our stakeholders. We have a long heritage of delivering excellence and I am pleased to report that we have again been recognised by CDP, the non-profit global environmental disclosure platform, which has awarded us an 'A score' for climate change. In 2019, for the first time, Givaudan was ranked in the list of top 25 sustainable companies in the SXI Switzerland Sustainability 25 Index®, recognising our sustainability endeavours.

We continue to focus our efforts on succession planning. With an excellent talent and succession programme in place for a number of years, we have a strong group of senior leaders for today and for the future. We have an experienced team in place at the Board level, and at all levels we continue to ensure we have the necessary competencies and the right blend of expertise and experience. In 2021, three of our long-standing Board members will stand down from their positions. To ensure continuity we will propose two new members to stand for election at the Annual General Meeting in 2020 and an additional member in 2021.

We are well positioned for the future and I have every confidence that Givaudan will continue on its successful path. We will continue to create further shareholder value through profitable, responsible growth, guided by the purpose of our Company.

I'd like to express my thanks and gratitude to my fellow members of the Board of Directors, the Executive Committee and all our employees worldwide for their hard work and dedication. It is their contribution and passion that makes Givaudan a unique place to work.

Finally, I would like to thank our shareholders for their trust and continuing support.



**Calvin Grieder**  
Chairman

# Chief Executive Officer's review

## Becoming a purpose-led business

We reached important crossroads in 2019. Four years into our 2020 strategy cycle, we delivered another year of strong performance while also preparing for our next chapter, powered by our newly defined Company purpose and with a significantly expanded portfolio from recently acquired companies.

### Strong financial performance

With our customers at the heart of everything we do and navigating a changing external environment, we were able to deliver a strong performance in 2019. We delivered sales of CHF 6,203 million, an increase of 5.8% on a like for like basis, and 12.2% in Swiss francs, as well as a free cash flow of 12.7% of sales, both in line with our 2020 financial targets. Our growth was well balanced between our Flavour and Fragrance divisions driven by the strong operational progress we made across all areas of the strategic pillars of our 2020 strategy. This performance recognises the value we bring to our customers, the strength of our business, and the hard work and dedication of all our employees.

### Thriving in a changing world

The global megatrends and rapidly changing consumer behaviours that have played out over the last few years continued to bring new opportunities to our business.

We saw increasing disruption stemming from consumers seeking natural, organic and clean products, digitalisation, and the need to take bolder actions on the climate crisis. Our business has continued to respond effectively, developing both internal capabilities but also seeking new partnerships and joining forces with companies to provide a stronger offer for our customers. We continued to successfully implement our

Givaudan Business Solutions organisation, which integrates a range of core business solutions to improve our agility and reduce the complexity of our internal processes to focus entirely on delivering a superior customer experience.

While our Company has grown and expanded, responding to the numerous opportunities available, many constants remain. At the core of our business is our relationship with our customers. Providing them with the creative and innovative solutions that are loved by consumers is what motivates us every day. Our people also drive our success. Being a 'great place to work' is our ambition, and we continue to increase our efforts to engage our people, investing in their development and creating an inclusive culture where all our people grow and succeed. Our latest Employee Engagement Survey showed a strong and improving overall score, above external benchmarks.

I would like to share with you some examples of how our Company has continued to thrive in a changing world.

### The changing shape of our Company

Our Company continued to grow in size and scope as we expanded our portfolio through acquisitions. We welcomed the addition of Golden Frog, drom, Albert Vieille, Fragrance Oils and the cosmetics business of AMSilk GmbH to the Givaudan Group. We announced our intention to acquire Ungerer and the cosmetics business of Indena. Since 2014, we have announced 15 acquisitions which represent an additional CHF 1.5 billion of annualised sales. With each of these acquisitions we are not only combining our expertise and product portfolios, but also enriching and evolving our culture. Our integration approach is to preserve and enhance the strengths of these acquired companies and incorporate their values into our DNA.

We continued to strengthen our market-leading position in Naturals, completing the acquisition of Golden Frog, a Vietnamese flavour company. This builds on the other acquisitions we have made in recent years to provide customers with a broader range of flavour and taste solutions that match consumer demands for clean label, organic and natural ingredients.

In our Fragrance Division, we acquired companies that support our strategic ambitions with local and regional customers, health and wellness and vertical integrations. Founded in 1911, drom has a long heritage in fragrance creation with capabilities in many parts of the world serving local and regional customers. We also acquired Fragrance Oils, a leading UK-based manufacturer and marketer of innovative speciality fragrances for fine fragrances, personal and home care applications. This acquisition also expands our capabilities to serve local and regional customers.

We acquired Albert Vieille, a French company specialised in natural ingredients used in the fragrance and aromatherapy markets. For our Active Beauty business we acquired the cosmetics business of AMSilk, which offers an expanded portfolio of natural and biosourced products supported by a strong research and development biotechnology platform.

We continued to build our presence in high growth markets, allowing us to be even closer to our customers. In 2019, we opened our newest Fragrance encapsulation facility in Singapore, a Flavours production facility in Pune, a Flavours technical and commercial centre in Casablanca and an extension to our Nantong production facility.

### Innovating to stay relevant

Building on our 250 years' pioneering heritage, our new flagship Zurich Innovation Centre is the latest example of Givaudan's strong innovation culture. As the newest addition to our large network of research and creation centres, it will act as a key enabler to deliver breakthrough science and technology solutions for our customers while tackling the industry's most pressing challenges. With over 300 employees, the centre provides an inspiring space designed for co-creation, collaboration and innovation to work in partnership with our customers, start-ups and universities.

Providing new, innovative solutions for our customers is critical to maintain our competitive advantage. In 2019, we launched Scentaurus®, a family of fragrance precursors to expand the palette of ingredients available for our perfumers; FiveCarbon Path™, a sustainability vision to drive all new molecule developments in perfumery; and Ambrofix, a biotechnology approach for the most widely used biodegradable fragrance ingredient. In Active Beauty, we launched Sensityl™, an active cosmetic ingredient that fuses nature and scientific expertise to offer consumers dual benefits on beauty and well-being. Playing our role to develop the future of food, we explored new culinary concepts for meat and plant proteins during Givaudan's Chef's Council 2019, and announced a breakthrough fat encapsulation technology for plant protein.

Driving digital innovation saw us launch 'Carto', an AI-powered tool that reinvents the way perfumers create. Bringing together

science and technology in the creation process, the tool allows perfumers to focus on what they do best: crafting and inspiring new creations. It efficiently brings to life their ideas, inspirations and creative concepts while removing repetitive tasks.

### Taking our sustainability ambition to the highest level

We recognise strong action is needed to mitigate the most damaging effects of climate change. We joined the global movement of leading companies committed to set 1.5°C science-based emissions reduction targets aligned with a net-zero future. Signing the UN Pledge is a milestone on Givaudan's path to reaching its ambition of becoming climate-positive before 2050. We've gone to the highest level by aligning our GHG emission targets to limit global warming at 1.5°C above pre-industrial levels, the most ambitious goal of the Paris Agreement. This builds on our other measures such as converting our entire electricity supply to fully renewable sources by 2025 and finding ways to be more energy efficient across our operations.

Our sustainability commitments continued to be externally recognised. In the 2019 EcoVadis survey we came in the top 1% of the 55,000 participating companies, earning a gold rating for the fifth year in a row. CDP, a non-profit global environmental disclosure platform, awarded us its highest 'A score' for climate change. It confirms the success of our strategy 'Responsible growth. Shared Success.' to ensure the highest sustainability standards for our customers and shareholders, as well as for the planet.

### Our newly defined purpose

In November, we announced our newly defined purpose, 'Creating for happier, healthier lives with love for nature. Let's imagine together'. It is supported by bold and ambitious goals, including becoming a climate-positive business before 2050, and doubling our business through creations that contribute to happier, healthier lives by 2030.

For the last 250 years our creations have inspired emotions and touched millions of lives. By defining the 'why' behind what we do, we are providing a compass to further guide our choices and set strategic goals. Our purpose and supporting ambitions will drive sustainable, long-term performance while leading the way to improve happiness and health for people and nature. We are committed to contribute even more to our customers, our people, society and nature.

### Key priorities for 2020

We enter the final year of our 2020 strategy confident we will deliver on the goals we set for this strategy cycle, but we also remain alert to the evolving market environment and the need to adapt and stay agile.

Innovation, digitalisation and sustainability will continue to challenge our approaches, providing opportunities to do things differently and offer differentiation for our customers. Givaudan Business Solutions, set up to drive the 'Delivering with excellence' pillar of our strategy, will be fully established in 2020. It will support us in creating the additional financial resources needed to continue growing with our customers.

Throughout this Integrated Annual Report you will discover the many ways our employees have advanced on our strategic goals, driving towards our vision of 'Responsible Growth. Shared Success.' It is their daily passion and commitment that makes Givaudan an inspiring place to work and I am proud of all their achievements.

Launching our newly defined purpose marks a new chapter in our 250 years. It is our compass to guide our strategic choices and live by it in our day-to-day actions. I am excited about making the final push to deliver our 2020 strategy and about the opportunities ahead.



**Gilles Andrier**  
Chief Executive Officer

## Our purpose

Creating for happier, healthier lives with love for nature.  
Let's imagine together.

<p><b>CREATIONS</b> Let's imagine together with our customers that through our creations more people will enjoy happier, healthier lives.</p> 	<p><b>NATURE</b> Let's imagine together that we show our love for nature in everything we do.</p> 	<p><b>PEOPLE</b> Let's imagine together that Givaudan is a place where we all love to be and grow.</p> 	<p><b>COMMUNITIES</b> Let's imagine together that all communities benefit by working with Givaudan.</p> 
<p><b>Contribution to our customers' success</b> By 2030, we will double our business through creations that contribute to happier, healthier lives.</p>	<p><b>Climate-positive business</b> Before 2050, we will be a climate-positive business (scope 1, 2 &amp; 3).</p> <p><b>Rethinking plastics</b> Before 2030, we will replace single-use plastics with eco-friendly alternatives across our sites and operations.</p>	<p><b>Inclusion</b> Before 2030, we will be an even more balanced and inclusive company.</p> <p><b>Care</b> Before 2025, we will improve how we care for all of our people.</p>	<p><b>Suppliers</b> By 2030, we will source all materials and services in a way that protects people and the environment.</p> <p><b>Communities where we source and operate</b> By 2030, we will improve the lives of millions of people in communities where we source and operate.</p>

# Progress against our strategy

Our 2020 strategy: Responsible growth. Shared success.

<p><b>PERFORMANCE 2019</b></p> <p><b>5.8%</b> Organic sales growth</p>	<p><b>12.7%</b> Free cash flow as % of sales</p>	<ul style="list-style-type: none"> <li>➤ New innovative partnerships</li> <li>➤ Increased strategic networks</li> </ul>
<p><b>TARGET 2020</b></p> <p><b>4-5%</b> Average organic sales growth<sup>1</sup></p>	<p><b>12-17%</b> Average free cash flow as % of sales<sup>1</sup></p>	<p><b>Partner of choice</b></p>
<p>Growing with our customers</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>High growth markets</p> </div> <div style="text-align: center;">  <p>Health and well-being</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;">  <p>Consumer preferred products</p> </div> <div style="text-align: center;">  <p>Integrated solutions</p> </div> </div>	<p>Delivering with excellence</p> <div style="text-align: center;">  <p>Excellence in execution</p> </div>	<p>Partnering for shared success</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Innovators</p> </div> <div style="text-align: center;">  <p>Suppliers</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;">  <p>People</p> </div> <div style="text-align: center;">  <p>Communities</p> </div> </div>

We continue to make strong operational progress across all areas of the strategic pillars. This performance recognises the value we bring to our customers, the strength of our business, and the hard work and dedication of all our employees.

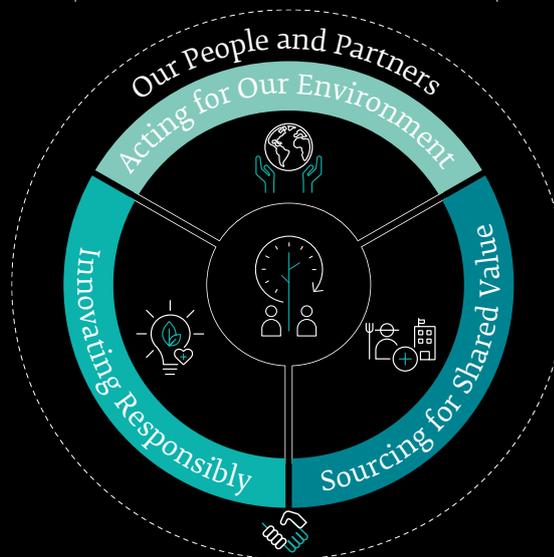
## Creating additional value through acquisitions

15 acquisitions announced since 2014. Approximately CHF 1.5 billion of incremental sales.

1. Over a five-year period by 2020.
2. Baseline year 2015. Performance as at 30 September 2019.
3. Use of municipal and groundwater. Baseline year 2009. Performance as at 30 September 2019.
4. Includes incinerated and landfilled waste. Baseline year 2015. Performance as at 30 September 2019.

## Our sustainability approach: A Sense of Tomorrow.

<p><b>PERFORMANCE 2019</b></p> <p><b>85%</b> supplier compliance rate</p> <p>Mapping <b>50</b> raw material categories and sourcing <b>33</b> raw material categories in a responsible way</p>	<p>➤ New innovative partnerships</p> <p>➤ Enabler for industry collaboration and co-creation</p>	<p><b>-17%</b> scope 1 + 2 GHG emissions<sup>2</sup></p> <p><b>75%</b> renewable electricity</p> <p><b>-26.8%</b> water per tonne of product<sup>3</sup></p> <p><b>-2.5%</b> waste per tonne of product, year on year average<sup>4</sup></p>
<p><b>TARGET</b></p> <p><b>All audited suppliers</b> are compliant by 2020</p> <p><b>90%</b> of our raw materials volume of natural origin is responsibly sourced by 2020</p>	<p><b>Leading Innovator</b></p>	<p><b>-70%</b> scope 1 + 2 GHG emissions between 2015 and 2030</p> <p><b>100%</b> renewable electricity by 2025</p> <p><b>-15%</b> water per tonne of product by 2020<sup>3</sup></p> <p><b>-4%</b> waste per tonne of product, year on year average<sup>4</sup></p>
<p>Sourcing for Shared Value</p>	<p>Innovating Responsibly</p>	<p>Acting for Our Environment</p>



Meeting needs today. Defining what's next.



# Embracing megatrends as business opportunities

## Megatrends

## Opportunities for Givaudan

### A growing customer base...



- Growing population and wealth in high growth markets
- Shift from rural to urban areas
- Increased disposable incomes

- Focus on key targeted areas with highest growth
- Local strategy adapted to high growth markets
- Targeted talent and capital expenditure investments

### ...living longer and more responsible lives...



- Ageing population
- Overweight and obesity more widespread
- Consumers demanding transparency

- Innovative resources dedicated to research in naturals
- Targeted acquisitions in Naturals, Health and well-being and Integrated solutions

### ...in an increasingly interconnected world



- Rising interconnectivity and faster exchange of information
- Social media transports new trends faster and wider

- Digitalisation to identify and exploit consumer insights
- Exploring future-forward initiatives including robotics, digitalisation and the use of big data

# Our unique positioning

## Diversification and growth

### Geographic expansion into high growth markets

- 1990s: expansion from mature to high-growth markets, matching the growth of our multinational clients
- Entry into India and China in 1993 – 94, Middle East in 1999

### Customer diversification

- Early 2000s: diversifying into the local and regional customer base
- This continues today, and GBS will further enhance our flexibility in serving all our clients

### Scaling up

- Flavour and fragrance market leadership secured with Quest acquisition in 2007
- Further growth on geographic and customer axes
- Expansion across applications e.g. oral care, fine fragrances, snacks

### Expanding beyond flavours & fragrances

- Moving more into active cosmetic ingredients, naturals extracts and integrated solutions
- Executing our focused merger and acquisition strategy in adjacent areas

## Unique capabilities to service our customers



### Leadership in R&D and innovation

- Largest talent pool and investment in R&D in the industry
- Uniquely placed to fill the gap of large FMCG players outsourcing innovation and supporting local and regional champions
- Leading presence with industry bodies and regulators



### Broad diversification

- Market leading position in all sub-segments
- Global footprint with scale to service local market needs
- Global capabilities to manage complex regulatory landscape



### Operational excellence

- Proximity to customers ensuring rapid speed to market
- Best-in-class technologies to reduce our environmental impact from production
- On-going commitment to improving environmental performance



### Best-in-class customer service

- Mastering complexity in the supply chain
- GBS to enhance the overall customer experience
- Investments in resources and systems to assure innovation and regulatory compliance



### Unparalleled consumer insight

- Industry-leading preference discovery platforms and consumer insight programmes for consumer understanding, cultural insights and sensorial decoding
- Leveraging digital capabilities to enhance insights in consumer trends



### Leadership in naturals and sustainability

- Broad naturals portfolio strengthened through recent acquisitions
- A holistic approach to naturals grounded in an understanding of sourcing, natural extraction and cooking techniques
- Strategic partnerships in sourcing for shared value

# Sustainable value creation

## Our purpose

Creating for happier, healthier lives with love for nature. Let's imagine together.

**Inputs**

**Financial capital**  
Funds available to the Group.

**Our innovation capabilities**  
Technology, know-how, partnerships and investments.

**Our people & culture**  
The skills, motivation, diversity of our people and best-in-class safety procedures.

**Sourcing**  
Innovative sourcing models, raw and indirect materials and services.

**Operations**  
Production sites, infrastructure, end-to-end supply chain solutions.

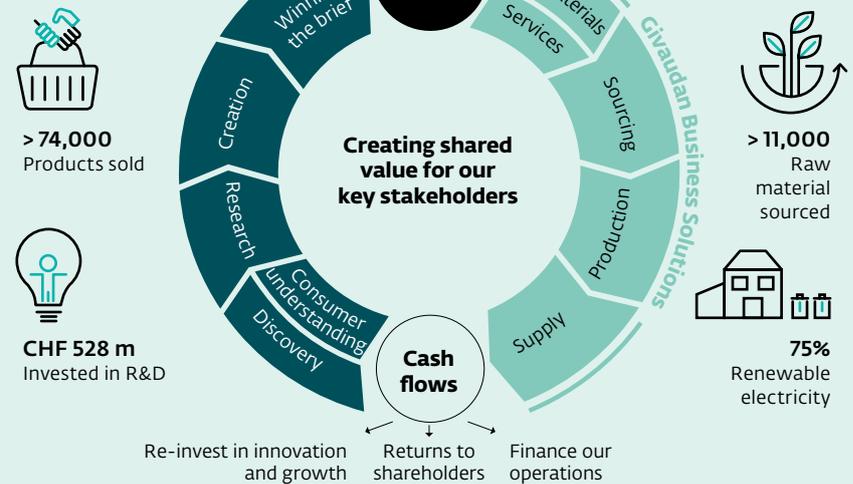
**Good governance**  
Our relationships with local communities, regulators and industry bodies.

## Our business model

### Our divisions



### Our value chain



Strategy

Risks and opportunities

Governance

Management

**Our culture**

Inspiring, challenging, with heart and soul.

**Our ethics**

Commitment to openness, transparency and honesty.

**Outputs**

**Delivering responsible growth and shared success**  
 Creating financial growth and increased profitability for shareholders, employees and customers, and delivering beneficial outcomes to society and the environment.

**Creating differentiating solutions through responsible innovation**  
 Enabling novel consumer experiences and allowing our customers to differentiate while adding value that benefits the society and environment.

**Building a culture of safety, performance and appreciation**  
 Effectively recruiting, developing and retaining a balanced workforce that meet future business imperatives and ensuring their safety.

**The secured supply of purchased materials and services**  
 Commitment to ensuring that our raw materials are sourced responsibly and working with suppliers who demonstrate respect for people and the environment.

**Operational and environmental excellence**  
 Guaranteeing proximity to customers and rapid speed to market through our global spread of operations, and committing to find ways to reduce our environment impact from production.

**Adhering to high ethical standards in our interactions with our stakeholders**  
 Mindful of our obligations in making a difference where we can within our own operations, with our suppliers and in the communities in which we work.

**SDGs**



**Outcomes**



**Industry leader**

**2020 strategy targets on track**

**Organic sales growth 5.8%**

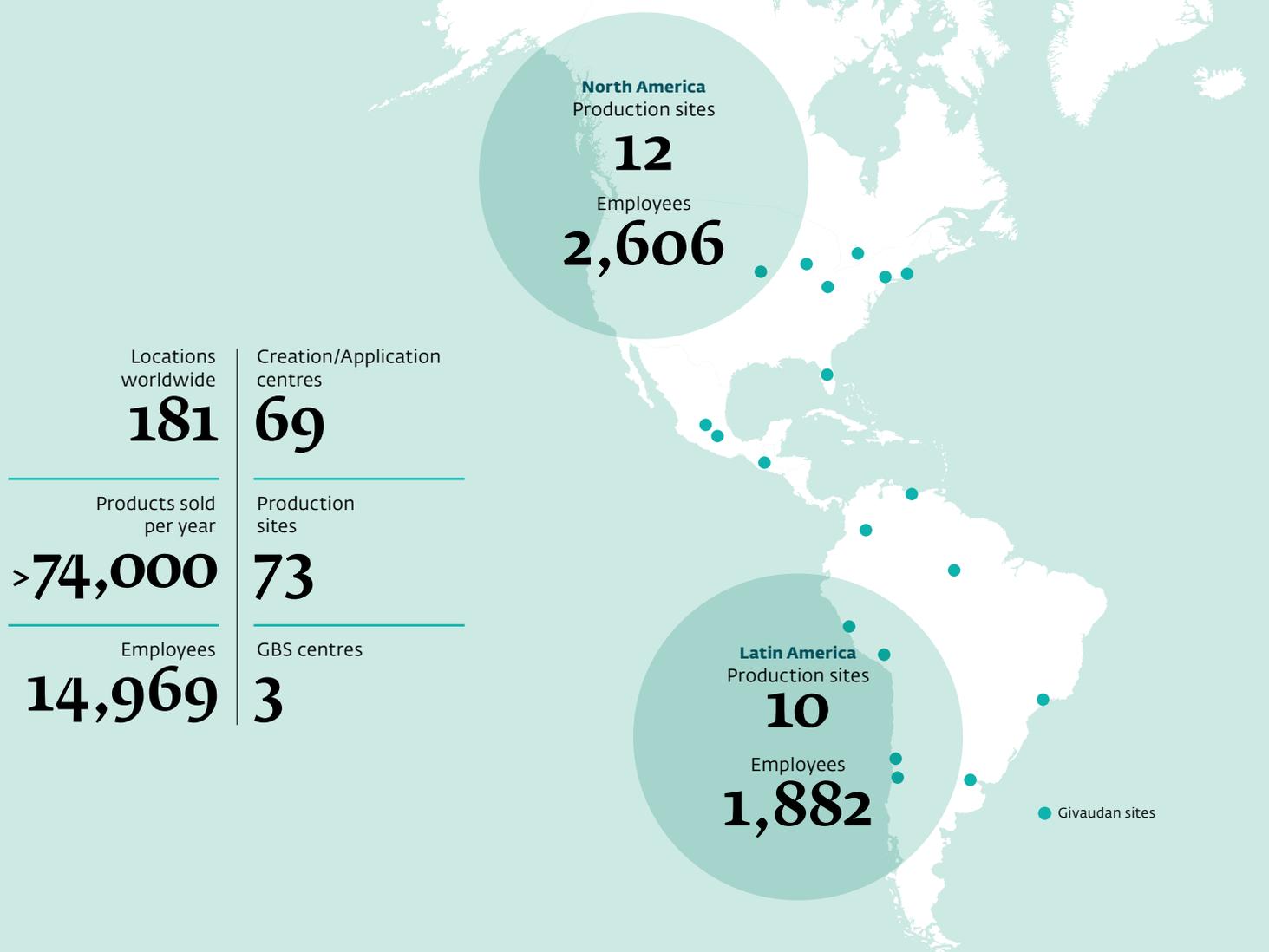
**Free cash flow as % of sales 12.7%**

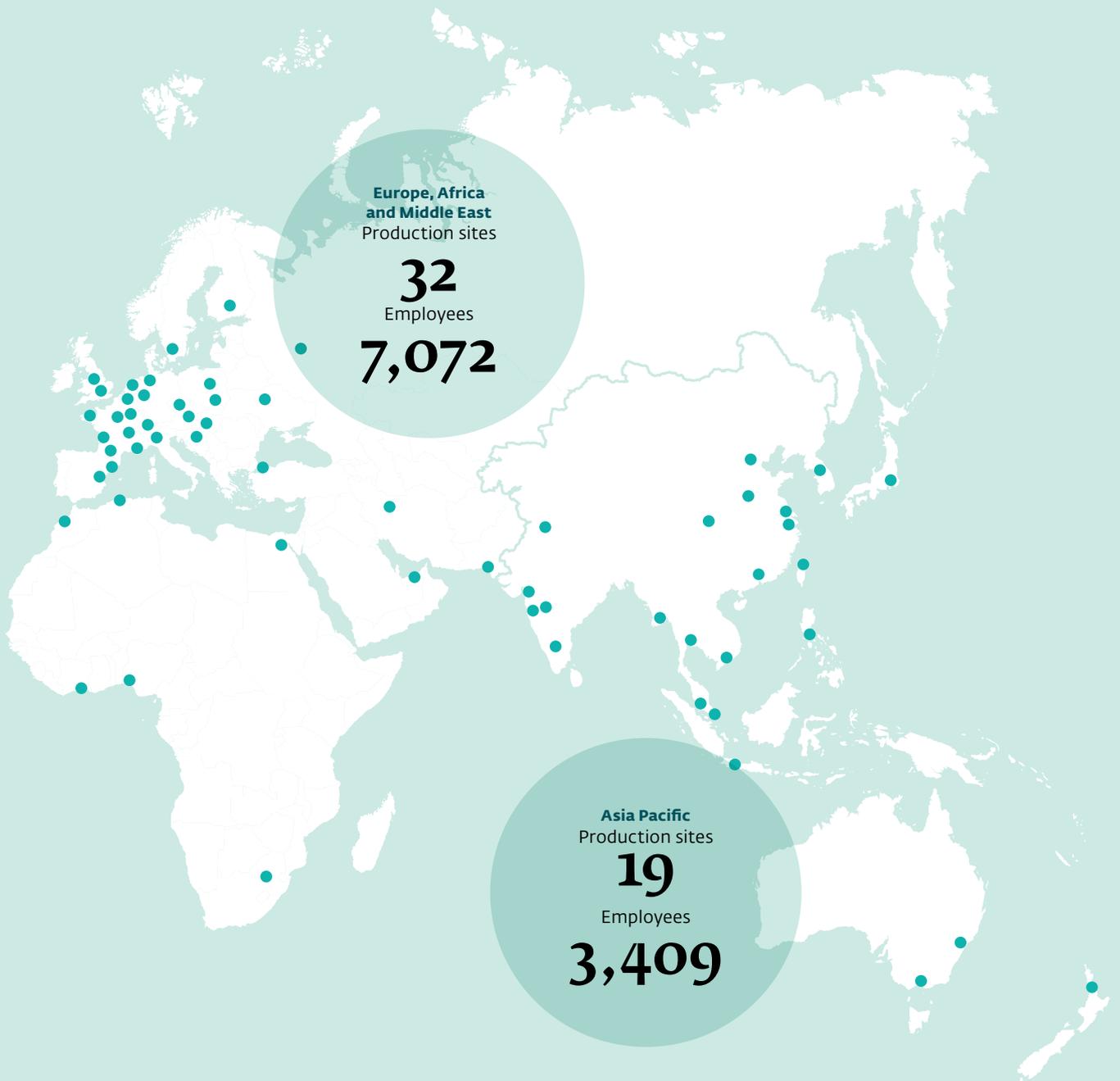
**Value creation for our stakeholders**

Customers | Suppliers | Employees | Owners and investors | Local communities | Public and regulatory agencies

# Our global presence

Our expanding market presence brings us closer to our local and regional customers and gives us greater capability to serve these customers through a global workforce that is dedicated to establishing and maintaining true partnerships.





# Expanding our capabilities and moving closer to our customers

## Acquisitions

In both divisions, our acquisitions are fully aligned with our 2020 strategic priorities: **Naturals, Health and well-being, Active Beauty, Integrated Solutions, local and regional customers.**

### April 2019 Cosmetics business of AMSilk Active Beauty

Strengthening Active Beauty's global capabilities in sustainable biopolymers.

### May 2019 Albert Vieille Naturals | Aromatherapy

Further growing our leadership in the Naturals space for the Fragrance Division.

### August 2019 Fragrance Oils Fragrances

Expanding our capabilities in serving local and regional customers.

## New site openings



### New flavour centre in Casablanca

We opened a new flavour technical and commercial centre in Casablanca, Morocco, enabling us to meet the evolving needs of our food and beverage customers for innovative taste and flavour solutions. Through our local presence, customers will benefit from a faster response as well as access to a wider range of Givaudan's global capabilities in flavours and extracts.

### Flavours production site in Pune

Inaugurated in 2019, our new Flavours production facility in Pune, India enables us to meet growing demand from customers in the food and beverage and health care



segments. The CHF 60 million plant is our largest investment in India.

### Fragrance encapsulation centre in Singapore

We opened our newest fragrance encapsulation centre in Singapore for the Asia Pacific market, offering

customers based in Asia with a complete range of olfactives using the best quality encapsulates for their home and personal care brands. The CHF 15 million facility further supports Givaudan's growth ambitions in the region and complements the creative and manufacturing facilities opened in Singapore in 2015.



**September 2019**  
**drom**  
**Fragrances**

Further asserting our leadership position in the Fragrance market and with local and regional customers.

**Golden Frog**  
**Naturals**

Further growing our leadership in the Naturals space while strengthening our global and regional presence.

**November 2019**  
**Ungerer\***  
**Specialty ingredients, F&F**

Strengthening specialty ingredient capabilities and leadership in the fast growing local and regional customer segment.

**Cosmetic Business**  
**of Indena\***  
**Active Beauty**

Strengthening our global capabilities in botanical active cosmetic ingredients.

\* Acquisition not yet complete

**Digital Factory in Paris**

In January we opened our Digital Factory, a project accelerator bringing together Givaudan experts, partners and customers from around the world to explore new ways to transform our business and drive opportunities in a thriving ecosystem of innovation.

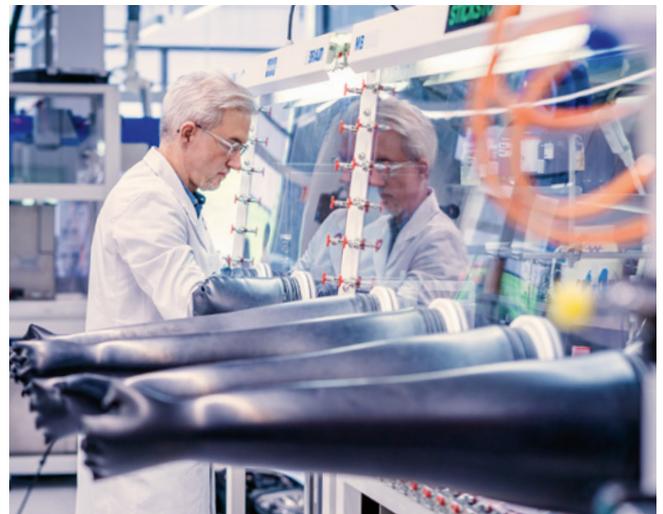


**Nantong extension**

We doubled our flavour production capacity in China with the opening in 2019 of a new extension at our Nantong production facility. The CHF 30 million investment will support our growth ambitions in China and meet growing demand from food and beverages customers.

**Zurich Innovation Centre**

We inaugurated our new flagship innovation centre in Kempththal, Switzerland, which aims to accelerate our global efforts in creating differentiated and sustainable flavour, taste and fragrance solutions for the food and beverage and beauty, personal and home care industries.



Disruptive innovation, running the extra mile for climate change, and our move into the protein space are themes discussed in this mini-mag. Other success stories can be found throughout the chapters.

Creating and sharing value – Story 1

# Driving digital innovation in Fragrances

Artificial Intelligence (AI) is transforming the relationship between people and technology. The future of fragrance creation is being redefined by our perfumers using the very latest of technologies. Givaudan perfumer Calice Becker explains.

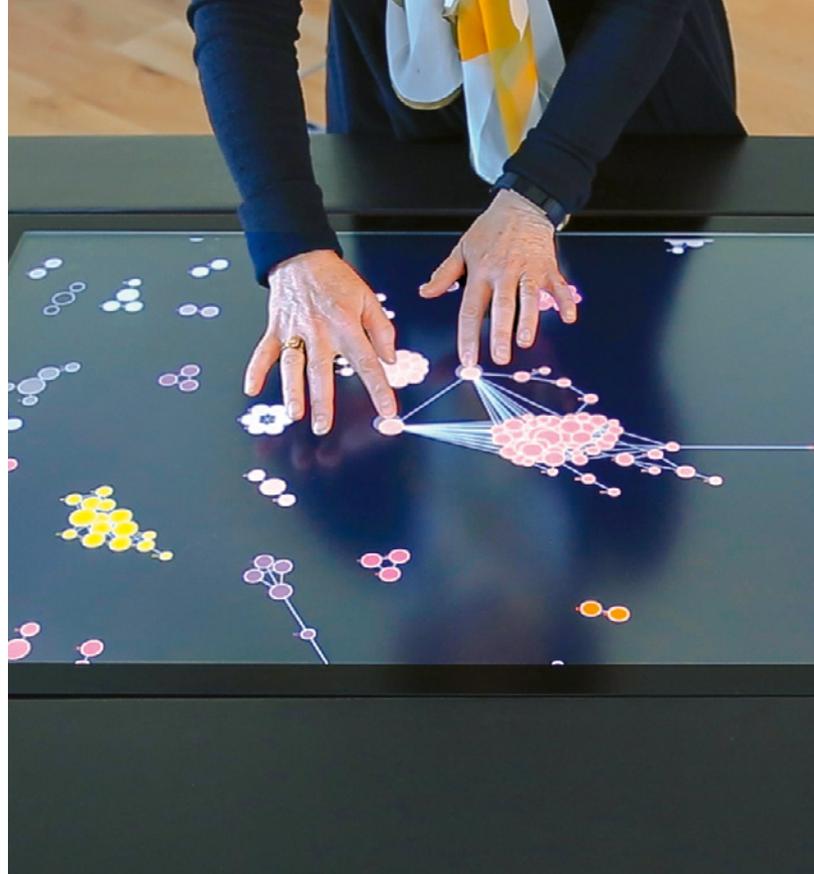




**C**alice Becker, Vice President Perfumer and Director of the Givaudan Perfumery School, sees the potential of digital disruption. AI promises machines that can sense, comprehend and learn. It is not just about new and ever-more clever technology, but also about enhancing human ingenuity and creativity with speed and precision.

“At Givaudan we grasp the opportunities offered by disruptive digital innovation to develop tools to redefine the rules of fragrance creation,” says Calice. “We are aware of the potential of a fully AI-powered tool for perfume creation, and the launch of ‘Carto’ in April 2019 is a first decisive step on this path. Our brand new digital tool redefines the rules of fragrance creation.”

“I have been part of this exciting project since the beginning and was able to help shape a tool that contributes to the future of perfumery.” ‘Carto’ offers true complementary support to the work of the perfumer, allowing them to imagine and explore new palette combinations in a different way. The tool broadens the field of olfactive references far beyond the capacity of a perfumer’s memory. “We perfumers can now focus on creation as we have a tool that brings to life our ideas, inspirations and creative concepts.”



“ The role of the perfumer remains at the centre of creation. ‘Carto’ comes as the digital support they can use to enhance their creative work.

‘Carto’ is an intuitive, interactive system using a playful visual approach. Perfumers use a wide touchscreen to visually create their formulas and at a speed that simply did not exist before. “It’s fun to play with the tool,” says Calice. “It gives us a bubble of pure creativity and frees us to focus on inspiring new olfactive signatures. The instant-sampling robot enables seamless and speedy production of fragrance trials, which increases the rate of our creations.

“What I find particularly exciting about ‘Carto’ is around the harmonisation of perfume ingredients, which I define as the most efficient way of putting ingredients together. Nature is extremely efficient; a flower does not spend energy on developing a scent that

# Digital Factory: Reinventing ways to create

The Digital Factory is our new platform enabling us to broaden the creative space of our flavourists and perfumers. It is an environment favourable to reinventing ways to create, develop and make better flavours and fragrances that delight consumers worldwide.

Located in the heart of Paris next to Station F, the biggest start-up campus in the world

Inaugurated in January 2019

Experimenting is key in digital, which means we need an environment where we can test and learn, perhaps fail before moving onto the next idea, or reshape the one we initially had. For this we need additional speed, an experimentation approach. This is why we opened our first Digital Factory, a location to accelerate our projects through a different what and how.

“The Digital Factory is a place to inspire, ideate and accelerate initiatives in an environment that stimulates a mindset of innovation and which encourages thinking beyond current ways of working,” said Fabien Jaunault, Head of Information Management and Technology.

## Key facts after one year

Fully staffed	3-hour discovery workshops
<b>100%</b>	<b>65</b>
People trained	3-day design sprints
<b>150</b>	<b>14</b>
Customer workshops	3-month project accelerations
<b>15</b>	<b>6</b>

will not be smelt. ‘Carto’ is good in looking for efficiency of ingredients and this to me is a powerful attraction. It means we can do more, yet with fewer trials and fewer ingredients.”

‘Carto’ is a creative design aid that is already opening so many doors for us. We’ve had several wins with our perfumers using the tool, including ‘She Was An Anomaly’ from the French niche fragrance brand Etat Libre d’Orange; our perfumer in this creation was Daniela Andrier.

Going forward, our aim is to also leverage consumer insights to provide additional data to our perfumers to help them refine their creative accords.

‘Carto’ is currently deployed at our fragrance creative centres in all regions where perfumers are experimenting with the system by integrating it as part of their creation process. It is also at our Digital Factory as part of the Computer Aided Creation programme. As co-innovation was an important element in creating ‘Carto’ – we had cross-functional teams from perfumers to IT experts as well as experts from academia – what better place to deploy it. The Digital Factory brings together experts, partners, customers, start-ups and internal teams from all over the world in an innovation ecosystem.

▶ [www.givaudan.com](http://www.givaudan.com) – investors – online annual report – 2019 success stories – driving digital innovation

## Creating and sharing value – Story 2

# Raising our ambitions to become climate positive

The need to increase action to combat climate change is at the top of our agenda. Head of Sustainability Hallvard Bremnes talks about our achievements and positive outlook.

**W**hy is climate change so important? The world has long known that climate change will cause irreversible damage to our planet and to humanity if we do not take even bolder action. Since the Paris Agreement set a target to limit global warming to below 2°C above pre-industrial levels in 2015, Givaudan has committed to taking every possible step to safeguard the planet and future generations. We are fully aligned with the strong coalition driving global action. We take a leading role in relevant organisations such as The Climate Group, CDP, RE100 and We Mean Business, and we work with others such as the Science Based Targets initiative.

### Why has Givaudan stepped up its climate ambitions?

We originally aligned our greenhouse gas emission targets to the 2.0°C target. In 2019, the urgency of the climate challenge became obvious through new evidence, and for this reason we realigned our targets to the most ambitious 1.5°C limit. The United Nations has also called for companies to achieve carbon neutrality by 2050. At end of 2019, we committed to this UN pledge, and went even further: we announced our ambition to become climate positive before 2050. This means doing more than reducing or even eliminating emissions: it means that we will also develop initiatives to remove carbon from the atmosphere, for instance, by planting trees. Our confidence in this new ambition is largely due to the intense work by our Environmental Sustainability Team.

### How are you going about achieving your more ambitious targets?

We will reduce emissions directly related to our activity by 70% between 2015 and 2030. The Science Based Targets initiative has validated this as supporting the 1.5°C limit. This 70% reduction relates to emissions from our own production processes and from the electricity and steam we purchase, known as



“ Our ambitious new target to reduce carbon emissions will support the efforts to limit global warming to 1.5°C. We are very proud of that.

scope 1 and 2 emissions under the Greenhouse Gas Protocol, the most widely used international accounting tool.

One of the ways we will achieve this is by switching Givaudan's entire electricity supply to fully renewable sources by 2025. This is our commitment as a member of RE100, which brings together influential businesses committed to 100% renewable electricity. Meanwhile, across our operations, we are implementing significant energy efficiency projects by utilising first-rate science and innovative technologies. Reducing our dependency on fossil fuels contributes to our positive outlook for the future and confidence in our raised climate change ambitions.

#### **What major challenges do you face?**

Having ambitious targets for limiting emissions from our own operations is not enough – we also need to work to reduce emissions from our entire value chain, which we account for as our scope 3 target. This is the biggest challenge we face: more than 80% of our GHG emissions come from activities related to our value chain. And this is why we are stepping up our work to engage and motivate our suppliers. For those who are less advanced on the journey, we will offer extra support. And for those who are further along the road, we will consider making them our partners of choice.

#### **And what are your ambitions longer-term?**

We have defined our Company's purpose and a part of this is an ambitious 'goal for Nature' which is to show our love for nature in everything that we do. This is why we have announced we will become climate positive before 2050 across scope 1, 2 and 3.

We will go the extra mile, and we feel confident in our ability to achieve our stretched targets and have faith in our entire value chain to be at our side.

# Moving forward at Climate Week NYC



LTR: Felix Mayr-Harting, Hallvard Bremnes, Gilles Andrier, Sandra Girgis, Willem Mutsaerts, Laurent Perrinjaquet

## Week NYC

Climate Week NYC in New York in September was one of the key climate events in 2019, and a perfect opportunity to announce our new greenhouse gas reduction target. Our senior management and our Environmental Sustainability Team attended the event, strengthening our climate action agenda with our international partners.

Creating and sharing value – Story 3

# The future of protein

Around the world, consumers are increasingly choosing to eat plant-based protein dishes. Flavio Garofalo, from our Flavour Division, tells us how a taste revolution is driving demand.

**T**he juicy burger at the centre of the plate has the appetising look, smell and taste of prime beef. In fact, it is made of plant protein. And it is exactly what consumers are demanding: a climate-friendly meat alternative with a true-to-meat taste. This trend is driving a transformation in the protein element of diets, creating an incredible rate of growth in plant protein foods around the world. The key now is to maintain sustainable production practices and to assure that they are healthier than their meat-based counterparts.

“Plant-based protein is one of the most exciting areas in food right now, with great opportunities for our Flavours Division. 2019 has seen extraordinary advances in technology,

huge growth of the market, and a number of signs that this disruption of the food industry will continue in the years to come, driven by a desire for healthy lives and a healthy planet.” says Flavio Garofalo, Global Category Director, Savoury Flavours and Natural Ingredients. “While Givaudan does not sell plant protein, we make it taste great and appealing for consumers. They want healthier alternatives to meat as the main part of their meal and they love the meaty texture and the lingering aroma and taste of the new plant-based products. It is not only vegans and vegetarians, but especially flexitarians, meat-eaters who want to reduce their consumption of animal protein.

“People also want to choose food that protects the environment. Awareness of the carbon impact of livestock farming compared to crops is growing, and there is some concern about animal welfare. And in some regions there can be scarcity of certain types of animal protein, so consumers and governments are looking for alternatives.”

Givaudan is the leader in the plant-based proteins market as a result of our strategic decision in 2015 to invest in research and development of new tools and technologies for this area, and key acquisitions. We already had a wealth of experience in dairy alternatives, and were committed to transferring this to meat.

“2019 was an incredible year of advancement for us,” says Flavio. “We have an outstanding selection of tools that are necessary to make the many attributes in a product, such as flavour, aroma, texture and visuals, perform at their peak.” We launched our fat encapsulation technology which gives plant-based alternatives – burgers in particular – those same attributes. It is a healthier choice: the technology allows for a product with 75% less fat and 30% fewer calories than current market products, while enhancing juiciness. Further nutritional benefits are in development, for instance, meat alternatives with lower sodium and added vitamins.

Another of our 2019 launches, new masking solutions and a smart masking tool, addresses



“ 2019 has been an incredible year of advancement for Givaudan in plant-based proteins, and the future looks very exciting.

**Flavio Garofalo, Global Category Director,  
Savoury Flavours and Natural Ingredients**

one of the foremost challenges in turning plant proteins into appetising dishes: off-notes. Flavio explains: “Off-notes can simply ruin the taste. Another tricky element is combining different proteins from different suppliers, because they can have different taste profiles. Our new tools give flavourists a high-performing solution, and they help to strike the balance between functionality, texture, taste, nutrition and cost.”

We also found new ways to improve the experience of eating texturised vegetable protein, which gains a meat-like texture when globular vegetable protein is transformed into long fibres. This protein is extensively used, but its taste can be short-lived.

Flavio says: “We studied how best to flavour high moisture texturised protein and developed strategies to maximise performance and produce a much longer-lasting authentic meat flavour. When we combine this with marinating the product after

texturising, it transforms the taste. As well as great flavour, there is also texture and mouthfeel to consider, and we have developed the whole package. It is almost as much of an art as a science.”

For our customers who want to develop Texturised Vegetable Protein (TVP) dishes, we have built a pilot plant at Naarden, in the Netherlands. This is now working remarkably well in helping our customers with TVP product development, speeding up the process of bringing new consumer products to market.

As well as engaging closely with our customers, we collaborate with many partners, looking for new ideas, solutions and innovation

opportunities. Our collaboration with the University of Berkeley, California, has identified six proteins which are likely to be the game-changers of the future. We are the only flavour/taste company working with Plant Meat Matters, a public private partnership led by Wageningen University in the Netherlands, which aims to advance plant-based meat ingredients and products and create a ‘plant steak’.

With all of this, our objective is to continue to be a leader in protein, fulfilling our company purpose of creating happier, healthier lives, with love for nature, while contributing to our strategic ambition to double our business by 2030.

## Surprising main dishes from the chef’s table

Givaudan’s Chef’s Council is a collaboration with a rotating panel of leading chefs from the world’s premier restaurants, now in its 15<sup>th</sup> successful year. In 2019, we wanted to envision the future of protein as the main part of a meal.

Our guest chefs rose to the challenge of creating innovative, healthy, delicious-tasting protein-based dishes – with a strong focus on plant proteins – producing a variety of insights, ideas and innovation concepts. Their work touched on techniques, ingredients, flavours, taste and mouthfeel, all of which will ultimately be used to inspire entirely new concepts for protein products and research into new technical areas. The guest chefs were Chantelle

Nicholson, of Tredwells, London, UK ; Cristina Bowerman, of Glass Hostaria, Rome, Italy; Helena Rizzo, of Mani Restaurant, São Paulo, Brazil; and Amanda Cohen, of Dirt Candy, New York, USA.

Our internal team of chefs, flavourists, applications and marketing experts were able to speedily translate the expert creations into concepts we could take directly to our customers.

One of the key insights was the critical interaction and relationship between flavour, taste and texture in the main focus of a meal. The chefs were able to deconstruct different flavours and textures and reassemble them to achieve what consumers expect and prefer.



▶ [www.givaudan.com](http://www.givaudan.com) – investors – online annual report – 2019 success stories – the future of protein

# Financial capital

## Input

Equity  
in CHF million

**3,659**

Liability  
in CHF million

**6,737**

## Output

Free cash flow,  
as a % of sales

**12.7%**

EBITDA  
in CHF million

**1,275**

8 DECENT WORK AND  
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



# Performance review

## Excellent financial performance

### Business performance – Group

Givaudan completed the year with good business momentum and with the project pipeline and win rates being sustained at high levels. This excellent growth was achieved across all product segments and geographies, with the key strategic focus areas of Naturals, Health and well-being, Active Beauty, Integrated Solutions and local and regional customers delivering strong growth, complemented by the recent acquisitions.

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 6,203 million, an increase of 5.8% on a like-for-like basis and 12.2% in Swiss francs when compared to 2018.

### Gross margin

The gross profit increased by 8.7% from CHF 2,329 million in 2018 to CHF 2,530 million in 2019. The company maintained a strong cost discipline and continued to generate productivity gains. The gross margin declined to 40.8% in 2019 compared to 42.1% in 2018. This was due to the dilution impact created by the pricing actions to compensate for higher input costs and by Naturex's current margin level which is lower than that of Givaudan.

### Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

The EBITDA increased by 11.4% to CHF 1,275 million in 2019 compared to CHF 1,145 million in 2018, whilst the EBITDA margin was 20.6% in 2019, almost flat versus 2018. On a comparable basis, the EBITDA margin was 21.5% in 2019 compared to 21.0% in 2018.

In 2019 the Group incurred costs of CHF 31 million in relation to the implementation of the Givaudan Business Solutions organisation, compared with CHF 32 million in 2018.

### Operating income

The operating income was CHF 920 million compared to CHF 883 million, an increase of 4.2% versus 2018. The operating margin was 14.8% in 2019 compared to 16.0% in 2018.

### Financial performance

Financing costs in 2019 were CHF 79 million versus CHF 55 million in 2018, largely related to the increase in the net debt of the Group in connection with the acquisitions that the Group has made. Other financial expense, net of income, was CHF 33 million in 2019 compared with CHF 56 million in 2018. As a reminder, in 2018 the Group incurred increased foreign exchange losses in markets where currencies could not be hedged.

The income tax expense as a percentage of income before taxes was 13%, compared to 14% in 2018.

“ Our excellent performance in 2019 demonstrates the strength of our business and our ability to consistently deliver industry leading financial results, whilst also implementing our key strategic initiatives. **Gilles Andrier, CEO**

### Net income

The net income was CHF 702 million in 2019 compared to CHF 663 million in 2018, an increase of 6.0%. This results in a net profit margin of 11.3%, versus 12.0% in 2018. Basic earnings per share were CHF 76.17 compared to CHF 71.92 for the same period in 2018.

### Cash flow

Givaudan delivered an operating cash flow of CHF 1,136 million in 2019, compared to CHF 916 million in 2018, an increase of 24.0%.

Working capital as a percentage of sales improved to 24.0% of sales compared to 26.3% in 2018.

Total net investments in property, plant and equipment were CHF 201 million, compared to CHF 129 million in 2018. During 2019,

the Group continued its investment programme to expand its capabilities in high growth markets. In 2018, the Group completed an agreement to sell and leaseback the Zurich Innovation Centre (ZIC) for a total consideration of CHF 173 million, of which CHF 100 million was received in 2018, with the balance of CHF 73 million received in 2019.

Intangible asset additions were CHF 45 million in 2019, compared to CHF 55 million in 2018 as the Company continued to invest in its IT platform capabilities, including those to support the implementation of the Givaudan Business Solutions organisation.

Total net investments in tangible and intangible assets were 4.0% of sales in 2019, compared to 3.3% in 2018. Excluding the impact of the ZIC transaction, total net investments in tangible and intangible assets would have been 5.1% of sales, compared to 4.2% in 2018.

Operating cash flow after net investments was CHF 890 million in 2019, versus the CHF 732 million recorded in 2018. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 787 million in 2019, versus CHF 703 million for the comparable period in 2018. As a percentage of sales, free cash flow in 2019 was 12.7%, compared to 12.7% in 2018.

## Financial position

Givaudan's financial position remained solid at the end of the year. Net debt at December 2019 was CHF 3,679 million, compared to CHF 2,847 million at December 2018, with the increase driven by

### Group – Sales

in millions of Swiss francs

2019	6,203
2018	5,527
2017	5,051

### Group – EBITDA

in millions of Swiss francs

2019	1,275
2018	1,145
2017	1,089

### Group – Operating income

in millions of Swiss francs

2019	920
2018	883
2017	869

### Group – Total gross investments

in millions of Swiss francs

2019	830
2018	1,104
2017	405

the adoption of IFRS 16, as well as the acquisitions made by the Group. At the end of December 2019 the leverage ratio was 47%, compared to 41% at the end of 2018.

## Sales performance

in millions of Swiss francs

	2018 Sales as reported	Like-fo-like development <sup>1</sup>	2019 Sales like-for-like <sup>1</sup>	Change % on like-for-like <sup>1</sup> basis	Acquisition impact	Currency effects	2019 Sales as reported	Change % in Swiss francs
<b>Group</b>	5,527	319	5,846	5.8%	435	-78	6,203	12.2%
Fragrance	2,525	185	2,710	7.3%	127	-38	2,799	10.9%
Flavour	3,002	134	3,136	4.5%	308	-40	3,404	13.4%

1. Like-for-like (LFL) is defined as: (a) sales calculated using the invoicing exchange rates of the prior year, and (b) excluding sales of businesses acquired from the acquisition date until the period end date, up to 12 months from the acquisition date.

## Sales per region

in millions of Swiss francs

	Fragrances sales <sup>1</sup>			Flavours sales <sup>1</sup>			Group sales <sup>1</sup>
	2019	2018	2019	2018	2019	2018	
Switzerland	34	37	26	22	60	59	
Europe	859	773	841	750	1,700	1,523	
Africa and Middle-East	226	184	247	216	473	400	
North America	559	491	1,082	950	1,641	1,441	
Latin America	346	332	353	297	699	629	
Asia Pacific	775	708	855	767	1,630	1,475	
<b>Total geographical segments</b>	<b>2,799</b>	<b>2,525</b>	<b>3,404</b>	<b>3,002</b>	<b>6,203</b>	<b>5,527</b>	

1. Sales are revenues from external customers and are shown by destination.

## Value added statement

The value added is defined as the value created by the activities of our business and its employees. Givaudan's economic value retained of CHF 174 million is the direct economic value generated of CHF 6,244 million less economic value distributed to stakeholders through operating costs, employee wages and benefits, payments to providers of capitals and payments to governments.

### Direct economic value generated and distributed

In CHF million



## Givaudan Business Solutions

The Company is now in the final phase of the implementation of Givaudan Business Solutions (GBS), a global organisation providing best-in-class processes and services.

The progressive implementation of GBS is fully in line with the plan and the new organisation continues to deliver the foreseen financial benefits.

In 2019, the Group incurred costs of CHF 31 million in relation to the implementation of the Givaudan Business Solutions organisation, compared with CHF 32 million in 2018.

## Ungerer

On 8 November 2019 Givaudan announced that it had reached an agreement to acquire Ungerer and Company, the US based Flavour, Fragrance and Specialty Ingredients Company.

The preparations for the completion of the transaction are proceeding as planned and the transaction is expected to close in Q1 2020.

## 2020 Guidance – Responsible growth. Shared success / Outlook

The Company's 2020 ambition is to create further value through profitable, responsible growth. As the Group enters the final year of this strategic planning cycle, Givaudan's 2020 ambition is built on the three strategic pillars of 'Growing with our customers', 'Delivering with excellence', and 'Partnering for shared success'.

As part of the Company's 2020 strategy, Givaudan also seeks to create value through targeted acquisitions, which complement existing capabilities in providing winning solutions for its customers. Since 2014, Givaudan has announced fifteen acquisitions, which are fully in line with the growth pillars of that strategy.

Ambitious financial targets are a fundamental part of Givaudan's strategy. Givaudan aims to outpace the market with 4-5% sales growth and a free cash flow of 12-17% of sales, both measured as an average over the five-year period of our strategy cycle. It is Givaudan's intention to maintain its current dividend practice as part of this ambition.

## Business performance – Flavour Division Sales

Flavour Division sales were CHF 3,404 million, an increase of 4.5% on a like-for-like basis and 13.4% in Swiss francs.

The sales performance was driven by new wins and strong business momentum across all regions, mainly coming from local and regional customers. The key strategic focus areas of the 2020 strategy, namely Health and well-being and Naturals grew at double-digit and single-digit levels respectively. From a segment perspective, Beverages, Savoury, Snacks and Sweet Goods were the main contributors to the division growth.

The EBITDA increased to CHF 720 million from CHF 637 million in 2018, an increase of 12.9%, with the realisation of synergies resulting from the integration of acquired companies, as well as continuing productivity gains and cost discipline contributing to the increase. The EBITDA margin was 21.1% in 2019, down from 21.2% in 2018, largely due to the impact of the lower margin on the acquired Naturex business. On a comparable basis the EBITDA margin of the Flavour Division was 21.6% in 2019 compared to 21.2% in 2018.

The operating income increased to CHF 487 million in 2019 from CHF 470 million in 2018, an increase of 3.6%. The operating margin was 14.3% in 2019 compared to 15.7% in 2018.

### Asia Pacific

Sales in Asia Pacific grew by 6.4% on a like-for-like basis. In the high growth markets, Indonesia, Malaysia, Philippines, Thailand and Vietnam delivered double-digit performance, whilst China and India delivered a strong single-digit increase. In the mature markets, growth was driven by good performance in Japan and Korea.

#### Flavour Division – Sales

in millions of Swiss francs

2019	3,404
2018	3,002
2017	2,708

#### Flavour Division – EBITDA

in millions of Swiss francs

2019	720
2018	637
2017	603

#### Flavour Division – Operating income

in millions of Swiss francs

2019	487
2018	470
2017	473

The growth was achieved across all customer groups in the region, whilst from a segment perspective, Beverages, Savoury and Sweet Goods all contributed significantly to the growth.

### Europe, Africa and Middle East

Sales in Europe, Africa and Middle East increased by 4.4% on a like-for-like basis. The high growth markets of Africa and the Middle East achieved double-digit growth driven by strong performance in Egypt, South Africa, Nigeria and Morocco. Central and Eastern Europe achieved single-digit growth led by Poland, Russia and Austria which was partially offset by the challenging market environment in Turkey.

In the mature markets of Western Europe, high single-digit growth was achieved in the Benelux, Italy and Spain. Within the segments there was good growth in Beverages, Savoury, Snacks and Sweet Goods.

### North America

On a like-for-like basis, sales in North America declined 1.6% despite the good performance of local and regional customers. The performance was a result of new wins and the growth of existing business in Savoury, Snacks, Beverages and Sweet Goods, offset by weaker performance in Dairy.

### Latin America

Sales in Latin America increased by 19.2% on a like-for-like basis, with strong performance across all markets and segments in the region. There was strong double-digit volume growth led by Mexico and Colombia, in addition to a good sales momentum in Brazil and Argentina. From a segment perspective, the growth was driven by new wins in the Beverages, Snacks and Dairy.

## Business performance – Fragrance Division Sales

Fragrance Division sales were CHF 2,799 million, an increase of 7.3% on a like-for-like basis and 10.9% in Swiss francs. Sales growth was driven both by the strong performance of new wins, as well as the price increases to recover the impact of higher input costs.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 7.2% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 2,427 million from CHF 2,199 million in 2018.

Fine Fragrances sales grew by 5.0% on a like-for-like basis against a strong prior year comparable of 10.7% in 2018, with growth recorded in both mature and high growth markets.

Consumer Products sales increased by 7.8% on a like-for-like basis, with growth across all customer groups and markets, with particularly strong performance in North and Latin America.

**Fragrance Division – Sales**

in millions of Swiss francs

2019	2,799
2018	2,525
2017	2,343

**Fragrance Division – EBITDA**

in millions of Swiss francs

2019	555
2018	508
2017	486

**Fragrance Division – Operating income**

in millions of Swiss francs

2019	433
2018	413
2017	396

Sales of Fragrance Ingredients and Active Beauty increased by 8.1% on a like-for-like basis, with double-digit growth in Active Beauty and good sales momentum in Fragrance Ingredients.

The EBITDA of the Fragrance Division was CHF 555 million in 2019 compared to CHF 508 million in 2018, an increase of 9.4%. The key drivers of this increase were the strong sales growth and the contribution from the acquired companies. The EBITDA margin was 19.8% in 2019 compared to 20.1% in 2018. On a comparable basis the EBITDA margin of the Fragrance Division improved to 21.3% in 2019 compared to 20.7% in 2018.

In 2019 the division incurred costs associated with the GBS project of CHF 31 million, compared to CHF 32 million in 2018.

The operating income was CHF 433 million in 2019, versus CHF 413 million for the same period in 2018. The operating margin was 15.5% in 2019 compared to 16.4% in 2018.

**Fine Fragrances**

Fine Fragrances sales increased by 5.0% on a like-for-like basis against a strong 2018 comparable, with growth recorded in both mature and high growth markets. These results were driven by a high level of new business wins across all customer groups and strong market performance of recent launches.

In the mature markets, sales performance in Western Europe was driven by a strong inflow of new business while North America sustained a positive momentum with the good performance of existing business at key customers. High growth market sales were driven by high single-digit performance in the Middle East and renewed growth in Latin America in the second half of the year.

This growth was also supported by an excellent awards season in Latin America, the USA and Europe with many of our perfumers receiving recognition for their contribution to create products that consumers love.

**Consumer Products**

Consumer Products sales increased by 7.8% on a like-for-like basis with growth across all customer groups and markets.

On a regional basis, Latin America reported double-digit growth with all customer groups and product segments contributing to the strong growth. Asia delivered mid-single-digit growth versus a strong prior year comparable, driven by all customer groups and across all sub-regions.

In Europe, Africa and Middle East, the solid sales increase was driven by all customer groups with local and regional customers recording double-digit growth. Sales in North America grew double-digit driven by the high sales increase with international customers.

On a product segment basis, all segments contributed to the sales growth, notably double-digit growth of Home care and solid performance in Fabric care and Personal care.

**Fragrance Ingredients and Active Beauty**

Sales of Fragrance Ingredients and Active Beauty increased by 8.1% on a like-for-like basis. Active Beauty delivered double-digit sales growth driven by all customer groups and the strong performance of active ingredients. Fragrance Ingredients experienced good growth in 2019, against a weaker comparable in 2018.

# Shareholder value creation

## Offering sustainable return on investment

Since our listing on the Swiss stock exchange in 2000 (GIVN), we have continuously created shareholder value through a year-on-year increase in the dividend paid to shareholders, as well as through positive share price development and share repurchase programmes.

This proud history of delivering with excellence is based on strong financial performance. We invest for future long-term growth and will continue creating value for shareholders and building on our heritage of success.

### Sharing value with our shareholders

In terms of 'Total Shareholder Return', we have created significant value for shareholders through our strong financial performance since the Company's spin-off in 2000. In that time, over CHF 20 billion in value has been created for shareholders in the form of dividend payments, share repurchase programmes and share price appreciation. Also since our launch, the dividend has risen year on year, reflecting our commitment to returning cash to shareholders.

At the end of 2019, Givaudan had approximately 30,398 registered shareholders owning 61% of the capital. The top 20 registered and non-registered shareholders owned 60% of the capital. Swiss and US shareholders held approximately 56% of all shares.

In 2019, Givaudan's free cash flow was CHF 787 million. At the Annual General Meeting on 25 March 2020, the Board of Directors will propose a cash dividend of CHF 62.00 per share for the financial year 2019, an increase of 3.3% compared to 2018. If approved, this will be the 19<sup>th</sup> consecutive dividend increase following Givaudan's listing on the Swiss stock exchange.

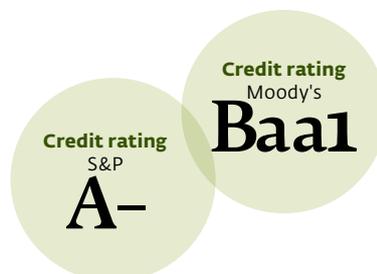
### Our dialogue with the capital market

It is important for us to offer timely and responsible information to ensure transparency and continuously raise awareness about our Company. To help achieve this and meet existing and potential shareholders, roadshows and conferences are held by members of our Executive Committee together with our Investor Relations team during each year. Details of these meetings can be found on our website.

🔍 [www.givaudan.com](http://www.givaudan.com) – investors – investor events

### How the market views us

Analysts report on Givaudan regularly. The latest forecast and recommendations can be found online at [www.givaudan.com](http://www.givaudan.com) – investors – analysts coverage and consensus. This information is for ease of reference only.



**Key share figures**

For the year ended 31 December. In Swiss francs except for number of shares	2019	2018	2017	2016	2015
Market capitalisation (in millions)	27,987	21,016	20,794	17,230	16,437
Number of issued shares	9,233,586	9,233,586	9,233,586	9,233,586	9,233,586
Share price as at last trading day	3,031	2,276	2,252	1,866	1,780
Share price, highest	3,052	2,478	2,289	2,106	1,829
Share price, lowest	2,285	2,087	1,716	1,674	1,511
Earnings per share – basic (CHF)	76.17	71.92	78.18	69.95	67.89
Total shareholder return (in %)	35.81	3.64	23.69	7.86	7.42

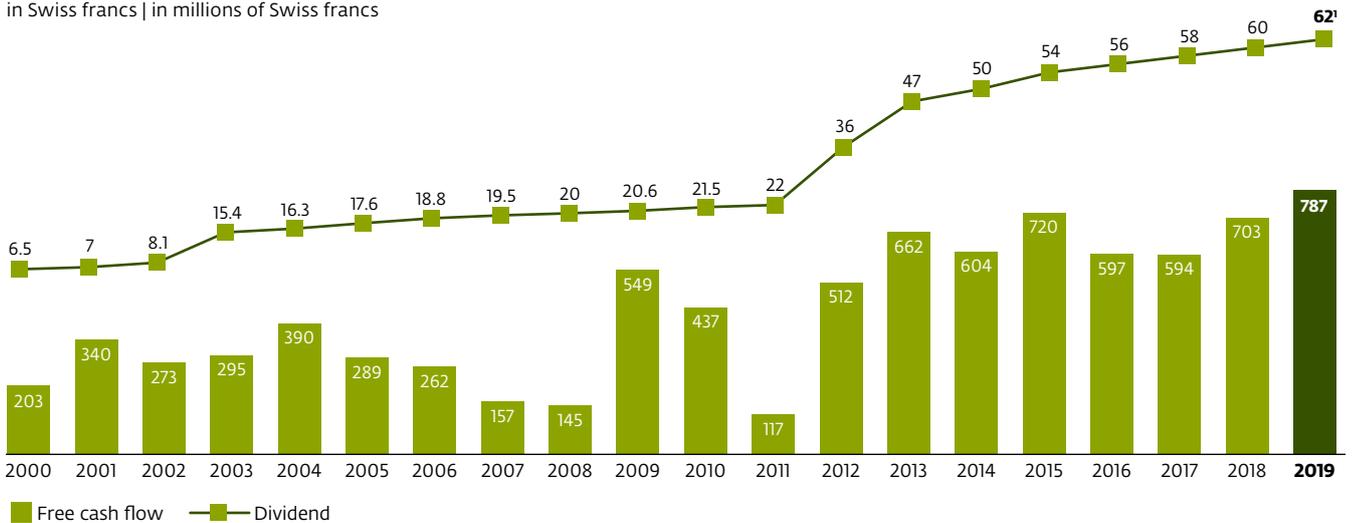
**Share price development**

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 25 March 2020.

# Our innovation capabilities

## Input

R&D investment  
in CHF million

528

Established network of  
**accelerators  
& incubators**

## Output

Active  
patents

>3,600

Strategic partnerships for  
co-innovation

7

2  
ZERO  
HUNGER



3  
GOOD HEALTH  
AND WELL-BEING



9  
INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



12  
RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



17  
PARTNERSHIPS  
FOR THE GOALS



# Leading creation and building differentiation

Innovation is central to our business growth and to guaranteeing superior solutions for our customers. With our partners in innovation, we aim to be at the forefront of fast-changing trends and challenge ourselves to go beyond.

We continue to lead the way in innovation, acting as an enabler for industry collaboration and co-creation. In 2019, we further strengthened our global innovation ecosystem with the opening of our flagship Zurich Innovation Centre. This newest addition to our global network of research and creation centres is designed to leverage our expertise in flavours, fragrances, active cosmetic ingredients and natural solutions, and will enable closer collaboration and co-creation with our customers, partners and start-ups.

CHF million invested in our flagship innovation centre in Kemptthal, Switzerland

**120**

% innovation resources dedicated to research in Naturals\*

**95%**

CHF million investment in fragrance encapsulation centre, Singapore

**15**

Number of Fragrance Creative Centres worldwide

**16**

The new centre in Switzerland allows us to take new ideas and leverage our market-leading knowledge and expertise to scale them up and create new commercial solutions quickly as well as providing a space to work on open innovation with key partners and across our global science and technology community. The Zurich Innovation Centre now supports them in developing new captive molecules exclusive to our perfumers, implementing rules around green chemistry and leveraging the use of biotechnology for fragrances.

As part of our strategy of collaborative innovation we have teamed up with Bühler to accelerate market access for Swiss food start-ups. Both companies host and mentor entrepreneurs at their respective innovation centres in Switzerland, offering the start-ups their respective areas of expertise and the support they need to scale-up and commercialise their solutions that address our global food challenges. And our participation as co-founder in Future Food Initiative, together with Nestlé, Bühler, ETH Zurich and EPFL, will enable us to focus on advancing food and nutrition research to address the global challenges of healthy food production, affordable nutrition and sustainable supply chains. We have identified and sponsored fellowships in the area of smart packaging and nutrition.

We seek strategic partnerships with key suppliers so they become in effect an extension of our business. Currently, 50% of our priority projects leverage this sort of external collaboration. And through supplier-enabled innovation we can increase our intellectual resources and innovation momentum. Alongside this approach we ensure our Procurement, Science & Technology and Commercial teams work together so we can focus on value and accelerate the pace and quality of ideation.

Over the past few years digital has emerged as an opportunity to innovate differently. At its core, it brings more agility and enables us to respond more quickly to changing customer and consumer needs. It means harnessing the potential of artificial intelligence, big data and a multitude of emerging technologies such as 'Carto', a new tool that takes the best of both worlds of human creativity and computing power to redefine the

\* For our Science & Technology teams in the Flavour Division.

creation experience for our perfumers and flavourists; and our Aroma Kiosk integrates our VAS technology with an artificial intelligence interface, enabling a new form of consumer-facing capture of market insights.

Because the digital world moves at a fast pace, it requires us to go further in how we experiment and speedily bring products,

ideas and solutions to our customers. This is the role of our Digital Factory, inaugurated in 2019, which allows us to accelerate our projects, help us to capitalise on these digital opportunities and further expand into innovative spaces. The Digital Factory brings together experts, partners, customers, start-ups and internal teams from all over the world in an innovation ecosystem.

## Increasing our co-innovation efforts

For Givaudan, partnerships are crucial in accessing the latest trends in innovation, in driving business growth and ensuring a sustainable future.

We recognise the need to go beyond our internal capabilities and seek innovative partnerships, and so in Flavours we are building a global network of accelerators and incubators that enable us to leverage the entrepreneurial and innovative ideas that start-ups have to offer. This co-innovation network now includes MISTA, Bits x Bites and MassChallenge.

Through MassChallenge we have piloted Intrapreneurships, which offer the use of our infrastructure to accelerate entrepreneurship within

Givaudan. An example is FoodUnite, a tool that standardises language for taste in the way that Pantone is used for colour. This promising start-up is led by a Givaudan employee.

Our recent partnerships with The Kitchen and StartLife form part of our wider commitment to address global food challenges. The Kitchen will enable us to further expand our innovation ecosystem by connecting with entrepreneurs who are contributing to the creation of healthier and sustainable products and solutions.

StartLife will enable us to engage with emerging start-ups on the Wageningen campus, which is becoming a hot-spot of food science and foodtech activity in the Netherlands.

For our Fragrance Division, we entered a strategic relationship to extend our capabilities in Active Beauty. Our partnership with Bio FD&C in 2019 enables us to expand our capabilities in health and well-being, and benefit from Bio FD&C's unique innovation capabilities to develop the cosmetic ingredients of the future.



# Innovating responsibly

## Maximising sustainable value

Our scientists, technologists, flavourists and perfumers are constantly looking to the future and how market dynamics might impact not only our Company, but also our customers and the wider world.

As a Company, we aim to innovate responsibly, thereby bringing the maximum sustainable value to our products and solutions, to the benefit of our customers and society as a whole.

🔍 [www.givaudan.com](http://www.givaudan.com) – investors – online report – download centre – our sustainability approach

### Delivering differentiating technologies and solutions in flavours, nutritional and functional ingredients

The food industry is undergoing transformation and we are witnessing a steep growth in demand from consumers seeking products that are natural but also contain nutritional and well-being properties. Our Flavours Science & Technology teams aim to deliver differentiating technologies for flavour, taste, natural functional and nutritional ingredients as well as integrated solutions to our customers, driving long-term sustainable success.

The acquisition of Naturex was a major step forward for us in offering new and exciting products in Naturals and in Health and well-being. In 2019, we launched TurmiPure Gold®, the first bioequivalent turmeric at a low dose, giving our customers the confidence to formulate scientifically backed turmeric products. The main bioactives responsible for turmeric's health effects are curcuminoids, but these are poorly water soluble and absorbed by the body. TurmiPure Gold® has instant water dispersibility and by making curcuminoids more available in human bodies, this 100% natural solution is the next generation of turmeric. TurmiPure

Gold® was awarded 'Botanical Product of the Year' at the 2019 Nutraingredients Awards.

When health-conscious consumers buy food products, 100% natural colouring may well be at the top of their check-list. During the year Naturex launched VegeBrite® Ultimate Blue Spirulina, a natural blue colour that provides our customers with a welcome solution in the industry's continued quest for vibrant natural blues. This latest Spirulina extract is clean label and 100% natural. To meet demand, a new production line at Avignon in France that started in 2019 means Naturex can triple its production of colouring foodstuffs.

While consumer demand for natural and clean label products with understandable ingredients is increasing, food remains sensitive to oxidation and microbial spoilage, so ensuring quality throughout shelf life is crucial. Naturex is a world leader in natural food preservation with over 25 years of expertise in rosemary extracts and food oxidation mechanisms. Rosemary extract is a powerful natural alternative to artificial antioxidants for food products, and our rosemary is sustainably and responsibly sourced in the Atlas Mountains of Morocco.

### Clean label encapsulation system inspired by nature

Flavour and taste technologies have changed over time and in line with customer and consumer demands. Cooking at home, for example, is an area which has seen our flavour delivery team focus on encapsulation systems that use natural food grade ingredients.

Most recently, the team has taken further steps with a new clean label encapsulation system inspired by nature. This technology, unique in the industry, enables flavourings to be loaded into seeds and grains such as sesame and quinoa, avoiding traditional carrier materials. A bonus is the fact that seeds and grains come with their own nutritional benefits, providing a high level of protection to the flavours and allow for so far unseen release effects and eating experiences.

### Health and well-being

With health and well-being becoming an essential part of people's lives, we are able to offer our customers an extensive palette of

solutions from enabling great-tasting plant-based food to reducing the sugar, fat and salt levels in a wide range of food and beverage products without compromising on taste.

Givaudan is able to offer products and solutions that enable them to make the most of the opportunities available and satisfy demands from consumers around dietary shifts towards health and well-being.

A new flavouring approach to transform the taste of plant-based meat alternatives, part of our extensive protein programme, was launched in 2019. For us it is the best approach in flavouring high moisture texturised vegetable protein – typically soya – used as meat substitutes. Flavour, texture and mouthfeel: we developed the whole package; a crucial step to enable most preferred consumer products.

 [The future of proteins, page 27](#)

In 2019, we built upon our flavour modification offering with the latest technologies to help reduce undesirable ingredients such as sugar and salt. Our holistic sensory language and approach, combined with new technologies, close the gaps between full sugar and unsweetened products. As the only company with this capability, Givaudan is able to deliver products with up to 50% reduction in sugar, closer to their full sugar equivalent naturally and without added sweeteners.

### Enabling novel consumer experiences

In Fragrances, we are passionate about enabling novel consumer experiences, allowing our customers to differentiate while adding value that benefits society and reduces impact on the environment.

We use our expertise in science and technology to drive positive sustainability outcomes. Through creation and collaboration, we look to make sustainability part of every breakthrough and add value by enhancing scientific research and developing products that benefit both society and the environment. Our innovation efforts are concentrated on naturals, health and well-being, and sustainable processes.

### Naturals

In expanding our customers' access to natural ingredients and solutions, we recognise that naturals are central and must be used in the most efficient way while respecting the planet. At the same time, we investigate and develop alternative sources of key natural raw materials to contribute to the protection of fragile natural sources.

In Fragrance Ingredients, our focus is to discover new and unique molecules and precursors, and in 2019 we launched Scentaurus®, a family of fragrance precursors which will allow our perfumers to formulate long-lasting fragrances for various applications. Scentaurus® technology was developed in line with our sustainability approach and is revolutionary as it

# Kitchen Ingredients

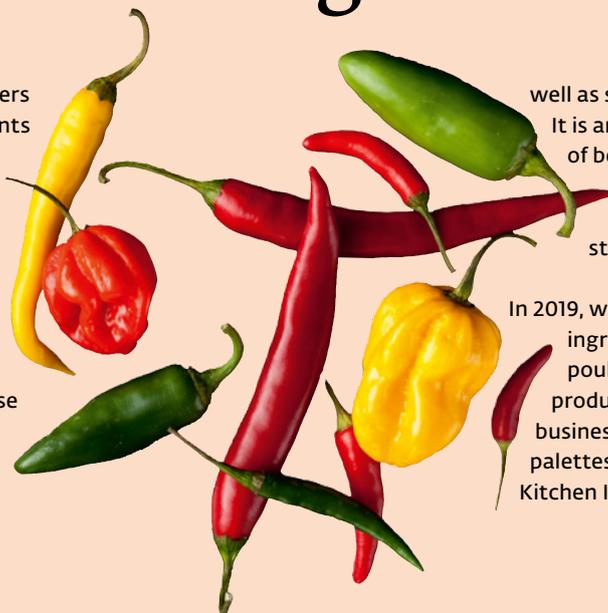
We rise to the demand from consumers for great taste from natural ingredients that they recognise from their own kitchens, meeting their expectations for more natural ingredients and transparent food labelling.

Our Kitchen Ingredients is a broad portfolio of delicious flavours used in kitchens around the world – diverse ingredients for foods and beverages such as citrus, vanilla, cheese, meat and poultry, marine extracts, as

well as stocks, fonds, spices and herbs.

It is an integral part of our portfolio of beverage and sweet goods products, with citrus, vanilla and botanical extracts being a stronghold of our portfolio.

In 2019, we added three new flavour ingredients for our meat and poultry palettes, and incorporated products from our newly acquired businesses in the vegetable and culinary palettes, enriching an already strong Kitchen Ingredients portfolio.



brings us a new evolution to the way of designing fragrances; some olfactive notes can now be delivered at the dry stage on fabrics, something not previously possible.

### Health and well-being

We provide our customers with novel sensory experiences, unique products and solutions to help them promote consumer health and well-being. We achieve this by expanding our understanding of how our products and solutions can positively impact consumer health and well-being.

In 2019, we launched our Zap solutions platform designed to address the negative impact of malodour for home, personal and fabric care, becoming the first fragrance house to offer malodour solutions specific to categories and applications. Our Zap range consists of fragrance solutions that help people's well-being by returning their confidence in their everyday life and in social settings. Zap solutions provide our customers with a range of options, for example a new range of incontinence products are available for the increasingly ageing population. NeutraZap™, a fragrance design solution that provides an odour neutralising effect to combat malodour in adult urinary incontinence, helping to restore self-confidence.

During the year we also launched an active cosmetic ingredient that fuses nature and scientific expertise to offer consumers dual benefits on beauty and well-being. Originating from our research on marine biotechnology in Brittany, France, Sensityl™

is the first ingredient of its kind to positively influence consumers' moods after just one month of use through its powerful soothing benefits. By using biotechnology processes, Sensityl™ also contributes to our sustainability approach 'A Sense of Tomorrow' because it innovates responsibly by enhancing people's lives while respecting the environment.

### Sustainable, novel molecules

As with Sensityl™, we offer customers fragrance ingredients palettes of the future by using green chemistry and optimising opportunities derived from novel forms of biotransformation, biosourcing and biodegradability. Consumers want fragrances that positively influence how they feel, yet also seek sustainable products that are produced in ways that respect the environment.

In 2019, we announced a breakthrough technology to produce Ambrofix, one of the most widely used biodegradable fragrance ingredients. The new process delivers identical olfactive qualities as the traditional method while being the most sustainable and carbon efficient on the market. And our FiveCarbon Path™ navigates our ambition to leverage new sustainable chemistry and biotechnology methods to deliver innovative carbon-efficient molecules.

# Driving the palette of the future

A new vision driving our fragrance molecule developments while delivering on our environmental commitments was launched in 2019: FiveCarbon Path™ formalises the use of the latest and emerging scientific disciplines to meet the future demands of our industry and consumers' expectations.

FiveCarbon Path™ implements in practical ways our approach to innovating responsibly, which considers the potential impact of our processes and products on the environment, by designing ingredients in ways guided by the vision. It underpins our

drive to leverage new sustainable chemistry and biotechnology methods to deliver innovative carbon-efficient molecules. And with rapidly changing consumer preferences, our Safe by Design™ approach – how we accelerate molecule research more efficiently while demonstrating our commitment to using non-invasive test methods to screen for safety early in the development phase – helps customers get to market even faster.

The vital role that carbon plays in our industry is at the centre of FiveCarbon

Path™. Every perfume we create is a complex mixture of ingredients, including naturals, which are all based on carbon elements. We particularly recognise our responsibility to ensure the sustainability of synthesised ingredients and the wider environment.

FiveCarbon Path™ focuses on increasing the use of renewable carbon; increasing carbon efficiency in synthesis; maximising biodegradable carbon; increasing the 'odour per carbon ratio' with high impact material; and using upcycled carbon from side streams.

# Our people & culture

## Input

Number of employees

**14,969**

Women in senior management

**26%**

## Output

Employee engagement score

**81%**

Number of leaders trained since 2015 in Leadership Senses programme

**1,407**

**3** GOOD HEALTH AND WELL-BEING



**5** GENDER EQUALITY



**8** DECENT WORK AND ECONOMIC GROWTH



**17** PARTNERSHIPS FOR THE GOALS



# People contributing with passion and talent

Our talented people are passionate about their work and our Company. It is this passion that makes the difference.

With over 14,960 employees at the end of 2019, Givaudan is a global company with a workforce of innovative and creative professionals which has grown significantly through the acquisitions we have made in recent years.

We want Givaudan to be a place where we all love to be and grow. We also want to ensure it is as inclusive a company as possible, one where everyone can achieve their aspirations and which reflects the diverse communities in which we operate. We are becoming a more balanced and inclusive company and as part of our ambitions for our Company Purpose we have set the following three goals:

- Before 2025, we will be rated among the leading employers for inclusion globally
- Before 2030, 50% of our senior leaders will be from high growth markets
- Before 2030, 50% of our senior leaders will be women

Number of ONE onboarding programmes around the world

11

Number of managers who went through 'Quality Conversations' training in 2019

640

Women as senior leaders in 2019

26%

Women as senior leaders before 2030

50%

During the year we continued to build this inclusive environment in which our people can impact their world and contribute to the Company's success. We have a range of strategies that focus on the areas of talent, performance and culture. In the first, we develop leadership capabilities, ensuring we have the talent that can deliver on the needs of tomorrow; in performance, we strengthen the way we have conversations and ways of linking pay and workplace performance; and in culture, we want to establish our unique offering as an employer, what we stand for and how to make our Company a great place to work.

[www.givaudan.com](http://www.givaudan.com) – our company – about Givaudan – position statements – diversity

The introduction of Givaudan Business Solutions (GBS) has allowed us to offer our employees a more focused and dedicated Human Resources (HR) support. GBS is a fundamental enabler of our HR strategy, allowing us to deliver solutions in cooperation with our business as well as a better experience for internal and external customers.

## Givaudan employees

	2019	2018
<b>Total number of full time employees<sup>1</sup></b>	<b>14,969</b>	<b>13,598</b>
<b>Total headcount<sup>2</sup></b>	<b>12,218</b>	<b>11,725</b>
<b>Total number of employees (headcount)<sup>2</sup></b>	<b>12,218</b>	<b>11,725</b>
Women	4,704	4,474
Men	7,514	7,251
<b>New Employee hires</b>	<b>1,827</b>	<b>1,815</b>
Women	735	745
Men	1,092	1,070
<b>Turnover rate</b>	<b>10%</b>	<b>12%</b>
Women	10%	13%
Men	10%	11%

1. This is defined as the equivalent full time employees and includes acquisitions. In 2018 the number includes employees from Activ International, Vika B.V., Centroflora Nutra, Expressions Parfumées and Naturex. In 2019 the number includes employees from Activ International, Vika B.V., Centroflora Nutra, Naturex, Expressions Parfumées, Albert Vieille, Fragrance Oils, drom and Golden Frog.
2. For 2018 and 2019, this is defined as the head count: Givaudan employees, internal temporary employees, and employees from Activ International, all other acquisitions excluded.

## Our talent

We have programmes that aim to equip our people with leadership skills needed for today and tomorrow. Our Leadership Senses programmes remain central: in 2019, 524 participants followed the programmes across all regions, and since the initial launch in 2015 a total of 1,407 leaders of a pool of 2,300 have been trained.

Discover is the new addition to the Leadership Senses programmes of Begin, Grow, Evolve and Enhance. This foundational programme focuses on our first-line managers and supervisors, and uses an interactive and practical approach. Its purpose is to introduce front-line leaders and supervisors to the concepts of leadership before they have full line responsibility for a team. It helps them create an environment focused on safety, quality and exceptional service delivery. The Discover pilot was successfully run in 2018 and in 2019 we trained about 96 internal facilitators, including people

in HR and Operations, and we are extending the programme through a 'train the trainers' approach ahead of a planned global roll-out.

## Improving performance

Our new performance and development approach is centred on a simple and flexible framework allowing managers and employees to have regular and meaningful conversations, to help them flourish, grow, and perform at their best. This includes clarifying mutual expectations, setting objectives, identifying goals, providing feedback, developmental conversations and reviewing results.

Feedback in the early stages of these 'Quality Conversations' indicate there is stronger employee engagement through this better-quality, more regular face-to-face approach, and we are now placing less emphasis on systems-driven reviews of the past. The target is to train 2,000 managers in Quality

# Engaging the voice of employees

"Building a great place to work is an on-going journey, we can never take this for granted and everyone contributes." Simon Halle-Smith, Head of Global HR and EHS

We conducted our latest Employee Engagement Survey in September 2019, allowing our employees to tell us, once again, what Givaudan is doing well and what can be improved.

The response rate was 84%, up from 80% in 2016 when the last survey was held, pointing to the commitment and engagement of our employees around the globe. This year's survey mobilised a very different population than in 2016: an influx of new employees through the implementation of GBS and six of our newly acquired companies.

The overall engagement score of 81% is strong and above external benchmarks. Our strength includes areas related to work environment and strategic alignment, people see a strong link between individual contributions and overall strategy and we see the biggest improvements in areas related to communication. People feel more positive we are able to manage change; however, we also see that we need to improve on the flexibility of our processes.

As part of the 2019 survey and linked to our community support programme, the Company gave CHF 10 for each survey participant, enabling a total of CHF 118,690 to be donated to the Givaudan Foundation. The money raised from the survey will fund new philanthropic projects proposed by employee volunteers.



# YourVoiceYourImpact

Conversations, and by the end of 2019, 90% of managers have been trained. These numbers do not include managers from our recent acquisitions.

Competitive compensation packages enable us to attract, motivate and retain talented profiles. These packages are benchmarked and salaries are reviewed each year in the light of data such as the cost of living and changes in the market. We may review salaries more frequently in countries where there is high inflation, and our profit sharing scheme allows non-management employees to share in Company profits.

We conduct studies every year on a global basis and in each of the key markets where we operate to monitor gender pay equity, identify any outstanding pay gaps and ensure they are promptly addressed. These studies are conducted according to the methodology of the Swiss Federal Office for Gender Equality with a view to ensuring equal pay for equal responsibilities. Results for the Company globally show that the average base salary difference between men and women is 1.4% for equivalent roles and skill sets. For total cash compensation (fixed and variable pay) the difference is 1.6%.

### Our culture

In 2019, we started a key initiative to align our people processes with the newly acquired businesses of Naturex, Vika, Activ and Centroflora to the way we hire, onboard, develop, and manage performance and pay. These new employees add to our pool of talent and enrich our culture, broadening and extending our global and diverse workforce.

Whatever their role, we want to ensure that for all employees Givaudan is a great place to work with equal opportunities and good health and well-being for all. In turn, our people take pride in creating a positive environment of openness and curiosity, shaping and sharing innovative ideas that drive sustainable growth and help create memorable flavours and fragrances. Our 2019 Employee Engagement Survey results were extremely strong, with an engagement score of 81%. Compared to the last survey from 2016, all ratings on all questions improved, apart from one which stayed the same. These results were achieved in a period when we have made

a number of acquisitions and implemented Givaudan Business Solutions on a global basis.

New employees in our Company have the opportunity to gain a sense of our community and culture through our ONE onboarding programme, a dedicated two-day training event that focuses on our DNA and who we are; it is also a chance for people to build their networks. In 2019, we held 11 ONE onboarding events around the world that involved 239 new joiners who attended formal and informal sessions to find out about Givaudan, what it does, how it does it and as well as its history.

### Composition of governance (Executive Committee and Board of Directors)

	Women	Men	<30	30-50	>50	Total
Headcount	3	11	0	1	13	14
- in %	21%	79%	-	7%	93%	100%

### Employees' categories and composition of governance bodies

	Women	Men	<30	30-50	>50	Total
Senior management	50	142	-	113	79	192
- in %	26%	74%	0%	59%	41%	
Middle management	1,626	1,784	194	2,570	646	3,410
- in %	48%	52%	6%	75%	19%	
Associates	3,028	5,588	2,474	4,688	1,454	8,616
- in %	35%	65%	29%	54%	17%	
<b>Total</b>	<b>4,704</b>	<b>7,514</b>	<b>2,668</b>	<b>7,371</b>	<b>2,179</b>	<b>12,218</b>
<b>- in %</b>	<b>39%</b>	<b>61%</b>	<b>22%</b>	<b>60%</b>	<b>18%</b>	<b>100%</b>

1. Including the Executive Committee, and excluding acquisitions except Activ International.

# An invitation to the party – and dance as well

Givaudan aims to create an even more balanced and inclusive organisation before 2030. For at least one employee, the journey started some years ago.

What is the difference, if any, between diversity and better balance in a workforce? For Lucia Lisboa, the answer is clear: diversity is simply 'inclusion', while better balance is 'inclusion with real participation'.

"Diversity is when you just invite someone to a party, but better balance is about asking them to dance too. This is exactly what is happening with Givaudan," says Lucia, who is our Regional Head of Fine Fragrances in Latin America.



Since joining the Company nearly 20 years ago, Lucia has spearheaded a number of achievements in issues concerning women in the workplace and has witnessed a "real evolution".

"We have a culture that is open and Givaudan has always given me the

opportunity to grow when I was ready for it," she says. "I feel like I am actively contributing and bringing different perspectives to the group. We know that companies with this approach are much more efficient and have better results."



In 2019, a further step forward was taken when Givaudan Brazil signed up to the seven UN Women's Empowerment Principles, after encouragement by the company's Network Of Women (NOW), of which Lucia is a co-sponsor.

"The importance of signing the principles for Givaudan is crucial. It reinforces our commitment to promote equal rights and opportunities for women and men in our company, contributing to create a better environment for business development," she says.

In what will undoubtedly be a continuing journey, Lucia says that women should not be afraid to create opportunities for development as she has been able to do at Givaudan.

LTR:  
Lucia Lisboa,  
Mauro Patrus  
and Adriana  
Carvalho  
(UN Women  
Representative)

# Embedding our culture of safety

## A year of progress towards our ambitious target

Our goal is to ensure that everyone gets home safe everyday: empowering all employees to protect their health and safety and that of their colleagues. Their active participation in building a culture of safety helps create a safe working environment.

Safety underlines everything we do and, with the commitment to send everyone home safe everyday, we continue to make good progress towards our ambitious Lost Time Injury Rate (LTIR) target of under 0.1 by the end of 2020. In 2019, our LTIR was 0.22, down from 1.03 in 2009, with no fatal injuries. In addition, the Total Recordable Case Rate (TRCR) was down from 1.76 to 0.81. This means we have reduced the rate of injuries requiring medical treatment by 36% since 2018.

The improvement in LTIR is the result of the increased inclusion and sustained engagement by our employees in safety issues – more sites and more employees are more involved. We have been particularly successful in driving safety contacts, which are quality conversations correcting safety issues and

reinforcing good safety behaviour. In 2019, a record level of over 30,000 such contacts was achieved.

This success is supported by the championing of safety best practice, continuous improvement in our safety management system, and programmes that help embed a culture of safety at work and at home, including safety workshops, safety awareness campaigns, safety engagement events and the implementation of our EHS Facilitator programme.

The results of these safety awareness actions can be seen in, for example, the excellent safety results in Asia Pacific in mid-August 2019, with passing 365 days of work with zero lost-time injuries achieved at our Flavours sites – ‘a year of safety’. This milestone was particularly creditable given the complexity of our operations and the region’s numerous laboratories and offices.

“ An inspiring milestone in safety: Since 2009, we have achieved a reduction in injuries of 79%.

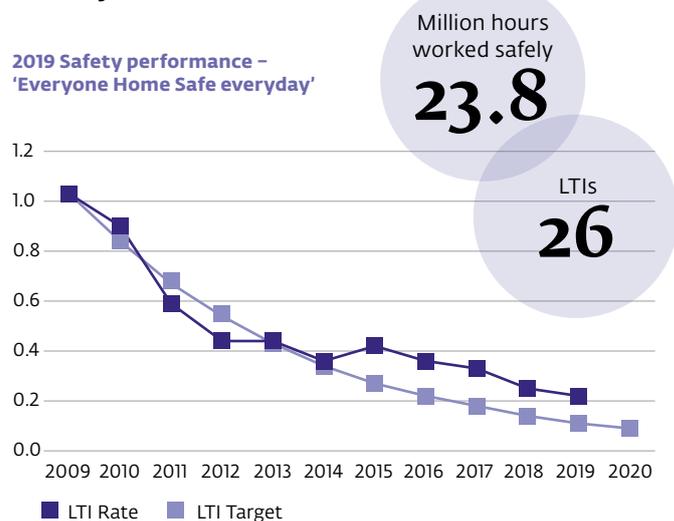
### Lost Time Injury

Lost Time Injury (LTI) refers to the number of accidents on the job involving an absence from the workplace for a minimum of one day.

### Lost Time Injury Rate

Lost Time Injury Rate (LTIR) is the measure of the number of occupational incidents with at least one day of work lost relative to 200,000 hours of work.

2019 Safety performance – ‘Everyone Home Safe everyday’



Our two Fragrance sites in Shanghai, China also achieved significant safety milestones during the year, with 3,500 days of zero lost-time injuries at Songjiang and 2,000 at Zhangjiang.

During the year, two global safety campaigns organised by our Environment, Health and Safety (EHS) function were launched in particular areas needing attention: forklifts and fire. Incidents involving forklifts at our production sites, some of them serious, mostly involve slips, trips and falls when getting on and off a forklift, back or neck strains through driving, and pedestrians being struck by a moving forklift or a forklift's load. This safety campaign, which was linked to our Safety Ground Rules, has already resulted in a reduction in incidents.

Fire represents a threat to our people, assets and business. Our global fire safety campaign was launched to improve employees' awareness of fire safety and to minimise fire risks. The aim is to build a proactive, preventative fire safety culture and fill any technical gaps in fire prevention measures. The campaign, which focuses on the top three causes of fire in a workplace, will continue through 2020.

With the growth of the Company through recent acquisitions, we are gradually bringing new businesses into the Givaudan EHS reporting system. We expect this to be completed for all recent acquisitions from 2020.

Traditionally our health and safety activities have focused exclusively on our production sites, but we are now expanding our scope to include non-production sites such as commercial offices and laboratories. It is important to educate and equip all our employees with appropriate safety information and access to support. This will mean the reporting of health and safety data from all Givaudan sites and the subsequent public disclosure of performance. The programme, which includes training EHS people at our non-production sites, is expected to be completed by the end of 2020.

Non-production sites also came into the focus of our workplace ergonomics programme. About 30% of injuries at Givaudan are related to ergonomics and we have been extending this successful initiative – introduced to flavours and fragrance production sites in 2015 – to commercial and office sites. Through such measures we can reduce incidents as well as increase the long-term health and well-being of all employees.

# Little by little for big benefits

Something special has been happening at our Pomacle site in France, where safety statistics speak volumes: "One year without any accidents in the workplace – an impressive milestone in providing a safe working environment for all employees," says Christophe Fleury, Active Beauty Operations Manager.

"It's been a journey from eight LTIs in 2015 then down to four in 2016, three in 2018 and 0 in 2019, and this trend reflects our focused efforts at Pomacle to improve safety behaviour."

Since 2015 more than 800 actions have been implemented across areas including processes and training; incidents are analysed to find trends, challenges identified and remedial actions taken. For example, an

ergonomics programme introduced after a number of strains on the factory floor has already seen positive results.

"It is much more than just implementing rules, it's about introducing a change in mindset and building a culture of safety, little by little," says Christophe.

Coraline Jallot, Active Beauty EHS Manager at Pomacle says the site's EHS Days were also an important element in enabling this change. "These events raise awareness and promote safety



issues among all employees on the site. Through workshops and activities they are shown first-hand how important these issues are in their daily activities and how each person has the power to help reach our zero LTI goal," says Coraline.

Christophe adds that this culture of safety becomes a driving force when people are aware that safety is everyone's responsibility. "We knew that the change in our safety culture would help us achieve zero LTIs – and continue achieving zero LTIs. Our journey continues."

# Sourcing

## Input

Different raw materials sourced

> **11,000**

Ongoing community at source projects

**18**

## Output

Raw material and IM&S spend per year in CHF billion

**3.7**

Number of beneficiaries, their families and communities

**30,000**

2 ZERO HUNGER



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



15 LIFE ON LAND



17 PARTNERSHIPS FOR THE GOALS



# From sourcing to supply

## Maximising value with suppliers

**Our suppliers are genuine partners and we work with them towards mutual value creation.**

Liaising with each division to optimise the sourcing process in line with business requirements and within given constraints, our Procurement teams ensure the continuous supply of purchased materials and services at the most competitive and optimal quality. These teams are trusted advisors involved in the Company's markets, capable of adapting to rapidly changing environments.

Within these partnerships, which are based on mutual value creation, we seek to maximise value with our suppliers to create a differentiating and profitable business. We are committed to working together to generate long-term benefits for both, and view our suppliers as genuine partners – an extension of our business.

Through supplier enabled innovation, suppliers tap into their innovative resources and together we achieve a level of innovation that is beyond what we can do on our own. In 2019, we also set out a strategic innovation agenda with our partners called 'Connect to Win'. This agenda aims at capitalising on our existing relationships to create a pipeline of technological innovations to differentiate us in the market. Through this collaboration with strategic suppliers we are able to develop ideas in the key areas of increasing importance for Givaudan such as a responsible and sustainable future, efficiency improvements, healthier and happier lives, new individual customer experiences, and better food performance.

One illustration of successful collaboration is our partnership with the industrial bioscience company Amyris. We further strengthened this collaboration in 2019 with innovative advances including a new business line that is expected to be fully commercialised in 2020 and which will provide Givaudan with a superior competitive edge. We hold regular commercial

and technical reviews with Amyris to explore areas of possible benefit, for example in developing a second biobased active ingredient for our Active Beauty business, and in the flavour side, supporting Amyris with the development of a new tabletop sweetener.

All new relationships between Givaudan and its suppliers are developed using vendor requirement guidelines as reference material. We encourage selected suppliers to continuously improve their performance, and one way we do this is by inviting suppliers to register with Sedex; the percentage of suppliers assessed to date is 80%.

### Supply risk

Events that could threaten the supply of raw materials and indirect materials and services are risks we must manage each day. If we do not receive the goods or services we need for our manufacturing processes, we cannot supply our customers, so risk management is as important as buying at the right price. We are limiting our exposure to supply risks by adopting complimentary approaches, including reducing our dependency on single-source suppliers and strengthening our risk management approach and governance.

We protect our customers' brands by minimising supply risks, and have for some time been moving from reactive and costly 'firefighting' to proactive planning for the unknown.

# Sourcing for shared value

## Bringing benefits to all involved

We are committed to sourcing our raw materials in a responsible way and working with suppliers who respect people and the environment. We want to bring long-term stability to our supply chains and to the communities from whom we source.

Our comprehensive approach, Sourcing for Shared Value, builds on and further strengthens the long-term commitment to sustainable procurement practices based on shared value, securing traceability and supply of key natural resources, and supporting local communities.

### Responsible Sourcing

Through our Responsible Sourcing programme, we collaborate with our suppliers to achieve high standards in business ethics and respect for people and the environment.

We continue to work with our main direct suppliers of raw materials for their sites to be audited according to Sedex Members Ethical Trade Audit (SMETA), one of the most widely used ethical audit formats worldwide. In 2019, a total of 326 key

raw material suppliers were registered with Sedex. These suppliers represent about two-thirds of our spend. We have also worked to ensure that audited suppliers had closed all open non-conformities. At the end of 2019, our supplier compliance rate reached 85%. Our target is to ensure that all audited suppliers are compliant by 2020, which means they have closed all non-conformities identified during the audit.

Meanwhile, we are mapping the supply chains of key raw materials of natural origin to understand how they are organised and to collect information on the role, importance and location of intermediate suppliers, right up to the farm level. The next step is to check the practices in each supply chain against our Responsible Sourcing Policy. Where we find risks or gaps we ensure the relevant suppliers have improvement plans in place.

By the end of 2019 we were mapping 50 raw material categories and sourcing 33 raw material categories in a responsible way.

Different raw materials sourced

> **11,000**

Key raw material suppliers registered with SEDEX

**326**

Sourcing countries

> **100**

Supplier compliance rate

**85%**

### SEDEX / SMETA

Givaudan is an active member of Sedex, a global platform for sharing responsible sourcing data on supply chains.

Sedex enables companies to manage their performance around labour rights, health & safety, the environment and business ethics. Their collaborative approach allows companies and their suppliers to exchange information and work together to better manage and improve their business' ethical performance.

SMETA is Sedex's social audit procedure, providing a globally recognised way to assess responsible supply chain activities.

## Minimising deforestation to preserve biodiversity

Biodiversity underpins much of what we do at Givaudan and is essential to the long-term survival of life itself. Natural ecosystems are being replaced by agriculture, energy production and settlement as populations increase and levels of consumption rise. Deforestation and land degradation threaten the ecosystems and biodiversity that underpin the sources of natural ingredients we buy for our flavour and fragrance products. We have a tree planting programme in Madagascar in the areas where we source clove leaf oil. By the end of 2019, Givaudan and the Givaudan Foundation had contributed to the planting of over 500,000 trees.

The impact of climate change and the loss of habitat are clearly of critical interest: Access and Benefit-sharing (ABS) and the preservation of biodiversity through approaches such as minimising deforestation are therefore integral parts of how we manage risk.

## Access and Benefit-sharing

We base our approach on the principle of sharing the benefits of biodiversity as promoted by the Nagoya Protocol, which we support. Our position statement on the Convention on Biological Diversity (CBD), and particularly on local legislation and regulations for implementing the Nagoya Protocol, can be found on our website.

 [www.givaudan.com](http://www.givaudan.com) – our company – about Givaudan – position statements

## Sourcing at Origin

Our initiatives secure the traceability, supply and quality of key natural ingredients in countries of origin. We work directly with producers and suppliers and foster local value creation. In 2019, we continued to invest in direct collection networks and exclusive farming partnerships in order to strengthen the local economic fabric in countries of origin and contribute to more stable incomes for thousands of smallholder producer families. In 2019, 34 categories of natural raw materials from 23 different countries were covered by a Sourcing at Origin initiative.

During the year we further reinforced one of the collection networks by introducing a new and more energy efficient prototype distillation unit to the patchouli supply chain on the Indonesian island of Sulawesi. The new unit, installed with assistance from the local Ministry of Environment and Forestry, uses 65% less wood than earlier units. It follows work started in 2016 through the Givaudan Foundation in partnership with the NGO Swisscontact to develop energy efficient distillation equipment as well as training patchouli farmers and distillers. We started our original support for these farmers and essential oil producers in 2013.

We launched a new version of our sourcing application I-Source, which enables us to better understand our supply chains. The tool generates data that give us greater understanding of agricultural practices and environmental or social challenges faced by local producers. In turn, the data helps us better understand the issues and opportunities so we can advance our improvement programmes.

Also in 2019 and with the support of the Givaudan Foundation, we launched a field experiment with an agricultural university in Indonesia, IPB, to research better agricultural practices for vetiver farmers. Since 5 years, farmers have been intercropping vetiver with cabbage to guarantee their revenue when prices are too low, and we saw a sharp decrease in vetiver oil yields at the same time. Our goal is to restore the vetiver yields while assuring the farmers revenue.

## Communities at Source

Natural raw material producers make an important contribution to our business. In return, we partner with non-profit organisations and the Givaudan Foundation, working together with local communities on projects that benefit and support the communities where we source.

For example, we have developed an exclusive signature natural ingredient, Roasted Tonka Absolute, as part of Conservation International's Conservation Stewards Program. This ingredient brings notes of dried cocoa powder and coffee to craft fragrances with a unique novel gourmand effect. The partnership, with Conservation International and local NGO Phynatura as project implementer, was initiated by Givaudan and has been continued by the Givaudan Foundation since 2015. The partnership has been operating for a total of 12 years and has to date helped to conserve around 150,000 hectares of forest, equivalent to more than 200,000 soccer fields.

In 2019, we were recognised for our efforts regarding tonka beans with the Global Conservation Hero award, made by Conservation International to both Givaudan and the Givaudan Foundation. The award recognises our commitment to forest conservation, particularly in protecting natural resources and empowering local communities.

To date, our Communities at Source initiative encompasses 18 ongoing projects in 8 countries. They touch more than 30,000 beneficiaries as well as their families and communities.

# Responsibly sourcing bergamot

Almost all the world's production of bergamot oil is sourced from crop to factory in Calabria, southern Italy. This iconic citrus fruit whose aromatic skin has delivered an essential oil used in many flavour and fragrance applications for centuries, Earl Grey tea and Eau de Cologne being just two of them.

It takes 4-5 years for a bergamot tree to bear fruit. Each tree produces around 100 kilograms of fruit per year; two trees are required to produce one single kilogram of essential oil.

Since 2017, as part of its Responsible Sourcing programme, Givaudan has been undertaking audits of its main direct suppliers and assessments of bergamot's complex supply chain: about 1,300 smallholder farmers pick the fruit and then sell it to small processing

companies, cooperatives and producers who transform the peel into essential oil according to strict quality standards. We are currently following-up with our direct suppliers to ensure that the action plans are being implemented.

In 2019, our sourcing teams kept up this work with third-party auditors, who are often trained as agronomists, to conduct field visits across this supply chain. In close collaboration and with the active support of our direct suppliers, improvement plans are implemented to share best practices and close any gaps in agricultural and farm management practices against our Responsible Sourcing Policy.

Our target is to ensure that 90% of our raw materials volume of natural origin is responsibly sourced by 2020, and the



remaining volume by 2030. Working in close partnership with the producers and growers in this way enables greater transparency in the supply chain but also opens new sources of inspiration for Givaudan's creations.



## Sourcing patchouli in Indonesia

A Givaudan collection network of around 1,000 smallholder producers on the island of Sulawesi supplies our patchouli oil. They benefit from training in sustainable production

methods to improve yields and reduce the impact on the environment. A recent initiative was the launch of an improved patchouli distillation unit that boosts energy efficiency and reduces firewood consumption. "This

new distillation equipment produces more oil and uses less wood. It always makes a difference to me and my family if we cut down on our wood supply but can sell more oil of better quality," said Daeng, a local producer.

## Tonka beans at source

Tonka grows wild in the forests of the Caura Basin, a rich and largely pristine natural environment of high biodiversity in the Amazonas region of Venezuela. However, demand for agricultural land,

as well as illegal hunting and fishing, puts pressure on the area and has a negative impact on the indigenous communities who gather the beans from the forest floor. Today, around 100 families

receive incentives and technical assistance in return for their commitment to monitor the local forest and its biodiversity. They are not only



contributing to the protection of their environment but also managing their business and working as an association, all of which is essential to the reliable supply of tonka.

# Operations

## Input

Number of  
production sites

**73**

Operating costs  
in CHF million

**5,283**

## Output

Number  
of products

**>74,000**

Sales  
in CHF million

**6,203**

**6** CLEAN WATER  
AND SANITATION



**12** RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



**13** CLIMATE  
ACTION



**17** PARTNERSHIPS  
FOR THE GOALS



# Creating value across our production processes

## Driving our culture of agility, innovation and continuous improvement across our production sites.

Our commitment to customers drives our culture of innovation and continuous improvement at all our 73 production sites around the world. Each day, with speed and agility, our production teams transform the original creations of our perfumers and flavourists into products that meet customer demands and consumer preferences as well as increasingly stringent quality standards.

Through our acquisitions in 2019 we added seven new production sites in six different countries. This expanding global footprint ensures we are close to our customers and their markets, and enables us to bring value-added flavour and fragrance products and solutions to market faster.

### Continuous improvement

In Flavours in 2019, we completed the second of our three-year cycles of food safety audits, which showed clear and significant improvements in our Operations performance. While we continuously enhance our systems and standards to adapt to increasing regulatory, statutory and customer requirements, we also seek to strengthen even further our culture of food safety. More than 100 food safety experts across all regions, including in our recent acquisitions, are forming a global network to bring food safety within Givaudan to the next level. As part of the integration of our acquisitions, we have built a combined expert team so we can align collaboratively on best practices, reflecting Givaudan's high quality and food safety standards.

Our Operations infrastructure in Fragrances is based on a global SAP platform, which means all systems, applications, nomenclature and specifications are consistent and global. This allows us to leverage our highly automated facilities in, for example, ingredients, compounding and Active Beauty, to service our customers with best-in-class lead times. Global quality,

supply chain, and production methodologies serve as enablers to this footprint. Our aspiration is: "Be great at what you do, always aspire to be better, and ensure that you have our customers' needs in mind." We constantly invest in training and development for our teams, and provide them with robust tools and methodologies to drive improvement. We gauge our effectiveness by our focus on key performance indicators that include safety, quality, service and cost. We strive assertively to deliver improved performance against these metrics.

Our moves towards global harmonisation in Flavour and Fragrance Operations, particularly with our recent acquisitions, are facilitated by Givaudan Business Solutions (GBS) through its Continuous Improvement (CI) Centre of Excellence, which aims to leverage knowledge and best practice across both business divisions. This CoE will ultimately serve all of Givaudan and its customers in Operations and beyond by continually improving performance, efficiency and product quality.

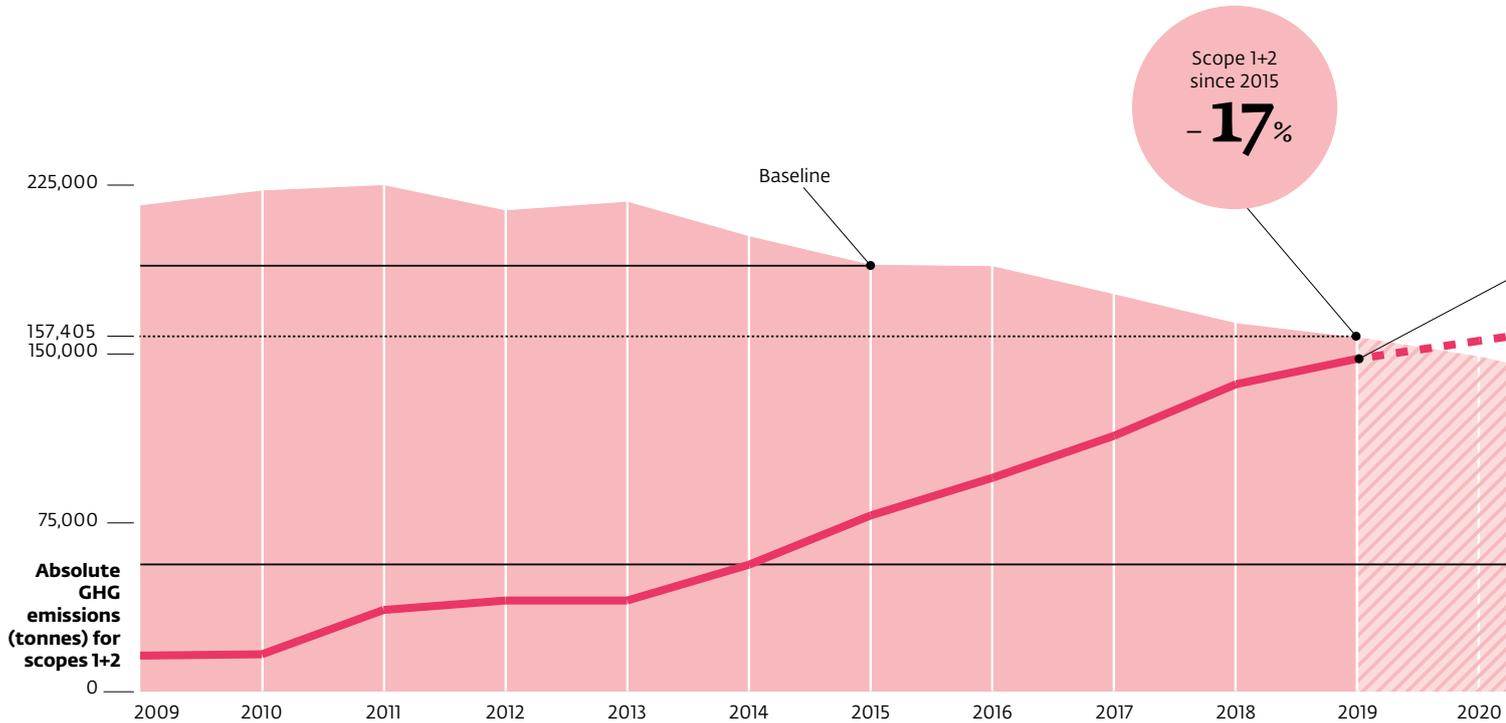
### Driving supply chain excellence

Our supply chain organisation remains on track to complete the implementation of its 2020 operational plan, which aims to bring more agility to meet fast-changing customer needs while continuing to reduce costs. The new operating model has been put in place in all regions, with only some parts of Asia Pacific remaining. Further progress in integrating the supply chains of our recently acquired companies is also expected during 2020.

We plan further investments in digital integration with trading partners in capacity planning processes and tools, and in risk management. With increasing changes in market conditions and opportunities for our customers, our responsiveness continues to be a focus area. Our significant global footprint is an opportunity to be in close proximity to customers, and we see potential to leverage this in the coming years.

# Acting for our environment

## Becoming climate positive



From a production site that produces zero waste water, to new cooling systems powered by solar energy, we are focused on ways to protect our planet.

### Greenhouse gas emissions and energy

Business has a vital role to play in leading climate action: our operations directly affect the planetary ecosystems that sustain humans and ensure our prosperity and quality of life.

Our targets, which are approved by the Science Based Targets initiative, support the global goal of limiting the world's temperature rise to 1.5°C, the minimum needed to prevent the most damaging effects on the environment. We believe that a

<p><b>Target</b></p> <p>Renewable electricity by 2025</p> <p><b>100%</b></p> <hr/> <p>Scope 1 + 2 GHG emissions between 2015 and 2030</p> <p><b>-70%</b></p>	<p><b>Performance 2019</b></p> <p>Renewable electricity</p> <p><b>75%</b></p> <hr/> <p>Scope 1 + 2 GHG emissions since 2015</p> <p><b>-17%</b></p>
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business model that supports this is viable, and will encourage the transition to a net zero emissions world before 2050. In 2019, we set new ambitious targets to reduce our emissions by 70% across our operations between 2015 and 2030 (scope 1 and 2 emissions).

Another fundamental action which we continued in 2019 is to ensure that all the electricity we consume will come from renewable sources by 2025. Innovative solutions which allow



“Our ambition is to be a climate-positive business (scope 1, 2, and 3) before 2050.

### Scope 1

Emissions generated by Givaudan's production. Such emissions come from the combustion of fossil fuels (gasoline, diesel, fuel oil, natural gas, propane) consumed to produce heat and steam on our facilities or to operate our vehicles.

### Scope 2

Emissions coming from the production of electricity, steam, or other sources of energy (e.g. chilled water) generated upstream by another organisation using fuels such as coal, fuel oil, natural gas, waste, and others, to do so.

### Scope 3

Emissions that come from all sources of emission in our value chain excluding those already covered under scope 1 and 2. Scope 3 refers then to items including but not limited to the production of purchased goods, goods transport, packaging, capital goods, waste disposal and employee commuting and business travel.

both our Company and industry to make the transition to renewable energy are helping us achieve this goal. Our ongoing efforts with the HyCool project, beginning in 2018, are a good example of our continuity. This three-year collaboration to

develop cost-effective cooling technology using solar power involves a consortium of 16 partners and our site in Sant Celoni, Spain, which produces fragrance ingredients, is testing the technology on behalf of the chemical industry.

Our 'green IT' approach is also contributing: as of October 2019, our new data centre in Switzerland is saving the equivalent of greenhouse gases generated by 530 return flights between Geneva and New York per year. In the past, our redundant IT hardware was destroyed, but now, once data has been removed, it is recycled through a specialist broker.

We understand the importance of supporting our suppliers to reduce their emissions. We have set a target of a 20% reduction of these scope 3 emissions between 2015 and 2030. Value chain emissions make up more than 85% of our total carbon footprint, with the largest contribution coming from 'purchased goods and services'. We continue to work closely with our suppliers on this category, as well as other areas.

The efforts we make with our value chain have gained Givaudan global recognition as a world leader for supplier engagement on climate change. In 2019, CDP, the non-profit global environmental disclosure platform, awarded us a place on its Supplier Engagement Leader Board, putting us in the top 3% of 5,000 participating companies.

### Water stewardship and effluents

We strive to be an industry leader in both water conservation and stewardship, using and discharging this precious natural resource in a socially equitable, environmentally sustainable and economically beneficial manner. We assess and address water risks in our own operations and in our supply chain, giving priority to those places where challenges concerning water are expected. In these areas we carry out risk assessments and develop water mitigation action plans, including efficiency improvements and water reuse opportunities.

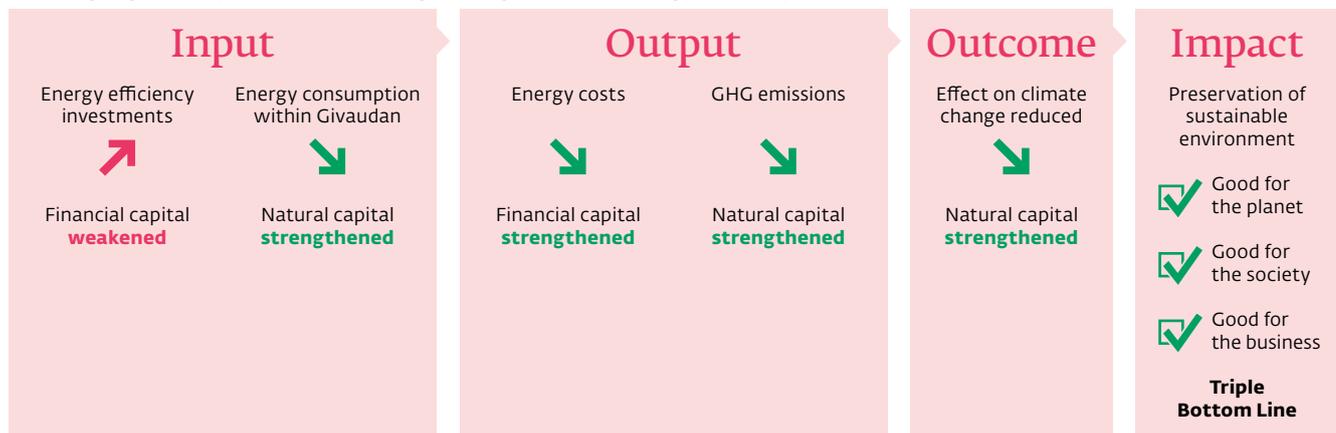
Our strategy for monitoring and reducing water consumption is embodied in our Water Stewardship Programme, which also guides our growth strategy in terms of location, technology and procedures to ensure water risks are managed and monitored. Our actions apply to both our operations and our supply chain, which are the most significant parts of our value chain in terms of water consumption.

Water is vital to our manufacturing activities as well as to our entire value chain. Our production sites around the world look for innovative ways to cut day-to-day water needs. One outstanding example is our new Flavours plant in Pune, India, which began production in 2019 and has from day one used innovative processes to purify and recycle all of its waste water. This both avoids discharging any waste water into the surrounding environment, and cuts our consumption from the urban water system by as much as 50%. Water is treated through complex filtration processes and reused, leaving just two by-products that cannot be processed further: water, which evaporates, and dry solids that have been removed from it, which can be disposed of sustainably.

### Materials and waste

Protecting the environment also means acting on waste. Our goal is to continually reduce the waste generated by our operations, and we also re-use materials or recycle them where possible. Our target is to cut the waste we dispose of by landfill or incineration by 4% year on year, compared to a 2015 baseline. Where waste is incinerated, we recapture the energy generated. As a result of these actions, 70% of our waste is recycled, and we will continue to improve on this.

### Reducing negative impact on climate change through enhanced energy efficiency



One of the ways in which we are getting closer to our waste management targets is by emphasising ideas prompted by the circular economy, in which little or no waste is produced. As one example, biological materials can be managed so that they can be returned to the biosphere without causing pollution.

### Rethinking plastics

In 2019, we set out to replace all single-use plastics with eco-friendly alternatives across our operations before 2030. At

our sites, 'Green Teams' engage with employees to support them in switching from plastic to more sustainable alternatives. In our Dubai offices, for example, foam cups have been replaced by a ceramic mug for each employee, decorated with their name. At our Zurich site in Switzerland, employees donated old ceramic cups and mugs to be cleaned and given a new lease of life in replacing plastic cups. And at our Jigani plant in India, employees were engaged to think about the topic of plastic pollution and take a variety of actions aimed at eliminating disposable plastic.

# Moving fast and with confidence



The urgent need to limit global warming to 1.5°C prompted Givaudan to swiftly realign its emissions reduction targets in 2019.

Sandra Girgis, Head of Environmental Sustainability, explains.

"This is exactly the kind of leadership we need from business in response to the growing climate crisis. We also have a business imperative, as our Company relies on precious raw materials which are threatened by the effects of climate change. Tackling climate change calls for global collaboration, so it was important to state our raised ambition to the environmental community during Climate Week in September 2019," says Sandra.

"It was essential to realign our targets and we had to be confident that we could achieve them without having identified all the detail of where and how. For the Sustainability team, it meant engaging our senior leaders about our high-level understanding of how we would do it, and they in turn went out and convinced the rest of the organisation," she says.

For Sandra, the key elements that give the Company confidence are:

1. RE100 commitment: in our efforts to reduce scope 2 emissions, we are committed to ensuring that our entire electricity supply will come from renewable sources by 2025. This is a fundamental element of our comprehensive plan for our Science Based Target.
2. The Acting For Our Environment team is a global, cross-functional group which has identified areas with high potential for reducing emissions and will be instrumental in implementing actual projects across our operations in 2020 and beyond.

# Good governance

## Input

### Principles of Conduct

Number of active members  
in our Green Teams

>500

## Output

Employees completed training  
on Principles of Conduct

85%

Charity spend  
in CHF million

2.0

2  
ZERO  
HUNGER



8  
DECENT WORK AND  
ECONOMIC GROWTH



12  
RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



13  
CLIMATE  
ACTION



17  
PARTNERSHIPS  
FOR THE GOALS



# Corporate citizenship

## Going beyond requirements

We are committed to the highest ethical standards in all areas of our business and to operate in ways that are responsible and take into consideration all our stakeholders.

Corporate citizenship is our social licence to operate. Maintaining this licence means going beyond meeting the requirements of laws and regulations to manage our business and practices in ways that build trust for the long term – to do ‘the right thing’.

In pursuing socially responsible growth, we go beyond financial due diligence and establish leading ethical, social and environmental practices at our sites and areas of operations. We are committed to respect human rights wherever we do business and to provide safe and healthy working conditions for our employees, contractors and visitors, and strive to make a positive impact on the communities in which we are present.

Our efforts and commitments around social responsibility and ethical business aspects, and progress on them, are iterated in our Principles of Conduct, Responsible Sourcing Policy, Commitment to Social Responsibility Position Statement, and in our annual UK Slavery Act and California Transparency Act Statements.

### Promoting human rights

We endorse the UN Guiding Principles on Business and Human Rights, and base our 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.

The basis of our ethical standards, specifically Responsible Corporate Citizenship, can be found in our Principles of Conduct, which is supported by policies and guidelines. We expect every employee to be accountable for upholding our

Principles in daily actions within their own sphere of influence and with business partners and stakeholders.

Impact assessments relating to human rights in our operations and supply chain are managed through continuous engagement and diverse interventions, embedded in many of our standard operating procedures and practices. The focus of these assessments ranges from high-level due diligence to covering more salient aspects, in particular the ones relating to health, safety or child labour.

All forms of child or forced labour are against our principles. This applies to employment within Givaudan and to the partners and suppliers with whom we work. Our Principles of Conduct stipulate we do not practice or tolerate any form of child exploitation or forced labour and that we do not provide employment to children before they have completed their compulsory education. This applies to employment within Givaudan and to the partners and suppliers with whom we work.

For business partners and suppliers, our Responsible Sourcing Policy specifies that suppliers must not use child labour (or forced labour) and are expected to comply with all reporting obligations regarding the abolition of child labour and human trafficking.

 [Responsible sourcing, page 53](#)

Givaudan is an active member of Sedex, a global platform which incorporates human rights risks in its assessments. Since 2010, all our manufacturing sites have been registered on Sedex and have completed Sedex self-assessment questionnaires. At the end of 2019, 45 of our production sites were registered on Sedex, and had been audited as per the set standard, i.e. Sedex Members Ethical Trade Audit (SMETA). As we acquire companies, we integrate them into our processes and platforms.

We also participate in the EcoVadis CSR assessments, disclosing detailed information around our business practices on human rights and labour aspects besides environment, ethics and responsible procurement. In the 2019 assessment, we

received an overall score of 72/100, placing us in the top 2% in our industry and in the top 1% of all companies assessed.

### Protecting labour relations

At Givaudan we provide and promote an environment for open dialogue to ensure all work-related aspects are well understood, openly discussed and any challenges are properly resolved. Here we respect every employee's right to freedom of association and collective bargaining.

Regular union / Works Council consultations are held with a group of employees representing union / Works Council members at all applicable sites around the world. The purpose of these consultations 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 our Executive Committee to take any suitable action as required.

Further, we respect all legal local notice periods prior to the implementation of changes that could affect our employees, either through direct communication to affected employees or through their elected representatives, unions / 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.

Our position around fair employment practices, respectful work environments, freedom of association and fair wages concerning our workforce are all highlighted in our Principles of Conduct.

 [www.givaudan.com](http://www.givaudan.com) – our company – corporate governance – code of conduct

## Givaudan Foundation

The Givaudan Foundation is a non-profit organisation created in 2013 as a result of Givaudan's desire to reinforce its commitment to 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. It works closely with, and relies on, resources provided by Givaudan to conduct and monitor its projects and is supported by volunteers from the Green Teams to identify, plan, conduct and monitor projects.

### Givaudan in society

Our business affects communities and neighbourhoods where we operate, and we actively develop and sustain relationships with communities and listen to community representatives to take their point of view into account.

Measures are taken to operate safely and sustainably with our neighbouring communities, while also ensuring we generate economic, social and environmental opportunities for truly mutually beneficial relationships. For example, recruiting from local communities, generating opportunities through local purchasing, and employing the latest technologies to manage our environmental impact on communities' air, water, and noise and odour aspects.

We take seriously our corporate social responsibility obligations to give back to these communities, be it through in-kind or charitable support to community causes or contributing to the design, implementation and running community programmes.

Opportunities are available to our employees to make such contributions through our Green Teams. These teams, which utilise the skill, passion and willingness of our employees, are active at most of our sites. Around 500 active members today undertake diverse community projects that focus on the broad themes of Blindness, Nutrition and General Local Community Engagement opportunities.

We also positively contribute to the communities in which we source at origin.

 [Sourcing for shared value, page 53](#)

### Charitable giving

In addition to the community projects run by us and the Givaudan Foundation, our associated local communities benefit from our charitable giving. We monitor this spend at every site and have had an annual budget allocation process for charitable giving for all our sites since 2012.

In 2019, the total spend on charitable giving for local communities was CHF 2 million.

# A journey through the senses

Our employees give back to communities in many ways. In South Africa in 2019, they participated in workshops for blind and partially sighted students.



The passengers hear the aircraft engines roar as they take off on their journey through the senses of their vast continent, Africa. Their flight plan takes them to countries where they will experience the flavours and fragrances of Zimbabwe, Kenya, Ethiopia, Nigeria and Ivory Coast.



There are some essential differences about this journey, however. The 16 passengers are students who are blind or partially sighted and their flight, 'A journey through the senses of Africa', is imaginary.

Yet for these young people the simulated journey is very real and, thanks to employees of our company in South Africa, the students from the Sibonile School for the Blind were able to engage their senses in more ways than one.

After 'landing', they tasted local iconic food, drinks and snacks, smelled local raw materials and Givaudan-fragranced products, and felt the clothing worn by the traditional people of each country. With help from our Givaudan team, they created their own fragranced body lotions and flavoured drinks, and each session of the workshop started with students presenting some facts about the country concerned.

Ofentse Tsipa and Kgomotso Dhlamandhla were instrumental in bringing this workshop to life for Sibonile students in Johannesburg in partnership with the NGO Blind SA. The

workshop, and another held earlier in the year, was organised as part of a wider programme, in collaboration with Blind SA and with support from the Givaudan Foundation, for five more similar workshops and refurbishments to three schools for the blind.

The workshops aim to inspire and excite students and expose them to our industry by showing them another side of life: 'to see things they wouldn't have had a chance to see'. They also aim to empower students with skills to those whose passion and talent stand out. "Thank you very much for teaching us about perfumes. We will also go on to teach our friends what we have learnt today," said Teboho, a student from the Sibonile school.

"We believe it is crucial that we get out of our day-to-day routine and give a bit of ourselves to our community, especially those in need. There is so much to do to help with empowering the blind community locally and we are aiming to build a long-term partnership with Blind SA and the network of schools for the blind within South Africa," said Pierre Venet, Givaudan Company Manager, South Africa.



▶ Join the Sibonile students on their 'flight': [www.givaudan.com](http://www.givaudan.com) – investors – online annual report – 2019 success stories – more

# High ethical commitments protect our reputation

## Our Principles of Conduct

By acting in line with our Principles of Conduct we preserve Givaudan's good name and reputation, which we have built with our partners over a long and rich history.

The ethical commitments in our Principles of Conduct – the cornerstone of our Company culture – are developed around three pillars: Legal & Ethical Business Dealings, Responsible Corporate Citizenship and Protecting Givaudan's Assets. There is an additional section, 'How we live the Principles', which reiterates our employees' responsibility for ethics and integrity and explains ways of reporting any violation of the Principles, including a worldwide Compliance Helpline.

The Principles of Conduct are supported and mirrored by Givaudan's Responsible Sourcing Policy, a code of conduct for our suppliers, to ensure our partners abide by the same high standards we do. The Responsible Sourcing Policy includes a mechanism to report grievances.

## Givaudan's Principles of Conduct

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

The Principles of Conduct, as well as policies specifying any principle, are available in all major Company languages.

## Organisation and process

The Ethics and Compliance Programme is based on the compliance and fraud prevention concept of 'prevent – detect – respond'. The Corporate Ethics & Compliance Officer oversees the administration of this programme and coordinates with other dedicated functions for effective compliance management. This is further enhanced by a global compliance team and network of local compliance officers and regional compliance coordinators.

Regular compliance risk assessments are carried out by the Corporate Ethics & Compliance Officer with local compliance officers and corporate functions. In addition, a Group Data Protection Officer oversees the implementation of the Group Data Protection programme.

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. We also have a mechanism as part of our Responsible Sourcing Policy to allow suppliers to bring grievances to our attention.

We also have 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, external specialist support is sought.

Other compliance processes include the selection and engagement of third-party agents and distributors and the global supplier selection process of the Procurement organisation. The Corporate Ethics & Compliance Officer reports regularly to the Board of Directors, the Audit Committee of the Board, the Executive Committee and the CEO.

Dedicated corporate functions ensure the management of compliance with specific areas of operational compliance risk such as product safety/regulatory, procurement, trade affairs, environment, and occupational health and safety.



### Anti-bribery management

Givaudan has zero tolerance towards bribery and corruption, including facilitation payments, as stated in our Principles of Conduct.

Most countries where we operate have strict anti-bribery laws. These include 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 plans or already does business. Anti-corruption compliance is managed as part of the Givaudan compliance management system:

- Corruption is one risk domain regularly reviewed by the Corporate Ethics & Compliance Officer as part of the compliance risk assessment.
- Corruption and inappropriate gifts and entertainments are prohibited in our Principles of Conduct. They are addressed in more detail in our 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.
- We disclose 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.

- We conduct pre-signing due diligence on acquisition targets and integration of acquired companies into our Ethics and Compliance Programme system post-closing.

### Training and monitoring

Mandatory compliance training on the updated Principles of Conduct was launched in 2017 to all employees. 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 for Givaudan employees currently stands at 84%.

Specific anti-bribery training also continued in Givaudan in 2019. Since 2013 5,847 senior managers of Givaudan have been invited to complete this training. This group includes all members of the Executive Committee and other employees whose work involves regular and direct contact with external stakeholders. The completion rate currently stands at 97%.

For employees in the companies acquired over the past years, we are in the process of rolling out ethics & compliance training.

### Integration of acquired companies

In 2019, the Corporate Ethics & Compliance team continued to focus on the integration of acquired companies into Givaudan's Ethics and Compliance Programme. This included the roll-out of our Principles of Conduct and other policies and procedures, risk assessments, due diligence reviews and the commencement of compliance training for employees.

 [www.givaudan.com](http://www.givaudan.com) – our company – corporate governance – rules and policies

# Meeting the challenges of changing regulatory landscapes

The health and safety of all our stakeholders is paramount. We make every effort to ensure our products are safe for people and the environment when used as intended.

We are committed to the full regulatory compliance of these products and to transparency in the use of ingredients and in product labelling. We engage with our customers to develop new technologies for healthier and more sustainable products and to help them understand changes in the regulatory environment as well as the impact these changes will have on their consumer products.

We serve our customers from more than 25 locations, offering outstanding knowledge from scientists and toxicologists to experts in regulatory affairs.

## **Regulatory in our Flavour Division**

In 2019, alongside our traditional areas of activity, we continued to evolve and broaden our advocacy efforts in the new fields presented to us through acquisitions including Naturex, Centroflora Nutra, Vika and Golden Frog.

Through the Naturex acquisition in particular, we now have a broader portfolio of natural and organic solutions including nutritional and functional ingredients. We are meeting the consequent broader advocacy needs through an expanded global and regional Regulatory team of nearly 200 people and we are now active in a total of almost 90 industry associations.

We are working to provide transparent, clear labels for the benefit of consumers through close links with our customers. At the same time, we seek to eliminate confusion that could arise from internationally non-harmonised regulations developing quickly in some high growth markets. We believe that to maintain our social licence to operate we need to

ensure the flavour industry is correctly and positively perceived by the consumer. We also believe that such perception can be achieved only through transparency, harmonised global standards and through industry efforts with customers to educate consumers in avoiding misconceptions that might negatively impact the regulatory landscape. With all these mechanisms in place we seek to provide clarity and enhance consumer confidence.

Our advocacy efforts are central to this process of education and influence, and during the year we continued these efforts through the International Organization of the Flavor Industry (IOFI) and through many local and regional trade associations around the world. At association level, we are helping to increase transparency and trust in flavouring safety by making study results publicly available in peer-reviewed journals. We support and promote legislation and regulation that will enhance the industry's ability to provide safe flavourings worldwide.

## **Regulatory in our Fragrance Division**

As part of our efforts to defend key issues for the industry, in 2019 we worked diligently to defend our raw materials where EU regulators have been considering the potential of chemicals to be endocrine disruptors. We successfully worked with customers to prepare dossiers that show our products are not endocrine disruptors, as well as defend them with the European Chemicals Agency reviews under the REACH programme.

Givaudan supports the California SB 574 Bill that would require cosmetic manufacturers to disclose whether any of their cosmetic products contain certain chemicals that are on hazard lists. While the Bill was suspended until the 2020 spring legislative session Givaudan worked with NGO stakeholders and industry to achieve a commonly agreed approach that will enable responsible information to be provided to consumers.

We, along with an industry coalition spearheaded by the Household and Commercial Products Association, successfully defeated the New York Department of Environmental Conservation's proposed guidance on transparency in detergent and cleaning products, and we now look forward to working with New York State on alternative approaches regarding

information for consumers in early 2020. We continue to advocate for this responsible information while ensuring we protect our enterprise value and intellectual property.

We made good progress in a new area of research for alternatives to animal testing with a focus on the replacement of fish with in vitro cell-based assays, to detect bioaccumulation and acute toxicity of chemicals. In collaboration with our S&T organisation, these assays have been used successfully to defend our materials in the area of aquatic toxicity (see 'Finding alternatives to testing on fish').

In the increasingly complex area of biodiversity regulations concerning the use of fragrance materials, we have created a new position of Head of Regulatory Strategy that will lead our global programme in responsibly sourcing materials of genetic heritage. An increasing number of countries are seeking to recoup value from their genetic heritage and, because we use a large number of naturals in our products, it is important that we build capabilities in this area.

In 2019, we began implementing new automated solutions to customers around the provision of regulatory data as part of our long-term strategy to innovate in digital technologies. We have seen significant benefits through this platform in speed and efficiency as our customers also move to automated approaches of managing regulatory product data.

### Public policy

To help ensure the safe use of flavours and fragrances in consumer products, we support and in many cases lead the development of public policies that impact the flavour and fragrance industry and work with industry associations such as the International Organization of the Flavor Industry (IOFI) and the International Fragrance Association (IFRA).

We do not fund any political party in any country, and have an internal policy on charitable giving and community support that excludes any direct or indirect political donations or support.

# Finding alternatives to testing on fish

Givaudan leads the fragrance industry with a new non-animal testing alternative programme for bioaccumulation assessment. The test forms part of our Safe by Design™ approach, which allows our scientists to identify persistent, bioaccumulative and toxic substances, the assessment of which is an integral part of chemical legislation.

Bioaccumulation occurs when a substance becomes concentrated inside living organisms such as fish and so risks entering the food chain. Higher metabolism of the molecule which is measured with these new methods means a lower risk of bioaccumulation. The new test method uses fish liver cells or fish enzymes instead of living fish.

Keratinosens®, already a leading non-animal test for skin sensitisation, is part of Safe by Design™. These innovative concepts under our Safe by Design™ umbrella are significantly helping in our research of new fragrance molecules, which allows a more focused and speedier approach by preselecting the safest molecule options during the early stages of a project. This unique approach is also a way to understand the molecular mechanism of how molecules interact with living systems and, consequently, how to avoid negative impact.



# Managing risks and assuring our long-standing success

## Enterprise Risk Management

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

Managing risk is an integral part of Givaudan's business. Enterprise Risk Management (ERM) is the process of assessing, treating and monitoring the effects of uncertainty that may affect the achievement of Givaudan's objectives, especially its publicly stated strategic objectives, or jeopardise Givaudan's long-term business success. 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 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.

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.

 2019 Governance report, page 12

“ Being aware of our risks and reviewing them in a structured way means that we are better able to manage risks and exploit those that can create additional value for Givaudan.

**Enterprise Risk Management Framework**



Risk categories	Risks and its description
<b>Strategic risks</b>	<p><b>Business model risk:</b> Our business model might become obsolete, specifically through the advent of digitalisation.</p> <p><b>Risk of changes in consumer preferences:</b> Consumers may change their preferences for products with fragrances and/or flavours they want to consume and how they acquire them.</p> <p><b>Customer risk:</b> Changes at our customers may change their way of working with us and may negatively impact our own strategy.</p> <p><b>Competition risk:</b> 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.</p>
<b>Sustainability risks</b>	<p><b>Risk of climate change / water scarcity:</b> 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 the availability of our key natural resources. As such, climate change poses a significant risk for Givaudan, but it also presents an opportunity to adapt its processes and act to mitigate the effects.</p>
 Acting for our environment, page 58	
<b>Operational risks</b>	<p><b>Disruption /breakdown of operations:</b> A breakdown of our operations may threaten our ability to produce and deliver quality products/services at competitive prices on a timely basis. Such breakdown may be caused by internal or external factors.</p> <p><b>Disruption of supply chains /suppliers:</b> 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.</p> <p><b>Environment, Health and Safety and operational risk management:</b> 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 the loss of the Company's licence to operate.</p> <p><b>Information technology risk:</b> 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.</p>
<b>Financial risks:</b>	Please consult the Financial report regarding our financial risk management.
 2019 Financial report, page 50	
<b>Legal, compliance and regulatory risks</b>	<p><b>Product quality / product safety risk:</b> A faulty product or one that is not compliant with regulations or is 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.</p>
	<p><b>Legal and compliance risks:</b> 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.</p>

### Givaudan's risk response

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

We address climate change risk through a comprehensive programme designed to minimise our impact on climate change and move to a low carbon economy:

- 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 GHG emission reduction targets. Givaudan's targets have been approved by the independent Science Based Targets initiative in alignment with the global effort to limit climate change.
  - 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.
  - Outside Givaudan, we involve our supply chain, from the raw material suppliers to indirect materials and service providers, in efforts to reduce their GHG emissions.
  - Our innovation teams are also working on 'side-stream valuation', enabling us to use a larger part of the existing raw materials or re-use 'food waste' from our partners' facilities. This saves on energy to create raw materials and reduces the risk of sufficient supply, as Givaudan can 'do more with less'.
  - Our Water Stewardship Programme ensures water risks are managed and monitored, and we are placing priority on places where water challenges are expected. In these areas we carry out risk assessments to develop water mitigation action plans, including efficiency improvements and water reuse opportunities.
- Givaudan addresses this risk through a number of processes including structural architectural measures, behavioural measures and business continuity planning.
- 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.
  - Our Environment, Health and Safety (EHS) function regularly carries out comprehensive risk assessments at our production and major commercial sites. In 2019, the EHS Centre of Expertise continued to refine 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. Also, to facilitate the management of specific EHS risks, the team has developed visual risk portfolios that show mitigation measures and progress on improvement actions. The internal EHS auditing process was reviewed and adapted to cover also technical aspects besides the EHS Management System part.
  - 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 2019, a number of new technologies for environmental protection in the area of odour emissions control were successfully tested on our sites.
  - In addition to continuously adapting its information and network systems, Givaudan focuses on extensive awareness programmes for all employees as critical stakeholders in the protection of the digital space.
- Our flavour and fragrance product safety and quality programmes are designed to ensure that all products are safe for consumer use. At the core of the programmes is a systematic evaluation of all ingredients for both human and environmental safety, as required, prior to their inclusion in our raw material palette. Products are created to comply with all appropriate end consumer product safety regulations in the markets in which they will be sold. Our global IT systems control product formulations in order to ensure that raw materials are used as intended when products are manufactured in our production facilities, which are certified to internationally recognised quality standards.
  - 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 ensuring the safe use of flavours and fragrances in consumer products.
  - The Corporate Ethics & Compliance function undertakes regular assessments 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 comprehensive procedures.

# Governance, compensation and financial highlights



# Effective and transparent Corporate Governance system

A good governance system supported by responsible management and supervision is essential for shared success and for the continued creation of value for the Company and all its stakeholders.

## Assuring value creation through good corporate governance

At Givaudan we pride ourselves in transparent governance, which ensures we are managed and supervised in a responsible way. Our structures and processes for the direction and control of our Company allow for a continued focus on value creation and include internal and external controls and monitoring systems.

Our Board of Directors, together with our Executive Committee, ensures the Company operates according to Swiss and international business standards and practices. 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 its responsibility. Each of our seven Board members has an in-depth knowledge of his or her relevant areas of expertise and contributes to the Board competencies. The Executive Committee, under the leadership of the Chief Executive Officer, is responsible for areas of operational management of the Company that are not specifically reserved to the Board of Directors. and have been delegated to the Executive Committee.

### Board of Directors

Board Members	<b>7</b>	Women on the Board	<b>2</b>
Number of independent Board members	<b>6</b>	Nationalities represented on the Board	<b>5</b>
Average tenure in years	<b>5.6</b>	Number of committees	<b>4</b>
Number of ordinary Board meetings 2019	<b>6</b>	Number of extraordinary Board meetings 2019	<b>3</b>

### Executive Committee (EC)

EC Members	<b>7</b>	Women on the EC	<b>1</b>
Average tenure on the EC in years	<b>4.6</b>	Nationalities on the EC	<b>5</b>

## Board of Directors

The Board of Directors is comprised of 7 Board members, headed by our Chairman Calvin Grieder, and is responsible for the ultimate direction, strategic supervision and control of the management of the Company. The Board members are elected each year at the Annual General meeting for a mandate of one year.

Membership of the Board is composed in such a way as to ensure it possesses all the competencies required to execute its strategic oversight and control over Givaudan.

The Board has formed four Board committees to support the preparation of discussions and decisions in certain areas in accordance with Swiss law.

### Board committees\*

#### Audit Committee

- 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

Thomas Rufer (Chairman)  
Lilian Biner  
Victor Balli

#### Compensation Committee

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

Prof. Dr-Ing. Werner Bauer (Chairman)  
Ingrid Deltenre  
Victor Balli

#### Nomination and Governance Committee

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

Calvin Grieder (Chairman)  
Ingrid Deltenre  
Michael Carlos

#### Innovation Committee

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

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

\* All committee members were part of their respective committee(s) for the entire year of 2019.

## Board expertise

Given the Company's business and its current strategy of 'Responsible growth. Shared success.', the most relevant and important required competencies include:

- in-depth knowledge of the flavour and fragrance industry
- international senior business leadership
- strategy setting and implementation and risk management
- financial expertise
- innovation and technology (including digital)
- sales and marketing
- regulatory affairs.

The Board's knowledge and diversity of experience are important assets in leading a company of Givaudan's size in a complex and fast-changing environment.

Each of the seven Board members has an in-depth knowledge of his or her relevant areas of expertise. Together, they ensure that the Company has all the competencies required.

The Board regularly reviews the list of competencies, including with the help of external expert advisors, and uses existing and required competencies as a basis for its succession planning. In 2019, the Board has evaluated the long-term skill matrix and has started the search for additional Board members in order to guarantee a smooth transition upon retirement of current Board members over the next couple of years.



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

**Calvin Grieder**

**Chairman**

Engineer  
 Swiss national, born in 1955 in the USA  
 Non-executive  
 First elected in 2014  
 Chairman since 2017

**Prof. Dr-Ing. Werner Bauer**

**Vice-Chairman**

Businessman  
 German and Swiss national, born in 1950  
 Non-executive  
 First elected 2014

**Victor Balli**

Businessman  
 Swiss national, born in 1957  
 Non-executive  
 First elected in 2016

**Lilian Biner**

Businesswoman  
 Swedish national, born in 1962  
 Non-executive  
 First elected 2011

**Michael Carlos**

Businessman  
 French national, born in 1950  
 Non-executive  
 First elected 2015

**Ingrid Deltenre**

Businesswoman  
 Dutch and Swiss national, born in 1960  
 Non-executive  
 First elected 2015

**Thomas Rufer**

Certified Public Accountant  
 Swiss national, born in 1952  
 Non-executive  
 First elected 2009



LTR: Louie D'Amico, Tom Hallam, Simon Halle-Smith, Gilles Andrier, Anne Tayac, Willem Mutsaerts, Maurizio Volpi

## Executive Committee

The Executive Committee is composed of 7 members under the leadership of Gilles Andrier, Chief Executive Officer. Dedicated to the overall management of Givaudan, each Executive Committee member capitalises on an average of 20 years' experience in the Company to bring a wealth of industry knowledge.

### **Gilles Andrier** Chief Executive Officer

French national, born in 1961  
Appointed in 2005

### **Tom Hallam** Chief Financial Officer

British and Swiss national, born in 1966  
Appointed in 2017

### **Louie D'Amico** President Flavour Division

US national, born in 1961  
Appointed in 2018

### **Maurizio Volpi** President Fragrance Division

Italian national, born in 1969  
Appointed in 2015

### **Simon Halle-Smith** Head of Global Human Resources and EHS

British national, born in 1966  
Appointed in 2015

### **Willem Mutsaerts** Head of Global Procurement and Sustainability

Dutch national, born in 1962  
Appointed in 2015

### **Anne Tayac** Head of Givaudan Business Solutions

French national, born in 1968  
Appointed in 2016

# A competitive compensation package

## Givaudan aims to attract, motivate and retain a diverse pool of highly talented people.

The compensation policies are a key driver of the Company's organisational performance and are thus 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. Benchmarking studies are conducted regularly and salaries are reviewed taking into account macroeconomic data such as cost of living and market evolution.

For executives and all employees, our competitive remuneration policy 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 2019 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.

### Compensation of the Executive Committee

Total Executive Committee compensation reported in 2019 remained stable compared to 2018, representing full year compensation for seven members (including the CEO).

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 2019.

## Executive Committee compensation summary

in Swiss francs	Gilles Andrier CEO 2019	Gilles Andrier CEO 2018	Executive Committee members (excluding CEO) <sup>1</sup> 2019	Executive Committee members (excluding CEO) <sup>2</sup> 2018	<b>Total 2019</b>	<b>Total 2018</b>
- Base salary	1,167,910	1,058,023	3,191,433	3,194,282	4,359,343	4,252,305
- Pension benefits <sup>3</sup>	577,527	571,766	1,005,412	947,880	1,582,939	1,519,646
- Other benefits <sup>4</sup>	141,730	139,048	562,795	819,837	704,525	958,885
<b>Total fixed compensation</b>	<b>1,887,167</b>	<b>1,768,837</b>	<b>4,759,640</b>	<b>4,961,999</b>	<b>6,646,807</b>	<b>6,730,836</b>
- Annual incentive <sup>5</sup>	1,438,925	954,070	2,830,707	1,824,033	4,269,632	2,778,103
- Number of performance shares granted <sup>6</sup>	1,092	1,446	2,448	3,263	3,540	4,709
- Value at grant <sup>7</sup>	2,500,243	2,882,312	5,604,941	6,504,138	8,105,184	9,386,450
<b>Total variable compensation</b>	<b>3,939,168</b>	<b>3,836,382</b>	<b>8,435,648</b>	<b>8,328,171</b>	<b>12,374,816</b>	<b>12,164,553</b>
<b>Total compensation</b>	<b>5,826,335</b>	<b>5,605,219</b>	<b>13,195,288</b>	<b>13,290,170</b>	<b>19,021,623</b>	<b>18,895,389</b>
Employer social security <sup>8</sup>	471,214	453,000	989,482	988,000	1,460,696	1,441,000

1. Represents full year compensation of six Executive Committee members.
2. Represents (a) full year compensation of five Executive Committee members, (b) partial year compensation of two outgoing members and c) partial year compensation of the new Flavour Division President.
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. 2019 Performance shares vest on 15 April 2022, 2018 Performance Shares vest on 15 April 2021.
7. Value at grant calculated according to IFRS methodology and based on 100% achievement of performance targets.
8. 2019 estimated social security charges based on 2019 compensation; 2018 estimated social security charges based on 2018 compensation.

The compensation paid is within the amounts approved by shareholders in the respective Annual General Meeting. The fixed and long term variable compensation approved for 2019 was CHF 15,000,000 (2018: CHF 17,000,000).

The annual incentive, short term variable compensation amount for 2019 was CHF 4,269,632 and will be submitted for approval at the 2020 Annual General Meeting (2018: CHF 2,778,103).

### 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 Chairman of the Board does not receive any additional board membership 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 period between the 2018 and 2019 Annual General Meetings (CHF 2,830,139) is again within the amount approved by shareholders at the 2018 Annual General Meeting (CHF 2,950,000). Amounts approved at the 2019 Annual General Meeting (CHF 2,950,000) will be paid by the end of the year in office and validated in the 2020 Compensation report. Such approved and paid amounts may differ from those shown in the Board compensation summary table which, according to the OaEC, must include compensation paid in the reporting year.

**Board of Directors compensation summary**

2019 in Swiss francs	Calvin Grieder Chairman <sup>5</sup>	Victor Balli <sup>5</sup>	Prof. Dr-Ing. Werner Bauer <sup>5</sup>	Lilian Biner <sup>5</sup>	Michael Carlos <sup>5</sup>	Ingrid Deltenre <sup>5</sup>	Thomas Rufer <sup>5</sup>	<b>Total 2019<sup>1</sup></b>
Director fees <sup>2</sup>	400,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
Committee fees <sup>2</sup>	65,000	50,000	65,000	25,000	65,000	50,000	55,000	375,000
Total fixed (cash)	465,000	150,000	165,000	125,000	165,000	150,000	155,000	1,375,000
Number of RSUs granted <sup>3</sup>	252	63	63	63	63	63	63	630
Value at grant <sup>4</sup>	576,980	144,245	144,245	144,245	144,245	144,245	144,245	1,442,450
<b>Total compensation</b>	<b>1,041,980</b>	<b>294,245</b>	<b>309,245</b>	<b>269,245</b>	<b>309,245</b>	<b>294,245</b>	<b>299,245</b>	<b>2,817,450</b>

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 blocking period ends on 15 April 2022.
4. Economic value at grant according to IFRS methodology, with no discount applied for the blocking period.
5. The function of each member of the Board of Directors is indicated on pages 5-6 in the 2019 Governance report.

Estimated social security charges based on 2019 compensation amounted to CHF 233,000 (2018: CHF 203,000).

### Ownership of Givaudan securities Executive Committee

The Chief Executive Officer and other members of the Executive Committee, including persons closely connected to them, held 5,265 Givaudan shares.

No member of the Executive Committee held any share options or option rights as at 31 December 2019 (31 December 2018: 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 256 unvested Performance Shares as at 31 December 2019.

The Company is not aware of any other ownership of shares, share options/option rights, RSUs or Performance Shares as per 31 December 2019 by persons closely connected to members of the Executive Committee.

#### Executive Committee: ownership of Givaudan securities

2019 in numbers	Shares	Unvested Performance Shares
Gilles Andrier, CEO	3,100	4,315
Tom Hallam	328	1,541
Louie D'Amico	275	1,258
Maurizio Volpi	634	2,156
Simon Halle-Smith	452	1,278
Willem Mutsaerts	351	1,278
Anne Tayac	125	1,247
<b>Total 2019</b>	<b>5,265</b>	<b>13,073</b>
Total 2018	5,097	13,776

### Board of Directors

As per 31 December 2019, the Chairman and other Board members, including persons closely connected to them held 4,501 Givaudan shares in total.

The Company is not aware of any other ownership of shares, share options/option rights, RSUs or Performance Shares as per 31 December 2019 by persons closely connected to members of the Board.

#### Board of Directors: ownership of Givaudan securities

2019 in numbers	Shares	Unvested RSUs
Calvin Grieder, Chairman	295	904
Victor Balli	85	226
Prof. Dr-Ing. Werner Bauer	1,265	226
Lilian Biner	672	226
Michael Carlos	1,097	226
Ingrid Deltenre	202	226
Thomas Rufer	885	226
<b>Total 2019</b>	<b>4,501</b>	<b>2,260</b>
Total 2018	3,906	2,225

 2019 Compensation report, pages 25–29

# Consolidated financial statements

## Consolidated Income Statement

For the year ended 31 December

in millions of Swiss francs, except for earnings per share data	2019	2018
Sales	6,203	5,527
Cost of sales	(3,673)	(3,198)
<b>Gross profit</b>	<b>2,530</b>	<b>2,329</b>
as % of sales	40.8%	42.1%
Selling, marketing and distribution expenses	(791)	(716)
Research and product development expenses	(528)	(477)
Administration expenses	(221)	(208)
Share of results of joint ventures and associates	4	5
Other operating income	41	63
Other operating expense	(115)	(113)
<b>Operating income</b>	<b>920</b>	<b>883</b>
as % of sales	14.8%	16.0%
Financing costs	(79)	(55)
Other financial income (expense), net	(33)	(56)
<b>Income before taxes</b>	<b>808</b>	<b>772</b>
Income taxes	(106)	(109)
<b>Income for the period</b>	<b>702</b>	<b>663</b>
<b>Attribution</b>		
Income attributable to non-controlling interests	–	–
Income attributable to equity holders of the parent	702	663
as % of sales	11.3%	12.0%
<b>Earnings per share – basic (CHF)</b>	<b>76.17</b>	<b>71.92</b>
<b>Earnings per share – diluted (CHF)</b>	<b>75.59</b>	<b>71.36</b>

🔍 2019 Governance, Compensation and Financial Report, Consolidated financial report, pages 31–99

**Consolidated Statement of Comprehensive Income**

For the year ended 31 December

in millions of Swiss francs	2019	2018
<b>Income for the period</b>	<b>702</b>	<b>663</b>
<b>Items that may be reclassified to the income statement</b>		
<b>Cash flow hedges</b>		
Movement in fair value, net	(56)	(4)
Gains (losses) removed from equity and recognised in the consolidated income statement	6	8
Movement on income tax	4	–
<b>Exchange differences arising on translation of foreign operations</b>		
Movement in fair value arising on hedging instruments of the net assets in foreign operations	51	37
Currency translation differences	(99)	(140)
Movement on income tax	(6)	–
<b>Items that will not be reclassified to the income statement</b>		
<b>Defined benefit pension plans</b>		
Remeasurement gains (losses) of post-employment benefit obligations	(91)	162
Movement on income tax	(3)	(35)
<b>Other comprehensive income for the period</b>	<b>(194)</b>	<b>28</b>
<b>Total comprehensive income for the period</b>	<b>508</b>	<b>691</b>
<b>Attribution</b>		
Total comprehensive income attributable to non-controlling interests	–	–
Total comprehensive income attributable to equity holders of the parent	508	691

**Consolidated Statement of Financial Position**

As at 31 December

in millions of Swiss francs	2019	2018 <sup>a</sup>
Cash and cash equivalents	452	423
Derivative financial instruments	24	11
Financial assets at fair value through income statement	4	4
Accounts receivable - trade	1,365	1,253
Inventories	1,149	1,098
Current tax assets	50	41
Prepayments	35	53
Other current assets	163	238
<b>Current assets</b>	<b>3,242</b>	<b>3,121</b>
Derivative financial instruments	1	2
Property, plant and equipment	2,326	1,759
Intangible assets	4,286	4,008
Deferred tax assets	211	208
Post-employment benefit plan assets	32	22
Financial assets at fair value through income statement	177	61
Interests in joint ventures and investments in associates	34	33
Investment property		2
Other long-term assets	87	61
<b>Non-current assets</b>	<b>7,154</b>	<b>6,156</b>
<b>Total assets</b>	<b>10,396</b>	<b>9,277</b>
Short-term debt	335	4
Derivative financial instruments	29	12
Accounts payable - trade and others	833	719
Accrued payroll and payroll taxes	189	178
Current tax liabilities	111	95
Financial liability - own equity instruments	108	93
Provisions	18	24
Other current liabilities	207	225
<b>Current liabilities</b>	<b>1,830</b>	<b>1,350</b>
Derivative financial instruments	79	43
Long-term debt	3,796	3,266
Provisions	69	73
Post-employment benefit plan liabilities	601	490
Deferred tax liabilities	280	238
Other non-current liabilities	82	85
<b>Non-current liabilities</b>	<b>4,907</b>	<b>4,195</b>
<b>Total liabilities</b>	<b>6,737</b>	<b>5,545</b>
Share capital	92	92
Retained earnings and reserves	5,961	5,811
Own equity instruments	(168)	(142)
Other components of equity	(2,245)	(2,051)
<b>Equity attributable to equity holders of the parent</b>	<b>3,640</b>	<b>3,710</b>
Non-controlling interests	19	22
<b>Total equity</b>	<b>3,659</b>	<b>3,732</b>
<b>Total liabilities and equity</b>	<b>10,396</b>	<b>9,277</b>

a) The financial position as at 31 December 2018 has been restated to reflect the Naturex acquisition price allocation adjustment of CHF 9 million.

### Consolidated Statement of Changes in Equity

For the year ended 31 December

2019 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Currency translation differences	Remeasurement of post employment benefit obligations	Equity attributable to equity holders of the parents	Non-controlling interests	Total equity
<b>Balance as at 1 January</b>	<b>92</b>	<b>5,811</b>	<b>(142)</b>	<b>(61)</b>	<b>(1,559)</b>	<b>(431)</b>	<b>3,710</b>	<b>22</b>	<b>3,732</b>
Income for the period		702					702	–	702
Other comprehensive income for the period				(46)	(54)	(94)	(194)		(194)
<b>Total comprehensive income for the period</b>		<b>702</b>		<b>(46)</b>	<b>(54)</b>	<b>(94)</b>	<b>508</b>	<b>–</b>	<b>508</b>
Dividends paid		(552)					(552)		(552)
Movement on own equity instruments, net			(26)				(26)		(26)
Non-controlling interests								(3)	(3)
<b>Net change in other equity items</b>		<b>(552)</b>	<b>(26)</b>				<b>(578)</b>	<b>(3)</b>	<b>(581)</b>
<b>Balance as at 31 December</b>	<b>92</b>	<b>5,961</b>	<b>(168)</b>	<b>(107)</b>	<b>(1,613)</b>	<b>(525)</b>	<b>3,640</b>	<b>19</b>	<b>3,659</b>

2018 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Currency translation differences	Remeasurement of post employment benefit obligations	Equity attributable to equity holders of the parents	Non-controlling interests <sup>a</sup>	Total equity <sup>a</sup>
<b>Balance as at 1 January</b>	<b>92</b>	<b>5,682</b>	<b>(157)</b>	<b>(65)</b>	<b>(1,456)</b>	<b>(558)</b>	<b>3,538</b>		<b>3,538</b>
Income for the period		663					663	–	663
Other comprehensive income for the period				4	(103)	127	28		28
<b>Total comprehensive income for the period</b>		<b>663</b>		<b>4</b>	<b>(103)</b>	<b>127</b>	<b>691</b>	<b>–</b>	<b>691</b>
Dividends paid		(534)					(534)		(534)
Movement on own equity instruments, net			15				15		15
Non-controlling interests								22	22
<b>Net change in other equity items</b>		<b>(534)</b>	<b>15</b>				<b>(519)</b>	<b>22</b>	<b>(497)</b>
<b>Balance as at 31 December</b>	<b>92</b>	<b>5,811</b>	<b>(142)</b>	<b>(61)</b>	<b>(1,559)</b>	<b>(431)</b>	<b>3,710</b>	<b>22</b>	<b>3,732</b>

a) The non-controlling interests as at 31 December 2018 have been restated to reflect the Naturex acquisition price allocation adjustment of CHF 9 million.

**Consolidated Statement of Cash Flows**

For the year ended 31 December

in millions of Swiss francs	2019	2018
Income for the period	702	663
Income tax expense	106	109
Interest expense	68	42
Non-operating income and expense	44	69
<b>Operating income</b>	<b>920</b>	<b>883</b>
Depreciation of property, plant and equipment	193	127
Amortisation of intangible assets	161	125
Impairment of long-lived assets	1	10
<b>Other non-cash items</b>		
- share-based payments	41	38
- pension expense	38	39
- additional and unused provisions, net	12	(7)
- other non-cash items	-	(43)
<b>Adjustments for non-cash items</b>	<b>446</b>	<b>289</b>
(Increase) decrease in inventories	(28)	(9)
(Increase) decrease in accounts receivable	(101)	(72)
(Increase) decrease in other current assets	25	(35)
Increase (decrease) in accounts payable	108	(11)
Increase (decrease) in other current liabilities	(19)	38
<b>(Increase) decrease in working capital</b>	<b>(15)</b>	<b>(89)</b>
<b>Income taxes paid</b>	<b>(106)</b>	<b>(73)</b>
Pension contributions paid	(37)	(46)
Provisions used	(21)	(25)
Purchase and sale of own equity instruments, net	(51)	(23)
<b>Cash flows from (for) operating activities</b>	<b>1,136</b>	<b>916</b>
Increase in long-term debt	660	1,971
(Decrease) in long-term debt	(184)	(258)
Increase in short-term debt	2,904	2,345
(Decrease) in short-term debt	(2,919)	(2,620)
<b>Cash flows from debt, net</b>	<b>461</b>	<b>1,438</b>
Interest paid	(51)	(29)
Purchase and sale of derivative financial instruments, net	-	(22)
Lease payments	(52)	
Transactions of non-controlling interests	(3)	
Other, net	(7)	(5)
<b>Cash flows from financial liabilities</b>	<b>348</b>	<b>1,382</b>
Distribution to the shareholders paid	(552)	(534)
<b>Cash flows from (for) financing activities</b>	<b>(204)</b>	<b>848</b>
Acquisition of property, plant and equipment	(275)	(239)
Acquisition of intangible assets	(45)	(55)
Acquisition of subsidiaries, net of cash acquired	(478)	(1,694)
Proceeds from the disposal of property, plant and equipment	74	110
Proceeds from disposal of investment property	2	14
Interest received	6	2
Dividend received from joint ventures and associates	2	4
Purchase and sale of financial assets at fair value through income statement, net	(105)	5
Impact of financial transactions on investing, net	(29)	(3)
Other, net	(43)	(3)
<b>Cash flows from (for) investing activities</b>	<b>(891)</b>	<b>(1,859)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>41</b>	<b>(95)</b>
Net effect of currency translation on cash and cash equivalents	(12)	(16)
Cash and cash equivalents at the beginning of the period	423	534
<b>Cash and cash equivalents at the end of the period</b>	<b>452</b>	<b>423</b>

# Statutory financial statements of Givaudan SA (Group Holding Company)

## Income Statement

For the year ended 31 December

in millions of Swiss francs	2019	2018
Income from investments in Group companies	286	205
Royalties from Group companies	997	973
Other operating income	1	1
Share of results of joint ventures and associates	2	3
<b>Total Operating income</b>	<b>1,286</b>	<b>1,182</b>
Research and development expenses to Group companies	(331)	(331)
Other operating expenses	(60)	(62)
Amortisation and impairment of intangible assets	(61)	(60)
<b>Total Operating expenses</b>	<b>(452)</b>	<b>(453)</b>
<b>Operating income</b>	<b>834</b>	<b>729</b>
Financial expenses	(294)	(257)
Financial income	165	196
Non-operating expenses	(93)	(91)
<b>Income before taxes</b>	<b>612</b>	<b>577</b>
Income taxes	(27)	(31)
<b>Net income</b>	<b>585</b>	<b>546</b>

🔍 2019 Governance, Compensation and Financial Report, Statutory financial report, pages 100–111

## Statement of Financial Position

in millions of Swiss francs	<b>31 December 2019</b>	31 December 2018
Cash and cash equivalents	10	143
Marketable securities	108	
Accounts receivable from Group companies	186	218
Other current assets	41	20
Accrued income and prepaid expenses	2	1
<b>Current assets</b>	<b>347</b>	<b>382</b>
Loans to Group companies	150	150
Other long-term assets	11	12
Investments in Group companies	5,253	4,666
Interests in joint ventures and investments in associates	32	32
Other financial assets	15	10
Intangible assets	222	230
<b>Non-current assets</b>	<b>5,683</b>	<b>5,100</b>
<b>Total assets</b>	<b>6,030</b>	<b>5,482</b>
Short-term debt	290	
Accounts payable to Group companies	78	99
Other current liabilities	89	51
Deferred income and accrued expenses	79	15
<b>Current liabilities</b>	<b>536</b>	<b>165</b>
Long-term debt	3,128	3,010
Other non-current liabilities	79	44
<b>Non-current liabilities</b>	<b>3,207</b>	<b>3,054</b>
<b>Total liabilities</b>	<b>3,743</b>	<b>3,219</b>
Share capital	92	92
Statutory retained earnings	18	18
Statutory capital reserves from capital contributions - additional paid-in capital	3	3
Voluntary retained earnings	1,542	1,542
Own shares	(31)	(22)
<b>Available retained earnings</b>		
- Balance brought forward from previous year	78	84
- Net (loss) income for the year	585	546
<b>Equity</b>	<b>2,287</b>	<b>2,263</b>
<b>Total liabilities and equity</b>	<b>6,030</b>	<b>5,482</b>

# 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	2019	2018
Net income for the year	584,670,019	545,997,253
Balance brought forward from previous year	77,650,373	84,113,920
<b>Total available earnings</b>	<b>662,320,392</b>	<b>630,111,173</b>
2018 distribution proposal of CHF 60.00 gross per share		554,015,160
2019 distribution proposal of CHF 62.00 gross per share	572,482,332	
<b>Total appropriation of available earnings</b>	<b>572,482,332</b>	<b>554,015,160</b>
<b>Distribution not paid on Treasury shares held by the Group</b>		<b>1,554,360</b>
<b>Amount to be carried forward</b>	<b>89,838,060</b>	<b>77,650,373</b>

### Statutory capital reserves from capital contributions – additional paid-in capital

in Swiss francs	2019	2018
Balance brought forward from previous year	3,322,955	3,322,955
<b>Total additional paid-in capital</b>	<b>3,322,955</b>	<b>3,322,955</b>
<b>Amount to be carried forward</b>	<b>3,322,955</b>	<b>3,322,955</b>

# Appendix



# Reporting frameworks

## Global Reporting Initiative (GRI)

Givaudan prepares its sustainability reporting in accordance with the GRI Standards, Core option. For the 2019 reporting, the 2016 versions of the GRI Standards have been used.

The most important sustainability information is included in the Integrated Annual Report. Strategic information about Givaudan's sustainability approach, stakeholder engagement and the material topics can be found in Our Sustainability Approach. The newly created Sustainability GRI Index contains the

GRI Content Index and the complete set of the selected GRI disclosures and detailed indicators. Sometimes there are references to other reports or websites for more information.

Environmental data (unaudited) is published in January 2020 from Q4 2018 to Q3 2019. An update with the full year data 2019 including the assurance statement is published in March 2020 through the Sustainability Highlights and the updated Sustainability GRI Index.

## International Integrated Reporting Framework (<IR>)

Givaudan bases its integrated reporting on the framework published by the International Integrated Reporting Council (IIRC) and takes the following guiding principles and content elements into account.

Guiding Principles	Location / information
Strategic focus and future orientation	Integrated Annual Report pages 4–29
Connectivity of information	Throughout the Integrated Annual Report, especially pages 14, 15, 60
Stakeholder relationships	Our Sustainability Approach pages 42, 43
Materiality	Our Sustainability Approach pages 44–53
Conciseness	The Integrated Annual Report outlines the key information for the Company's value creation. Additional details can be found in the complementary reports.
Reliability and completeness	Completeness is sought through the application of a materiality approach. Reliability is granted through internal audits and the external assurance of our financial and sustainability information.
Consistency and comparability	The content of our reporting suite is presented in a consistent and comparable way through clear navigation, multiple year overviews and links and references to relevant pages, documents or online information.
Content elements	
Organizational overview and external environment	Integrated Annual Report pages 12–15; Sustainability GRI Index pages 3–5
Governance	Integrated Annual Report pages 75–78; Governance, Compensation and Financial Report pages 1–17
Business model	Integrated Annual Report pages cover flap, 14, 15
Risks and opportunities	Integrated Annual Report pages 12, 70–73; Governance, Compensation and Financial Report pages 50–59
Strategy and resource allocation	Integrated Annual Report pages 4–29
Performance	Integrated Annual Report pages cover flap, 4–61, 82–89
Outlook	Integrated Annual Report pages 5–9, 12, 33, 72, 73
Basis of presentation	Our Sustainability Approach pages 44–53

## Sustainable Development Goals (SDGs)

Givaudan embraces its role as a corporate leader in global efforts to safeguard the future of the planet, meeting today's needs without compromising the interests of future generations. The SDGs designed by the UN guide us in making positive impacts on the environment and wider society, helping us secure our business future.

Through our sustainability approach 'A Sense of Tomorrow', we actively support the delivery of those SDGs where we believe can make the greatest impact and so focus on 10 of the 17 global goals.

	<b>Goal 2:</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture
	<b>Goal 3:</b> Ensure healthy lives and promote well-being for all at all ages
	<b>Goal 5:</b> Achieve gender equality and empower all women and girls
	<b>Goal 6:</b> Ensure access to water and sanitation for all
	<b>Goal 8:</b> Promote inclusive and sustainable economic growth, employment and decent work for all
	<b>Goal 9:</b> Ensure sustainable consumption and production pattern
	<b>Goal 12:</b> Build resilient infrastructure, promote sustainable industrialization and foster innovation
	<b>Goal 13:</b> Take urgent action to combat climate change and its impacts
	<b>Goal 15:</b> Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
	<b>Goal 17:</b> Revitalize the global partnership for sustainable development

## United Nations Global Compact (UNGC)

Givaudan adheres to the 10 principles of the UNGC in its business practices, comprising the four areas of human rights, labour standards, environment and anti-corruption.



Our sustainability reporting sets the basis for our annual Communication on Progress (CoP).

### Human rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights

**Principle 2:** Make sure that they are not complicit in human rights abuses

### Labour

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

**Principle 4:** The elimination of all forms of forced and compulsory labour

**Principle 5:** The effective abolition of child labour

**Principle 6:** The elimination of discrimination in respect of employment and occupation

### Environment

**Principle 7:** Businesses are asked to support a precautionary approach to environmental challenges

**Principle 8:** Undertake initiatives to promote greater environmental responsibility

**Principle 9:** Encourage the development and diffusion of environmentally friendly technologies

### Anti-corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery

# Glossary

## **A Sense of Tomorrow**

Givaudan's sustainability approach launched in 2017 which consists of three focus areas: 'Sourcing for Shared Value', 'Innovating Responsibly' and 'Acting for Our Environment'. Initiatives target the Company's supply chain, investment in innovative new products, reduction of its carbon footprint and climate change mitigation and entails a strong commitment to our people and partners.

## **Acting for Our Environment**

Third focus area of Givaudan's sustainability approach 'A Sense of Tomorrow', which calls for action to protect the environment in all areas of Givaudan's' business and beyond.

## **Business model**

Givaudan's chosen system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the Company's strategic purpose and create value over the short-, medium- and long-term.

## **Capitals**

Capitals are stocks of value that are increased, decreased or transformed by the activities and outputs of an organisation. Givaudan has identified six kinds of capitals that feed its value chain: Financial capital, Our innovation capabilities (intellectual capital), Our people & culture (Human capital), Sourcing (Natural capital), Operations (Manufactured capital) and Good governance (Social and relationship capital).

## **CDP**

Formerly known as Carbon Disclosure Project, CDP possesses the world's most comprehensive collection of environmental data from companies, organisations and governments and evaluates this data systematically for investors.

## **Climate positive**

Givaudan's commitment to do more than reducing or even eliminating emissions: the Company will also develop initiatives to remove carbon from the atmosphere.

## **Communication on Progress (COP)**

The UN Global Compact requires participating companies to produce an annual COP that details their work to embed the Ten Principles into their strategies and operations, as well as efforts to support societal priorities.

## **Convention on Biological Diversity (CBD)**

The Convention on Biological Diversity is a multilateral treaty with three main goals: the conservation of biological diversity (or biodiversity); the sustainable use of its components; and the fair and equitable sharing of benefits arising from genetic resources.

## **Delivering with excellence**

Second pillar of Givaudan's 2020 strategy 'Responsible growth. Shared success.' Embracing a mindset of excellence in execution and incorporate it into all processes, services and business processes to deliver a superior customer experience.

## **Earnings per share**

Earnings per share are calculated by dividing the Group result attributable to the shareholders of Givaudan SA by the weighted average of the number of shares outstanding during the reporting period.

## **EBITDA**

Defined as Earnings Before Interest (and other financial income (expense), net), Tax, Depreciation and Amortisation, corresponds to operating income before depreciation, amortisation and impairment of long-lived assets. See page 113 in the 2019 Financial report.

## **EcoVadis**

EcoVadis aims at improving environmental and social practices of companies by leveraging the influence of global supply chains. EcoVadis' reliable ratings and easy-to-use monitoring tools allow companies to manage risks and drive eco-innovations in their global supply chains.

**Enterprise Risk Management (ERM)**

The process of assessing, treating and monitoring the effects of uncertainty that may affect the achievement of Givaudan's objectives, especially its publicly stated strategic objectives, or jeopardise Givaudan's long-term business success.

**Free Cash Flow (FCF)**

FCF refers to operating cash flow after net investments, interest paid and lease payments. Free cash flow allows companies to pay dividends or buy back shares. See page 114 in the 2019 Financial report.

**GHG emissions**

Greenhouse Gas emissions.

**GHG emissions scope 1**

Direct emissions from sources owned or controlled by Givaudan.

**GHG emissions scope 2**

Energy indirect emissions resulting from the generation of energy that Givaudan purchases, such as electricity.

**GHG emissions scope 3**

Other indirect emissions that relate to the emissions produced by Givaudan's entire value chain.

**Givaudan Business Solutions (GBS)**

Implemented in 2017, GBS is the foundation of Givaudan's commitment to deliver with excellence and is designed to improve internal efficiencies, leverage best practices from across the organisation and increase the Company's agility.

**Global Reporting Initiative (GRI)**

A non-profit organisation that has developed the most widely used guidelines for the creation of sustainability reports.

**GRI Standards**

The latest version of guidelines for sustainability reporting issued by GRI in 2016. Givaudan prepares its sustainability reporting in accordance with the GRI Standards, core option.

**Growing with our customers**

First pillar of Givaudan's 2020 strategy 'Responsible growth. Shared success.' It consists of focusing resources in further building the Company's presence in high growth markets, capturing growth from consumer preferred products, targeting demands for health and well-being, and looking beyond its core flavours and fragrances to integrated solutions that enhance the Company's value proposition to its customers and create new avenues for growth.

**Indirect Materials and Services (IM&S)**

IM&S, part of the Givaudan Procurement function, engages with internal customers at all sites to understand their needs. This close collaboration is fundamental in determining the right focus on strategic initiatives, negotiations and supplier management.

**Information Management and Technology (IM&T)**

As part of GBS, IM&T teams offer continued support to the business. By optimally leveraging digital trends and technology, they develop differentiating services and new ways of working with Givaudan's customers, partners and employees.

**Innovating Responsibly**

Second focus area of Givaudan's sustainability approach 'A Sense of Tomorrow' that considers the potential impact of its processes and products on the environment. Givaudan strives to incorporate sustainability into every new breakthrough product and solution.

**Integrated Reporting**

An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. The Integrated Reporting Framework is proposed by the International Integrated Reporting Council (IIRC).

**International Fragrance Association (IFRA)**

IFRA is the global representative body of the fragrance industry. It seeks to represent the collective interests of the industry and promote the safe use of fragrances. International Organization of the Flavor Industry (IOFI) IOFI is the global association representing the industry that creates, produces and sells flavourings worldwide.

**Lost Time Injury (LTI)**

LTI refers to the number of accidents on the job involving an absence from the workplace for a minimum of one day.

**Lost Time Injury Rate (LTIR)**

LTIR is the measure of the number of occupational incidents with at least one day of work lost relative to 200,000 hours of work.

**Market capitalisation**

Share price on the reporting date multiplied by the number of shares issued.

**Materiality**

This is a fundamental principle commonly used for defining report content. In the GRI Standards, material topics for a company are those that can significantly influence the assessments and decisions of stakeholders, or have a significant impact on the economy, environment or society. This defines a company's sustainability strategy and therefore its sustainability reporting. In Integrated Reporting, material topics are those that substantively affect the organisation's ability to create value over the short, medium, or long term. In financial reporting it determines the topics that influence stakeholders' assessments and decisions if omitted or misstated.

**Our People and Partners**

Givaudan's sustainability approach 'A Sense of Tomorrow' entails a strong commitment to people and partners: a commitment to respect people and create a safe and healthy working environment where people can use their talents for growth and success.

**Ordinance against Excessive Compensation at Listed Stock Companies (OaEC)**

The provisions of this Ordinance apply to joint-stock companies pursuant to Articles 620-762 of the Swiss Code of Obligations (OR) whose shares are listed on a stock exchange in Switzerland or abroad. The Ordinance allows companies to specify the amount of additional remuneration that could be paid to any member of executive management who joins after the shareholder resolution on aggregate remuneration.

**Partnering for shared success**

Third pillar of Givaudan's 2020 strategy 'Responsible growth. Shared success.' It comprises continuing its industry-leading investment and strategic partnerships as innovators, fostering a great place to work for its people, strengthening the collaboration with suppliers by optimally managing supply risks and costs and enhancing responsible sourcing practices, and taking responsibility for its impact on the environment and the communities in which it operates.

**RE100 initiative**

RE100 is a collaborative, global initiative uniting more than 100 influential businesses committed to 100% renewable electricity, working to massively increase demand for – and delivery of – renewable energy.

**Responsible growth. Shared success.**

Givaudan's five-year 2020 strategy announced in 2015. Its three pillars are 'Growing with our customers', 'Delivering with excellence' and 'Partnering for shared success'. Ambitious targets to be achieved over the five-year period are related to them: an average organic sales growth of 4-5%, an average free cash flow as % of sales of 12-17% and the ambition to be the partner of choice.

**Responsible Sourcing Policy**

The Responsible Sourcing Policy is a code of conduct for Givaudan's suppliers that requires them to adhere to the same high ethical standards. It was launched in 2016 and was the first in the industry.

**Restricted Share Units (RSUs)**

An RSU offers employees the prospect of acquiring a certain number of shares at a later date, either in return for payment or on preferential terms. RSUs are subject to a vesting clause. Between allocation and vesting, RSUs are therefore considered as entitlements to employee shares. They are subject to one or more conditions precedent during the vesting period and are therefore not irrevocably vested until the vesting date if the conditions are met.

**Science Based Targets (SBTs)**

The Science Based Targets initiative is a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF), and is one of the We Mean Business Coalition commitments. The initiative enables companies to set targets in line with the Paris Agreement of limiting global warming to a maximum of 2°C and transitioning to a low-carbon economy.

**Sedex Members Ethical Trade Audit (SMETA)**

SMETA is an audit methodology that provides a compilation of best practice ethical audit techniques. It is designed to help auditors conduct high quality audits that encompass all aspects of responsible business practice, covering Sedex's four pillars of Labour, Health and Safety, Environment and Business Ethics.

**Sourcing for Shared Value**

First focus area of Givaudan's sustainability approach 'A Sense of Tomorrow', that builds on and further strengthens the Group's long-term commitment to sustainable sourcing practices in three core areas: Responsible Sourcing, Sourcing at Origin and Communities at Source.

**Supplier Ethical Data Exchange (Sedex)**

Sedex is a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains. Givaudan engages with Sedex both for the assessment of its production sites and for the assessment of its suppliers.

**Sustainable Development Goals (SDGs)**

The SDGs are a set of 17 global goals defined by the United Nations in 2016 to replace the Millennium Development Goals (MDGs). The goals comprise several sub-targets and indicators to measure progress and are to be met by 2030. Nations and businesses are called to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Swiss Code of Best Practice for Corporate Governance The 'Swiss Code' issued by economiesuisse in 2006 provides guidelines and recommendations for good governance in public companies.

**Total shareholder return (TSR)**

Total return of a stock, including change in stock price and shareholder distributions.

**United Nations Global Compact (UNGC)**

The UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

**Value Creation**

Fundamental concept of Integrated Reporting. Value created by a company over time manifests itself in increases, decreases or transformations of the capitals caused by the company's business activities and outputs. Value is created both for the organisation itself and other stakeholders.

# Our reporting suite

The 2019 Integrated Annual Report offers a holistic explanation of our value creation, financial and non-financial capitals and performance. The full Governance, Compensation and Financial reports are available in one separate PDF.

The 2019 Sustainability Highlights offers case studies and data for the three focus areas of our sustainability approach as well as eco-efficiency targets versus progress.

Our website hosts the online Integrated Annual Report and the full Sustainability GRI Index.

Readers are advised to consult our entire reporting suite to get a complete overview.

## 2019 Governance, Compensation and Financial Report

**Available in English**

PDF from 24 January 2020  
[www.givaudan.com](http://www.givaudan.com) – media – publications



## Our Sustainability Approach

**Available in English**

PDF from 24 January 2020  
[www.givaudan.com](http://www.givaudan.com) – sustainability – publications

## Online version Available in English



Integrated Annual Report and Sustainability GRI Index\*  
Available from 24 January 2020  
[www.givaudan.com](http://www.givaudan.com) – investors – online annual report



## 2019 Integrated Annual Report

**Available in English**

PDF from 24 January 2020  
Print from 25 March 2020  
[www.givaudan.com](http://www.givaudan.com) – media – publications

## 2019 Company Highlights

**Available in English, French and German**

PDF and print from 25 March 2020  
[www.givaudan.com](http://www.givaudan.com) – media – publications



## 2019 Sustainability Highlights

**Available in English**

PDF from 25 March 2020  
[www.givaudan.com](http://www.givaudan.com) – sustainability – publications

**To order publications: [www.givaudan.com](http://www.givaudan.com) – media – publications**

**The full suite can be found on [www.givaudan.com](http://www.givaudan.com) – investors – online annual report – download centre**

\* Sustainability GRI Index will be updated in March 2020 with full-year 2019 environmental data and external assurance statement.

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