

Differentiating business enablers

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

In this section:

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

> **10,000** different
raw materials

sourced in over 100 countries

11,170 full time employees

working in 109 sites in 50 countries

0.33 lost time injury rate

down 68% since 2009



Givaudan Business Solutions

Creating a platform for the future

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

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

We took the decision to design and build Givaudan Business Solutions (GBS), the foundation of our strategic pillar 'delivering with excellence', to further improve our operational efficiency, increase our agility and reduce our internal complexities. It will

enable us to offer our customers a superior experience and, ultimately, enable us to meet our 2020 financial targets. We will build on our strong position to create the structure that best fits Givaudan, doing so progressively over the next three years.

Innovative and efficient solutions and services

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

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

GBS will take some processes from each of the following areas

Integrated business solutions

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

Best practices and business solutions

EHS & Sustainability, Continuous improvement, Finance & Controlling

Simple employee solutions

**IM&T
Human resources**

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

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

One team, three delivery centres

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

Implementation

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

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

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

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



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

Implementation timeline



From sourcing to supply

Maximising value with suppliers

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


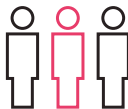



We bring our mission to life through our global procurement strategy, which has mutual value creation at its heart. With a focus on financial, risk, innovation and responsible sourcing related initiatives, we provide true value to our internal and

external partners. Our professional procurement team collaborates in ways that enable us to contribute to the objectives of Givaudan and our suppliers. The team aims to be trusted advisors, involved in the Company's markets and capable of adapting to rapidly changing environments.

Raw materials

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

Procurement by numbers

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

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

Indirect Materials and Services (IM&S)

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

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

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

Sourcing for Shared Value

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

- Our Responsible Sourcing programme drives compliance in the way products are produced and encourages suppliers to achieve high standards in health and safety, and in social, environmental and business integrity. The programme is the blueprint for how we work with our partners and suppliers to protect fragile natural sources and lead supply chain transparency in the flavour and fragrance industry.
- Sourcing at Origin initiatives secure the supply and quality of key natural ingredients in countries of origin by working directly with producers and suppliers while fostering local value creation. By investing in direct collection networks and exclusive farming partnerships in China, Indonesia, Malaysia and Madagascar, Givaudan strengthens the local economic fabric in countries of origin and contributes to more stable incomes for thousands of smallholder producer families.
- Communities at Source projects support producers and their communities through a range of projects in 11 countries around the world. In the past 10 years, in collaboration with NGOs, local partners and the communities themselves, we have positively impacted thousands of producers and their families in the areas of agriculture and production practices,

education, health and nutrition. We also support sourcing communities in safeguarding their surrounding environment and natural resources.



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

Innovation

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

Supply chain

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

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

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

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

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



Disclosure 102 – 9, 102 – 10

Our talent, performance and culture

Contributing to sustainable growth



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

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

Valuing people

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

28% of employees are covered by collective bargaining agreements.

Genuine dialogue is important in enabling employees and the Company to better understand each other's challenges and find ways to resolve them. We have a proud history of constructive dialogue with employee representatives and we support the freedom of individuals to join trade unions or other employee representative bodies. Givaudan regularly consults with employee representatives, for example we continue to hold regular European Works Council consultations with a group of employees, which represents works council members from all European Union member states where we have operations. The purpose is to inform and consult employees about significant

changes in the organisation, ensure the right to freedom of association and collective bargaining is not put at risk, and to report any feedback to the Executive Committee. The last European Works Council was held on 28 September 2017.

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



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

Talent

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

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



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

Staff turnover by age group, gender and region

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

GRI Disclosure 401 – 1

New employee hires by age group, gender and region

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

GRI Disclosure 401 – 1

Employees by employment type¹

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

Employees by employment contract¹

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

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

GRI Disclosure 102 – 8

Performance

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

Employees receiving regular performance and career development reviews

in %	2017	2016
Women	91	92
Men	63	63

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

GRI Disclosure 404 – 3

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

 2017 Compensation Report – profit sharing plan – page 82

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

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


GRI Disclosure 405 – 2

Culture

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

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

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

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

Performance indicators

Composition of governance (Executive Committee and Board of Directors)

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

Employees' categories and composition of governance bodies

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

1. Including the Executive Committee.

All figures include full time and internal temporary employees; they exclude Vika B.V.

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

Environment, health and safety

Continuous EHS improvement



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

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

Embedding EHS in our culture

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

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

Safeguarding our ability to deliver to customers

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

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

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

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



2017 Sustainability Report, published in March 2018

EHS organisational continuous improvement

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

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

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

Looking ahead

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

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

Health and safety indicators

Health and safety data

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

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

Total recordable cases by region and gender

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

LTI rate, lost day rate, absenteeism – by region

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

GRI Disclosure 403 – 2

Risk management

An integral part of our business



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

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

Enterprise Risk Management

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

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

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

Principles and responsibilities

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

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

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

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

Givaudan's principle-based approach to risk management:

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

Givaudan's ERM contributes to:

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

The annual ERM process includes the following steps:

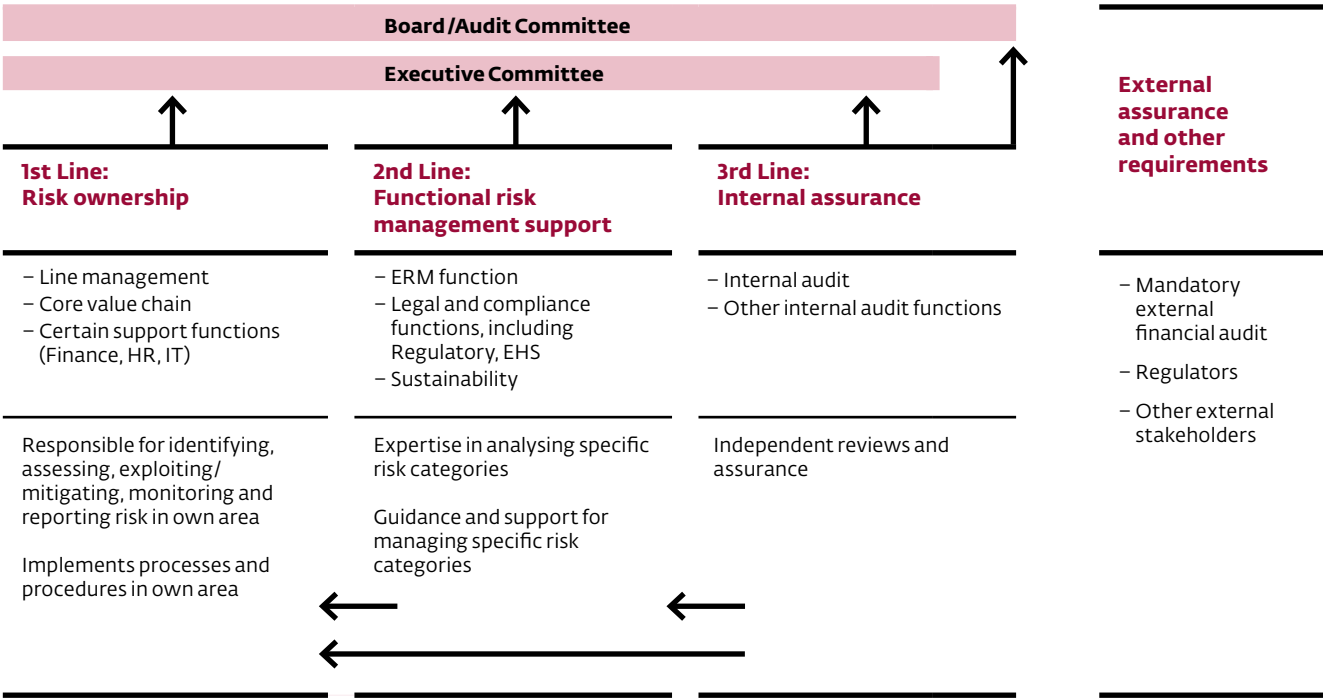
- a structured and comprehensive identification and compilation of essential threats and opportunities on the basis of an overall risk universe, which includes internal and external benchmarks

- analysis and assessment of the threats and opportunities so identified and determination of their likelihood of occurrence and corresponding impact to understand the underlying risk drivers
- formulation of the appropriate measures to exploit an opportunity and/or respond to a threat and
- tracking and reporting of risks and risk response actions.

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

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

Enterprise Risk Management Framework



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

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



2017 Governance Report, page 71

Risk categories

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

The current major risk areas include the following:

Strategic risks

Business model risk

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

Risk of changes in consumer preferences

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

Customer risk

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

Competition risk

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

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

Sustainability risks

Risk of climate change / water scarcity

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

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

- We have a plan to stabilise our GHG emissions until 2020 and reducing them thereafter in alignment with the 2015 United Nations Climate Change Conference, COP 21 and approved Science based targets.
- We continue to work to reduce the environmental impact of our activities. Our expertise in green chemistry and techniques such as biocatalysis enables us to make products high in purity and yield, using less energy and fewer hazardous materials. We will continue to develop our capabilities in this area and seek to apply them at every opportunity in the future.
- We are developing a global water strategy that includes local action plans with priority actions for high-risk sites. A new standard on water management is being developed and will be part of our EHS directives and standards.

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

Operational risk

Disruption / breakdown of operations

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

Disruption of supply chains / suppliers

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

Environment, Health and Safety and operational risk management

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

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

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

Information technology risk

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

Financial risks

Please consult the Financial Report regarding our financial risk management.



2017 Financial Report – pages 112 – 116

Legal and regulatory risks

Product quality / product safety risk

A faulty product or one that is not compliant with regulations or non-performing could expose Givaudan to consumer health issues, customer complaints, warranty claims, returns and re-runs, product liability claims or litigation and lead to loss of revenues, market share and business reputation. Our flavour and fragrance product safety assessment programme is designed to ensure that all products are safe for consumer use. At the core of the programme is a systematic safety evaluation

of the ingredients used in our flavour and fragrance products, and control of their use which is managed by our global IT systems. All new ingredients are evaluated for human and environmental safety, as required, prior to their use. Our flavour and fragrance products are created to comply with all appropriate end consumer product safety regulations in the markets in which they will be sold.

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

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

Legal and compliance risks

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



Disclosure 102 – 11, pages 49 – 52

Compliance

Protecting our reputation



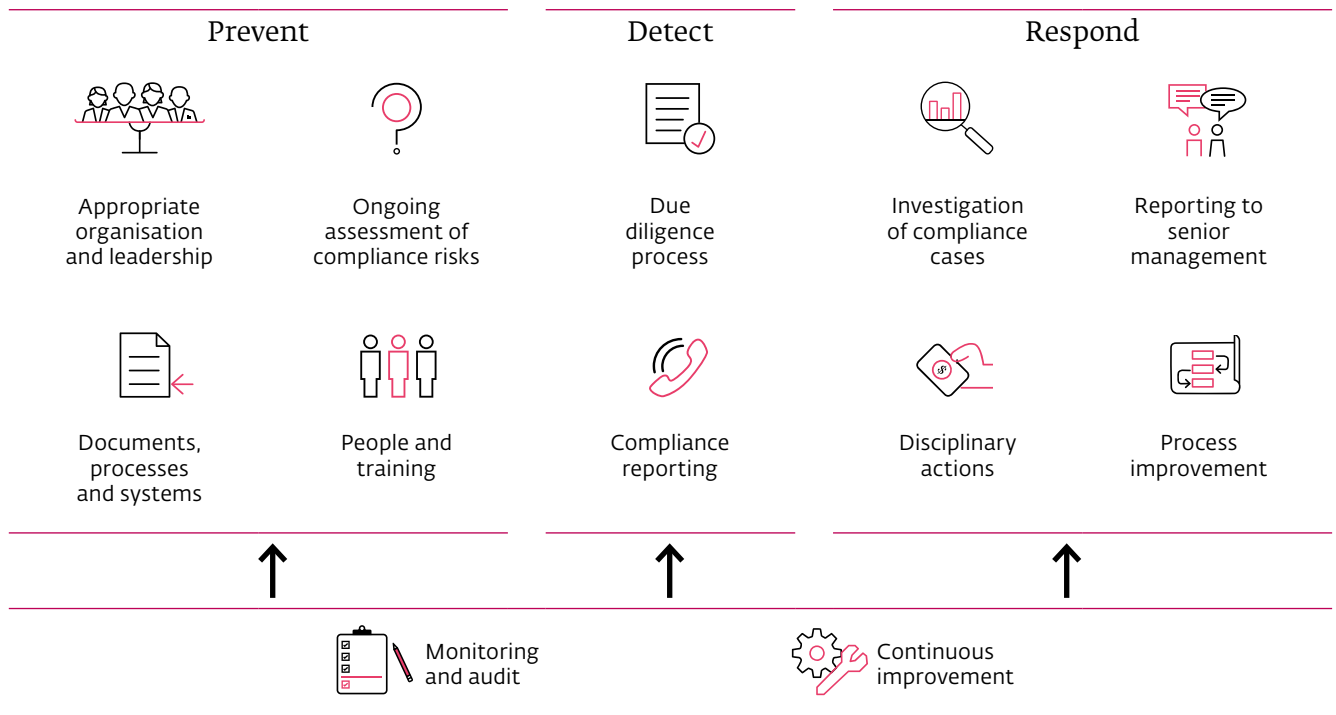
Givaudan's good reputation and name has been built over a long and rich history.

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


Principles of Conduct

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

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



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

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

Organisation and process

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

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

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

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


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

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

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

Organisation's values and principles

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

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

Anti-bribery management

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

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

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

- Corruption is one of the risk areas regularly reviewed by the Corporate Compliance Officer as part of a compliance risk assessment.
- Corruption and inappropriate gifts and entertainments are prohibited in Givaudan's Principles of Conduct and they are addressed in more detail in the Global Anti-Bribery, Gifts, Entertainment and Hospitality policy, including the reporting of gifts and entertainment. Both documents are available to employees in all major Company languages.
- Givaudan has included corruption and gifts/entertainment in its basic compliance training for all permanent employees and issues specific anti-bribery training to selected employees.

- Givaudan discloses charitable contributions and sponsorship.
- As part of monitoring activities, the Compliance Helpline allows employees to report compliance issues in confidence. The helpline is open in all sites, and available in all major Company languages.
- Givaudan has a procedure for the selection and engagement of agents and distributors, which includes a formal due diligence review and minimum requirements for agent contracts and payments.


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

Training and monitoring

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

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


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

 Disclosure 205 – 2

Human rights


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


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

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

Forced and child labour

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


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


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

Local communities

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


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

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

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

Charitable giving

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

 Disclosure 102 – 16, pages 53 – 55

Regulatory and public policy

Ensuring safe products in all markets



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

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

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

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

Flavours

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

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

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

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

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

Fragrances

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

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

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

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

Product labelling

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

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

We evaluate all the ingredients used in our formulas for any EHS impact and this information is disclosed and filed with the

relevant regulatory bodies whenever necessary. Quality and environmental data about our products, including safety information, are made available to users through product labels and safety data sheets (SDS). The SDS, which are available in more than 45 languages, are attached to every consignment and available to customers on request. For flavour products, information related to allergen, GMO, organic, nutritional and religious criteria can be provided.

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

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



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

Public policy

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

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

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