

# Double materiality assessment

Excerpt from the 2023 Integrated Report on economic and ESG performance

# Double materiality assessment

Our first materiality assessment, conducted in 2011 in alignment with the GRI Sustainability Reporting Standards, marked our commitment to meaningful dialogue with our stakeholders and served as a foundation for identifying key environmental, social, and governance (ESG) material topics. Over the course of 11 years, we have continuously updated this assessment through internal reviews and comprehensive revisions in response to evolving regulations.

In 2023, Givaudan conducted its first-ever double materiality assessment, a comprehensive framework employed by companies to evaluate and disclose their ESG impacts and risks. This assessment goes beyond the traditional approach by considering impacts on the environment, society, and the economy (outward-looking) as well as risks and opportunities for our business related to sustainability (inward-looking).

Conducting a double materiality assessment allows Givaudan to gain deeper insights into the risks and opportunities associated with sustainability, fostering in turn enhanced transparency, accountability, and

long-term value creation for both the Company and society. It enables us to focus on areas that influence our value proposition and demonstrate our commitment to sustainable development. Finally, our activities clearly extend beyond economic outcomes and it is imperative to align our business performance with the expectations of our stakeholders and society at large. Our double materiality assessment provides a profound understanding of the most relevant ESG material topics for different stakeholder groups, information that is critical to accomplishing this goal.

An outline of our comprehensive process for identifying and prioritising ESG material topics is given below.

## Establishing scope and boundaries – identification of relevant topics

The double materiality assessment process started with the essential step of defining its scope. We initiated this phase by describing the boundaries of the assessment, identifying relevant ESG material topics throughout our extensive value chain that are important to our stakeholders. This year, we emphasised the identification of the material topics rather than management approaches to avoid potentially overlapping areas, resulting in some changes to our matrix.

The approach allowed us to cover the intricacies of the supply chain, operational aspects, and the wide array of the products and services we offer.

Our approach drew from various sources and incorporated meticulous analysis, including a thorough review of internal and external documentation, industry insights, regional trends, and challenges. We also scrutinised existing commitments and adherence to industry-leading frameworks such as the GRI Sustainability Reporting Standards, Task Force on Climate-related Financial Disclosures (TCFD), and Corporate Sustainability Reporting Directive (CSRD) to ensure alignment with best practices and industry standards.

The outcome of this analysis, which was supported by external experts, was a long list of potentially material topics that then served as the starting point for subsequent assessment.

The efforts also produced a list of stakeholders relevant to the assessment, a crucial aspect. These elements then underwent rigorous validation with Givaudan's project team, ensuring alignment with the Company's strategic objectives and sustainability goals.

## Impact materiality (inside-out)

The next phase involved conducting an independent, expert-based impact assessment evaluating the scale, irremediability, and likelihood of both positive and negative, actual and potential, intended and unintended impacts throughout Givaudan's value chain for each longlist topic. This thorough analysis ensured a well-rounded understanding of the impacts associated with each ESG material topic identified.

Givaudan's Sustainability Leadership Team validated the impact assessment and prioritisation of ESG material topics, with their expertise and insights further confirming the significance and relevance of the identified impacts.

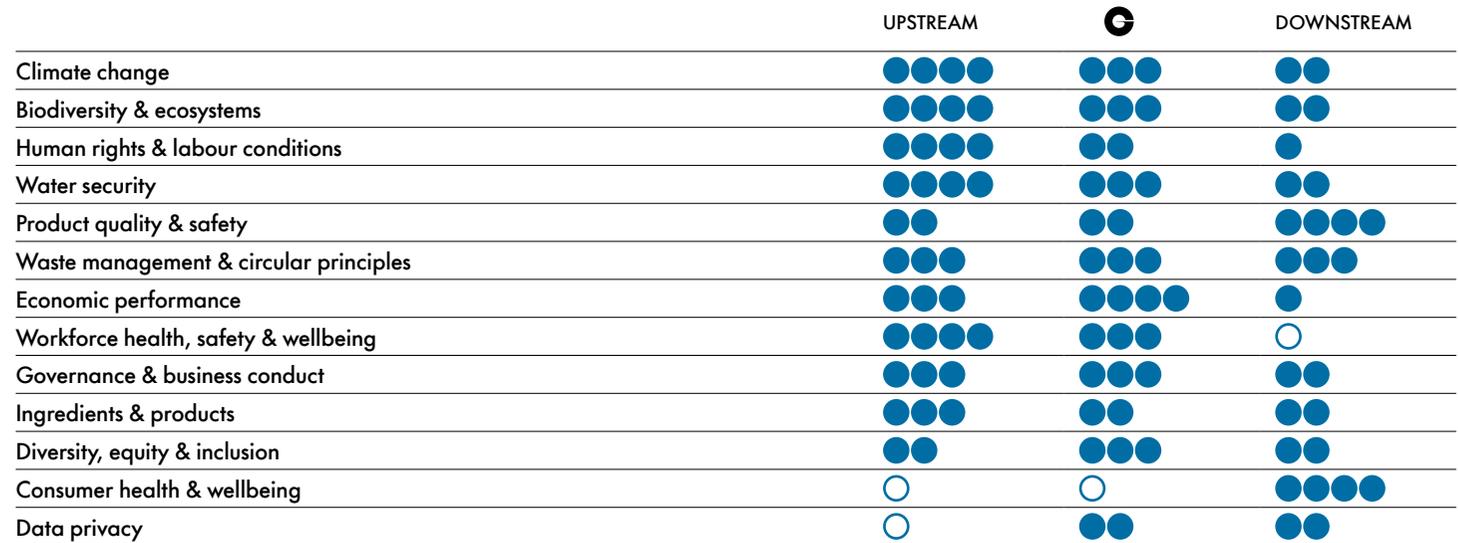
The results of this assessment are presented below as an overall ranking of the impacts and as an overview of the points along the value chain where Givaudan has the biggest positive or negative impacts.

**Financial materiality (outside-in) Assessment and methodology**

The primary goal of the financial materiality assessment was to identify and validate the most significant sustainability-related risks and opportunities for Givaudan.

Our double materiality assessment aimed to identify ESG material topics likely to affect our strategy, operations, and long-term business success. We conducted an in-depth analysis of how external factors influenced us financially, and assessed our capacity to manage risks and capitalise on opportunities.

## Impact along the value chain



●●●● very high ●●● high ●● medium ● low ○ N/A

To ensure a comprehensive and inclusive assessment, we carried out a workshop with senior leaders representing all areas of the business and internal stakeholder groups. Internal experts systematically assessed the severity and likelihood of risks and opportunities associated with relevant ESG material topics, subsequently allowing for thorough consideration of the financial implications. The diverse group of participants ensured that we took various internal perspectives into account, reducing the chances of overlooking relevant sustainability-related risks or opportunities.

We then complemented this internal assessment with an external evaluation carried out in collaboration with external experts, ensuring a more comprehensive perspective on financial materiality.

Overall, the process ensured that our assessment was comprehensive, taking into account both internal and external perspectives and involving a wide range of experts within the company.

## Methodology highlights

### Risk emphasis

We prioritise risk assessment in sustainability, recognising its vital role in long-term sustainability. We gave risks more weight than opportunities (2:1).

### Inherent risk assessment

We start by assessing inherent risks, providing a baseline understanding of sustainability-related vulnerabilities.

### Forward-looking approach

Our methodology looks ahead up to a decade, anticipating trends, disruptions, and stakeholder expectations for proactive risk mitigation and opportunity capture.

### Severity and likelihood evaluation

We comprehensively evaluate the impact's severity and likelihood, prioritising severe risks when uncertainties exist.

### Integrated risk categories

Risks often span categories like regulations, reputation, and operations. We consider these interconnections and prioritise multi-category risks with a severe impact.

### Concrete improvement focus

Opportunities go beyond compliance, focusing on actions that enhance sustainability beyond regulatory requirements, creating value.

By following this methodology, Givaudan ensures a robust, forward-looking approach to identifying and evaluating sustainability-related risks and opportunities. This empowers us to make informed decisions, manage risks effectively, and leverage opportunities aligned with our commitment to sustainability and long-term business success.

### Integrating stakeholders views

We conducted in-depth, qualitative external stakeholder interviews to validate the outcomes of our impact assessment and to gather valuable insights for the subsequent risk and opportunity assessment.

We selected the interviewees to represent various stakeholder categories along Givaudan's extensive value chain: customers, suppliers, (sourcing) communities, investors, innovation partners, and industry experts. Sustainability was highlighted as a central focus in our collaboration with these organisations.

Before the interviews, stakeholders were given the long list of potentially material topics and were prompted to identify Givaudan's significant impacts, risks, and opportunities. The interviews were each approximately 45 to 60 minutes long and included inquiries regarding stakeholder perspectives on Givaudan's sustainability priorities and communication strategies.

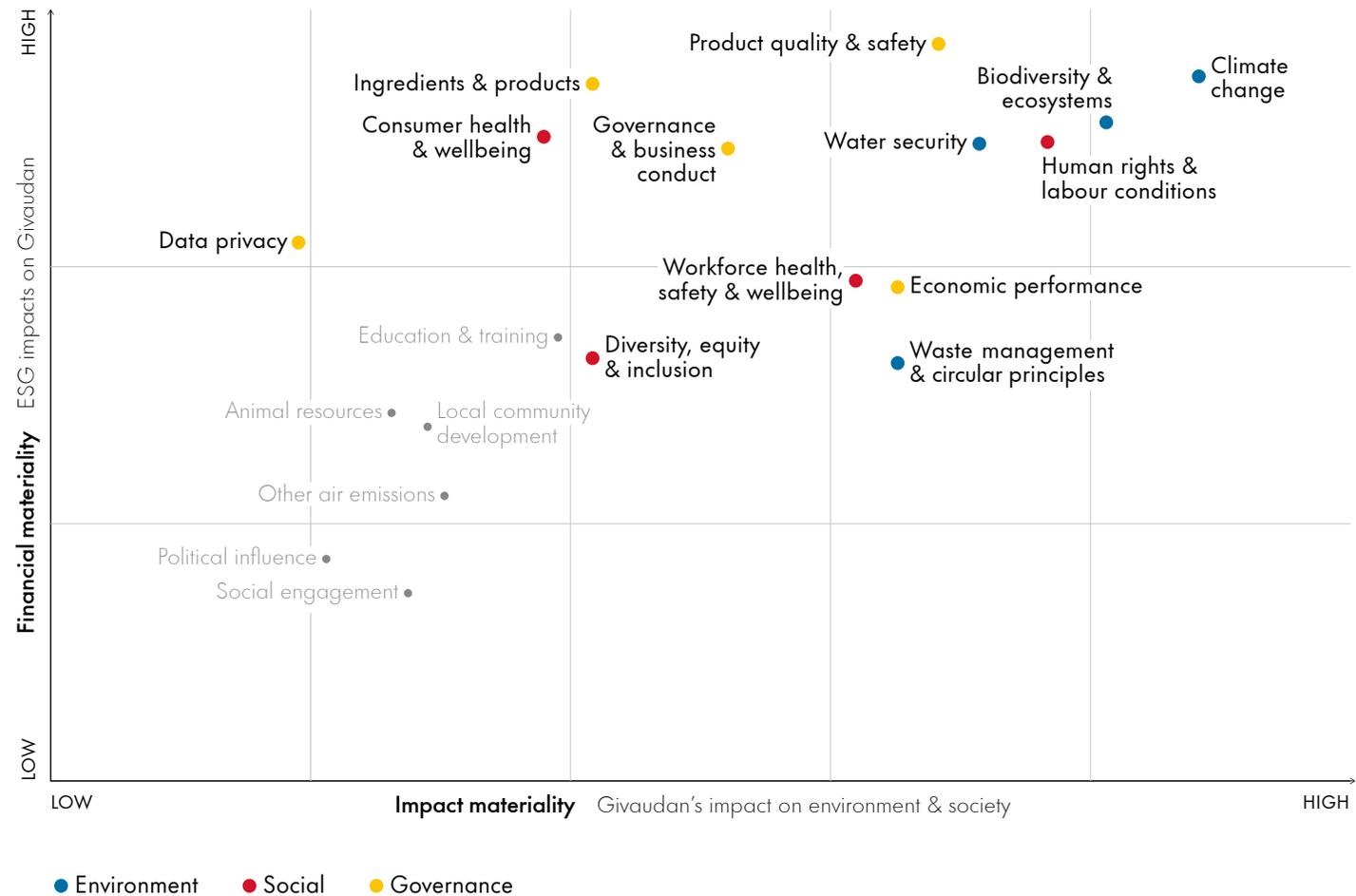
The insights gathered from these interviews align well with the results of the impact assessment, affirming the robustness of our initial findings.

## Results

Results from the external and internal assessments were integrated to create a comprehensive matrix of prioritised ESG material topics. This consolidation ensured alignment with shared concerns among external stakeholders, and internal recognition of both outward impacts on the environment, economy, and society, as well as sustainability-related risks and opportunities for the Company.

By adhering to this comprehensive double materiality assessment process, Givaudan has gained a holistic understanding of its sustainability risks and opportunities, as well as its impacts on the environment, economy, and society. This has fostered transparency and accountability, ultimately contributing to the creation of long-term value for both the Company and society.

Givaudan will continue its ongoing process of reviewing and updating the double materiality assessment, taking into account evolving ESG material topics, stakeholder expectations, and dynamic business conditions. The results of the assessment are used to drive sustainability improvements and to inform strategic decision making.



The Board of Directors has delegated the responsibility for defining our purpose and sustainability ambitions to the Executive Committee (EC), which leads Givaudan’s overall strategic direction.

Consequently, the EC mandated a cross-functional team to conduct the double materiality assessment, and then the EC reviewed and confirmed the impacts and resulting ESG material topics.

**MATERIALITY TOPICS DEFINITIONS**

Material topic	Subtopic	Definition
Climate change Environment	› Greenhouse gas emissions (scope 1+2+3)	Climate change pertains to enduring alterations in global temperatures and weather stability patterns. It is connected to greenhouse gas (GHG) emissions, including carbon dioxide and methane, resulting from human and industrial activities. Companies and their value chain contribute to climate change through GHG emissions whilst being more exposed to its subsequent impact, thus requiring adaptation. Companies can mitigate the amplitude of climate change by reducing GHG emissions across their value chain through science-based climate action.
	› Non-renewable energy and material sources	
› Renewable electricity		
› Climate action and adaptation		
› Land use		
Biodiversity & ecosystems Environment	› Natural capital	Biodiversity encompasses the variety of ecosystems, species, and genetic diversity. Its decline results from changes in land, water, and sea use, resource overexploitation, climate change, pollution, and invasive species. Actions such as conserving forests, safeguarding ecosystems, and protecting endangered species, while promoting sustainable and regenerative agricultural practices, contribute to preserving and restoring ecosystems and biodiversity.
	› Biodiversity loss	
	› Deforestation	
	› Land use and degradation	
	› Endangered species	
	› Agricultural practices	
Water security Environment	› Water withdrawal and usage	Water security relates to society's ability to access an adequate supply of quality water for survival and diverse productive activities. Water is withdrawn industrially and extensively utilised in agriculture, which significantly affects water-stressed regions. Ensuring water security involves implementing withdrawal usage and compliant release strategies, especially in water-scarce areas, addressing groundwater supply for resilience against climate change and extreme weather challenges.
	› Water scarcity	
	› Groundwater level	
	› Wastewater management and compliance	
Waste management & circular principles Environment	› Waste reduction	Establishing waste management strategies that focus on waste reduction and incorporating circular principles rooted in ‘rethink, reuse, recycle’. The objective is to minimise negative impacts of waste on human health, the environment, and planetary resources whilst maximising upcycling of material. Waste arises from business activities including product development, manufacturing, formulation, packaging, marketing, and distribution.
	› Waste treatment and disposal	
	› Plastics	
	› Recycling	
	› Upcycling	
	› Circularity	
› Waste management regulations		

Material topic	Subtopic	Definition
<b>Human rights &amp; labour conditions</b> <b>Social</b>	<ul style="list-style-type: none"> <li>› Working hours</li> <li>› Wages and benefits</li> <li>› Freedom of association and collective bargaining</li> <li>› Working conditions</li> <li>› Land rights, child labour, forced labour</li> <li>› Human trafficking, and modern forms of slavery</li> <li>› Access to water, sanitation and hygiene (WASH) and health services</li> </ul>	<p>Human rights encompass fundamental entitlements inherent to all individuals, irrespective of race, gender, nationality, ethnicity, language, religion, or other status, without discrimination. These include, among others, the rights to life, liberty, freedom from slavery, forced labour, and torture, freedom of expression, and the rights to work and education. In the context of labour and equitable working conditions, these rights encompass factors such as working hours, wages ensuring a living income, social security, freedom of association, collective bargaining, legal and physical workplace protection, job security, and safeguards against dismissals. Within supply chains, there is a focus on eradicating child and forced labour, human trafficking, and modern forms of slavery.</p>
<b>Workforce health, safety &amp; wellbeing</b> <b>Social</b>	<ul style="list-style-type: none"> <li>› Workplace accidents and injuries</li> <li>› Occupational health concerns</li> <li>› Physical integrity</li> <li>› Security</li> <li>› Employee engagement</li> <li>› Mental health and wellbeing</li> <li>› Company culture</li> <li>› Job satisfaction</li> </ul>	<p>Ensuring a secure and healthy workplace environment, fostering responsible employee conduct, and providing essential tools and training to empower the workforce for optimal mental and physical well-being. This encompasses avoiding workplace accidents and injuries, promoting mental health and wellbeing, cultivating an appropriate Company culture, and enhancing job satisfaction.</p>
<b>Diversity, equity &amp; inclusion</b> <b>Social</b>	<ul style="list-style-type: none"> <li>› Anti-discrimination and harassment</li> <li>› Equal opportunities</li> <li>› Equality and equity</li> <li>› Minorities</li> <li>› Fairness</li> <li>› Freedom of thought and expression</li> <li>› Diversity in governance and senior leadership</li> </ul>	<p>Fostering/cultivating an inclusive environment that embraces diversity and is free of biases, enabling everyone to thrive regardless of gender, nationality, religion, ethnicity, age, ideology, disability, sexual orientation, or identity. This encompasses combatting discrimination and harassment, advocating for equality, equity, and fairness, providing equal opportunities, addressing minority concerns, and ensuring freedom of thought and expression to enhance workforce diversity.</p>
<b>Consumer health &amp; wellbeing</b> <b>Social</b>	<ul style="list-style-type: none"> <li>› Nutrition</li> <li>› Health benefits</li> <li>› Emotional and mental wellbeing</li> <li>› Biotechnology</li> <li>› Regulatory compliance and safety</li> </ul>	<p>Fostering consumer health and wellbeing through the creation of ingredients and technologies for consumer products that enhance physical and mental wellbeing.</p>

Material topic	Subtopic	Definition
<b>Economic performance</b> <b>Governance</b>	<ul style="list-style-type: none"> <li>› Contribution to GDP</li> <li>› Tax contribution</li> <li>› Employment (direct and indirect), social prosperity</li> <li>› Local economic growth</li> <li>› Shareholders</li> <li>› Direct economic value generated and distributed</li> </ul>	Economic performance refers to the Company's capacity to sustain a profitable business model, ensuring its long-term viability. This involves contributing economically to governments, communities, internal and external stakeholders, and employees, thereby fostering the development and maintenance of a sustainable infrastructure, economic system, and society. This commitment encompasses elements such as local value addition by the group and its business locations, employee compensation and benefits, engagement with internal and external stakeholders, including shareholders, customers and suppliers, and diligent tax compliance.
<b>Governance &amp; business conduct</b> <b>Governance</b>	<ul style="list-style-type: none"> <li>› Governance and management structures</li> <li>› Board effectiveness</li> <li>› Policies and guidelines</li> <li>› Risk management</li> <li>› Stakeholder engagement</li> <li>› Business relations and partnerships</li> <li>› Conflicts of interest</li> <li>› Code of conduct</li> <li>› Grievance mechanisms</li> <li>› Compliance with laws and regulations</li> <li>› Anti-corruption</li> <li>› Competitive behaviour</li> </ul>	Governance and business conduct encompass ensuring rule-based decision making, establishing checks and balances through management structures, and pursuing goals aligned with societal, regulatory, and market contexts, in collaboration with relevant stakeholders. This ensures responsible and effective organisational management, including monitoring board effectiveness, managing risks, setting relevant policies and guidelines, and ensuring compliance with laws, including those addressing corruption prevention.
<b>Data privacy</b> <b>Governance</b>	<ul style="list-style-type: none"> <li>› Data security</li> <li>› Data management</li> <li>› Cybersecurity</li> </ul>	Data privacy refers to the safeguarding of sensitive information to ensure the protection of individuals' privacy rights and Company information. This involves the responsible collection and management of data, employing robust security measures to prevent unauthorised access, and addressing emerging technological challenges and potential security risks. The focus is on preserving the confidentiality and integrity of personal and sensitive data, thus maintaining trust and compliance with privacy regulations.
<b>Product quality &amp; safety</b> <b>Governance</b>	<ul style="list-style-type: none"> <li>› Product performance, reliability and quality</li> <li>› Policies and standards</li> <li>› Environmental health and safety risks</li> <li>› Legislation</li> <li>› Ingredient disclosure</li> </ul>	Ensuring product quality and safety reliability, and compliance with applicable laws, regulations, and policies, while also meeting customer and consumer expectations. This encompasses the establishment of rigorous quality standards and the evaluation of potential environmental, health, and safety risks. Furthermore, a key aspect involves disclosing ingredient information for a specific range of products.
<b>Ingredients &amp; products</b> <b>Governance</b>	<ul style="list-style-type: none"> <li>› Responsible sourcing</li> <li>› Environmental footprint</li> <li>› Raw materials availability</li> <li>› Creations</li> <li>› Traceability</li> <li>› Innovation</li> <li>› Local community development</li> </ul>	Ingredients and products refers to the selection and usage of raw materials for the creation of products and formulations. This encompasses ensuring responsible sourcing practices and traceability aspects are in place in ingredient supply chains; enhancing the environmental sustainability profile of ingredients, products and manufacturing processes through continuous improvement and innovation.

**MATERIAL TOPICS MAPPING**

Material topic	Equivalent GRI topic	 Creations	 Nature	 People	 Communities	UNGC Principles	SDGs mapping
Climate change	GRI 302: Energy GRI 305: Emissions		✓			Principle 7, 8, 9	  
Biodiversity and ecosystems	GRI 304: Biodiversity		✓		✓	Principle 7, 8, 9	 
Water security	GRI 303: Water and effluents		✓		✓	Principle 7, 8, 9	 
Waste management & circular principles	GRI 301: Materials GRI 306: Waste	✓	✓			Principle 7, 8, 9	  
Human rights and labour conditions	GRI 402: Labor/Management relations GRI 407: Freedom of association and collective bargaining GRI 408: Child labor GRI 409: Forced or compulsory labor GRI 413: Local communities	✓	✓	✓	✓	Principle 1, 2, 3, 4, 5	    
Workforce health, safety and wellbeing	GRI 403: Occupational health and safety			✓			 
Diversity, equity and inclusion	GRI 202: Market presence GRI 401: Employment GRI 404: Training and Education GRI 405: Diversity and equal opportunity GRI 406: Non-discrimination			✓		Principle 6	 
Consumer health & wellbeing		✓					  

Material topic	Equivalent GRI topic	 Creations	 Nature	 People	 Communities	UNGC Principles	SDGs mapping
<b>Economic performance</b>	GRI 201: Economic performance GRI 204: Procurement practices GRI 207: Tax	✓	✓	✓	✓		   
<b>Governance and business conduct</b>	GRI 205: Anti-corruption GRI 206: Anti-competitive behavior	✓	✓	✓	✓	Principle 1, 2, 3, 4, 5, 6, 10	  
<b>Data privacy</b>	GRI 418: Customer Privacy	✓		✓			
<b>Product quality and safety</b>	GRI 416: Customer health and safety GRI 417: Marketing and labelling	✓					  
<b>Ingredients and products</b>	GRI 308: Supplier environmental assessment GRI 414: Supplier social assessment	✓	✓	✓	✓	Principle 1, 2, 3, 4, 5, 6, 7, 8, 9	      