2016 Annual Report
Growing with our customers

Givaudan

engage your senses

Performance highlights
In line with our 2020 guidance

Sales of CHF 4.7 billion
up 4.2% on a LFL[1] basis

EBITDA of CHF 1,126 million
up 5.2% in Swiss francs

EBITDA margin of 24.1%

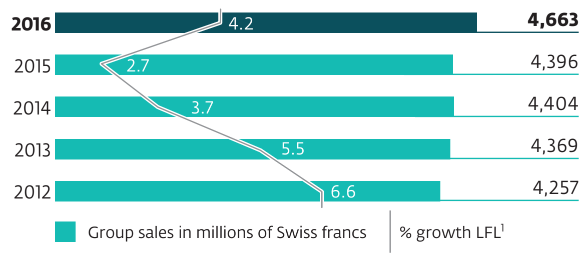
Net income of CHF 644 million
up 3.1% year-on-year

Free cash flow of 12.8% of sales

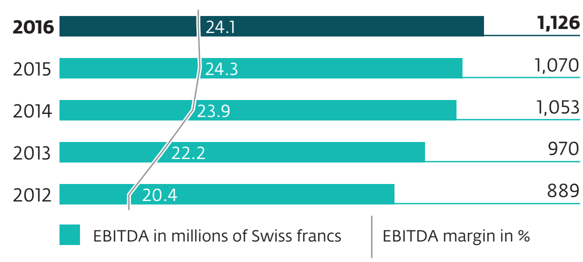
Proposed dividend[2] of CHF 56.00
per share, an increase of 3.7% year-on-year

1. LFL: Like-for-Like, excludes the impact of currency, acquisitions and disposals.
2. Subject to shareholder approval at the AGM meeting on 23 March 2017.

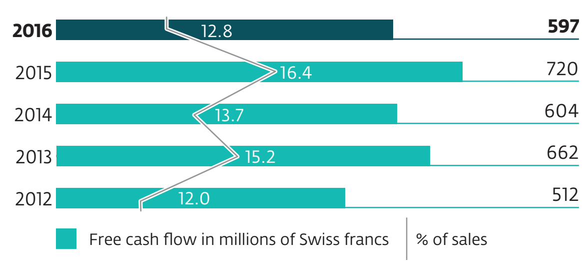
Group sales and growth rate



EBITDA and margin



Free cash flow



Dividend per share
in Swiss francs

98 Locations worldwide

39 Production sites

~25% Market share

10,476 Employees

17.9M hours worked safely

Key figures
Solid financial performance

Our 2016 full year results are a convincing demonstration of the continued value we bring to our customers, across all regions and segments.

For the year ended 31 December, in millions of Swiss francs, except for capital markets and employee data	**2016**	2015 [2]	Percentage change
Sales and results			
Group Sales	**4,663**	**4,396**	**6.1%**
Flavour sales	2,433	2,300	5.8%
Fragrance sales	2,230	2,096	6.4%
Like-for-like sales growth	**4.2%**	**2.7%**	
Gross profit	**2,128**	**2,030**	**4.8%**
as % of sales	45.6%	46.2%	
EBITDA [1]	**1,126**	**1,070**	**5.2%**
as % of sales	24.1%	24.3%	
Operating income	**875**	**794**	**10.2%**
as % of sales	18.8%	18.1%	
Income attributable to equity holders of the parent	**644**	**625**	**3.1%**
as % of sales	13.8%	14.2%	
Balance sheet and cash flows			
Operating cash flow	**805**	**915**	**(12.0%)**
as % of sales	17.3%	20.8%	
Free cash flow	**597**	**720**	**(17.1%)**
as % of sales	12.8%	16.4%	
Net debt	930	677	37.4%
Leverage ratio	19%	15%	
Capital Markets			
Market capitalisation	**17,230**	**16,833**	**2.4%**
Share price as at 31 December	**1,866**	**1,823**	**2.4%**
Cash dividend [3]	**56**	**54**	**3.7%**
Earnings per share – basic (CHF)	**69.95**	**67.89**	**3.0%**
Employees			
Number of Employees as at 31 December	**10,476**	**9,907**	**5.7%**
Lost time injury rate	**0.36**	**0.42**	**(14.3%)**

1. EBITDA: Earnings Before Interest (and other financial income (expense), net), Tax, Depreciation and Amortisation. This corresponds to operating income before depreciation, amortisation and impairment of long-lived assets.
2. Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).
3. Subject to shareholder approval at the AGM meeting on 23 March 2017.

Our business
An invitation to engage your senses

Our markets
Serving customers' and consumers' growing demand
Mature markets: 55% of annual sales
High growth markets: 45% of sales
Sales in high growth markets are driven by the rising consumer demand from an increasing urban middle class. In both high growth and mature markets, increasing demand for health and well-being products, such as lower salt, sugar and fat in food, and anti-ageing effects in cosmetics offer a significant potential for growth. Through targeted investment, we focus our efforts on best serving our customers and maximising our growth opportunities.

Our customers
Superior customer experience
Working hand in hand with our customers, our tastes and scents inspire the creation of products that delight consumers the world over. Our customers – global, international, regional and local – serve end-consumer markets with fragrances for personal, home and laundry care brands as well as prestige perfumes. Active Beauty offers an extensive portfolio of award-winning active cosmetic ingredients for an expanded range of benefits including anti-ageing, self-tanning and more. In flavours, our customers are in the food and beverage industry and span across key segments including beverages, sweet goods, savoury, snacks and dairy.

Our consumers
We bring the realm of taste and scent to life
Givaudan impacts the lives of millions of consumers around the world with the flavour and fragrances we create hand in hand with our customers. We unveil the tastes and scents that suit you best, and that you love most. We bring them to you every day, everywhere and in every way.

Our brand
The brand which helps you express yourself
Focused on consumer desires and preferences we highlight the emotional impact of our creations. Our "G" is filled with expression and our images stir emotions. Our brand distinguishes us as creative, innovative and emotional and expresses what we stand for: engage your senses.

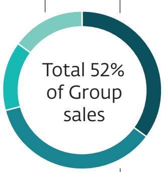
Our divisions
Flavour Division
We make life taste delicious
Bringing moments of delight with delicious flavour and taste experiences, we are dedicated to expanding the world's expression through flavours. We explore the globe for ingredients, innovate to bring our customers unique propositions, and delight millions of consumers around the world.

Fragrance Division
We live to perfume life
The artistry of our perfumers encompasses a myriad of scented stories for brands everywhere. From prestige and designer perfumes to the scent of functional cleaners, laundry and personal care products worldwide, our fragrances bring pleasure to millions daily. And for nature-derived beauty performance, our Active Beauty teams are harnessing the power of nature for cutting-edge cosmetics.

Sales breakdown by division
Flavours

15%
Confectionery
Confectionery
Baked goods
Sugar confectionery
Chocolate
Chewing gum

35%
Beverages
Soft drinks
Fruit juices
Instant beverages



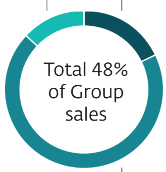
14%
Dairy
Ice cream and yoghurt
Desserts
Yellow fats (margarines)

36%
Savoury
Ready-made meals
Snacks
Soups and sauces
Meat and poultry

Fragrances

13%
Fragrance Ingredients and Active Beauty

18%
Fine Fragrances
Signature fragrances
Line extensions



69%
Consumer Products
Fabric and personal care
Hair and skin care
Household and air care
Oral care

2016 Annual Report
Growing with our customers

Global trends are shaping how consumers live, consume and do business. Our unique capabilities, our knowledge of markets and our in-depth understanding of consumer preferences sets us in a strong position to capture growth across multiple product categories and markets, and to continue to innovate in helping our customers meet consumer demands.

By delivering innovative, sustainable and high quality products, we meet and anticipate these demands and help our customers grow their brands to be successful in their markets. Growing with our customers is a strategic pillar that is supported by our strong focus on partnering for shared success and delivering with excellence, the two other pillars of our 2020 strategy.

CEO statement
on Integrated Reporting

"Integrated Reporting is thinking more holistically about the business: communicating on value creation for the Company, the environment and society"

Corporate reporting has become more complex and extensive, not least because of the increasing number of regulations. With so much information, stakeholders are forced to search for what matters most to them. Our priority is to provide information that is meaningful, easily accessible and readable. We aim to offer high quality information presented in a more concise way. Integrated Reporting, with its core aspect of value creation, offers the possibility of presenting what matters most. This year's report is our first step towards enhanced and more comprehensible reporting.

Gilles Andrier
Chief Executive Officer

About this report
Communicating value creation

Towards Integrated Reporting
This report is about how our Company's strategy, governance, performance and prospects lead to the creation of value in the short, medium and long term. Givaudan has embarked on the journey towards Integrated Reporting based on the framework of the International Integrated Reporting Council (IIRC). In the coming years, business-relevant sustainability information will be further integrated into our Annual Report to demonstrate how non-financial capitals contribute to our strategy, growth and business development. Both financial and non-financial KPIs are essential contributors in measuring the achievements regarding our responsible growth and shared success. Integrated Reporting is an ideal way of expressing this and offers an improved platform to communicate how we create value for our Company, our stakeholders, the environment and society.

What's new this year
The 2016 Annual Report is the first step towards Integrated Reporting and focuses on Givaudan's value creation. Whilst we continue meeting legal requirements, we started implementing aspects of Integrated Reporting in this 2016 Annual Report. Our focus is on showing how financial and non-financial capitals (inputs) are transformed through our business model into value for our stakeholders (outcomes). We have also placed stronger emphasis on a more concise presentation of our strategic objectives and achievements.

Sustainability is the backbone and an integral part of our long-term financial and operational success. It is embedded in our 2020 ambition. For the first time, relevant sustainability performance indicators will be published in the Annual Report only. The GRI Index Table and the navigation in our Sustainability Report will show where the answers to each indicator can be found. The two publications function as one reporting suite with complementary information, avoiding repetition. GRI -Icons in the Annual Report mark the GRI aspects. These changes mean it is necessary to refer to both reports for the full picture of Givaudan's sustainability activities. The Company's Sustainability Report is published on 23 March 2017.

What's next?
Over the coming years, in our journey towards a fully integrated report we intend to emphasise the aspects that are material to our value creation and further demonstrate how integrated thinking is embedded in the Company.

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Givaudan, an invitation to Engage your senses

Our vision

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

Our mission

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

Our culture

By being inspiring, we foster a positive environment of openness and curiosity, where we shape and share innovative ideas that foster 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. At Givaudan, everyone impacts the world through their contribution to the creation of inspiring taste and scent experiences, helping our customers build their brands and delight consumers. Our talented and creative professionals feel passionate and proud of the work they do and are empowered to contribute to a sustainable society.

We are a global company of over 10,000 employees: it is a world of diversity, with people from different cultures, countries and backgrounds, representing around 90 nationalities. All work together with a wide variety of skills to help our customers build their brands, from researchers to perfumers, evaluators and sensory scientists and from flavourists and food technologists to production workers and commercial teams.

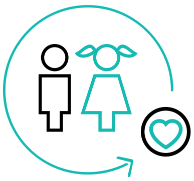
Challenging

Inspiring

With heart and soul

Our capabilities
Surprising and delighting consumers with creative solutions

As our customers' loyal partner, we are committed to their success and translate our knowledge of local preferences into creations that delight consumers around the world. Extensive consumer insights drive our capabilities in creation, innovation and operational excellence.



Consumer understanding

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

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

Insights across countries, lifestages and gender

Agile global consumer-testing network

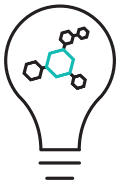
Creation

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

A team of passionate flavourists and perfumers

Close partnership with our customers

Unique product palette and ingredients



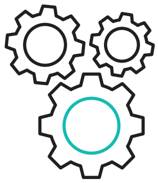
Innovation

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

Pioneering research and development teams

Focus on the science of taste and smell

Broad product offering for diverse customer portfolio



Operational excellence

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

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

Supply chain excellence, addressing customers' needs

Sustainable sourcing of raw materials

Chairman's introduction
Solid performance, continued value creation

Givaudan concluded a successful first year of its 2020 strategy cycle, delivering healthy financial performance despite a continued unstable market environment.

The 2016 full-year results demonstrate solid topline growth and free cash flow generation, both in line with our projected average 2020 financial targets.

On the basis of Givaudan's strong performance in 2016, and its continued solid financial position, the Board of Directors will propose an increase in the dividend to CHF 56.00 at the Annual General Meeting on 23 March 2017, the sixteenth consecutive increase since our listing on the Swiss stock exchange.

The first year of our new 5-year strategy cycle was marked by both business continuity and change. Givaudan continued to deliver a strong financial performance while focusing on long-term value creation for all stakeholders. Despite an ongoing unstable market environment, we made significant investments in future growth: the expansion of our footprint with new innovation and application centres, especially in high-growth markets, the expansion of our business through acquisitions, and the decision to evolve our organisation through Givaudan Business Solutions, a new global unit being designed and gradually implemented to ensure a superior customer experience by offering more agile and flexible processes, services and solutions.

It is likely that 2017 will be another year of low growth for the global economy. While we may see growth in some niche industries and in certain regions, the world will be under pressure from ongoing political, policy and economic uncertainties. World economic growth is predicted to be 3 – 4%, with China and India being the countries offering the highest growth in the range of 6 – 7%, while predictions for other high growth markets in Asia and Latin America are in the range of low single-digit growth. Mature markets are also expected to deliver low single-digit growth, with a slightly higher growth rate in the USA. Global megatrends will continue to influence our society and consequently the Flavour and Fragrance industry. Against this backdrop, the increase of the global population, rising life expectancy and ongoing urbanisation will continue to drive demand for personal hygiene and fragranced products, as well as convenience food and beverages. I am confident that, as industry leader, Givaudan is in a strong position to create consumer preferred flavours and fragrances that grow our customers' brands and bring about shared success as we move forward on the road to our 2020 ambition.

In October 2016, I announced my intention to retire as Chairman and a member of the Board of Directors. Looking back over the past 18 years, both as CEO and as Chairman of Givaudan, I am humbled to have been entrusted to lead this Company through many challenges and successes and to have been able to ensure ongoing investment and growth in all areas of our business, along with continued value creation – in form of dividends and share price appreciation – since the IPO in 2000. I draw my confidence in Givaudan's future growth from its 250-year history, a story that has been built upon a culture of mutual respect, passion for value creation and an unwavering commitment to satisfy consumer desires and customer demands.

Givaudan's next chapter of value creation rests upon the principle of 'Responsible growth' and 'Shared success'. I am

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

Dr Jürg Witmer, Chairman

particularly pleased with our recent achievements in the areas of governance, responsible sourcing and succession planning. In 2016, we further enhanced our governance model through a newly created Science and Innovation Committee, which advises the Board of Directors in scientific matters, identifies opportunities and screens potential partners and projects in the innovation space. In addition, we reconfirmed our commitment to high ethical standards by updating our Principles of Conduct. Given our own commitment, we want to work with partners who aspire to the same ideals as we do. In 2016, we further strengthened this commitment by issuing a Responsible Sourcing Policy that seeks to ensure that our suppliers comply with strict requirements for health, safety, social, environmental and business integrity. I am also proud of our programmes to ensure industry-leading sourcing at origin, securing our supply of the most vulnerable natural ingredients, like vanilla, patchouli or ylang ylang, while creating local value and supporting communities at source.

We will continue to thrive based on our unique business model, ongoing investment, capabilities and highly skilled teams.

Succession planning remains a strong focus for our future success. I am very pleased that Givaudan has been able to develop its own strong leaders, and in particular, that our current Vice-Chairman, Calvin Grieder, accepted to stand for election as new Chairman at the Annual General Meeting in March 2017. With the retirements in 2016 of Adrien Gonckel, Chief Information Officer, and Matthias Währen, Chief Financial Officer, both of whom receive my warmest thanks, we have been able to expand our Executive Committee and ensure seamless transitions with key management appointments from within: Tom Hallam, who became Chief Financial Officer in January 2017, and Anne Tayac, appointed in July 2016 as Head of Givaudan Business Solutions.

Looking forward, I have every confidence that Givaudan will continue to grow with its customers based on a unique business model, strong capabilities, solid financial position and highly skilled teams. Rooted in sensory expertise and deep consumer understanding, we will continue to invest in innovation, inspiring creations that delight consumers and cultivating a mindset that puts customers at the heart of everything we do.

My sincere appreciation and gratitude go to my fellow members of the Board of Directors, the Executive Committee members and all 10,476 employees worldwide. Their daily commitment and passion make Givaudan all it is today, and all that it can be tomorrow, by engaging people's senses, every day, everywhere.

Finally, allow me to express my sincere thanks to our shareholders for your trust. I am confident that Givaudan will continue its path of value creation in the years to come.

Dr Jürg Witmer
Chairman

Chief Executive Officer's review
Starting our five year strategy with a solid first year

Gilles Andrier, Chief Executive Officer, answers our shareholders' questions about Givaudan's performance in 2016, early achievements towards our 2020 strategy, and outlook on key priorities for 2017.

What were Givaudan's major financial achievements in 2016?

Despite a continued volatile and challenging market environment in 2016, we made a solid start towards achieving our 2020 strategy. Our financial ambitions and roadmap for the five-year cycle seek to ensure responsible growth and shared success for shareholders, customers and all key stakeholders. Our topline growth is well on track, with sales of CHF 4,663 million showing an increase of 4.2% on a like-for-like basis [1] and 6.1% in Swiss francs, and we achieved free cash flow of 12.8% of sales – both results are in line with the average financial targets we set for 2020. Finally, in 2016 we made strong operational progress in each of our strategic pillars – growing with our customers, delivering with excellence and partnering for shared success.

What did you accomplish in terms of growing with customers?

Customers are the very heart of our business and there are several ways in which we are growing with them.

The first way is to continue growing in high growth markets, where we further expanded our footprint in 2016. Beyond opening several new offices in Latin America and Africa, we became the first global flavours company to open laboratory and office facilities in Pakistan, enabling our customers to access Givaudan's industry-leading capabilities locally. We also expanded our Flavour Innovation Centre (FIC) in Singapore, where our flavourists leverage the latest ingredients and technologies to develop holistic customer solutions that can go straight to market. In Fragrances, we continued to strengthen our manufacturing capacity for fragrance ingredients in high-growth markets.

Another way of growing with our customers is to anticipate and develop consumer-preferred products. Consumer preferences are not only rapidly evolving but are very specific to each region. We support our customers' growth by leveraging consumer insights and in-depth knowledge of local markets, and by harnessing our innovation and unique creative capabilities. Recent examples include new captive fragrances molecules, introduced in 2016, a new generation of encapsulated fragrances, a new delivery system for snacks offering authentic flavour profiles and ease of use in processing, as well as new dairy-free solutions.

Health and well-being is an area that offers us many opportunities to grow with customers in both flavours and fragrances. Givaudan's active cosmetics business was rebranded in 2016 as 'Active Beauty', with the mission to bring beauty to the world. To further reinforce our innovation in the research, development and production of active cosmetics ingredients, we expanded our collaboration with the industrial bioscience company Amyris, Inc. In Flavours, we introduced several innovations to support consumer trends for health and well-being. Examples include a new ingredient that helps to enhance sweetness while reducing calories and a 'non-dairy dairy' solution for customers seeking to offer products with authentic dairy flavours while addressing allergens and

Givaudan delivered a solid financial performance, in line with our 2020 targets.

Gilles Andrier, Chief Executive Officer

vegetarian preferences. We also advanced the development of new solutions which provide more protein and functional food ingredients, help to mask bitterness, and continued to further strengthen our natural flavours platform.

What role did acquisitions play in supporting customer growth in 2016?

We continuously look at opportunities to grow our business both within and beyond our core fragrance and flavour capabilities, for example by expanding our offering in integrated solutions and Active Beauty.

The acquisition of Spicetec Flavors & Seasonings, completed in 2016, further supports our customers by offering integrated solutions. Combining our leading flavour expertise with Spicetec's portfolio of products enables us to deliver a broader range of solutions to our customers in processed meat, savoury retail and foodservices. Furthermore, these additional capabilities help us strengthen the breadth of our industry-leading natural ingredients, flavour and taste solutions. This represents a significant opportunity to grow and expand our existing business. In terms of Fragrances, our earlier acquisitions of Induchem in 2015 and Soliance in 2014 are now combined into Givaudan's Active Beauty business, offering a comprehensive range of innovative technologies and solutions in the area of anti-ageing, self-tanning, skin-soothing and moisturing to customers and consumers around the world.

Over the coming years, we will continue to build both businesses.

You announced the creation of Givaudan Business Solutions (GBS). How does this support your 2020 strategy?

To succeed in a market that is daily becoming more competitive, dynamic and fast-moving, we must ensure that every customer interaction is excellent at every touch point. We must create a memorable experience that drives our customers' desire to work with us. GBS is all about harnessing our expertise and talents in a more efficient, customer-focused and agile way, creating a platform for continuous improvement. The step-wise implementation of Givaudan Business Solutions will support the Company in delivering on this commitment by reducing internal complexity, offering best-in-class business processes to our customers, and solutions to both divisions and corporate functions, and driving excellence across the organisation.

Building a global platform with standardised processes and solutions will also allow us to apply and leverage automation and big data more consistently, while making it quicker and easier to integrate new acquisitions – all of which contributes to operating more efficiently and in a more agile way.

GBS will become the heart of our strategy pillar, 'Delivering excellence.'

How important are partnerships to Givaudan and what did you achieve in this area?

Partnerships are crucial to driving responsible and sustainable growth over the next five years and that is why we have embedded becoming the 'partner of choice' in our 2020 ambition. We made good progress in building and expanding collaborations with all of our key stakeholder groups in 2016.

Innovation is an area where partnerships play a key role in fuelling growth. Beyond our commitment to invest significant resources in our own science and technology – approximately CHF 400 million annually – it is vital we continue expanding the collaborations with external partners who can speed our access to new technology and innovations. Following an intensive Innovation Trek that took all of the Executive Committee members to San Francisco, we signed an agreement with

IndieBio, a leading biotechnology accelerator in the US. Givaudan also became a founding partner of MassChallenge, giving us access to hundreds of thoroughly evaluated and expertly accelerated start-ups. In fact, we are already collaborating with sensorwake, one of the 2016 winners. We are rethinking the future of food through our participation in the EIT Food Knowledge and Innovation Community, a powerful collaborative network to drive sustainable transformation towards a more consumer-centric and resource-efficient food sector, as well as RocketSpace, an accelerator for food and agriculturethat harnesses the ideas of disruptive start-ups and progressive corporations.

We also announced the investment into building a new innovation centre for flavours and fragrances in Switzerland, which will open in 2019. Its innovative research areas will span from organic chemistry, naturals such as fermentation and biocatalysis, to flavour creation and application science, as well as delivery systems.

In 2016, we expanded our partnerships with suppliers focusing on some of our most vulnerable raw materials. We strengthened our footprint in Madagascar through two initiatives with our partner Henri Fraise Fils (HFF): NATEMA, our joint venture plant for processing clove leaf oil, will enable us to establish and grow our capacity to develop and process natural ingredients; a further agreement will allow us to leverage the local expertise and infrastructure of HFF to secure vanilla bean supply directly from Malagasy smallholder producers. Both examples demonstrate our commitment to establish direct sourcing models in countries of origin that offer the best ingredients to our customers and create value in our partner communities. In addition, we are actively pursuing supplier-enabled innovation, leveraging opportunities to collaborate with our suppliers on common innovation goals.

A strong, motivated workforce is among our most valuable assets. At Givaudan, we aim to foster a great place to work where every employee contributes to our success. Our second global employee engagement survey, conducted in September 2016, demonstrated an increase over 2013 with an industry-leading 81% engagement rate. We take pride in offering interesting career opportunities to employees and managers with knowledge and potential, and continue to prepare our future leaders with strong internal Learning & Development initiatives. The success of our Leadership Senses programme can be seen in the fact that many of our senior managers are recruited from within Givaudan.

Sustainability is increasingly important to your customers. How is this reflected in your strategy?

Givaudan is in the process of fully integrating sustainability into all key programmes of our 2020 strategy, and this is reflected throughout the business value chain. Consumers are demanding more transparency around the products they buy; they expect them to be more sustainable, and also expect companies to operate more responsibly. We want to help our customers offer brands that satisfy these consumer demands. There are three key areas in which we believe our progress is of high value to our customers: responsible sourcing, innovation, and environmental stewardship.

Responsible sourcing is essential for Givaudan: we buy more than 10,000 different natural and synthetic ingredients sourced from 2,000 suppliers in over 100 countries, and we want to make a positive impact on those communities while preserving the environment for future generations. To this end, we introduced a Responsible Sourcing policy in 2016, the first of its kind in the fragrance and flavour industry. We are working to ensure that all of our suppliers achieve compliance with this policy. Supplier audits of specific supply chains for key raw materials are part of this responsible sourcing programme.

Brands with purpose need to harness innovation to stand out from competitors, and our aspiration is to support our customers in their sustainability goals with innovative tools and approaches. Examples of areas we are exploring include green chemistry or cleaner processes that generate less waste, resource recovery that transforms low-value materials into high-value products, circular economy practices that avoid pollution by design, and new ways to address the future food and health needs of a growing world population.

Givaudan is industry-leading in our eco-efficiency performance. In 2015, after successfully delivering against our original targets ahead of time, we set even more ambitious eco-efficiency targets for 2020. The new targets reflect our ambition to stabilise environmental impact while increasing production volumes. We fully support CDP's new scoring system, introduced in 2016 to encourage companies to be more ambitious in their response to climate change. Givaudan achieved an overall ranking of A- at the Leadership level and were named a country leader for Switzerland in 2016.

What challenges did you encounter in 2016 and how did you master them?

In 2016, we were able to compensate for continued weak sales in the European region with very solid growth in North America. Our sales in Asia and Latin America continued overall to be very strong, while certain high growth markets declined compared to the relatively high growth rates seen in previous years. Our broad exposure to diverse markets, currencies, customers and segments allowed us to improve our growth and performance throughout the year, demonstrating the resilience of our business.

Consumer desires, market trends and customer needs are evolving faster than ever before. How do you address these changes?

Givaudan has several key strengths that make us well positioned to adapt to the rapid pace of change in today's evolving landscape.

We put the customer at the heart of our business and, collaborating closely with them, customise our offers to their specific and evolving needs. For our customers, partnering with Givaudan must continue to mean something out of the ordinary – a choice that removes complexity and risk for them and gives them confidence that working with us means a greater likelihood of product success. We strive to earn their trust every day with a mindset of delivering a superior customer experience.

We appreciate that consumer preferences vary from region to region and evolve quickly, often inspired and influenced by local culture, fashion or food trends. To anticipate and develop consumer-preferred flavours and fragrances, our teams closely follow these trends as well as product offerings in key markets, and we invest in market research and consumer understanding. We use these insights not only to develop fragrances and flavours that meet evolving consumer desires, but also to advise our customers on these trends and how to use them in the development of their brands.

Our approach of being close to consumers, customers and markets is backed by a solid strategy that gives us a clear roadmap, while preserving our agility and nimbleness to adapt to market changes. We also have the financial means to drive growth, by investing in innovation, infrastructure, partnerships and acquisitions. Most importantly, we have a highly dedicated team with a mindset that is truly committed to serving our customers, delivering a superior experience and helping them to make their brands desirable and successful.

The past two years have seen several changes in the Executive Committee. What impact does this have on the 2020 strategy?

Leading Givaudan on our journey to 2020 and beyond will be challenging, but as CEO I am confident that we are firmly supported by our dynamic and experienced executive team. Over the past two years, Givaudan's leadership team has grown and evolved to include new members from areas not historically represented at the Executive Committee level. Thanks to this expansion, we now have a voice at the highest level of our Company for innovation, procurement and most recently, GBS. We are especially fortunate to have effective succession planning that has enabled us to appoint strong and very experienced leaders from within Givaudan. This allows us to address the challenging market environment, and ensure that we are able to successfully execute our 2020 strategy.

What are the priorities for the business in 2017?

The year ahead will be marked by ongoing change in the market and our response to it. While continuing along the path of executing our 2020 strategy, we will remain attuned to the market environment and adapt our business approach. As we pursue opportunities to acquire companies to further build our Active Beauty business and offering in Integrated Solutions, we will actively embrace change, striving to best integrate the value and agility these companies have to offer. We will welcome the step-wise implementation of GBS, Givaudan's new organisation delivering best-in-class processes, services and solutions, to internal and external customers.

Finally, we will focus on further embedding a mindset to deliver a truly superior customer experience, and in doing so drive our competitive advantage beyond the high quality of our products and services. Our top priority for 2017 will be excelling in the way we engage with each and every one of our customers.

I look forward to an exciting year for Givaudan and am confident that we will continue on our growth path as we pursue our strategy of 'Responsible Growth, Shared Success' in 2017.

Gilles Andrier
Chief Executive Officer

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

GRI G4 – 13 Changes; pages 9 and 11

Our business model and value creation

Capital input

Financial
We strive for an efficient use of funds available to the Group.
– Free cash flow of CHF 597 million

Social environment
Our reputation and the trust of our stakeholders are vital for success.
– Stakeholder engagement
– Expanding collaboration with all key stakeholder groups

Human
Continuous development of our employees and recruitment of new talent.
– Leadership development at all levels
– Masterclasses for al l functions

Innovation
Innovation drives the creation of leading-edge and sustainable solutions for our customers.
– CHF 400 million invested in research and development

Operations
Operational excellence enables us to decouple environmental impact from growth.
– 39 production sites
– Working towards 100% renewable electricity at all sites

Value creation

Value outcome

Financial
Constant delivery of solid cash returns and an increased profitability.
– Free cash flow of 12.8% of sales

Social environment
Mutually beneficial partnerships with all our stakeholders.
– Collaboration with local NGOs
– Creation of joint ventures

Human
A well trained, diversified and fairly compensated workforce empowered to impact their world.
– Learning and development offering is above industry norm
– 1,609 new hires

Innovation
Innovation is central to driving current and future growth and enhancing our competitive advantage.
– 29 new patent applications filed

Operations
Excellence in operations and local presence makes us a partner of choice.
– Reduction of energy and water use
– Reduction of CO_2 emission and waste

Control mechanism

Our focus on customers
Superior customer experience

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

Our 2020 ambition of 'Responsible growth. Shared success.' is a common goal that is about creating and sharing success with our customers. For us, success depends on how we best place our customers at the centre of everything we do – in our strategy, in our execution and in our day-to-day activities. We seek to go beyond this and be recognised by our customers for the way we truly engage with them across all touch points in our value chain. It's about caring to win with our customers.

> "We know the importance of being able to customise our offerings and our collaboration to the needs of our global, international, local and regional customers."
>
> **Gilles Andrier, CEO**

In putting customers at the heart of what we do, we want to make them feel valued, confident and understood. This means we are an active listener, a true partner at each step of the creation and value chain, flexible and agile in offering customised solutions to their needs, whether they are global, international, regional or local customers. We want to create positive experiences every time we work with customers and at every point of contact. In working with them, we will share consumer insights, knowledge and expertise. Our employees will act with a customer-focused mindset for customers, internal or external. This is a mindset we will continue to drive and embed within our organisation. Ultimately, it's about delivering success.

In Flavours, we are looking to help our customers create the future generation of food and beverage products that will capture consumers in an environment where the pace of change and the scale of disruption is unprecedented, from how food ingredients are sourced to how products are developed, produced and distributed. Flavour, taste and food technology will continue to be fundamental in balancing the needs for nutrition, mobility, sustainability and feeding a growing global population.

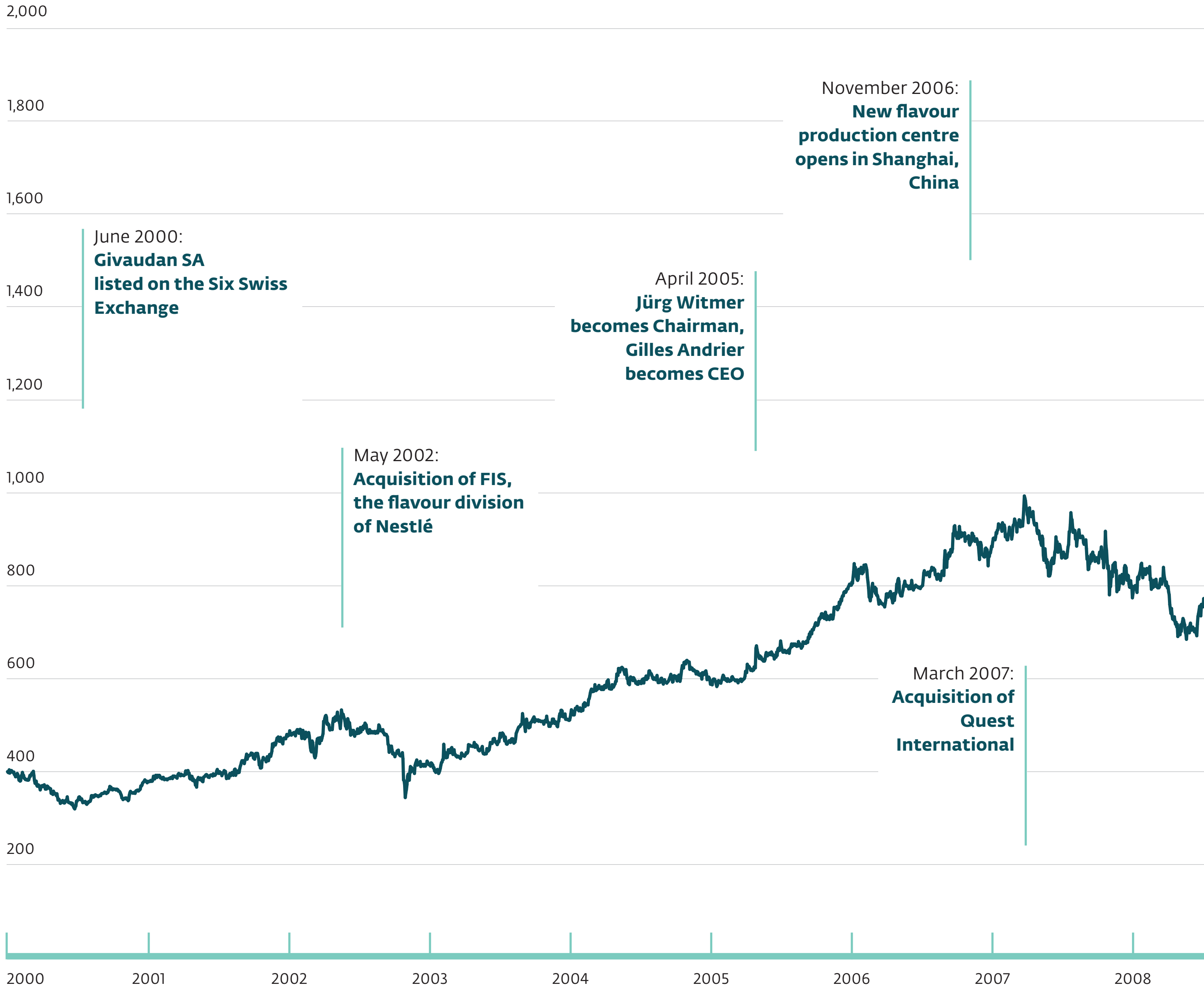
In Fragrances, we will continue to help our customers build memorable brands and craft scents that surprise and delight. It is the creative ideas and passion that lie behind our products and their creators that drives our customer's trust in us. The care and concern we show for our customers, keeping our promises and delivering results is at the core of a superior customer experience.

Both divisions have put customers and a superior customer experience at the heart of their 2020 strategy, believing that in a highly competitive and changing market, implementing this strategy with excellence will enable them to deliver this differentiation.

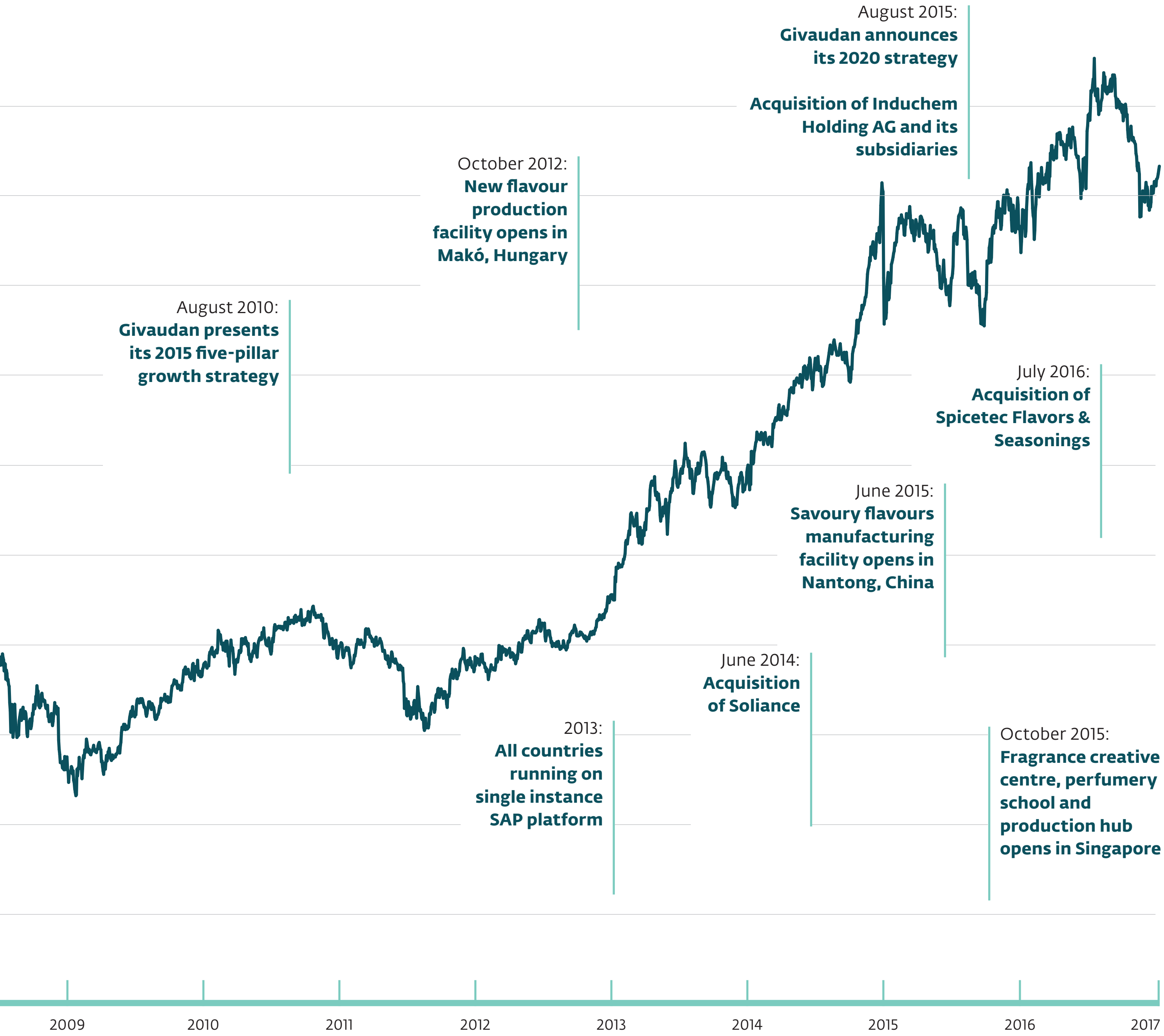
At the Group level, Givaudan is focusing on driving excellence across the organisation to create significant value for both internal and external customers. Our planned Givaudan Business Solutions (GBS, see page 19) will support the Company in delivering on this commitment by taking a holistic approach in reducing our internal complexity and simplifying certain processes, services and solutions. By becoming more flexible and agile, we will be delivering with excellence and providing a superior customer experience.

Stepping stones towards value creation

Creating value for our many stakeholders through acquisitions and key investments.



Givaudan share price development, in CHF


August 2015:
Givaudan announces its 2020 strategy
Acquisition of Induchem Holding AG and its subsidiaries
October 2012:
New flavour production facility opens in Makó, Hungary
August 2010:
Givaudan presents its 2015 five-pillar growth strategy
July 2016:
Acquisition of Spicetec Flavors & Seasonings
June 2015:
Savoury flavours manufacturing facility opens in Nantong, China
June 2014:
Acquisition of Soliance
2013:
All countries running on single instance SAP platform
October 2015:
Fragrance creative centre, perfumery school and production hub opens in Singapore
2009
2010
2011
2012
2013
2014
2015
2016
2017

Our 2020 strategy
Responsible growth. Shared success.

We want to be the partner of choice for our customers, and the measure of this 2020 ambition is the value we create with them through sustainable, responsible growth.

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

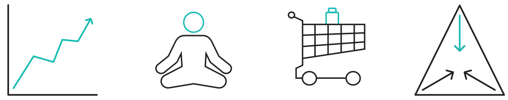
Our 2020 ambition is to create further value through profitable, responsible growth by building on the three strategic pillars of growing with our customers, delivering with excellence, and partnering for shared success. This growth ambition translates into financial targets of an average 4 – 5% growth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

The following pages describe these strategic pillars and their drivers for success, as well as some of our achievements in 2016.

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

1. Over a five-year period by 2020

Growing with our customers
Leveraging capabilities to drive success



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

We set an ambitious financial target of 4 – 5% average organic sales growth over the five-year period, and we are well on track with sales of CHF 4,663 million, an increase of 4.2% on a like-for-like basis.

We made significant investments for future growth with new acquisitions and expanding our commercial footprint with the opening of new offices and innovation centres, mostly in high growth markets

Below are the key achievements per driver.

High growth markets
Progress in meeting our 2020 ambition rests largely on our success in high growth markets, a key opportunity and the first of four key drivers in our strategic pillar of growing with customers. We achieved a number of milestones in these markets during the year.

We recently opened new offices in Guatemala, Ivory Coast and Algeria, and became the first global flavours company to open laboratory and office facilities in Pakistan. For the first time, customers in Pakistan will be able to access our industry-leading capabilities locally. The new 800 square metre facility in Karachi strengthens Givaudan's capabilities in beverages, snacks and sweet goods in the region, offering flavour application services for all sectors with a strong focus on sweet goods and beverages. Customers will benefit from a faster response to their requirements and gain access to fully halal-compliant international flavour profiles as well as to Givaudan's capabilities and training for local technologists and manufacturers.

The Flavour Innovation Centre (FIC) in Singapore is home to the Asia Pacific campus of our Givaudan Flavourist School, which is training the next generation of flavourists in the region. In 2016, the FIC facility was renovated and extended, and includes a new fully integrated culinary space for concept development as well as new or expanded savoury, bakery, confectionery, beverage and dairy facilities to serve all market sectors. The investment enhances Givaudan's innovation capabilities in Asia Pacific, enabling a regional focus on applied innovation, collaboration and knowledge sharing to complement its global network.

Enhancing innovation capabilities in Asia Pacific to facilitate a regional focus on applied innovation, collaboration and knowledge sharing.

We continue to focus on our manufacturing strategy for fragrance ingredients to reinforce our position in the high growth markets of Asia Pacific. In China, for example, we have a joint venture with Zhejiang Xinhua Chemical for the production of fragrance ingredients that enables us to meet demand in the region and improve our competitive position globally.

Health and well-being
We work with our customers to develop and maximise the growth of their brands by providing solutions that help them meet the increasing demand of consumers for health and well-being products that contribute to a healthy, active and balanced life. This is our second key driver for success, one which offers many opportunities in both flavours and fragrances.

Following the acquisition of French bio-sourced active cosmetic ingredients company Soliance in 2014 and science-based cosmetic ingredients firm Induchem in 2015, our newly formed Active Beauty business now offers customers and consumers around the world a range of innovative products and technology under one roof. The mission of Givaudan Active Beauty is simple: to bring beauty to the world. Additionally, we expanded our existing collaboration with Amyris in the USA in the research, development and production of active cosmetic ingredients.

In Flavours, we focus on 'less is better' as well as on 'more is better'. In advocating 'less is better', we develop flavours, ingredients and solutions that enable the reduction of sugar, fat and salt. In 2016, we introduced several innovations to support consumer trends in health and well-being, ranging from a new ingredient that helps to enhance sweetness while reducing calories to a 'non-dairy dairy' solution for customers seeking rich, creamy or authentic dairy flavours for their products while addressing issues related to allergens and vegetarian preferences.

The additional focus area of 'more is better' involves the use of more protein and more functional food ingredients to provide health benefits. Flavour challenges in terms of bitterness or other off-notes represent opportunities for us to surprise our customers with delightful solutions.

We are also investing in the development of next generation tools for protein palatability and bitter receptor modulation. These new TasteSolutions® ingredients will ultimately enable the replacement of animal proteins with plant based proteins to continue to address an ever-growing world population with great tasting and nutritious products.

Finally, we will use innovative development technologies to strengthen our Naturals platform in two areas and further build a robust natural flavour ingredient palette. Specifically these are areas where the cost reduction advantage is considerable and where security of supply is critical, for example plant cell culture, agricultural intensification, extraction and concentration.

Consumer preferred products

In putting customers at the heart of what we do, we make them feel valued, confident and understood. By doing this we are a true partner at each step of the creation and value chain. We are flexible and agile in offering customised solutions to meet the needs of our global, international, regional or local customers.

Customers are at the heart of what we do. We make them feel valued, confident and understood. We are a true partner at each step.

Our tailored solutions for consumer preferred products continued to be successful in helping our customers grow their brands and delight customers around the world. This success was also seen in our collaboration with external partners and is set to drive new business value for our Company. In Fragrances, following Mahonial™ and Rosyfolia®, we launched Nympheal™ in 2016, our new floral captive molecule that completes the floral trilogy of new synthetic ingredients. The three ingredients were designed, developed and quickly launched to perfumers, providing them with answers to existing and future regulatory restrictions on certain white floral molecules. These captives bring new olfactory perspectives for our customers in growing their brands.

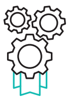
We have also provided customers with leading edge technology for their brands through the development of a new generation of encapsulates that enhance the perception of long-lasting freshness in the fabric care category as well as in personal care. Innovation in natural ingredients was also achieved through crafting new qualities in the citrus family, where we explored its various facets during the year.

New ingredients are important in building the best palette of ingredients for our perfumers, who strive to create the fragrances that offer customers innovative and safe scents for their consumers around the world.

Integrated solutions

The acquisition of Spicetec Flavors & Seasonings in the USA in 2016 supports our growth in integrated solutions. We now have the opportunity to expand our integrated savoury solutions by moving beyond flavours, combining exceptional, complementary resources to provide our customers with unrivalled creative and innovative capabilities. We will use the expertise of Spicetec globally to grow in the expanding processed meat and spice and seasoning market.

Delivering with excellence
Superior customer experience



Excellence
in execution

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

We have set an ambitious financial target of 12 – 17% average free cash flow as a percentage of sales. With 12.8% of sales in 2016, we are on track to achieve our 2020 target.

We continued to make signigicant invesments in our infrastructure, global footprint and supply chain to support our growth, particularly in high growth markets.

Delivering with excellence

We strive for excellence at every touch point with our customers by creating a memorable experience and a desire for them to work with us again. In a market that is more competitive, dynamic and fast moving, we must find ways of bringing all of our talent and experience to the fore. This needs to be done with agility to operate efficiently while offering customised solutions that meet our customers' needs.

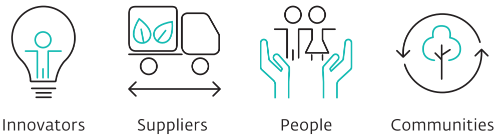
We seek to bring all of our talent and experience to bear for customers. We want every customer interaction to be excellent at every touch point.

Both divisions are driving a number of initiatives to address this need, from innovation to sourcing to commercial, to ensure that we deliver with excellence and offer a superior customer experience. At Group level, Givaudan Business Solutions (GBS) will become the foundation of our commitment to deliver with excellence. Fully operational by 2020, the implementation of GBS will support the Company in delivering on this commitment by reducing internal complexity, offering best-in-class business processes to our customers and solutions to both divisions and our corporate functions, and driving excellence across the organisation.

GBS is represented on the Executive Committee by Anne Tayac, appointed to the new role of Head of Givaudan Business Solutions with responsibility for its design, gradual implementation and management. More about Anne and her background can be found on page 95.

As part of our global strategy to engage with customers and partners in key markets, in 2016 we expanded our digital presence and shared tailored content in local languages by launching our websites in China and Japan.

Partnering for shared success
Building to be the partner of choice



True partnerships with our key stakeholder groups are nurtured and valued in driving responsible and sustainable growth and for shared success.

Being the partner of choice is a critical success factor in driving our business growth and involves building strong partnerships with innovators, suppliers, employees and communities in which we operate.

Innovators
Givaudan is known for its innovation, and this is something we are very proud of and which we don't take for granted in today's fast-changing world. We have excellent in-house teams and a record of innovation excellence, but we know that seeking inspiration from the external world can open new possibilities in innovative solutions for our customers.

Good progress was made in 2016 with this more open approach to innovation and in establishing collaborative innovation partnerships with external partners who can speed our access to new technology and disruptive innovations. For example, we became a Founding Partner of MassChallenge Switzerland, which will widen access and exposure to an international network of emerging start-ups. As an example, we worked with a young French entrepreneur on commercialising his olfactory alarm clock, Sensorwake (see page 26).

All members of our Executive Committee together with a number of senior business leaders visited the USA to personally experience the potential of this collaborative approach to innovation and hear from a number of start-up companies, incubators and venturing enterprises. We already have a contractual agreement with one of these incubators, IndieBio, which focuses on funding and building start-ups that address a range of humanity's most pressing problems and biotechnology topics. Terra Rocketspace is an example of a programme in which we are a collaborator that brings together the industry's most disruptive start-ups and progressive corporations. This will accelerate cross-industry innovation and set a new standard for food and agriculture.

In the context of the European Institute of Innovation and Technology (EIT) Innovation Hub, Givaudan has worked for over a year with food partners to build a European consortium to define the future of food. In 2016, this EIT Knowledge and Innovation Community FoodConnects (KIC) was chosen as the pan-European winning KIC to drive sustainable transformation towards a more consumer-centric, resource-efficient and innovative food sector. The EIT KIC FoodConnects is a unique partnership of 50 leading companies, universities and scientific partners covering the entire food value chain.

Suppliers
We seek to create closer long-term partnerships with our suppliers, knowing that solid and open partnerships within our supplier base have significant potential to boost our mutual innovation power. Suppliers can genuinely be our partners and become an extension of our business through Supplier Enabled Innovation, which is about motivating our suppliers to use their R&D resources to help us achieve a level of innovation that is beyond what we can do on our own. This different way of working with our suppliers will increase our intellectual resources and innovation momentum.

Through our Responsible Sourcing programme we maintain compliance to high ethical standards with our suppliers, working with them to create traceability and adherence to social, health and safety, environment and business integrity standards. In 2016, we launched our Responsible Sourcing Policy, an industry first which informs and requests our suppliers and service providers to adhere to our responsible sourcing principles and requirements in all core areas of responsible sourcing.

We are committed to establishing direct sourcing models in countries of origin that offer the best ingredients to our customers and create value in our partner communities. In recent years we have established direct partnerships with a number of specified villages in Madagascar to support local people and ensure a reliable vanilla supply chain within the Givaudan ethical sourcing project. In 2016, we inaugurated the NATEMA plant, one of the largest clove leaf oil processing plants in the world. NATEMA (Natural Extracts Madagascar) is a joint venture with Henri Fraise Fils and will enable Givaudan to establish and grow its capacity to develop and process natural ingredients sourced in Madagascar. A further agreement with Henri Fraise Fils will allow us to leverage the local expertise and infrastructure of HFF to secure vanilla bean supply directly from Malagasy smallholder producers.

People

Strong partnerships with our people are important for our success. There are two areas on which we focus:

Firstly, employee engagement. Creating a stimulating and engaging workplace is vital for our success, driving the achievement of our 2020 ambitions and enabling our people to achieve their goals. We measure our progress in this area through our employee engagement surveys. In 2016, we completed our second Employee Engagement Survey, which offers all employees the opportunity to have their say. The impressive 80% response rate – an increase of 10% on 2013, when our first survey was conducted – showed that our employees feel empowered to speak and create change. One result was that 87% of employees feel proud to work for Givaudan. Another was that 78% would recommend Givaudan as a great place to work. The results overall were clear in showing that our strengths of 2013 continued as strengths in 2016.

> Creating a stimulating and engaging workplace for our employees is vital for our success.

The second area of focus is the development of our people. This is achieved through bespoke leadership and technical development programmes and job rotations with the following outcomes: firstly to make sure that our people have the skills and expertise necessary to do their jobs; secondly to prepare them for the future so they can fulfil their career aspirations; and finally this enables us to build a strong pipeline of successors to key leadership positions and technical positions

Communities

We are committed to strengthening and improving the social, economic and environmental fabric of the communities where we operate and where we source our raw materials. We have a broad network of Green Teams, which are cross-functional site teams dedicated to driving local sustainability activities.

> We are committed to strengthening and improving the social, economic and environmental fabric of the communities where we operate and where we source our raw materials.

Case studies of these activities can be found in our annual Sustainability Report, but one example in India during 2016 highlights the sort of project that may be undertaken by our Green Teams: In local schools in Daman, western India, there is a lack of awareness about food safety and hygiene among food handlers who prepare midday meals for students, so a food safety and hygiene programme was developed by our local Green Team in partnership with the government education department. The programme was conducted over two days, reaching more than 200 food handlers who work at about 40 schools that serve meals to approximately 10,000 children each day.

2016
Success stories

Givaudan

engage your senses

Expanding capabilities in integrated solutions

Celebrating innovation in naturals and synthetics

Captivating a marvellous journey

Stepping out for innovation inspiration

From celebrating 70 years of excellence at the Givaudan Perfumery School to expanding capabilities in integrated solutions and seeking innovation inspirations outside our Company… we have many exciting stories from 2016 that tell of our success as the leader in the global flavour and fragrance industry, and some of them can be found in the following pages.

The stories:

Collaborative innovation in fragrances helps to start the day

Partnerships will play an increasing role as we accelerate innovation in our Company, but these collaborations to 'bring the outside in' may involve the surprising and unconventional, as experienced by our Fragrance teams in 2016.

In France, teenager Guillaume Rolland was fed up with being woken by the sound of his standard alarm, so he set about developing a clock that could ease the sleeper awake by scent instead. Quickly raising funds for his idea, Guillaume's olfactory alarm clock, Sensorwake, was one of Google's top 15 inventions of 2014.

When Guillaume started looking for different fragrances to use in his new clock, our Fragrance teams swung into action. We have established a small innovation ideas team that is on the lookout for start-ups like Guillaume's – and our team knew that speed and agility were essential for this collaboration to succeed. Even Guillaume himself commented on the flexibility of the team, given the size of Givaudan, and praised the understanding we showed about the start-up environment from which Sensorwake had emerged.

Three of our leading perfumers from Fine Fragrances and Consumer Products worked with Guillaume and his team to quickly create a palette of delicious morning scents for which people around the world might leave their beds, including fresh coffee, buttered toast and hot croissant. Guillaume's entrepreneurialism has been enriching for us, and this enterprising collaboration in innovation continues, with more Sensorwake fragrances to come. The possibilities seem unlimited. One day you may be woken by the scent of... well, anything you wish.

Sensorwake, the first olfactory alarm clock

Exciting trends in plant-based protein

Are you a flexitarian? You may well be, without even knowing it. Being a flexitarian means you are semi-vegetarian, or somebody whose diet is mostly vegetarian but occasionally includes fish and meat. Many people are turning to this approach to their diet because of health-related concerns or economic, animal welfare and environmental questions. Whatever the reasons, it's a trend that we consider to be exciting.

> "Together with our customers, we want to target new opportunities by designing delicious high protein products, and seek to be partners in creating these products that bring the full experience of traditional tastes to consumers."

Flavio Garofalo Ph.D,
Global Business Development Manager

Protein is essential for a healthy diet, and deficiency leads to fatigue, muscle weakness, hair loss and other problems. As demand for protein continues to increase, the traditional source (animal protein) will need to be replaced by more sustainable plant protein. So what's the challenge with substituting animal protein with plant protein? The answer is that the texture and taste of plant protein is not always appealing: there are a number of taste challenges like astringency, bitterness or general off-notes.

This is a challenge for Givaudan but it is also a major opportunity, and for the last few years we have been working in collaboration with our customers to craft great-tasting products using alternative sources of protein. 15 years ago, Givaudan pioneered innovation in the area of taste, and has since developed a number of unique ingredients that provide solutions for products with high plant protein content. In 2016, using our TasteSolutions® technology, our Flavour Division developed a number of maskers and flavours to address taste challenges of high protein beverages such as astringency, acidity and bitterness. We also continued to build prospective collaborations with customers and ingredient innovators for good tasting, nutritious and sustainable proteins and products. These flavours are currently in stability tests in view of a market launch in 2017 and will make a step change in the performance of plant proteins, helping consumers reach a sustainable and flavourful future.

Responsible sourcing
Preparing for the future

Global consumers are better informed and they take more conscious decisions. They consider their own role in addressing social and environmental issues. They understand that they have an obligation to change their purchasing behaviour: to purchase fair and responsible products.

Our customers in turn seek solutions to answer these demands for more transparency about their products, and we have taken the opportunity to engage with our customers and suppliers to push the boundaries of responsible sourcing.

Our suppliers are key partners in sourcing of materials and services essential for our business. Strong partnerships are needed to shape differentiating products that better respond to accelerated consumer demand for more sustainable products.

We source our direct and indirect materials as well as services from 15,000 suppliers. For our flavour and fragrance creations we source more than 10,000 raw materials from over 100 countries. These materials often involve long journeys from local producers to our warehouses, involving thousands of people and their wider communities. It is essential that high ethical standards and practices are upheld throughout our supply base.

Continuing to prepare our value chain for the future, our Responsible Sourcing programme strives for compliance of our direct suppliers and of key raw materials supply chains to responsible sourcing guidelines.

In 2016, we launched our Responsible Sourcing Policy, the first of its kind in the flavour and fragrance industry. The policy informs and asks our suppliers and service providers to adhere to four core areas of responsible sourcing: health & safety, social, environment and business integrity.

We strive to be our customers' and suppliers' partner of choice and build a portfolio of materials and services that are under our Responsible Sourcing programme. It shows more than ever our commitment to providing safe products of consistent quality that meet or exceed the expectations of our customers.

Givaudan Perfumery School in Argenteuil, France

Givaudan Perfumery School
70 years of excellence

It is 1946 and the world is recovering and readying itself for new bright horizons. In Grasse in the same year, Roure perfumer Jean Carles takes young perfumers under his wing and guides their training in what was to become the Givaudan Perfumery School.

Today, the olfactive study methods developed by Jean Carles – sniffing a whiff of a single ingredient and training a nose to distinguish from a palette of some 500 raw ingredients – remains an industry standard and the basis for the study undertaken by our perfumery students.

Since its foundation, the Givaudan Perfumery School has gone from strength to strength, moving from Grasse to modern facilities in Paris in 1997 and training many of the world's leading perfumers. We opened our perfumery school in Singapore in 2015, the first to be opened outside of France, and in 2016 we marked the 70th anniversary of a school that continues to provide excellence in teaching the craftsmanship of perfumery. The anniversary was an opportunity for us to embrace the significance of our history and prepare the next generation of perfumers that will go on to hone their craft in our creative centres around the world.

"The school is the past, present and future of Givaudan Fragrances. We are very proud of this achievement."

Maurizio Volpi,
President, Fragrance Division


Expertise in processed meats

Expanding capabilities in integrated solutions

Integrated solutions is a part of our 2020 strategy that allows us to grow our business in ways which go beyond our core flavour and fragrance capabilities to enhance our Company's value proposition to customers and enable new opportunities for growth.

In Flavours, we want to differentiate our offerings by developing multi-ingredient solutions where flavour and taste play a key role in formulations. One avenue of creating incremental value in this area of integrated solutions for food and beverages is through acquisitions. In 2016, we took a significant step forward as part of this strategy by acquiring Spicetec Flavors & Seasonings from ConAgra of the USA for USD 340 million (about CHF 331 million).

Spicetec brings complementary capabilities with its strong portfolio of spices, seasoning blends and natural solutions, and strengthens our offering to deliver integrated solutions where flavour and taste play a key role. We can now offer a tailored combination of flavour and functional ingredients that provide optimal performance to meet customers' needs. By combining the synergies of flavours and taste with herbs and spices, gums and starches, we ensure differentiating performance in the finished food application.

47% of consumers would be encouraged to buy food and drinks with the claim 'contains natural ingredients'.

This acquisition also strengthens our presence with existing and potential customers in North America which can be leveraged through the global Givaudan network. With 280 employees, Spicetec operates from three locations in Omaha, Nebraska; Carol Stream, Illinois; and Cranbury, New Jersey.

Natural solutions

Spicetec brings an extensive portfolio of natural ingredients to the Givaudan portfolio. Economic trends and an increase in consumer focus on health and well-being in recent years have reminded many consumers of the benefits of going 'back to basics' with homemade products 'just like mother used to make' that evoke feelings of nostalgia and comfort.

Naturalness is one of the most important demand drivers in modern fast moving consumer goods markets as consumers look for products they can trust from recognised natural sources. And products tend to be trusted more if they are deemed to be natural: globally, 47% of consumers would be encouraged to buy food and drinks with the claim ‘contains natural ingredients’; and also globally, 46% of consumers would be encouraged to buy food and drinks with the claim ‘from natural sources’. (Datamonitor report on ingredients across FMCG).

For consumers, natural means ‘as intended by nature’ and is associated with healthy, fresh and organic. The less processed or complex the product, the more natural it is perceived. Consumers think differently about the role of natural flavours in different categories: Givaudan research in Europe indicates that natural flavours are seen as having a higher impact on taste in yoghurts and processed meat than in carbonated drinks and fruit juices, for example.

> “Combining Givaudan’s leading flavour expertise with Spicetec’s portfolio of products enables us to deliver a broader range of solutions to our customers in processed meats, savoury retail and foodservice.”
>
> **Mauricio Graber, President, Flavour Division**

Natural flavours have always been important to Givaudan. We do not view such flavours through the narrow prism of an opportunity today to be capitalised on. Instead we have always focused on natural flavours and as a result have an equally thorough approach grounded in our heritage as the leaders in the natural flavour market. As the largest flavour company in the world, we are the biggest buyer of natural raw materials in the industry. Through long-standing relationships, partnerships and collaborations, we ensure sustainable quality and supply of natural ingredients. In fact over 96% of our innovation resources are dedicated to naturals.

Our approach to natural flavours has a strong customer and consumer-centric foundation that is reflected in our broad, multi-faceted consumer understanding and R&D programmes. We work with our customers to bring them the best solutions from nature to their products, offering the broadest range of natural flavours in the industry. Our acquisition of Spicetec has broadened the range of what we can offer and strengthened our market position.


Fresh herbs and spices


Specialities in seasoning

Captivating a marvellous journey

Flavours and fragrances have helped shape the way people perceive the world and how they express themselves in the foods we savour and the aromas that surround and delight us. The sensations of taste and smell have always fascinated us.

Tradesmen, philosophers, scientists and historians have marvelled at the ways we sense our chemical surroundings, and the potency of the emotions that can be evoked. Since the very roots of our existence, we have tasted and smelled the world around us, and the way in which we 'sense' has become intrinsically interwoven with our most affecting memories and emotions.

Perfume has always proved to be a priceless record of ancient civilisations. The ancient Egyptians used resins, aromatic gums, and unguents to anoint their dead 'perfumed ones' (gods, essentially) in the hope they would find immortality in the afterlife, and the Persians and Assyrians created wines flavoured with roses and figs.

The first perfume was created in Europe in the middle ages. The distilling of rosemary flowers in ethyl alcohol created 'Hungary water', which was said to have cured the Queen of Hungary of many of her illnesses. Later, people tried to protect themselves from rampant epidemics using powders, perfumed gloves, aromatic vinegars and scented masks. Perfume became synonymous with sensuality during the Enlightenment, when perfumers created light fragrances designed to intoxicate and seduce, such as 'L'Eau Sensuelle', worn by Marie-Antoinette. It was the start of something great, and our industry started to take shape.

Historic roots

For over 250 years, the long journey to the modern day international flavour and fragrance industry is punctuated by ground-breaking milestones that led to Givaudan. Our historic roots can be traced to Grasse in France in 1768, when Antoine de Chiris undertook a new venture of harvesting flora and fauna and turning them into raw ingredients for perfumery – taking the first steps into a new world of fragrances. From then to the purchase of Spicetec in 2016, Givaudan has pursued an historic policy of invention and acquisition, of creativity, passion and innovation, always with an eye to the future, enriching the world of taste and scents.

Factory at Roure-Betrand Fils, Grasse

Kaleidoscopes of senses

Over these years, scientists and the industry have come to recognise that our senses of taste and smell are closely interconnected yet psychologically distinct. The way we develop and feed these two senses has changed throughout our history, prompting our most ambitious thinkers to ponder what these shifting societal sands say about us and the ways we perceive our world.

There are challenges, however, in trying to capture the enormous sensory kaleidoscope of taste and smell in words. While the philosophical community struggled to conceptualise taste and smell, figurative phrases like 'smells fishy' and 'leaves a sour taste' were common. Much philosophical discussion of taste and smell relates to our separation from the animal kingdom – the idea that both senses are 'linked with our wild instincts'. This is mainly based in them being most relevant to hunting. Their close relationship to biological needs meant flavours and scents were often perceived as being incompatible with pure thought.

The brain has a central role in this process of perception. Its ability to understand information from chemical substances has always been essential for our survival, and understanding this process is also essential for the art of creating cosmetic and cuisine products. When we smell something, it's because an odorous object has released some of its molecules into the air, which are then detected by our nostrils. Above each nostril, we have a sensitive area (inside a mucous membrane) called nasal epithelial tissue. Imagine a tiny bed of sea anemones, constantly picking up molecules and sending information up to the brain. The twin olfactory bulbs in our brains pick up this information and 'light up' a corresponding three-dimensional pattern, which the brain then uses to understand and remember the smell. And when it comes to taste, did you know, for example, that each of us has an average of 10,000 taste buds on our tongue, along with extra ones on the palate, pharynx and upper oesophagus? It is just one more fascinating fact in this kaleidoscope of senses and engaging sensory journey over thousands of years.

'An Odyssey of Flavours and Fragrances', a book by Ed. La Martinière, Abrams

The journey described above is drawn from an exclusive Givaudan anthology, 'An Odyssey of Flavours and Fragrances', which was published in 2016 and is the result of a three-year project with French publisher Editions de La Martinière in

Chocolate. Illustration by Lionel Favre for Givaudan

partnership with US publisher Abrams, and brings together five renowned writers, all of whom share a passion for sensory exploration

"The foods we savour and the fragrances that surround and delight us are at the heart of what it is to be human. This book is our invitation to everyone to discover the profound impact smell and taste has on so many facets of our life.

Gilles Andrier,
CEO, Givaudan

Through evocative writing and fascinating imagery, the book shows how Givaudan has helped shape the flavour and fragrance industry as we know it today and captures our contribution to the industry, from our know-how and creativity to the work we have undertaken to protect the natural resources that are used in our creations. Accompanying the story are beautiful images that showcase the essence of flavours and fragrances. Photography and illustrations reveal the people, places and ingredients that have helped to establish our Company as it is today.

Olfactive portrait of the perfume Infusion d'iris

The three images are taken from the book 'An Odyssey of Flavours and Fragrances'

Inspirations for innovation can come from inside and out

Stepping out for innovation inspirations

We are rightly proud of our own track record of excellence when it comes to innovation, but we know we don't have a monopoly and that we need to continuously 'step outside the box' to seek inspiration from the external world. We also know our resources are not unlimited and that we have to innovate faster and in wider spaces – and the only way we can do this is through collaborative innovation.

Against this background, all members of the Executive Committee and senior business leaders stepped out in 2016 to experience for themselves exciting new possibilities for a future world of flavours and fragrances on an Innovation Trek in the USA, the first of its type for our Company. It was an intensive three-day experience in San Francisco that explored new horizons in innovation and technologies and left the team inspired by the opportunities and collaboration possibilities to partner for shared success that will help drive further growth as part of our 2020 strategy.

The 19-strong team heard from venture capital managers, incubators, start-up companies and enterprises about their expertise and technologies that might be applied to the flavour and fragrance industry. They were the type of organisations that Givaudan is looking to for possible investments and direct collaborations for future business growth through innovation: start-ups and companies involved in biotechnology, diagnostics, digital solutions and other scientific areas. The team heard from IndieBio, which focuses on funding and incubating start-ups that address a wide range of biotechnology topics.

When it comes to innovation, we are proud of our track record of excellence, yet we know we need to 'step outside the box' and seek inspiration from the external world.

A further example of our increased external engagement during the year was our founding membership of the MassChallenge Switzerland accelerator. Our membership will help foster a culture of open innovation and widen access to an international network and exposure to start-ups. We also formed a partnership with a young French entrepreneur, who participated in the MassChallenge accelerator, to provide fragrances for his new olfactory alarm clock, Sensorwake. More details on this unusual application of our innovative fragrance creations can be found on page 26.

Collaborative innovations can also be internal, where we encourage cross-divisional communities of our people working on similar topics to share their knowledge and capabilities and experiment together to speed up their own projects.

"We know we can't know and do everything on innovation ourselves. We just can't. We have limited resources internally even though we're the biggest player in the industry, therefore we need to partner and collaborate with the best outside of Givaudan."

Chris Thoen,
Head of Global Science and Technology

Overall, successful external and internal collaborative innovation will drive new business value for our Company. It is an avenue of inspiration that will create a new sense of possibility and opportunity, and be a continued route to innovation excellence and leadership.

Global change is a focus for Flavours

A shift in global economic power is transforming business and society as countries such as China and India challenge traditional strongholds. In high growth markets, consumer demand continues to rise as increasing numbers of people move from rural to urban areas, where the middle class is growing. With more disposable income and higher aspirations, these consumers look for items such as convenience foods and beauty products. People are living longer and lifestyles are changing, with overweight and obesity becoming a problem in countries where traditionally they were not, and with health and well-being increasingly a feature.

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

This changing global scene is a real opportunity for our Flavour Division. We will focus resources on further building our presence in markets where we see high growth opportunities and can accompany our customers in growing their business – we want to be by our customers' side. Central to our high growth markets strategy is our ability to understand local market trends, strengthen our presence and adapt our business model accordingly.

Middle income consumers in China are seeking new taste and flavour experiences, and in 2016 we marked an important milestone in the expansion of our business in this country with the opening of a new office along with sweet and savoury application laboratories in Zhengzhou.

Expansions of our local capabilities and innovation programmes played a large role in our success in many other parts of the world as well. In Mexico and Brazil during the year, we expanded our flavour creation and application resources to support the growth in beverage, dairy and processed meat, and increased the geographic reach of our commercial organisation. We held health and well-being symposiums in four Latin American countries that were highly successful in creating customer intimacy and demonstrating strategic directions for healthier consumer products.

A new flavour creation and application laboratory in Delhi, India enables closer customer interactions, faster turnarounds and higher quality solutions, and our newly renovated Flavour Innovation Centre in Singapore will provide differentiated flavour solutions for consumer preferred products in the region. We also opened a new facility in Karachi, becoming the first global flavours company to do so in Pakistan. In Egypt, we upgraded our factory and increased capacity, and we plan to invest in new commercial and FC&A facilities at the site.

These multi-tiered investments in 2016 are part of the Flavour Division's '1–5–5' strategy of focusing on 11 markets in which it aims to grow at an accelerated pace to 2020. China (the '1' of the strategy) is the most significant investment focus because of its population size and consumer growth. The first tier of five countries are large and fast-growing (India, Indonesia, Thailand, Brazil and Mexico). There will be a gradual build-up of our presence in the second tier of five countries (Nigeria, Egypt, Pakistan, Vietnam and the Philippines).

Givaudan's world-class flavours manufacturing facility in Nantong, China

A selection of our natural ingredients

Celebrating innovation in naturals and synthetics

Creativity, insight and innovation form the backbone of our culture that inspires our perfumers to create beautiful scents for customers, whether it is an exquisite fine fragrance or a long-lasting laundry detergent.

Using their creativity and the best palette to craft fragrances that bring moments of delight, these perfumers use -ingredients that are the building blocks of perfumery – and these can be both synthetic and natural.

In 2016, we celebrated the 10th anniversary of our ethical sourcing of natural ingredients and a breakthrough in our offering of captive molecules with the launch of three new florals that enhance our perfumers' palette of ingredients.

Ethical sourcing: 10-year milestone

By looking in Nature for inspiration, our perfumers are able to craft memorable fragrances and expand their palette of possibilities. We use several hundred natural perfumery materials such as patchouli, tonka beans and ylang ylang, often sourced from fragile eco-systems. We take our passion and expertise to source these ingredients that inspire our perfumers and be directly involved with our growers.

We started pioneering an ethical sourcing approach in the flavour and fragrance industry 10 years ago, starting with partnerships with local producers and today using different sourcing models, including our own collection networks. In this way, we are able to influence the market in a positive way and maintain a long-term vision, bringing benefits for our customers and suppliers and helping to preserve the magic of fragrance for consumers worldwide. Through this approach we have reinforced traceability and secured key supply chains for naturals used in perfumery. We have also developed a focus on supporting communities that grow these crops, fostered natural ingredient innovation and forged unique partnerships.

Today we can celebrate solid, sustainable practices in our sourcing, and we are proud that these approaches go beyond economic considerations to include environmental, social and ethical factors. Our ethical sourcing comprises our Responsible Sourcing programme, which is about driving compliance in our supply chains; our Sourcing at Origin initiatives, in which the main priority is securing the supply of strategic naturals; and Communities at Source projects, which involves supporting communities that produce key natural ingredients.

"We are proud to mark this milestone in our journey to sustainable natural ingredients. By taking a long-term approach to securing the most fragile natural supply chains and supporting local communities, Givaudan is working to create a virtuous circle in line with our 2020 strategy of responsible growth and shared success for customers, communities and the Company."

Gilles Andrier, CEO, Givaudan

Sourcing natural ingredients also provides new opportunities for creative stimulation and innovation. Exploring raw materials at their source and treating them with the latest techniques including bioscience has led to natural innovations. These provide Givaudan's perfumers and flavourists with new sources of inspiration to craft flavours and fragrances that delight customers around the world.

Looking to science for inspiration

Science also provides new opportunities for creative stimulation and innovation, as we have found recently through the development of three new captive molecules by our Fragrance teams. This trilogy of floral captive ingredients builds our perfumers' palette of ingredients and provides them with an innovative and competitive edge.

Developed by our research laboratories in Zurich and Shanghai, one of these molecules has won many awards and underlined our well-established innovation capabilities. Mahonial™ is a muguet molecule bringing a white floral density to creations with magnolia facets and enriching Givaudan's palette of iconic synthetic materials.

A second ingredient, a new Givaudan blockbuster, is more floral, fresh and crisp. With its linden blossom and floral aldehydic green accents, it allows perfumers to create floral green backbones in their scents. Added to the Cardex in 2016, Nympheal™ is a versatile ingredient and provides our perfumers with a strong competitive edge, especially in the possible replacement of Lilial.

Last but not least is Rosyfolia® with its fresh, diffusive rosy, muguet top note. Its unique rosy character and strong performance in application brings new perspectives in floral notes to our perfumers.

These new molecules are examples of our distinctive olfactive signature and show how we innovate to offer ingredients that support current trends and maintain olfactive presence and performance.


Nympheal ™


Rosyfolia ®


Mahonial ™

Engaging the voice of employees

What is it like to work at Givaudan? What's being done well and where can we still improve? These are the sort of questions that can be answered only by those at the heart of our Company – our employees. Their input is vital in continuing to build Givaudan as a great place to work.

Our second Employee Engagement Survey, conducted in September 2016, offered all employees the opportunity to have their say. The survey is anonymous and conducted by an external agency, providing employees with an assurance they can speak freely and that their voice will be heard. The impressive 80% response rate – an increase of 10% on 2013, when our first survey was conducted – shows us that our employees feel empowered to speak up and create change. As part of the survey and linked to our support for communities where we operate, the Company gave CHF 10 for each survey participant and enabled a total of CHF 86,700 to be donated to the Givaudan Foundation.

Nanako, Givaudan employee

87% of employees stated they were proud to work for Givaudan.

The responses were consolidated by the agency and compared to external benchmarks as well as to the 2013 survey.

Olivier, Givaudan employee

This allows us to measure how we have progressed in addition to enabling us to form clear action plans to implement further improvements and reinforce areas of strength.

The results were clear in showing that our strengths of 2013 continued as strengths in 2016: we continue to build on our strengths and out-perform external global high-performing benchmarks within the categories of Engagement, Strategic Alignment, and Work Environment.

Strong improvements were made across all other survey categories including our priority areas from 2013 of Career, Inclusiveness and Collaboration. These will continue to be focus areas over the next few years. Opportunities for improvement include continuing to build cross-functional collaboration and communication, and flexibility within our processes and procedures.

78% of employees said they would recommend Givaudan as a great place to work.

In steps taken following the survey, the results were communicated to employees; local sites and countries were empowered to take ownership of their results to build on their strengths and address opportunities; and global actions are to be reviewed by the Executive Committee.

Performance review

The 2016 business performance for the Group and our divisions are detailed in the following section. Also included is an overview of our business environment in addition to our risk management, compliance and regulatory.

In this section:

Our value creation through financial performance and outcomes

Our business and financial performance measurement system helps us understand what drives value and what managers must have in place to measure performance and capture information on all aspects of the business.

CHF 597 million

Free cash flow

Our free cash flow position is in line with the average financial targets we aim to achieve by 2020.

CHF 56

proposed cash dividend per share

This proposed cash return for 2016 will be the 16th consecutive increase in earnings distributed to shareholders since the Company's listing on the Swiss stock exchange, if approved at the Annual General Meeting in March 2017.

Business environment and markets
Operating in a fast-changing landscape

We operate in a landscape of fast-changing demographics; shifting consumer preferences that are driven by influences such as an ageing population, rising urbanisation and increased demand for natural and healthy products; and continuous change from new technologies and digitalisation.

Economic and regulatory environment

Givaudan is the leading company in the flavour and fragrance industry with approximately 25% market share. We create and sell flavours for the food and beverage industry, and fragrances for personal, home and laundry care brands. We are expanding these traditional segments to include active cosmetic ingredients.

We have a global presence with over 10,000 employees in 49 countries at 98 sites, 39 of which are production sites. In Group sales, 52% are in Flavour Division and 48% are in Fragrance Division; 45% of our sales are in the high growth markets of Asia, Latin America, Africa, the Middle East and Eastern Europe, while 55% are in the mature markets of Western Europe, North America and Oceania.

Through targeted investments, we focus our efforts on best serving our customers and maximising our growth opportunities. Acquisitions are an important part of our growth model, with our acquisition in 2016 of Spicetec following those of Soliance and Induchem in 2014 and 2015 respectively.

Through targeted investments, we focus our efforts on best serving our customers and maximising our growth opportunities.

The flavour and fragrance industry has grown steadily for at least the past four years and is estimated to be worth approximately CHF 18 billion. The largest companies, which include Givaudan, Firmenich, IFF and Symrise, make up more than two-thirds of the market while the rest of the industry is fragmented with many smaller players. Local taste preferences and consumer behaviours influence our industry, but there are also trends that affect the demand for products and services in which flavours and fragrances are used. In the following section we describe three megatrends that we see as the most relevant for our business: the growing consumer base, people's longer and more responsible lives, and the increasingly connected world.

Market developments, industry trends and competitive environment

The world's population is to rise by 2020 to an estimated 7.7 billion, of whom 55% will live in cities. In a complex and volatile world, we see growth for our industry in Africa and Asia, increased relevance for local and regional companies in emerging markets, and more demand for convenience products. In the fragrance industry, an evolution in retailing is being seen with the development of speciality retailers and the growth of e-commerce. Local brands are also quickly gaining more relevance with consumers, and innovation is moving at a faster pace. Growth in flavours will come mostly from high growth markets, where local and regional brands are gaining relevance with consumers.

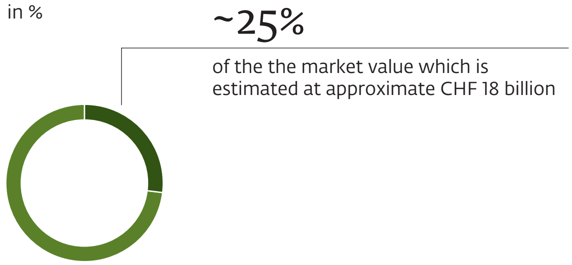
A second megatrend influencing the flavour and fragrance industry is the fact that we are all living longer and more responsibly. By 2020, almost 20% of the population will be over 60, yet 50% of adults are expected to be overweight or obese.

Consumers are more aware of healthier products and are questioning labels, and transparency is a growing expectation. The sustainability agenda continues to gain momentum and people are concerned about the environment and want to identify with companies taking a lead. For fragrances, this megatrend will mean strong demand for cosmetic products in high growth markets, and significant growth in the cosmetics market where the ageing population seeks to look beautiful for longer. In flavours, it means the role of food is changing with a focus on health and well-being, a growing popularity for functional foods, and an increased demand for healthier products.

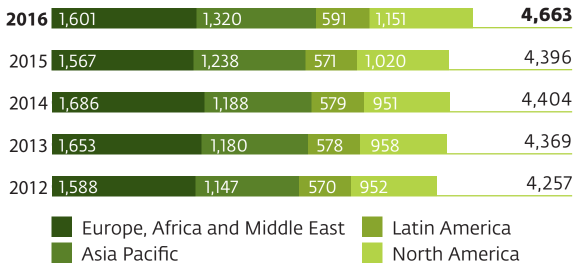
By 2020, 50% of adults are expected to be overweight or obese.

We live in an increasingly interconnected world, and this is the third megatrend that is shaping the future. About 40% of the world's population uses the internet, and two-thirds of these users are in the developing world. Increased digitalisation is driving big data, which can be used to understand consumers' habits and preferences more fully and can lead to changes in offerings to customers. Consumers also have easier access to information, and social media is changing the way knowledge is shared. For the food and beverage industry, this trend also means increased consumer empowerment and a desire for transparency and authenticity as customers move towards more natural and clean label products. In fragrances, consumers are empowered in seeking more knowledge about what is in their products and can 'vote with a click', and bloggers have a growing role in shaping fine fragrances, beauty care and cosmetics.

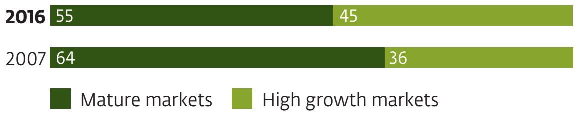
Market share
in %



Givaudan sales development by region
in CHF million



Givaudan sales: mature vs high growth markets
in %



Business performance – Group
Solid financial performance – in line with 2020 guidance

Sales
Givaudan Group full year sales were CHF 4,663 million, an increase of 4.2% on a like-for-like basis and 6.1% in Swiss francs when compared to 2015.

Fragrance Division sales were CHF 2,230 million, an increase of 5.6% on a like-for-like basis and 6.4% in Swiss francs.

Flavour Division sales were CHF 2,433 million, an increase of 3.0% on a like-for-like basis and 5.8% in Swiss francs.

Gross margin
The gross margin declined to 45.6% from 46.2% in 2015, mainly as a result of the lower gross margin on the acquired Spicetec Flavors business.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)
The EBITDA increased to CHF 1,126 million in 2016 from CHF 1,070 million in 2015, an increase of 5.2% in Swiss francs and 3.7% in local currency. The EBITDA margin declined slightly to 24.1% in 2016 from 24.3% in 2015. In 2016 the Group recognised one-off non-cash gains of CHF 62 million, mainly following a change in pension plans. As a reminder, in 2015 the Group recognised a net one-off non-cash gain of CHF 20 million, mainly following a change in pension plans.

Operating income
The operating income increased by 10.2% to CHF 875 million from CHF 794 million for the same period in 2015. When measured in local currency terms, the operating income increased by 8.1%. The operating margin increased to 18.8% in 2016 from 18.1% in 2015.

Financial performance
Financing costs in 2016 were CHF 51 million, versus CHF 61 million for the same period in 2015. In 2016 the Group continued to refinance at lower interest rates. Other financial expense, net of income, was CHF 40 million in 2016, up versus the CHF 37 million reported in 2015, as a result of increased hedging costs and exchange losses in markets where currencies could not be hedged.

The income tax expense as a percentage of income before taxes was 18%, flat when compared to the underlying rate in 2015. As a reminder, in 2015 income tax expense was impacted by one-time items following changes in Swiss Accounting Law and the Group's operating structure.

Net income
The net income increased to CHF 644 million in 2016 from CHF 625 million in 2015, an increase of 3.1%. This results in a net profit margin of 13.8%, versus 14.2% in 2015. Basic earnings per share increased to CHF 69.95 versus CHF 67.89 for the same period in 2015.

Cash flow
Givaudan delivered an operating cash flow of CHF 805 million in 2016, compared to CHF 915 million in 2015. The decrease was mainly as a result of higher working capital and taxes paid. As a percentage of sales, working capital was flat when compared to 2015.

Total net investments in property, plant and equipment were CHF 135 million, compared to CHF 125 million in 2015. During 2016 the Group continued its investments to support growth in high growth markets, most notably the start of a new flavours savoury facility in Pune, India and the investment in the Zurich Innovation Centre (ZIC).

Intangible asset additions were CHF 40 million in 2016 compared to CHF 35 million in 2015 as the Company continued to invest in its IT platform. Total net investments in tangible and intangible assets were 3.8% of sales in 2016, compared to 3.6% in 2015.

Operating cash flow after net investments was CHF 630 million in 2016, versus the CHF 756 million recorded in 2015. Free cash flow, defined as operating cash flow after investments and interest paid, was CHF 597 million in 2016, versus

CHF 720 million for the comparable period in 2015. As a percentage of sales, free cash flow in 2016 was 12.8%, compared to 16.4% in 2015.

Financial position

Givaudan's financial position remained solid at the end of the year. Net debt at December 2016 was CHF 930 million, compared to CHF 677 million at December 2015. At the end of December 2016 the leverage ratio was 19%, compared to 15% at the end of 2015.

Dividend proposal

At the Annual General Meeting on 23 March 2017, Givaudan's Board of Directors will propose a cash dividend of CHF 56.00 per share for the financial year 2016, an increase of 3.7% versus 2015. This is the 16th consecutive dividend increase following Givaudan's listing at the Swiss stock exchange in 2000.

2020 guidance – Responsible growth. Shared success

The Company's 2020 ambition is to create further value through profitable, responsible growth. Capitalising on the success of the 2011 – 2015 strategy, Givaudan's 2020 ambition is built on the three strategic pillars of growing with its customers; delivering with excellence; and partnering for shared success.

Ambitious financial targets are a fundamental part of Givaudan's strategy. We aim 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.

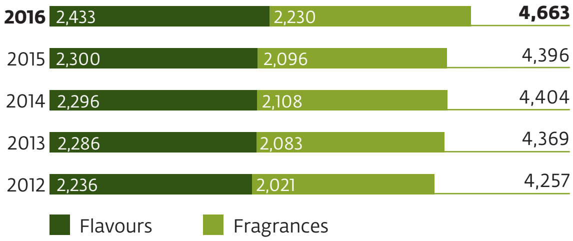
Future results may be affected by a range of factors, for example political conditions; local or global economic changes, including financial risks; interruptions to supply and production; R&D project withdrawals; product recalls; information technology security issues; exposures to product liability; changes in law; inabilities to recruit and retain skilled employees; and failures to maintain a culture of compliance.

Givaudan is in continuous dialogue with frameworks and standard setters. We feel well prepared to meet these sorts of uncertainties and challenges and have in place detailed instructions in the different risk areas, along with experienced employees and well-developed internal control systems to mitigate risks and conduct remedial actions to contain impacts where required.

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

GRI G4 – DMA Economic performance

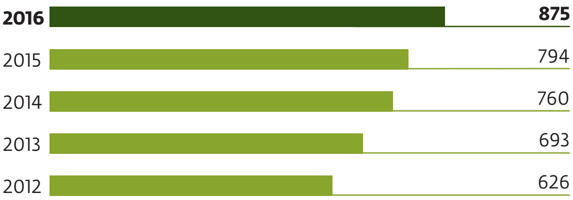
Group sales
in millions of Swiss francs



Gross profit
in millions of Swiss francs

EBITDA
in millions of Swiss francs

Operating income
in millions of Swiss francs



Business performance
Flavour Division

Flavour Division sales increased by 3.0% on a like-for-like basis, including Spicetec, the growth was 6.0% in local currencies.

Sales

Flavour Division sales were CHF 2,433 million, an increase of 3.0% on a like-for-like basis and 5.8% in Swiss francs. Including Spicetec, which was acquired on 1 August and contributed CHF 71 million of sales, the growth was 6.0% in local currency.

From a segment perspective, Sweet Goods, Dairy and Snacks were strong contributors to the division growth. Beverages was slightly positive and Savoury was flat. Asia Pacific provided a robust growth while Latin America sales expanded rapidly. Europe, Africa and the Middle East was flat with reductions in Savoury and Beverages compensated by the other segments. All regions delivered a high level of new wins in the key segments. In line with our strategy, sales in Health and Well-being increased double-digit on a like-for-like basis.

Sweet goods, dairy and snacks were strong contributors to the Flavour Division's growth.

EBITDA decreased by 8.7% to CHF 523 million from CHF 572 million in 2015. The EBITDA margin was 21.5% in 2016, down from 24.9% in 2015. As a reminder, in 2015 the division recognised a one-off non-cash gain of CHF 32 million following a change in pension plans.

The operating income decreased by 9.2% to CHF 382 million in 2016 from CHF 420 million for the same period in 2015. The operating margin decreased to 15.7% in 2016 from 18.3% in 2015.

Asia Pacific

Sales in Asia Pacific grew 5.1% on a like-for-like basis. India delivered strong double-digit performance whilst Indonesia and Thailand delivered a high single-digit increase. Despite challenging market conditions, China reported good growth in the second half of the year. Growth in the mature markets was fuelled by strong double-digit growth in South Korea, with positive performance coming from Japan and Oceania. Sweet goods, Dairy and Snacks contributed significantly to the overall growth followed by Savoury and Beverages. Local and regional customers continued to grow strongly.

India delivered strong double-digit performance.

Europe, Africa and Middle East

Sales in Europe, Africa and Middle East were flat. Sales performance in the high growth markets of Russia and Ukraine improved, however Africa and the Middle East declined slightly due to the difficult economic conditions. Maghreb, Egypt and South Africa achieved good performance fuelled by new wins. Mature market sales declined versus prior year driven mainly by France, Germany and UK. Low single-digit increases in Italy, Iberia and Benelux compensated for the downturn in those Western European markets.

North America

On a like-for-like basis, sales in North America declined 1.0% in 2016. The overall performance was as a result of the softness in the US food and beverage market coupled with a strong prior year comparable.

> Strong performance in Latin America in all segments.

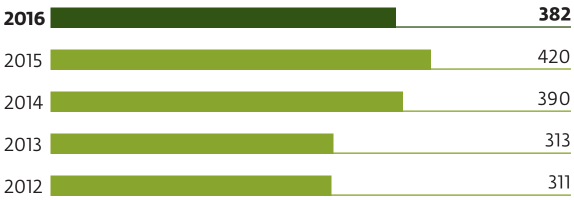
Latin America

Latin America delivered a strong sales performance with an increase of 17.1% on a like-for-like basis. All segments grew double-digit fuelled by strong new wins. Double-digit growth in Guatemala, Colombia and Peru largely compensated a decline in Venezuela. Argentina and Brazil realised double-digit growth driven by new wins and existing volume growth, supported by good growth in Mexico.

Sales
in millions of Swiss francs

EBITDA
in millions of Swiss francs

Operating income
in millions of Swiss francs



Business performance
Fragrance Division

Fragrance Division sales increased 5.6% on a like-for-like basis, all business units contributed to this growth.

Sales

Fragrance Division sales were CHF 2,230 million, an increase of 5.6% on a like-for-like basis and 6.4% in Swiss francs. Including Induchem, the growth was 6.4% in local currency.

Total sales for Fragrance Compounds (Fine Fragrances and Consumer Products combined) increased by 6.3% on a like-for-like basis. In Swiss francs, sales of compounds increased to CHF 1,933 million from CHF 1,823 million in 2015.

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

Consumer Products sales increased by 6.1% on a like-for-like basis, mainly driven by a double-digit growth with local and regional customers and sustained by a solid increase with international customers.

Consumer Products increased by 6.1% on a like-for-like basis, driven by double-digit growth with local and regional customers.

Sales of Fragrance Ingredients and Active Beauty increased by 1.0% on a like-for-like basis. The sales of Induchem, which was acquired on 31 August 2015, amounted to CHF 24 million for 2016. Including Induchem, the growth of Fragrance Ingredients and Active Beauty was 6.7% in local currency.

The EBITDA increased to CHF 603 million in 2016 from CHF 498 million in 2015. In 2016 the division recognised one-off non-cash gains of CHF 62 million following a change in pension plans. As a reminder, the division incurred a one-off non-cash charge of CHF 12 million in 2015. The EBITDA margin increased to 27.0% in 2016 from 23.7% in 2015, mainly as a result of the one-off non cash gains.

The operating income increased by 32.1% to CHF 493 million in 2016, versus CHF 374 million for the same period in 2015. The operating margin increased to 22.1% in 2016 from 17.8% in 2015.

Fine Fragrances

Fine Fragrances sales grew 7.2% on a like-for-like basis with strong growth delivered in both high growth and mature markets. Growth in high growth markets was driven by Latin America and the Middle East which saw a combination of new business and volume gains at a number of customers. In mature markets, strong double-digit growth in North America was delivered by new business and the continued solid performance of existing fragrances. These gains more than compensated for a slight sales decrease in Western Europe where new business was not sufficient to offset erosion.

A number of Givaudan fine fragrances recognised in major award ceremonies.

At the major award ceremonies in the USA and Europe a number of Givaudan fragrances were recognised including: Tom Ford Noir Pour Femme, Tom Ford Venetian Bergamot, Valentino Donna, Narciso Rodriguez L'Absolu, James Bond 007 for Women, Bottega Veneta Pour Homme Extreme, Armani Privè Ambre Eccentrico, La Collection 34 and Prada Infusion d'Oeillet.

Consumer products

The Consumer Products Business increased by 6.1% on a like-for-like basis with strong growth in both high growth and mature markets. This performance was supported by a double-digit growth with local and regional customers and sustained by a solid increase with international customers.

Latin America continued to deliver a double-digit growth across all customer groups and all sub-regions against strong comparables. Fabric care, personal care and home care segments posted double-digit sales growths in the region. The growth in Asia was across all product segments, with local and regional customers growing double-digit, led in particular by North Asia sub-region.

In Europe, Africa and Middle East, sales growth was reported on all customer groups and led by the fabric care segment. Both Africa-Middle East and Europe sub-regions posted strong growth against last year. Sales in North America increased compared to prior year thanks to all customer groups and a strong performance in the home care segment.

On a product segment basis the growth was led by a double-digit increase in the fabric care and home care segments, whilst personal care and oral care segments also contributed to the growth.

Fragrance Ingredients and Active Beauty

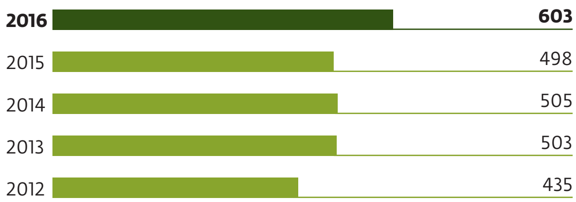
Sales of Fragrance Ingredients and Active Beauty increased by 1.0% on a like-for-like basis. The Cosmetic Ingredients business showed good growth with the recent launches, but faced strong comparables with the established product portfolio. Sales of Fragrance Ingredients increased slightly in most regions with the exception of Latin America.

> The joint venture in China and the plant in Mexico enables the Group to meet demand and improve the Company's competitive position in the manufacture of fragrance ingredients.

Proportionally more of the fragrance ingredients produced in 2016 were from the Mexican plant and the joint venture in China, allowing the Group to remain competitive in the fragrance ingredients market.

Sales
in millions of Swiss francs

EBITDA
in millions of Swiss francs



Operating income
in millions of Swiss francs

Capital markets
Creating shareholder value

Givaudan's strong financial performance since 2000, has resulted in both a rising share price and a year-on-year dividend pay-out to shareholders.

We are proud of the value we have created over the last 16 years and we work to ensure that this success continues.

Shares

Givaudan has created over CHF 15 billion in value for shareholders in the form of dividend payments and share price appreciation since the Company's spin-off in 2000 and the end of 2016.

At the end of 2016, Givaudan had approximately 27,514 registered shareholders owning 63% of the capital.

The top 20 registered and non-registered shareholders owned 58% of the capital. Swiss and US shareholders held approximately 59% of all shares.

Market capitalisation

Givaudan's market capitalisation amounted to CHF 17,229,871,476 as at 31 December 2016 which was the last trading day of the year. This corresponds to an increase of 2.4% compared to the previous year.

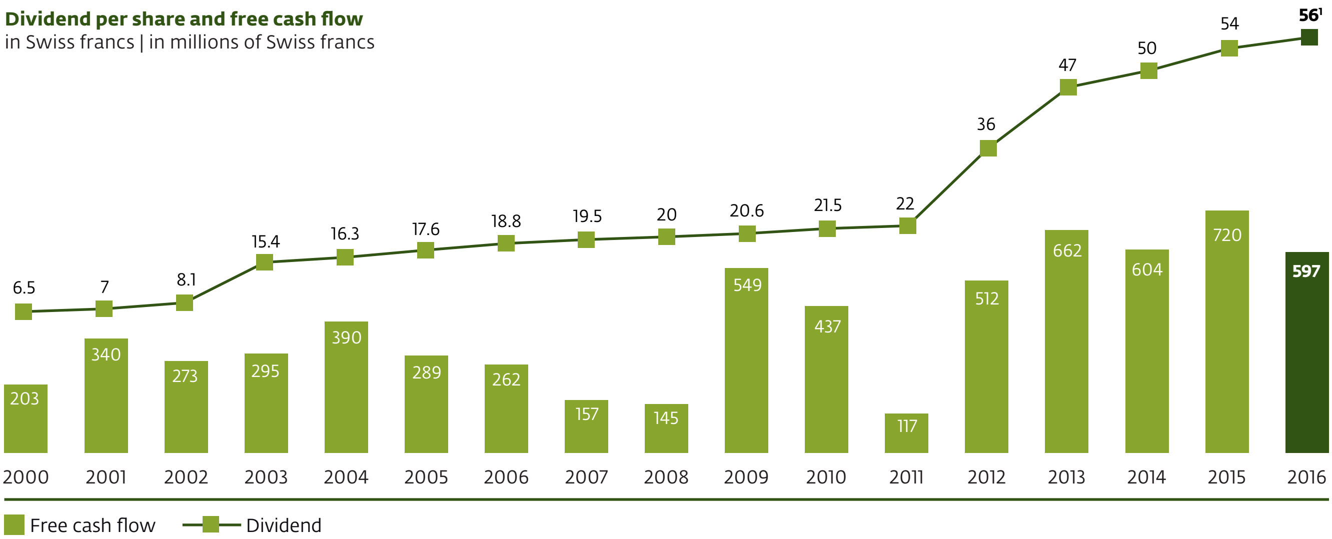
Market capitalisation refers to the value of the Company's outstanding shares. The calculation is based on the number of shares issued and the share price on the last trading day of the year which was CHF 1,866.

Key share figures

For the year ended 31 December. In Swiss francs except for number of shares	**2016**	2015
Share capital (in millions)	**17,230**	16,833
Number of issued shares	**9,233,586**	9,233,586
Share price as at 31 December	**1,866**	1,823
Share price, highest	**2,106**	1,829
Share price, lowest	**1,674**	1,511
Earnings per share – basic	**69.95**	67.89
Total shareholder return	**5.32%**	2.86%

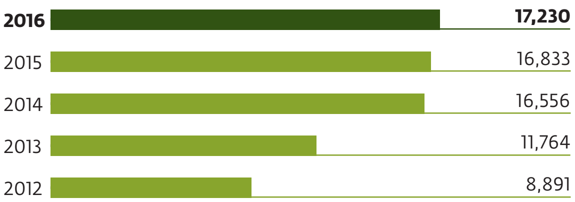
Share price development – 5 years
in %

Dividend per share and free cash flow
in Swiss francs | in millions of Swiss francs



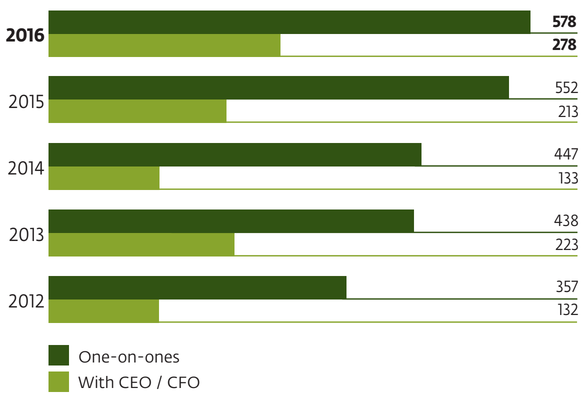
1. Subject to shareholder approval at the AGM meeting on 23 March 2017.

Market capitalisation*
in millions of Swiss francs



*At the last trading day of the year

Investor relations meetings
Number of meetings held



Dividend policy and total shareholder return

Givaudan is strongly committed to return surplus cash to shareholders and year-on-year the dividend has risen since 2000. In 2016, Givaudan's free cash flow was CHF 597 million.

At the Annual General Meeting on 23 March 2017, Givaudan's Board of Directors will propose a cash dividend of CHF 56.00 per share for the financial year 2016, an increase of 3.7% versus 2015. If approved, this will be the 16th consecutive dividend increase following Givaudan's listing on the Swiss stock exchange.

Investor relations

Givaudan adheres to good corporate governance and follows best practices consistent with those of major international companies. All information published in our Annual Report complies with the Swiss Code of Best Practice for Corporate Governance and the SIX Directives for Corporate Governance. Further information can be found in a separate section on Corporate Governance starting on page 76.

We use investor news, teleconferences and publications on our website to disseminate material information about our performance and activities, helping us to inform different stakeholders in a timely and responsible manner and ensuring transparency and equal treatment. The principles of our disclosure and information policy can be found on www.givaudan.com – our company– corporate governance – rules and policies.

In 2016, the CEO, the CFO, the Group Controller and the Head of Investor Relations participated in roadshows and conferences in 23 financial centres globally, meeting existing and potential shareholders. Two conference calls and 33 Group presentations were held, attracting a total of over 1,500 participants. Over 500 individual meetings and conference calls with fund managers globally contributed to improved awareness about Givaudan. In addition, 12 visits to Givaudan sites globally, with a total of 100 participants, mainly fund managers, were organised to provide an in-depth view of our activities.

The 2016 site visit programme included a two-day investor event in Shanghai and Nantong, where we visited our new flavour facility. In Shanghai management explained our positive outlook on the Chinese market and its strong growth potential, especially with local customers.

In April, at our annual investor conference, held at our headquarters in Vernier, the Company presented its long-term strategy to serve local and regional customers. This strategy means that 50% of today's revenues are generated with these customers, compared to 30% ten years ago. An impressive display of products from these categories was displayed during the conference.

At our half year conference in Zurich at the end of August, we explained our strategy in Savoury and Beverage integrated solutions.

For the seventh consecutive year, Givaudan organised a presentation in our fragrance creation centre in Paris. The agenda and events for the financial community for 2017 are published on www.givaudan.com – investors – shareholder information – investor calendar.

Key significant shareholders

2016 in %	
Nortrust Nominees Ltd (nominee)	15.49
William H. Gates III - Cascades investment	13.86
Chase Nominees Ltd (nominee)	6.47
BlackRock Inc.	5.08
Messieurs Pictet & Cie (nominee)	4.17
MFS Investment Management	3.00

Risk management
Integral to Givaudan's 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 new legislation in our industry has increased markedly in recent years, and so 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

Managing risk is an integral part of Givaudan's business. The Company operates a structured system of identifying, assessing and deciding on responses to mitigate key risks at all levels. The reporting of the opportunities and threats that these risks create and how they might hinder the business in achieving its objectives is also part of the risk management process.

Risk management is one of the responsibilities of the Board of Directors, which mandates the Executive Committee to manage the overall Company risk management process. The Company promotes the continuous monitoring and management of risks at an operational level.

Principles and responsibilities

Enterprise Risk Management (ERM) at Givaudan is based on our Enterprise Risk Management Charter. The charter describes the principles, framework and process of the Givaudan Enterprise Risk Management which ensures that material risks are identified, managed and reported. It defines the associated roles and responsibilities which are reflected in the delegated authorities. ERM encompasses both the Flavour and Fragrance businesses, as well as Givaudan Group functions. It includes all types of risks in terms of their nature, their source or their consequences.

The Board of Directors is responsible for defining and approving the Givaudan Enterprise Risk Management approach as articulated in this Charter. Execution of the overall risk management process is delegated to the Executive Committee. The Givaudan ERM 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 framework and ISO 31000 as references and adopts compatible processes and terminology.

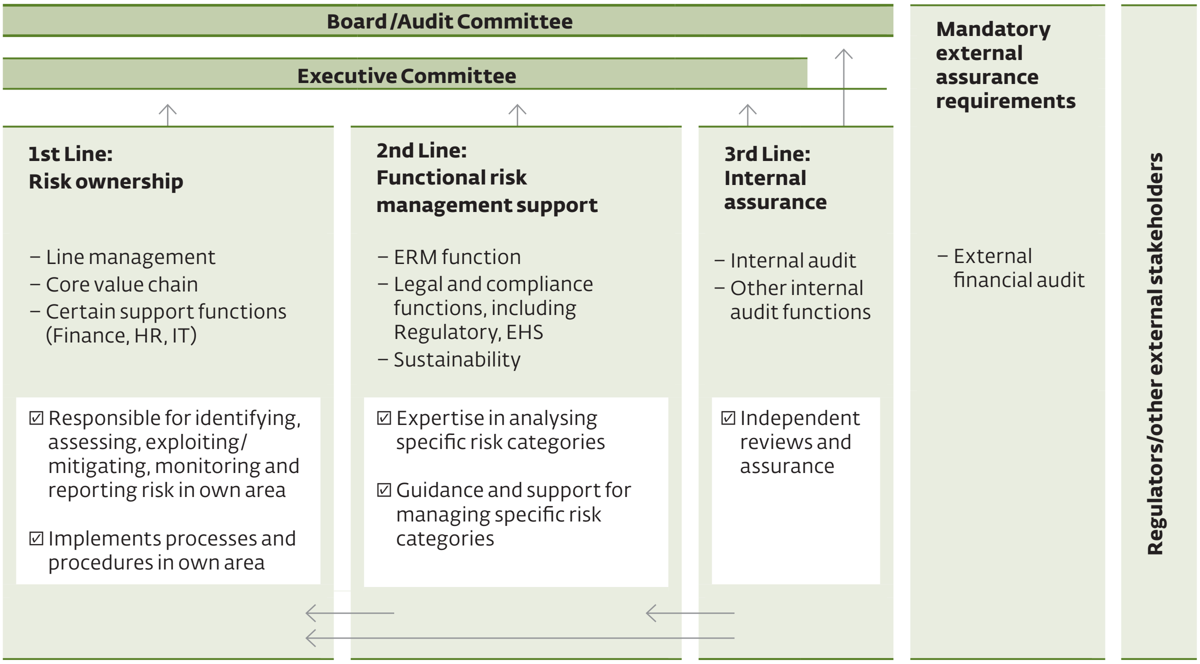
The overall approach to risk management at Givaudan is based on the following principles:

- is pragmatic and tailored to the Company
- aims at value creation and protection
- is an integral part of processes and decision-making
- addresses uncertainty explicitly
- is structured, dynamic, iterative and responsive to change
- is based on the best available information.

The Company operates a structured system of identifying, assessing and deciding on responses to mitigate risk at all levels.

The framework outlined on the opposite page describes the respective roles and responsibilities of each function. The ERM process, which is annual, includes the structured and continuous identification of risk on the basis of an overall risk universe, the analysis and assessment of the risks to understand the underlying drivers, the formulation of the

Enterprise Risk Management Framework



appropriate risk exploitation and/or mitigating responses and the tracking and reporting of risks and mitigation actions to provide comfort regarding the achievement of corporate objectives. The process aims to be comprehensive, organised and documented in order to improve compliance with corporate governance regulations, guidelines and good practices; better understand the risk profile of the business; and provide additional risk-based management information for decision-making.

> The objectives of the ERM process are to continuously ensure and improve compliance with good corporate governance guidelines and practices.

The objectives of the ERM process are to continuously ensure and improve compliance with good corporate governance guidelines and practices as well as laws and regulations, where applicable; facilitate disclosure to key stakeholders of potential risks and the Company's approach to dealing with them. At the same time, the process creates the awareness of all key executives of the magnitude of risks; provides risk-based management information for effective decision-making; and safeguards the values of the Company and its assets, and protects the interests of shareholders.

Givaudan's management, at all levels, is accountable for ensuring the appropriateness, timeliness and adequacy of the risk analysis. Mitigation decisions are taken at individual and combined levels. This management is also responsible for implementing, tracking and reporting the risk mitigation directives of the Executive Committee, including periodic reporting to the Board.

For further information about the risk management process, please refer to page 90.

Risk categories

Top Company risks

The Company has recognised a number of top risks that might prevent the Company from reaching its strategic targets. For each top-level Company risk a member of the Executive Committee is designated as the risk owner with the responsibility for managing the risk on a Group-wide basis. The assessment and management process, which is annual, is coordinated by the Corporate Compliance Officer. Corporate Internal Audit provides assurance on the effectiveness of the risk management process. The 2016 strategic risk management process re-evaluated and confirmed the top Company risks and focused on further risk mitigation actions for the top Company risks on the basis of the work done in previous years.

Financial risk

Please consult pages 136-144 of the Financial Report regarding our financial risk management.

Operational risk

Risks of climate change

We have a comprehensive programme designed to minimise our impact on climate change by stabilising our CO_2 emissions by 2020 and then reducing our emissions thereafter, which is aligned with the 2015 United Nations Climate Change Conference, COP 21.

Please see page 72 for further details on the management of our climate change risks and activities to reduce the Company's carbon footprint.

Environment, Health and Safety and operational risk management

Environment, Health and Safety (EHS) regularly carries out comprehensive risk assessments at the Company's production and major commercial sites. In 2016, 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.

Plese consult pages 72-73 for more information on our EHS activities.

Procurement and supply chain risk management

Please see pages 66-68 for management of procurement and supply chain risks.

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. There is also strong alignment with the top risk management process and with the work of the Givaudan Data Protection Officer. For more information about data protection activities, please refer to page 74.

Legal and regulatory risks

Product safety risk

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.

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

The Compliance function undertakes regular assessment of Givaudan's legal and compliance risks at local and global levels.

GRI G4 – 14 Precautionary approach

Compliance
Being open, transparent and honest

Givaudan's good name and reputation has been built with our partners 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.

We are committed to high ethical standards in business conduct.

The Principles of Conduct, as well as the underlying policies, are available in 14 major company languages and can be found on: www.givaudan.com – our company – corporate governance – rules and policies.

Organisation and processes

Givaudan recognises different aspects of risk-based compliance management, from general compliance management to compliance management regarding specific areas of risk such as product safety/regulatory, trade affairs, environment, and occupational health and safety (EHS). For these specific areas, compliance is ensured by dedicated corporate functions, including the regulatory product safety team, the trade affairs team or the EHS team.

The Corporate Compliance Officer oversees measures to ensure compliance with the Principles of Conduct and coordinates with the 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 Corporate Compliance Officer carries out regular compliance risk assessments with the help of 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. Other compliance processes include the process for selection and engagement of third-party agents and distributors and the global vendor selection process of the Procurement organisation.

Focus 2016

Revised Principles of Conduct and Responsible Sourcing Policy

One of the main developments in 2016 was the adoption of a new Group Principles of Conduct by the Board of Directors. These principles replace our previous Principles of Business Conduct of 2009. The Principles of Conduct have been communicated to all employees by the Chief Executive Officer and are available in 14 major company languages. The new document updates our Principles taking into account the Company's stated values and DNA. It can be downloaded from our website: www.givaudan.com – our company – corporate governance – principles of conduct.

In addition, the Group has issued its Responsible Sourcing Policy, a code of conduct for its suppliers, to ensure that the partners we are dealing with abide by the same high standards we do.

For more information on the Responsible Sourcing Policy and the related programme, please see page 67, or visit our website: www.givaudan.com - our company - corporate governance.

Our Responsible Sourcing Policy demonstrates our commitment to providing safe products of consistent quality that meet or exceed our customers' expectations.

Compliance organisation

2016 saw the Corporate Compliance team being reinforced and regional coordination functions established to support the existing corporate and local compliance officers.

To further support the Group's data protection policy and programme, the Group also appointed a Group Data Protection Officer reporting to the Corporate Compliance Officer. The Group Data Protection Officer oversees the implementation of a Group Data Protection strategy to address changes that will happen upon the entry into force of new legislation in the European Union as well as in Switzerland.

Training and monitoring

New mandatory compliance training for all employees on the new Principles is currently being developed and is expected to be launched in 2017. The training material will be available in all 14 major company languages.

The existing mandatory training on the previous principles of business conduct was first rolled out to all locations outside of the US, who have their own programme, in 2012. Between 2012 and the end of 2016 the training was completed by 8,419 employees outside of the United States (out of 9,351 employees invited). All of the senior management of the Group completed the training.

Specific anti-bribery training also continued in 2016. Since 2013, 5,040 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 5,164 who have been invited).

Also in 2016, the process for investigating and responding to compliance complaints was reviewed and the existing procedure updated.

GRI G4 – 14 Precautionary approach

Regulatory and public policy
Ensuring compliance and safety

Our Regulatory and Product Safety teams support the two business divisions by ensuring globally compliant and safe products in markets around the world.

In addition, our Regulatory teams provide customers with critical information that enables them to use our products in over 200 countries around the world.

At over 25 locations we have more than 200 employees with a range of different skills, from toxicologists and environmental scientists to food chemists and regulatory affairs experts, who provide consumer safety reassurance, regulatory compliance and guidance for our flavour and fragrance customers, wherever they are.

Our experts also play a leading role in supporting industry efforts, as well as those of regulatory authorities, to continuously evaluate the materials we use, through the latest scientific methods, for consumer safety reassurance.

Flavours

The flavour and food industry is undergoing significant regulatory changes on a scale not seen since the middle of the 20th century. Consumer perception and expectations are influencing the demand for greater healthiness and transparency of ingredients used in foods and the regulatory authorities around the world are responding to these consumer demands. This is clearly demonstrated in several key mature and high growth markets. In the USA, we saw the passing of the GMO food labelling bill that will require the US Department of Agriculture to develop requirements for distinguishing between GMO and non-GMO foods as well as associated labelling for consumer products. In addition, the FDA has been asked to define 'natural' foods – a challenging task and one that will impact the overall food industry and provide us with additional opportunities in the area of natural flavours. In Asia and Africa, we have seen the continued interest in harmonising regulations to meet the CODEX standard for improved food safety standards. This trend will allow the flavour and food industry to more easily commercialise new technology and flavourings as local regulatory inconsistencies are reduced, and will ensure we are meeting the highest standards for food safety on a global scale.

Following the increased regulatory push on GMO and natural labelling, there continues to be increased activity by independent third party certifiers for speciality products such as organic certified. We have been active in supporting trade associations to educate and inform government authorities, NGO representatives and the general public about the safety and quality of flavours sold today. Our efforts are receiving positive responses from regulatory authorities around the world as new regulations are developed.

In addition to potential changes in food labelling regulations, Givaudan maintains leadership positions within national, regional and international trade associations that have been effective in working with government authorities to ensure that new regulations and flavour requirements are harmonised around the world. This will enable a consistent approach to the commercialisation of new flavour technology and the free flow of flavours on a global basis. Through the efforts of the Flavor and Extract Manufacturers Association (FEMA), Givaudan continues to support the FEMA GRAS™ programme which has been identified by the FDA and NGOs as the 'gold standard' for GRAS (generally recognised as safe) determinations.

In Europe, 2016 saw successful approvals for an additional 12 flavourings that were provisionally accepted by the European Commission in 2012. These substances have been permanently added to the European positive lists of flavourings. Through our active support of the industry trade associations, we are working to gain approval of the remaining substances that are under evaluation by the European Food Safety Authority. It is expected that the review and approval of the remaining substances will continue through 2018. In all regions, our science and advocacy efforts are focused on supporting a global, harmonised list of approved ingredients and we have seen positive gains in India and other Asian markets that are adopting or accepting the Global Reference List (GRL) of the International Organization of the Flavor Industry (IOFI) for approved flavourings.

> Givaudan maintains leadership positions within trade associations that have been effective in working with government authorities to ensure new regulations are harmonised around the world.

Another important aspect of our advocacy activities is the sharing of knowledge and expertise about the use of flavourings in foods with members of the broader food industry and regulatory authorities. Givaudan supports several associations including IOFI, the China Association of Fragrance Flavor and Cosmetic Industries (CAFFCI) and the European Flavour Association (EFFA) in meetings with regulatory authorities and international scientific organisations. The result of our advocacy programme has significantly improved the understanding of the use and safety of flavourings and has led to the adoption of more harmonised regulations around the world. Continuing advocacy activities focus on allowing the use of new technologies in the development and production of new flavouring ingredients.

The acquisition of Spicetec in 2016 expanded our product and ingredient portfolio and we have already begun the integration of the new business into the existing Givaudan platforms. From a regulatory perspective, the acquisition brings us new talent and knowledge of the spice and seasonings business that will complement our existing regulatory expertise. We are scheduled to complete the integration of the Spicetec product portfolio by the second quarter of 2017.

In 2016, we also completed the integration of a state-of-the-art SAP-based Flavours Compliance Engine, enabling us to rapidly evaluate the regulatory status of our flavour products created, produced and used anywhere in the world. Our Compliance Engine provides a consistent and seamless platform of regulatory knowledge that supports product development, from the initial stages of flavour creation to product certification at the operations level. With the completion of the Compliance Engine integration, we are entering our next phase of systems development that will provide seamless capabilities to rapidly respond to customer service requests for technical information on demand. This industry-leading capability will provide a significantly improved customer experience as our customers' product development cycle times are reduced.

Fragrances

Givaudan and the fragrance industry saw increasing pressure during 2016 on the use of specific raw materials because of regulatory actions in Europe, the USA and Asia. This was being driven mainly by REACH requirements, but also by emerging chemical controls in countries such as Korea as well as new regulations in China and Japan. This is also creating pressure on fragrance suppliers, particularly small and medium-sized enterprises (SMEs). In this environment of increasing scrutiny, the burden on the industry to demonstrate the safety of its products has escalated dramatically – certainly well beyond historical obligations.

However, Givaudan is determined to continue its support of industry efforts to defend materials and its leadership in the product stewardship and advocacy of materials in the market. We have seen recent success in defending key materials such as geraniol and citronellol following focused investment and support activities. As well as existing materials, we have been experiencing significant headwinds in new emerging concerns, particularly with regulations such as Korea REACH, which is based on European REACH. The industry is being required to invest in new testing and data generation to meet regulators' demands, an example of which is a renewed interest by the US Environmental Protection Agency (EPA) in the common perfume ingredient Iso E Super (OTNE). These heightened levels of interest from REACH, EPA and others require large investments for new molecule innovations as well as for the support of existing materials in commerce to ensure the continued support of their safe use in the market. Givaudan is committed to its active role in this.

> Givaudan is determined to continue its support of industry efforts to defend materials and its leadership in the product stewardship and advocacy of materials in the market.

In addition, we continue to invest in the development of sustainable new molecules, particularly in the replacement of materials where significant safety concerns are raised. For example, with a view to replacing Lilial we launched Nympheal™ in 2016. This product is a high-performing floral aldehydic with a lily-of-the-valley note that was developed using green chemistry principles to design-in safety, as well as developing improved performance versus its legacy counterpart Lilial. We will continue to focus on novel and strategic materials where we see threats to our portfolio and the industry.

We have completed the integration of the Induchem business from a regulatory point of view, and continue to harmonise our raw material platforms across our new Active Beauty business.

While we remain confident of meeting our REACH obligations by 2018, we are now seeing REACH evaluations being completed that will need us to further defend certain materials such as Aldehyde C12 MNA and cyclamen aldehyde. We are putting pressure on our supply chain to ensure suppliers are meeting their obligations in the final phase of REACH, where high numbers of registrations are expected.

Our support for the International Fragrance Association (IFRA) deepened in 2016 with our involvement in the restructuring of the organisation's technical programmes and committee organisation. The new structure will enable a more efficient and effective global organisation that will be integrated with IFRA's regional partners. As part of the new organisation, Givaudan will be playing a leading role in the newly formed Executive Technical Committee that advises the IFRA board. We also increased our financial support for IFRA during the year to help the organisation continue its important work of representing the industry and anticipating and managing issues that affect the industry globally and regionally.

Givaudan also continued to invest in the Research Institute for Fragrance Materials (RIFM) and ongoing programmes to re-evaluate fragrance material safety, and also to build a more transparent platform of publication for these evaluations to enable external stakeholders to understand the strong data supporting our raw materials.

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 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.

More details on our regulatory advocacy activities can be found in the preceding section on regulatory.

GRI G4 – DMA Public policy
G4 – SO6

Sustainable business model

Our business model aims to create value for our shareholders, customers, employees and partners. At the same time, it calls for the sourcing of materials in a responsible way, the creation of a safe environment for our employees, innovating for tomorrow's business and adapting to the fast-moving digital world.

In this section:

Our value creation through a sustainable business model

We generate solid business performance and growth without depleting resources and taking into account the needs of present and future generations. An integrated approach to sustainability needs to inspire our people, adjust to new customer expectations and make a positive impact in our global and local communities. In this way we can ensure Givaudan's short- and long-term success.

CHF 400 million invested in R&D in 2016

Our Science and Technology teams in the two business divisions drive value in innovation so we can engage and delight the senses of consumers around the world.

Our diverse workforce

Our talent pool is made up of creative and innovative professionals with diverse backgrounds and cultures. Our more than 10,000 employees work in over 90 sites spread across 47 countries.

Striving for a better tomorrow
Long-term stakeholder benefit

"Operating sustainably at all levels of the organisation is an integral part of who we are."

Joe Fabbri, Head of Sustainability

Sustainability mission

At Givaudan, we approach sustainability by generating solid business performance and growth without depleting resources and taking into account the needs of present and future generations. An integrated approach to sustainability, unifying economic success, environmental and social stewardship, needs to inspire our people, adjust to new customer expectations and make a positive impact in our global and local communities. In this way we can ensure Givaudan's short-, medium- and long-term success.

As a business driver, sustainability contributes to value creation and is an integral part of our business model. When producing flavours and fragrances we collaborate with our suppliers to ensure they reach best practice in responsible sourcing standards. We constantly look at reducing water use and energy use, waste and carbon emissions at our operations. And our leading scientific research means that customers are benefiting from products that use fewer resources and have a lower environmental impact.

The future still holds new challenges for us, which we are keen to address. We're working hard to meet the needs of a growing population, discover innovative ways to keep providing a rich variety of flavours and fragrances, and significantly reduce the environmental impact of the materials we manufacture.

Complex challenges require holistic thinking. So we're working with employees, customers, suppliers, local people in the communities in which we are present, and many other stakeholders all over the world, because only together can we make a positive difference. Visit our website for stories on our local initiatives: www.givaudan.com - sustainability.

Our Sustainability Report, written according to the GRI G4 reporting guidelines with 'Core' option, will be published in March 2017. In this report we disclose our management and performance information about our environmental, social and economic impacts in 2016.

Sustainability governance

Our Sustainability programme is headed by our Head of Global Environment, Health and Safety and Sustainability, who is a member of the Executive Committee. He is supported by our corporate sustainability steering team (SST) whose members are drawn from all areas of the Company. The implementation of the strategy is coordinated by our Sustainability programme management organisation (PMO) made up of internal specialists in corporate responsibility and sustainability.

To ensure alignment between the SST and PMO, both groups are sponsored by a member of the Executive Committee. The Head of Global Environment, Health and Safety and Sustainability, reports annually to the Board of Directors.

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 232 is the sum of the elements disclosed in the table below:

Direct economic value generated and distributed

in millions of Swiss francs	**2016**	2015	2014
Revenue	**4,738**	4,439	4,459
Operating costs	**(2,830)**	(2,653)	(2,684)
Payments to governments	**(106)**	(109)	(111)
Payments to providers of capital	**(546)**	(522)	(496)
Employee wages and benefits	**(1,024)**	(981)	(1,003)
Economic value retained	**232**	174	165

GRI G4 – DMA Economic performance
G4 – EC1

Innovation for tomorrow's business
Improving our offer to our customers

Innovation is central to our success in driving current and future growth and enhancing our competitive advantage.

It is central to what we commit to our customers, and is more than simply creating something new – for Givaudan, innovation is about doing things differently as well as doing it better and before the competition. It is this culture of innovation that drives us in creating new horizons for our business and offering leading-edge and sustainable solutions to our customers.

As the industry leader, we are expected to be an innovator and our customers look to us to be an innovation partner able to successfully anticipate the future market and customer needs. Our Science and Technology teams help meet these expectations by creating value through innovation that supports and grows the business today and looks as well for opportunities for business growth tomorrow.

> "We are committed to be the partner of choice by expanding our presence in relevant innovation ecosystems and strengthening our network with strategic partnerships."
>
> **Chris Thoen,**
> **Head of Global Science and Technology**

In the following sections we outline the approaches we are taking to ensure our long-term innovation success and highlight examples of our innovative technologies and products that underpin our current leadership.

Givaudan Science and Technology

Our innovation is guided centrally by Givaudan Science and Technology (GST), which has among its responsibilities to prioritise innovation opportunities, leverage internal and external capabilities across our two business divisions, and identify together with the divisions strategic opportunities for competitiveness. Led by Chris Thoen, a member of the Executive Committee, GST also aims to strengthen Givaudan's network of strategic partnerships to become the undisputed partner of choice.

GST's mission is to drive the long-term development of cost-effective and memorable innovations that surprise and captivate the senses and create new business value. Its strategy is aligned with the 2020 business ambition and has four pillars to guide Givaudan's innovation.

We seek to ensure a transparent fragrance and flavours portfolio that will drive our mid- to long-term choices in innovation. We want seamless connections between the Science and Technology organisations and our business divisions so we can have a clear view on the choices to make and where we are heading. But how do we know if we are making the right choices? Ways of measuring the success of our innovation decisions will be developed, and this is the second pillar of the GST strategy.

CHF 400 million invested in R&D in 2016.

The third pillar is taking the longer term view in shaping the future of our innovation and going beyond our current core activities. We want to prioritise the long-term success of our innovation portfolio and build the required technological capabilities to achieve this vision.

Finally, by connecting and collaborating, we want to strengthen internal collaboration so that we have united and holistic approaches to potential external partners, customers and suppliers. We also want to be more active in the innovation landscape outside Givaudan. More details on our approach to collaborative innovation can be found on page 20.

We filed 29 new patent applications in 2016.

The scientists, technologists, flavourists and perfumers in our Science and Technology community are central to the success of our innovation strategy, and we will continue to promote an environment where their learning, creativity and interactions can flourish so they can respond with agility to the ever faster changing needs of the business.

Some of the platforms and products that further establish our innovation leadership position and deepen our capabilities to be the innovative partner of choice are detailed below.

Technologies and products

Using world-class technology platforms, our Science and Technology teams in the two business divisions drive value in innovation so we can engage and delight the senses of consumers around the world. Achievements by these teams during 2016 helped to further establish our leadership position and deepen our capability to be the innovation partner of choice. The following section covers some of these successes.

Flavour Division

Sustainable citrus

Citrus is arguably the most versatile and culturally diverse flavour in the world and is embedded in so many foods and beverages. Givaudan has formidable strengths in citrus, some that have been built in partnership with the University of California, Riverside (UCR) and feature a combination of adventure, inspiration and technical solutions. The 10th anniversary of this collaboration and TasteTrek® Citrus was marked in 2016, along with the launch of our Global Citrus Flavour Collection, which brings together for the first time remarkable citrus flavours developed around the globe.

However, citrus raw materials are vulnerable to the effects of natural events such as storms or drought and diseases such as greening, leading to volatile market conditions. Through our collaboration with UCR and our TasteEssentials® Citrus programme, we launched a new ingredient in 2016 that enhances juiciness and offers cost advantages for our customers as well as an improved flavour profile. This and other developments during the year provide sustainable enablers for our customers that mitigate the scarcity of citrus raw materials.

Beyond sweetness

As with citrus, we have a decade of experience in taste research and front-line experience when it comes to sugar and sweetness. Attitudes among consumers have evolved over recent years and today they are looking for something in sweetness that is more than simply reducing sugar. We are responding to these needs with innovation that aims to build on sweetness quality and develop flavours that go beyond sweetness intensity and capture the essence of enjoyment.

We continuously expand our sweet taste offering to address intensity and quality, ultimately leading to complete consumer satisfaction. In 2016, we launched a new ingredient that helps to enhance the sugar impact, achieving sweetness enhancement while reducing calories. We are also developing a new approach to flavour design in this area that we will launch in 2017. These new concepts will be aimed at driving preference in low sugar products by using a holistic approach to flavour creation that balances taste, aroma and application requirements.

Cleaner labels

Growing consumer trends in health and well-being and concerns about what we eat have led to higher expectations around transparency and information on ingredients used in foods. The resulting move to cleaner and clearer labelling and the use of recognisable ingredients on pack declarations can be an opportunity for Givaudan.

In savoury, we have many well-established solutions for customers in their search for growth opportunities. These solutions are developed in response to their needs but are innovations that also anticipate tomorrow's requirements. Our continuous research into taste enhancement alternatives has led us to develop a new range of TasteSolutions® Umami flavours based on yeast-free capabilities. The range combines scientific understanding with culinary expertise and knowledge of taste enhancement in food, and offers our customers advantages in clean label performance and cost. This offering of delicious taste profiles was inspired from our CulinaryTrek® and TasteTrek® journeys of discovery that captured long-established cooking traditions using umami.

Givaudan continues to lead the industry in naturals and natural solutions. Again in 2016 we closely focused all areas of our research on natural solutions and dedicated the vast majority of our resources to naturals. Additionally, we expanded our naturals and integrated solutions offering with the acquisition of Spicetec (see page 28).

Dairy-free solutions

'Non-dairy dairy' may seem a contradiction, but it is a flavour innovation that offers new opportunities for customers seeking rich, creamy or authentic dairy flavours for their products with no dairy content. This 2016 addition to our TasteEssentials® Dairy programme helps to address needs concerning allergens and vegan products, as well as around shipping, because dairy is a challenge in countries that may restrict dairy imports. This new dairy-free solution also offers unique mouthfeel qualities which help our customers formulate nutritional products with lower fat and sugar content. It is a starting point for further innovations in this area from our Flavours teams.

Fragrance Division

Captives

Three new captive molecules reinforce Givaudan's success in the muguet family and provide perfumers with answers to existing and future restrictions on certain white floral molecules. The captives, which were designed, developed and made available to perfumers in record time are:

- Mahonial™, which has replaced Lyral/Cyclohexal, is a linear green muguet note that brings a white floral density to creations with magnolia facets. The success of Mahonial™ has resulted in numerous fine fragrance wins across the world by using this novel material at high dosage – to the delight of customers and consumers.

- Nympheal™ brings a floral creaminess to the composition and high diffusivity. Developed in two years, it is 'safe by design' and a possible replacement to Lilial with the potential of becoming a 'blockbuster'. Nympheal™ is more natural, more linden blossom and more floral aldehydic green, and will allow perfumers to create floral green backbones in their scents'.

  Nympheal™, with its clear, high-performing and well-accepted character, allows us to create fantastic florals in all domains, pushing back on the dominance of fruity notes and even revisiting the green florals.

- Rosyfolia® is the bloomiest of the three in the muguet area. With a fresh, diffusive rosy, muguet top note, it has a strong natural/rosy character and a performance in application that brings new perspectives in rosy notes to our perfumers. This was discovered by our team in Shanghai while searching for one of the most important attributes of a natural muguet odour: its floral, rosy, citrus character. Rosyfolia® is a good alternative to geraniol and citronellol and has no regulatory limitation.

Laminaria

Laminaria Seaweed Absolute MD Orpur® is our first marine origin ingredient for the perfumers' Cardex. Until recently there was no natural ingredient from the sea for perfumers to use. Sourced on the Brittany coast of France, Laminaria enriches the olfactory repertoire by bringing an iodine note with leathery inflections, and Laminaria Seaweed Absolute – part of the Orpur® range – is an exclusive natural ingredient for our perfumers. Our new Laminaria Seaweed Absolute has a vibrational force and mossy undertones that take part in the substitution of oak moss and bring a natural marine freshness at low dosage. Both feminine and masculine, this ingredient releases an incredible energy.

Perfume benefits

We continue our efforts to understand the connections between fragrances and consumer behaviours. This includes the human perception of odours and their influence on well-being, consumer behaviours and other important category attributes. We are doing this by using a range of implicit and explicit techniques. In well-being, our focus is in the area of helping sleep, reducing stress and improving cognition. We have also been active in partnering with an academic institution on developing ways of measuring well-being. In driving consumer behaviours, we are looking at the influence of fragrance in helping consumers to follow desired usage instructions such as dosage and time in contact for optimal product performance, as well as positive habits and rituals. And in driving important category attributes, we are examining a range of objective techniques on the connection between fragrance and multidimensional and emotional descriptors.

Encapsulates

A recent innovation with encapsulated fragrances is in the fabric care category, which has given rise to best-in-class performing capsules for all segments – fabric softeners, powder and liquid detergents including unit doses. Our delivery systems team has developed a new generation of Mechacaps® that enhances olfactive impact and improves performance of capsules on dry clothes before rubbing and upon gentle friction when handling or wearing.

Active Beauty

Our leadership in marketing and innovation in cosmetic active ingredients was highlighted in 2016 when Givaudan Active Beauty won gold for Neurophroline™ in the active ingredients category of the in-cosmetics® Innovation Zone awards. Neurophroline™ is an active that can combat the signs of environmental aggressors such as pollution and climate.

From sourcing to supply
Ensuring excellence and agility

Our supply chain is under increasing pressure, compelling us towards excellence and agility.

Changes in the external environment and global trends are creating challenges for companies such as ours. The following sections on procurement and supply chain outline how we are meeting these challenges and turning them into opportunities.

Procurement

We source more than 10,000 different synthetic and natural ingredients from over 100 countries. Our network includes more than 3,000 raw material suppliers and more than 12,000 indirect material and services suppliers. These procurement activities are influenced by a changing external environment: the fast-growing global population is increasing demand; consumers are more connected and better informed, driving us to higher standards of compliance with sustainability specifications; and digitalisation is enhancing business intelligence and support to meet consumers' need for transparency.

Procurement by numbers

Spend Analysis	People	Raw Materials	Supplier Management	Contract Management
We manage CHF 2.5 bn spend per year	>195 procurement employees in 34 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

To prepare for the future, we are going beyond the traditional approach to procurement by creating closer partnerships with suppliers, based on solid governance and innovative business models.

> "Our mission is to maximise value with suppliers to create profitable business and deliver the best ingredients, enabling us to differentiate our products."
>
> **Willem Mutsaerts, Head of Global Procurement**

This new approach ensures that our activities create shared value with our customers, our business and our suppliers. It is the underlying theme of our new procurement strategy developed in 2016.

Guided by this strategy, our team will focus on four key areas: cost and cash, risk, innovation and responsible sourcing. In all four areas we will ensure excellence and differentiation through talent development, state-of-the-art systems and business intelligence.

Through cost and cash leadership we aim to secure meaningful financial results for the business divisions. An increased focus on collaborative value creation on top of traditional supplier relationship management will make Givaudan and its suppliers connect as their mutual partner of choice.

Supply or price volatility will be mitigated through a robust cross-functional risk management process, differentiating business models such as long-term partnerships, and direct presence and collaboration in countries of origin with producers and suppliers.

In 2016, we held the inauguration ceremony for our NATEMA joint venture with Henri Fraise Fils (HFF). It is one of the largest clove leaf oil processing plants in the world. NATEMA (Natural Extracts Madagascar) is part of our commitment to establish direct sourcing models in countries of origin that offer the best ingredients to our customers and create value in our partner communities. This plant will enable Givaudan to establish and grow its capacity to develop and process natural ingredients sourced in Madagascar.

To better address vanilla crises like the one we are currently facing and to meet ever growing customer expectations on iconic vanilla, we further expanded our footprint in Madagascar. We concluded another strategic agreement to leverage the local expertise and infrastructure of our partner HFF and secure 100% vanilla bean supply directly from Malagasy smallholder producers.

We are also experiencing headwinds with increasing scarcity of citrus materials due to crop volatility and plant diseases and with limitations on availability of natural specialties. Our teams are therefore developing robust and long-term partnerships in markets such as citrus, florals and spices.

Our indirect materials and services team manage risk as well. Last year our logistics procurement experts successfully improved cost transparency and reduced logistics risks through a pan-European road transport tender. This moved us from a single-sourced situation to multiple engaged partners.

By unlocking capabilities through supplier-enabled innovation, we maximise the contribution of suppliers to Givaudan's innovation ambitions. We know that solid and open partnerships within our supplier base have significant potential to boost our mutual innovation power.

During the year we expanded our existing collaboration with the US industrial bioscience company Amyris in the research, development and production of active cosmetic ingredients. The partnership anticipates the launch of target products that promise significant performance, cost and sustainability advantages over existing ingredients. Amyris will use its strain engineering platform to design cosmetic active targets and scale them up at its manufacturing facility in Brotas, Brazil for exclusive commercialisation by Givaudan.

Through our Responsible Sourcing programme, we engage with our suppliers to create traceability and adherence to social, health and safety, environment and business integrity standards. In 2016, we published our Responsible Sourcing Policy, the first of its kind in the flavour and fragrance industry. Our goal is to make sure that all our suppliers of goods and services work towards compliance with this policy. It informs and asks our material and service providers to adhere to our responsible sourcing principles and requirements in four core areas of responsible sourcing: social, health and safety, environment and business integrity.

In addition, we support local communities where we have direct presence in our supply chains by jointly developing projects around local education, health and nutrition and environmental protection. Since 2011, Givaudan has collaborated with a local NGO in Madagascar on a natural resources preservation programme, with the objective of contributing to reducing the environmental impact from clove leaf oil distillation, and supporting local producers. The programme involves 22 village associations, and for every kilogram of clove leaf oil produced, producers taking part in the programme plant one tree and are paid a premium. In 2016, 86,000 trees were planted.

We will continue to build on our four strategy pillars, creating value for our customers, business and suppliers. We seek to collaborate with suppliers and key stakeholders in ways that enable us to contribute to a profitable business for Givaudan and best palette of ingredients, enabling us to differentiate our products.

Supply chain

In 2016, building on the solid foundations of the global supply chain excellence programme of 2011-2015, we defined our internal 2020 strategy for the supply chain function, to aim at improving customer service levels and satisfaction while optimising inventory and supply chain costs.

Both business divisions improved their service levels during the year and continued work on further reducing supply chain cost ratios. This was done through a combined effort of the Flavour Division and Fragrance Division and supported by the fully deployed SAP platform and leveraging on the tools and processes developed by the supply chain excellence programme.

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.

> Our supply chain teams are determined to continually adapt their models to meet changing customers' and market needs.

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

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

GRI G4 – 12 Supply chain; pages 66 – 68

Creating a great place to work
Development, empowerment, safety

It is our mission to foster a great place to work where our people impact their world and contribute to making a positive difference.

We value our employees around the world, which is why it is our mission to foster an environment where our people can grow and shape their world and feel empowered to contribute to the Company's success. This environment must also be safe and healthy and we encourage responsible practices at the workplace and beyond. Safety behaviour and awareness are embedded in Givaudan's culture.

Fundamental to our success is our more than 10,000 employees working in our 98 sites in 49 countries.

Our employees are creative and innovative professionals who are passionate and proud of the work they do in our Company. We embrace diversity throughout our organisation and focus on creating an engaged and inclusive workforce.

Critical to this strategy are our leaders. We are therefore committed to developing visionary, inspiring and challenging leaders who will achieve our ambitious targets and ensure our future success.

The following sub-chapters on our people and on environment, health and safety provide further information and examples on our 2016 progress on key commitments.

Our people

At Givaudan we understand that fostering a great place to work where our people impact their world and contribute to our success is an important driver for growth. We build upon the successful foundations of our existing approaches to ensure that we improve how we manage and motivate our people. In 2016, we revised our Human Resources strategy in line with our 2020 business ambitions, to capitalise on internal opportunities and embrace external trends.

Our 2020 people strategy is developed around three themes which support our business, our people and our culture to adapt to future demands. These themes, with examples and highlights of some initiatives, are outlined below.

Talent

We believe in unlocking the potential that lies within all our employees, helping them achieve professional and personal growth to give them the foundation to impact and shape their world. To do this we focus on both attraction and development of talent. We ensure that we have the right methods to attract the right people to work for Givaudan, while at the same time nurturing our internal pipeline by increasing skills and capabilities. This way we secure our long-term success.

Employees receiving regular performance and career development reviews

in %	**2016**	2015
Female	**92**	86
Male	**63**	52

GRI G4 – LA11

New employee hires by age group, gender and region in 2016

	Age range <30	Age range 30–50	Age range >50	Female	Male	Total
Asia Pacific	193	202	6	164	237	401
Europe, Africa and Middle East	216	253	19	230	258	488
Latin America	127	111	2	82	158	240
North America	117	245	118	159	321	480
Total 2016[1]	**653**	**811**	**145**	**635**	**974**	**1,609**
Total 2015	471	567	36	411	663	1,074

1. Large increase in 2016 is primarily due to the acquisition of Spicetec.

GRI G4 – LA1-a

We want to find the best possible people to apply for jobs at Givaudan. We recognise the increasing importance of online platforms as job seekers use social media to find out more about a company, and to influence their decision on whether they are a good cultural fit for an organisation. The official launch of several social media channels last year offered us a new opportunity to build Givaudan as an employer of choice and attract talent to apply for roles. We have chosen an active presence on these sites, seeing it as a way to start a dialogue with potential employees and as an opportunity to promote our Company as an attractive place to work.

"In addition to bringing in great talent from outside, we're seeking to nurture internal talent, developing our pipeline in order to be able to equip our leaders for the future."

Jane Djate,
Head of Learning and Development

When it comes to leadership talent, the flavour and fragrance industry has unique needs and there are challenges in recruiting the right people and knowledge. To help meet this challenge, we are continuing to develop our global Leadership Senses programmes to foster essential management and leadership skills, from self-awareness to the strategic competencies needed to lead a global organisation. In cycles of Begin, Grow, Evolve and Enhance, these four programmes nurture strong, cross-functional relationships within our Company and provide our managers with the tools and guidance to become inspirational and challenging leaders. In 2016, we piloted Leadership Senses Grow, aimed at supporting managers with continued self-reflection and refined leadership skills as they grow into their roles.

"Evolve is a terrific programme. It was an honour to be part of it. Seeing the commitment of the Executive Committee and others in this programme and in my development is inspiring and so motivating."

Leadership Senses Evolve participant

In addition to leadership development, we invest in targeted technical and functional skills. For example, our global Flavourist training programme is a comprehensive and modular three-year curriculum that focuses on technical capabilities as well as interpersonal skills and business acumen. The programme, part of the Global Flavourist School, was extended into Latin America during the year to support our strategy for continued growth in this market. Seven trainees from across the region, who are specialists in areas such as chemistry, food engineering and food technology, are taking part in the programme which involves intensive hands-on experiences and classroom courses.

In addition to formal learning programmes, we also invest in individualised development activities. For example, following the successful pilot of a mentoring programme in Fragrances North America, the division introduced a global mentoring programme in 2016. Employees have been matched with mentors who have the expertise relevant to their individual development areas. The aim of the mentoring programme is to help employees develop their leadership or technical skills, support them to navigate across the organisation and improve their understanding of our Company culture, while promoting knowledge sharing.

Staff turnover by age group, gender and region in 2016

	Age range <30	Age range 30–50	Age range >50	Female	Male	Total
Asia Pacific	11%	9%	8%	8%	10%	9%
Europe, Africa and Middle East	17%	8%	8%	7%	10%	9%
Latin America	14%	10%	13%	11%	12%	11%
North America	15%	9%	8%	10%	9%	9%
Total 2016	**15%**	**8%**	**8%**	**8%**	**10%**	**9%**
Total 2015	17%	8%	8%	9%	10%	9%

GRI G4 – LA1-b

Performance
We aim to create an environment where people are motivated to perform at their best. This motivation is achieved in part through continuous feedback and coaching, and by ensuring strong links between performance and recognition. We continue to focus on individual performance and career discussions, ensuring that regular individual feedback leads to the best possible outcomes and customer experience.

We are committed to ensuring employees have a good understanding of our pay and compensation principles and how they affect individuals. Increasing knowledge of our compensation practices will improve the links between performance and recognition. In particular, in 2016 our HR teams equipped our managers with the knowledge and tools to have targeted conversations on compensation, helping people to understand how their performance impacts their pay.

"Our business success depends every day on our employees and I'm proud to have colleagues who help bring Givaudan to greater heights."

Fabrizio Raho,
Commercial Head and Company Manager, Japan

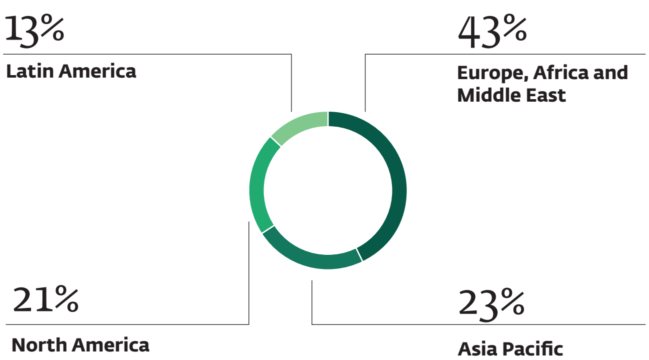
In addition to financial recognition, we are also encouraging managers to reward employees for their contribution to Givaudan in other ways. For example, our Asia Pacific 'Mindset of Best' employee recognition programme aims to express appreciation for people or teams who demonstrate the Company DNA in day-to-day work and go above and beyond to make a real difference to our business. In Japan in 2016, for example, five awards were made to commend exemplary employees for a range of initiatives.

Culture
We promote a diverse workforce which operates in an agile and collaborative way. We do this by ensuring that employees have the right opportunities to learn about Givaudan, have access to the information they need to do their job, and experience open and honest leadership communication.

In 2016, our Learning and Development organisation designed a global onboarding event with the aim of ensuring that new employees have an engaging start at Givaudan by learning about our business and the way we work. We believe that we can decrease the time it takes for a new hire to perform well at Givaudan by creating a programme which helps an individual to quickly learn about our business, build a network in Givaudan and build excitement for the challenges ahead. This programme will be piloted in Latin America and will be rolled out in all regions during 2017.

We are also working on other measures to boost engagement across our locations and sites. In North America, our HR teams have introduced a range of engagement activities aimed at fostering a great place to work. In Flavours, an internal online platform has been introduced to help employees stay informed

Employee by region



about organisation changes including new employees and promotions; find opportunities to get involved; connect with other areas of the business; stay up-to-date on the division and its industry; and access important documents. In Fragrances, for example, a new internal Culture Committee has been established in the Ridgedale site 'to value you, the core of Givaudan's DNA, through active listening and dedication'. This informal committee, comprised of people from different functions, organises on-site events and activities.

GRI G4 – DMA Employment; pages 69 to 72
G4 – DMA Training and education; pages 69 to 72

Environment, health and safety (EHS)

The EHS function creates value for the Company by safeguarding the health and safety of its people, assets and the environment.

Our mission goes beyond rules and processes, aiming at empowering all employees to take responsibility in safeguarding the environment and protecting people's health and safety. EHS is an integral part of our Company culture.

> "Environment, Health and Safety are key values for us and they are evolving as a permanent focus and mindset for all employees."

Hallvard Bremnes,
Head of Global EHS Centre of Expertise

We are well on our way to achieving excellence in safety, an example being the reduction of 65% in lost-time injuries at the global level. Another example is in Brazil, where in 2016, Givaudan was awarded first place in the category of Safety Management and Occupational Health in the DuPont annual safety and health awards for 2015. The award acknowledged work over the previous five years for developing an EHS strategy, reducing accidents and promoting a better safety culture.

> "The focus on safety has delivered results across the business. In addition, our campaigns in 2016 included more emphasis on employee health and well-being, and investments in air quality and ergonomics in our factories contributed to continuous improvement in the working environment."

John Pares,
Head of EHS Field Organisation

After the successful conclusion of our 2011-2015 strategy, EHS launched a revised 2020 strategy in 2016 which goes beyond the traditional focus on manufacturing. This strategy is based on the three pillars of safeguarding our ability to deliver to customers, implementing a risk management system, and embedding EHS in our business culture.

Safeguarding our ability to deliver to customers
We continue to build trust with all our stakeholders to safeguard our Company's ability to deliver to customers. This includes the complete implementation of our EHS management system covering elements like EHS Directives, Standards and regulatory requirements. Compliance is a key driver of this pillar, and our EHS internal audits are now standard practice throughout our organisation and help to confirm the successful implementation of these requirements. The communities and neighbourhoods where we operate are critical to our long-term success. We take every precaution to operate safely in these communities while providing social and economic value.

In 2015, Givaudan announced strengthened eco-efficiency targets for the five-year period to 2020, including a target of stabilising its carbon footprint, a commitment to reduce waste generation and energy consumption per tonne of product, and a renewed commitment to reduce water usage per tonne of product. In 2016, all our production sites developed eco-efficiency plans, and improvements included more energy-efficient equipment and control systems.

Givaudan is also working towards 100% renewable electricity at all its sites. Over the last few years, we have consistently made progress by increasing the percentage of our renewable portfolio in purchased electricity. By the end of 2016, almost half of our electricity purchased was from renewable sources[1]. Our contribution to mitigating the negative effects of climate change is our effort to stabilise CO_2 emissions while increasing production volumes. To compensate for this growth, we improve our processes to save energy, increase use of renewable energy sources and invest in efficient technologies.

Since the start of our climate change mitigation programme in 2009, our absolute CO_2 emissions have reduced by approximately 15% even with a significant volume growth[2].

Implementing a risk management system
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.

Another example was in North America, where an assessment of workplace back injuries was undertaken and resulted in an ergonomic education and training programme for all sites. We expect this intervention will have a material impact on the long-term health of our employees.

Embedding EHS every day in our culture
We have a fundamentally strong EHS culture. Survey feedback from employees consistently reinforces this and the importance they put on having a safe place to work. Our goal is to enhance this EHS mindset in the daily activities of all employees so it becomes habit, second nature and the right thing to do every day at work. This approach places an emphasis on the positive aspects of safety through engagement activities, well beyond highlighting accident rates.

EHS engagement activities, including EHS Weeks organised on our sites, are instrumental in demonstrating employees' renewed commitment and action in EHS.

We are passionate about ensuring Everyone gets Home Safe every day.

EHS Organisational Continuous Improvement
We are a signatory to the Responsible Care® Global Charter and are committed to driving continuous improvement in EHS performance. We value and invest in our EHS talent through training and our EHS Academy.

We continuously look to strengthen the efficiency of our systems and processes through which we operate with the goal to maximise the 'hands-on time' of all our EHS field professionals. A range of internal checks and audits help measure the effectiveness and robustness of our EHS management systems. Listening to our stakeholders keeps us grounded in providing services and solutions that meet expectations.

Our Global EHS Centre of Expertise oversees areas such as environmental protection, material stewardship, industrial hygiene, process safety management and odour emissions control, and manages our Global Safety Laboratory. To cast a wider net of expertise across the organisation in 2016 we made use of internal volunteer specialists who were keen to offer their knowledge and experience as a contribution to EHS performance. These regional champions work in process safety, occupational health and hazardous materials compliance, and are an additional source of enthusiastic expertise.

Despite all these great processes, systems and metrics, we still believe 'getting everyone home safe every day' comes down to what each and every one of us believes in and focuses on: We believe safety is everyone's responsibility.

Looking ahead
Our EHS teams and business leadership will continue to embed a culture that empowers everybody to safeguard the environment and protect people's health and safety. A safe place to work is also a great place to work. Our site EHS Weeks in 2016 energised the entire organisation and had a multiplying effect on the number of people engaged in watching out for themselves and their colleagues.

1. For final figures, please refer to the Sustainability Report published on 23 March 2017.
2. For more information and final figures on our GHG performance during 2016, please refer to the Sustainability Report published on 23 March 2017.

Adapting with agility to the digital world
Embracing digitalisation to create opportunities

Innovative technologies, big data and predictive analytics will change the way companies do business.

In 2016, in pursuing our goal to better leverage innovative technology and offer superior business services, the Global IT organisation adopted its strategy accordingly and amended its name to Global Information Management & Technology (IM&T). It is also the first function to join Givaudan Business Solutions, the new global business organisation announced in 2016 to respond to the fast-evolving trends that will shape our industry and our business.

Read more on GBS in our strategy section on page 19.

Global Information Management & Technology

Information Management and Technology (IM&T) better reflects the solutions and services offered that go beyond pure technical services. Fabien Jaunault, Head of IM&T, is responsible for driving the strategy and day-to-day business operations in IM&T, bringing the right vision to lead the Company successfully through the rapid digital revolution we are witnessing today.

In 2016, we continued to support our business in developing differentiating services and new ways of working with our customers, partners and employees by optimally leveraging digital trends and technology. For example, during the year, we launched mobile versions of our brief management tools (iBee for Fragrances and iAtlas for Flavours) to help commercial and development teams collaborate on customer briefs in real time, on the bench, or on the move. In supporting the business to provide the best customer experience, our lavender and citrus 360° videos were introduced to take customers on a journey discovering our naturals in the field through virtual reality.

To better engage with our customers in key markets, we launched the Japanese version of our Corporate website specifically tailored to the needs of our customers, partners and key stakeholders in the Japanese market.

IM&T continued strengthening our big data capabilities. We have identified a number of opportunities and executed several projects as predictive analysis touching different domains of the value chain such as procurement, sales or creation. The IM&T team has also been working to support Givaudan's growth with the integration of Spicetec into our systems platform; this integration will continue in 2017. Similarly, our Active Beauty business is benefiting from its integration into our global systems, as are our Soliance and Induchem North America activities; the integration of Induchem in Europe will continue in 2017.

> "As we design more agile and less complex business processes, services and solutions across the Company, IM&T will ensure that we leverage business opportunities stemming from the rapid digital evolution and enable us to quickly deploy innovative digital technologies across all areas."
>
> **Fabien Jaunault, Head of IM&T**

IM&T aims to continue delivering competitive advantage through innovative IT solutions, accompanying Givaudan in its growth and adapting quickly to the digital world.

Governance report

Givaudan's corporate governance system is aligned with international standards and practices to ensure proper checks and balances and to safeguard the effective functioning of the governing bodies of the Company.

In this section:

Value creation through corporate governance

We continuously strive to improve our robust framework of corporate governance. A good governance system is an important prerequisite for shared success for all our stakeholders.

New science and innovation committee established

Created in 2016, this committee acts as a sounding board to the Board of Directors offering different perspectives and identifies opportunities in the innovation space. It also proposes and screens potential innovation partners and validates and reviews projects on request of management.

Corporate governance
Our framework of checks and balances

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

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

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

The Articles of Incorporation, Board Regulations of Givaudan and other documentation regarding Givaudan's principles of corporate governance can be found at:
www.givaudan.com – our company – corporate governance – rules and policies.

1. Group structure and shareholders

1.1 Group structure

1.1.1 Description of the issuer's operational Group structure
Givaudan SA , Chemin de la Parfumerie 5, 1214 Vernier, Switzerland ('the Company'), the parent company of the Givaudan Group (the 'Group'), is listed on the SIX Swiss Exchange under security number 1064593, ISIN CH0010645932.

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

Both divisions have a sales and marketing presence in all major countries and markets and operate separate Research and Development organisations. Whenever appropriate, the divisions share resources and knowledge in the areas of research, consumer understanding and purchasing. Corporate functions include finance, information technology, legal, compliance and communications, as well as human resources.

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

1.1.3 Unlisted companies within the scope of consolidation
The list of principal consolidated companies, their domiciles and the shareholding is presented in appendix page 196 to the consolidated financial statements of the 2016 Financial Report. Note 1 to the consolidated financial statements as well as note 3 to the statutory financial statements offer more details regarding the structure of the Group. All unlisted subsidiaries are wholly-owned, unless otherwise indicated in notes 3 and 5 to the statutory financial statements mentioned above.
The 2016 Financial Report is printed in English as part of the

2016 Annual Report or can be downloaded on the Company website: www.givaudan.com - investors - online annual report - download centre

GRI G4 – 17 Entities

1.2 Significant shareholders

To the knowledge of the Company, the following were the only shareholders holding more than 3% of the share capital of Givaudan SA as at 31 December 2016 (or as at the date of their last notification under article 20 of the Stock Exchange Act): William H. Gates III - Cascades investment (13.86%), BlackRock Inc. (5.08%), MFS Investment Management (3.00%), Nortrust Nominees Ltd (nominee; 15.49%), Chase Nominees Ltd (nominee; 6.47%) and Messieurs Pictet & Cie (nominee: 4.17%).

The notifications can be viewed on the following site: www.six-swiss-exchange.com – market date – shares – givaudan – overview – significant shareholders.

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

1.3 Cross-shareholdings

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

2. Capital structure

2.1 Capital on the disclosure deadline

Ordinary share capital

As at 31 December 2016, the Company's ordinary share capital amounted to CHF 92,335,860 fully paid in and divided into 9,233,586 registered shares with a par value of CHF 10.00 each. The market capitalisation of the Company at 31 December 2016 was CHF 17,229,871,476.

2.2 Authorised and conditional capital in particular

Authorised share capital

The Company does not have any authorised share capital.

Conditional share capital

The Company's share capital can be increased by:

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

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

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

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

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

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

2.3 Changes in capital

The information regarding the year 2014 is available in notes 9 and 10 to the statutory financial statements of the 2014 Financial Report. Details of the changes in equity for the years 2015 and 2016 are given in notes 8 and 9 to the statutory financial statements of the 2016 Financial Report.

2.4 Shares and participation certificates

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

2.5 Dividend-right certificates

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

2.6 Limitations on transferability and nominee registrations

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

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

2.6.2 Reasons for granting exceptions in the year under review

This is not applicable because there are no longer any limitations on transferability.

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

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

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

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

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

2.7 Convertible bonds and warrants/options

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

3. Board of Directors

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

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

As of 31 December 2016, the following were members of the Board of Directors:

3.1 Members of the Board of Directors

Dr Jürg Witmer
Chairman

Attorney
Swiss national, born 1948
Non-executive
First elected 1999

In 1978, Jürg Witmer joined Hoffmann-La-Roche in Basel and subsequently held a number of positions including Legal Counsel, Assistant to the CEO, General Manager and China Project Manager of Roche Far East based in Hong Kong, Head of Corporate Communications and Public Affairs at Roche headquarters in Basel, Switzerland, and General Manager of Roche Austria. From 1999 to 2005 he acted as Chief Executive Officer of the Givaudan Group in Vernier/Geneva and since then as Chairman of the Board. From 2008 to 2012 he was also Chairman of the Board of Directors of Clariant AG, Basel.

Jürg Witmer holds the following mandates in companies that are quoted on an official stock exchange: Vice-Chairman of the Board of Syngenta AG, Basel. He holds the following mandates in companies that are non-quoted: non-executive Director of A. Menarini IFR, Florence, Italy.

Jürg Witmer has a Doctorate in law from the University of Zurich, as well as a degree in international studies from the Graduate Institute of the University of Geneva.

Calvin Grieder
Vice-Chairman

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

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

Calvin Grieder holds the following mandate in companies that are quoted on an official stock exchange: Vice-Chairman of the Board of Implenia AG.

He holds the following mandates in companies that are non-quoted: Chairman of the Board of the Bühler Group, member in the Advisory Board of Swissmem, member of the Board of Trustees of Avenir Suisse, owner and member of the Board of CGTech in Küsnacht, and member of the Advisory Board of the ETH, Department of Mechanical and Process Engineering.

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

Victor Balli
Director

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

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

Victor Balli does not hold any mandates in companies that are quoted on an official stock exchange.

He holds the following mandates in companies that are non-quoted: Member of the Board of Niantic Finance AG.

Victor Balli has a Master's degree in Economics from the University of St. Gallen and a Master's degree as a Chemical Engineer from the Swiss Federal Institute of Technology in Zurich.

Prof. Dr-Ing. Werner Bauer
Director

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

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

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

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

Lilian Biner
Director

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

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

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

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

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

Michael Carlos
Director

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

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

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

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

Ingrid Deltenre
Director

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

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

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

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

Thomas Rufer
Director

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

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

Until May 2015, Thomas Rufer held the following mandates in companies that are quoted on an official stock exchange: Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of the Berner Kantonalbank.

He holds the following mandates in non-listed companies: Chairman of the Board of Directors of the Federal Audit Oversight Authority and member of the Swiss Takeover Board.

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

Board of Directors and its committees 2016

Board of Directors[1]

Dr Jürg Witmer **Chairman** Swiss born 1948 Member since 1999	**Calvin Grieder** Swiss born 1955 Member since 2014	**Victor Balli** Swiss born 1957 Member since 2016	**Prof. Dr-Ing. Werner Bauer** German and Swiss born 1950 Member since 2014
Lilian Biner Swedish born 1962 Member since 2011	**Michael Carlos** French born 1950 Member since 2015	**Ingrid Deltenre** Dutch and Swiss born 1960 Member since 2015	**Thomas Rufer** Swiss born 1952 Member since 2009

Audit Committee

Thomas Rufer (Chairman), entire year
Lilian Biner, entire year
Calvin Grieder, until March 2016
Victor Balli, from March 2016

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

Compensation Committee

André Hoffmann (Chairman), until March 2016
Peter Kappeler, until March 2016
Prof. Dr-Ing. Werner Bauer, entire year (Chairman since March 2016)
Calvin Grieder, from March 2016
Ingrid Deltenre, from March 2016

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

Nomination and Governance Committee

Dr Jürg Witmer (Chairman), entire year
Michael Carlos, until March 2016
Lilian Biner, from March 2016
Ingrid Deltenre, entire year

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

Science and Innovation Committee

Michael Carlos (Chairman), from March 2016
Calvin Grieder, from March 2016
Prof. Dr-Ing. Werner Bauer, from March 2016

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

1. André Hoffman retired as Board member, as Vice-Chairman and as Chairman of the Compensation Committee on 17 March 2016. Peter Kappeler retired as Board member and member of the Compensation Committee also on 17 March 2016.

Meetings: attendance 2016

	Number of Board meetings / calls attended		Number of Audit Committee meetings attended		Number of Compensation Committee meetings attended		Number of Nomination and Governance Committee meetings attended		Number of Science and Innovation Committee meetings attended	
Board member	Jan – Mar	Mar – Dec	Jan –Mar	Mar – Dec	Jan – Mar	Mar – Dec	Jan – Mar	Mar – Dec	Jan – Mar	Mar – Dec
Dr Jürg Witmer	2	5						2		
Calvin Grieder	2	5	1	n/a	n/a	3				2
Victor Balli	n/a	5	n/a	3						
Prof. Dr-Ing. Werner Bauer	2	5			2	3				1
Lilian Biner	2	5	1	3				2		
Michael Carlos	2	5								2
Ingrid Deltenre	2	5			n/a	3		2		
André Hoffmann	2	n/a			2	n/a				
Peter Kappeler	2	n/a			2	n/a				
Tomas Rufer	2	5	1	3						
Meetings held in period	**2**	**5**	**1**	**3**	**2**	**3**	**0**	**2**	n/a	**2**
Meetings held in the year	**7**		**4**		**5**		**2**		**2**	
Average length of meetings	**1.5 days**		**0.5 days**		**1 hour**		**1 hour**		**4 hours**	

3.2 Other activities and vested interests

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

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

As at 31 December 2016, all members of the Board of Directors were non-executive. None of the Board members has important business connections with Givaudan SA or any of its affiliates. Dr Jürg Witmer, non-executive Chairman, was the Chief Executive Officer of Givaudan until 27 April 2005 and Michael Carlos was President of the Fragrance Division of the Company until the end of 2014.

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

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

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

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

3.4 Elections and terms of office

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

The Company amended its Articles of Incorporation at the Annual General Meeting 2014 to align with the new requirements of the OaEC. There are no differing rules from the statutory legal provisions with regard to the appointment of the Chairman, the members of the Compensation Committee and the independent proxy. All Board members, the Chairman, the members of the Compensation Committee and the independent proxy are elected annually and individually for one year, being the time between one Annual General Meeting and the next one.

3.4.2 For each Board member: date of first election to Board and attendance of meetings
For the dates of first election to the Board and attendance of Board and committee meetings, please refer to the tables on pages 85 – 86.

3.5 Internal organisational structure

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

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

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

3.5.2 For each committee of the Board of Directors: list of members – tasks – areas of responsibility
The Board of Directors has established four Committees: an Audit Committee, a Nomination and Governance Committee, a Compensation Committee and a Science and Innovation Committee. Each committee is led by a Committee Chairman whose main responsibilities are to organise, lead and minute the meetings. For the participation of the Board members in the committees, please refer to the table on page 86.

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

The Audit Committee ensures that the Company's risk management systems are efficient and effective. It promotes effective communication among the Board, management, the internal audit function and external audit. It reviews and approves the compensation of the external auditors for the annual audit. The Chief Financial Officer attends the meetings of the Audit Committee on the invitation of its chairman.

The Audit Committee met four times in 2016. Each meeting lasted approximately half a day. The Head of Internal Audit, the Chief Financial Officer, the Corporate Compliance Officer and the External Lead Audit Partner attended all meetings, apart from certain private sessions.

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

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

In 2016, the Compensation Committee met five times. The average duration of each meeting was approximately one hour. During these meetings and among other things, the Committee reviewed short and long term incentive plan parameters as well as the alignment of Executive Committee compensation with the Company's principles and policy. Where appropriate, the Chairman, the Chief Executive Officer, the Head of Global Human Resources and the Head of Compensation and Benefits attended the meetings.

For further information on the work of the Compensation Committee, please see page 102.

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

The Nomination and Governance Committee met twice during 2016 to prepare changes in the composition of the Board and senior management succession. The meeting lasted for approximately one hour.

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

The Science and Innovation Committee met twice during 2016 to discuss innovation strategies for different areas of the Company. Each meeting lasted for approximately four hours. The Head of Global Science and Technology attended both meetings. Further members of senior management as well as external advisors also attended one or more of the meetings.

More information on the Board of Directors and the roles of the Committees are described in the following sections of Givaudan's website: www.givaudan.com – our company – management – board of directors and www.givaudan.com – our company – management – committees of the board.

3.5.3 Work methods of the Board and its Committees

Board meetings are held periodically and also when matters require a meeting, or on the written request of one of the members of the Board. Ordinary Board meetings are held on average once a quarter plus one additional ordinary Board meeting to approve the Annual Report. The Chairman, after consultation with the Chief Executive Officer, determines the agenda for the Board meetings. Decisions may also be taken by circulation (including telefax and electronic data transmission) or by telecommunication (including telephone and video-conference), provided that none of the Board members requests a formal meeting.

Meetings of Board Committees are usually held directly before or directly following a Board meeting, with additional meetings scheduled as required. The Board of Directors receives regular reports from its Committees and the Chairman, as well as from the Executive Committee.

The minutes of all Committee meetings are circulated to all Board members.

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

In 2016, the Givaudan Board of Directors held seven meetings, including one constitutive meeting directly following the general meeting of shareholders and one extraordinary meeting by telephone. Regular meetings in Switzerland usually last for one to one and a half days, Board meetings at Givaudan locations outside Switzerland last for two days, including visits to sites and strategic locations and discussion with the management of the visited region. Extraordinary meetings are usually shorter.

In October 2016, the Board visited the Company's flavour and fragrance operations in Japan.

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

In 2016, the Board conducted one annual self-assessment and had continuous discussion of its own succession planning.

The attendance of Board members at Board and Committee meetings in 2016 as well as the average duration of the meetings can be seen in the table on page 86.

3.6 Definition of areas of responsibility

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

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

– the ultimate management of the Company and, in particular, the establishment of medium- and long-term strategies and of directives defining Company policies and the giving of the necessary instructions

– the establishment of the organisation

– the approval of the annual Group budget

– the structuring of the accounting system and of the financial controlling, as well as the financial planning

– the assessment of the Company's risk management

– the decision on investments in, or divestments of, fixed and tangible assets of a global amount exceeding the limit set by the corporate investment guidelines established by the Board of Directors

– the appointment and removal of the persons entrusted with the management and representation of the Company, in particular the Chief Executive Officer and the other members of the Executive Committee

– the ultimate supervision of the persons entrusted with the management, in particular with respect to compliance with the law, the Articles of Incorporation, regulations and instructions given in any areas relevant to the Company, such as working conditions, environmental protection, trade practices, competition rules, insider dealing and ad hoc publicity

– the preparation of the annual business report, as well as the preparation of the Annual General Meeting of shareholders and the implementation of its resolutions

– the notification of the court in case of insolvency

– the decisions regarding the subsequent performance of contributions on shares not fully paid in

– the ascertainment of share capital increases to the extent that these fall under the powers of the Board of Directors and resulting confirmations and modifications to the Articles of Incorporation

– the verification of the special professional qualifications of the auditors.

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

The Board Regulations can be found at: www.givaudan.com – our company – corporate governance – rules and policies.

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

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

Management information system

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

– the Chairman of the Board receives invitations and minutes of Executive Committee meetings on a regular basis and the Chief Executive Officer and the Chief Financial Officer report regularly to the Chairman of the Board of Directors

– the Chief Executive Officer and the Chief Financial Officer are present and report at all regular Board meetings and answer all requests for information by the Board members about any matter concerning Givaudan that is transacted. Other members of the Executive Committee and selected senior managers are regularly invited to address specific projects at regular Board meetings. All members of the Executive Committee have a duty to provide information at meetings of the Board of Directors on request

– the Head of Internal Audit and the Corporate Compliance Officer report to the Board once a year. The Board also receives annual reports on Environment, Health and Safety, Sustainability and Risk Management

– the Head of Internal Audit is present and reports at each meeting of the Audit Committee. The Chief Financial Officer and the Corporate Compliance Officer are also present at all meetings of the Audit Committee, as are the external auditors. The Head of Human Resources, the Head of Compensation & Benefits and the Chief Executive Officer are present at each Compensation Committee meeting, except when questions of compensation for Executive Committee members are being deliberated. The Chairman also attends regularly the meetings of the Compensation Committee

– all Board members have access to all Committee meeting minutes

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

– in preparation for each Board meeting, the Board members receive information and reports from the Executive

Committee and other members of senior management via a secure electronic document sharing system and other means of communication

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

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

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

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

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

For further information on risk management please refer to pages 51 – 53.

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

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

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

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

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4. Executive Committee

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

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

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

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

In addition, it plays a key role – together with the Human Resources organisation – in the periodic review of the talent management programme, including succession planning for key positions. Alliances and partnerships with outside institutions, such as universities, think tanks and other business partners, are also monitored by the Executive Committee.
The members of the Executive Committee are individually responsible for the business areas assigned to them.
The Executive Committee meets generally on a monthly basis to discuss general Company business and strategy. In 2016, the Committee held eight meetings at Company sites around the world, each meeting lasting between one and three days. In addition, the Chief Executive Officer, the Chief Financial Officer and the presidents of the two divisions held an additional five meetings.

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

4.1 Members of the Executive Committee

Gilles Andrier
Chief Executive Officer

French national
Born in 1961
Appointed in 2005

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

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

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

Matthias Währen
Chief Financial Officer

Swiss national

Born in 1953

Appointed in 2004

Matthias Währen started his career in Corporate Audit in 1983 with Roche, and became Finance Director in 1988 of Roche Korea and then Head of Finance and Information Technology in 1990 at Nippon Roche in Tokyo. In 1996, Matthias Währen was appointed Vice President Finance and Information Technology at Roche USA and then Head of Finance and Informatics of the Roche Vitamins Division in 2000. He was involved in the sale of this business to DSM in 2003 before joining Givaudan in 2004.

Other mandates held by Matthias Währen are: member of the Regulatory Board SIX Exchange Regulation, and a member of the Boards of scienceindustries Switzerland, SwissHoldings, and the Givaudan Foundation.

Matthias Währen is a graduate of the University of Basel.

Mauricio Graber
President Flavour Division

Mexican national

Born in 1963

Appointed in 2006

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

Other mandates held by Mauricio Graber are: member of the Board of the International Organization of the Flavor Industry (IOFI) for a three-year period.

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

Maurizio Volpi
President Fragrance Division

Italian national
Born in 1969
Appointed in 2015

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

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

Joe Fabbri
Head of Global EHS and Sustainability

Canadian national
Born in 1958
Appointed in 2008

Joe Fabbri spent the first years of his career in various engineering roles before moving into operations management. Joe Fabbri joined Givaudan in 1989 as Operations Director responsible for commissioning the Canadian manufacturing facility. Moving to the USA in 1996, he was appointed Head of Operations at East Hanover, New Jersey. He later led various regional operations projects in Switzerland before becoming Head of Flavours Operations, EAME in 2001. In 2004, he was appointed Head of Global Flavours Operations, and then Head of Global Human Resources from 2008 to 2015. In addition to his Human Resources responsibilities in 2008, he became Head of Global Sustainability and in 2010 he was appointed Head of Global Environment, Health and Safety (EHS) alongside his Sustainability role.

Joe Fabbri graduated in mechanical engineering technology, and is a licensed Professional Engineer of Ontario, Canada.

Simon Halle-Smith
Head of Global Human Resources

British national

Born in 1966

Appointed in 2015

Simon Halle-Smith began his career in 1991 in the pharmaceutical industry with Eli Lilly & Company in the UK, working in Clinical Trial Project Management, Sales and Human Resources. In 2004 he joined Quest as HR Director for the UK, before being appointed European HR Director in 2005. In 2007, when Quest was acquired by Givaudan, he continued as European HR director before being appointed Head of Human Resources for the Fragrance Division in 2009. In 2015 he was appointed Head of Global Human Resources.

Simon Halle-Smith holds a bachelors' degree in Biology and Chemistry and a PhD in biochemistry from the University of East Anglia in the UK.

Willem Mutsaerts
Head of Global Procurement

Dutch national

Born in 1962

Appointed in 2015

Willem Mutsaerts joined Givaudan in 1989, initially with responsibility for sales in Benelux, then moving on to become Regional Account Manager for the APAC region in Singapore before being appointed Head of Global Purchasing for Fragrances. In 2001, he took commercial responsibility for fragrance consumer products in the EAME region. Willem has been based in Geneva since 2007 as Head of Global Operations Fragrances, and was appointed Head of Global Procurement in 2015.

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

Anne Tayac

Head of Givaudan Business Solutions

French national

Born in 1968

Appointed in 2016

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

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

Chris Thoen

Head of Global Science and Technology

American and Belgian national

Born in 1960

Appointed in 2015

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

Chris Thoen holds a Master's degree in Chemistry and a PhD in Biochemistry from the University of Antwerp, Belgium.

4.2 Other activities and vested interests

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

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

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

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

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

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

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

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

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

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5. Compensation, shareholdings and loans

In accordance with the Swiss Code of Obligations and the SIX Directive on Corporate Governance, Givaudan publishes the details of the remuneration of its Board of Directors and its Executive Committee in the separate 'Compensation Report' in this Annual Report as well as in the 2016 Financial Report.

6. Shareholders' participation

6.1 Voting rights and representation restrictions

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

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

For the restrictions on nominee shareholders, see point 2.6.3.

6.1.2 Reasons for granting exceptions in the year under review

Not applicable as there are no longer any voting rights restrictions.

6.1.3 Procedure and conditions for abolishing statutory voting rights restrictions

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

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

There are no restrictions of the Swiss legal provisions.

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

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

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

6.2 Statutory quorums

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

6.3 Convocation of the general meeting of shareholders

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

6.4 Agenda

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

6.5 Inscriptions into the share register

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

Givaudan SA has not granted any exceptions from this rule.

7. Change of control and defence measures

7.1 Duty to make an offer

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

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

7.2 Clauses on changes of control

In the event of a change of control, share options, restricted share units (RSU) and performance shares granted, as the case may be, by the Company to members of the Board of Directors and to a total of 401 senior management and employees may vest immediately. All other defence measures against change of control situations previously in effect were deleted by the Board of Directors in 2007.

8. Auditors

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

At the Annual General Meeting of shareholders on 26 March 2009, Deloitte SA was first appointed as Group and statutory auditor of Givaudan SA and its affiliates and has held the audit mandate since that time. At the Annual General Meeting of shareholders on 17 March 2016, Deloitte SA was reappointed for the business year 2016. Since March 2016, the responsible lead auditor for the Givaudan audit at Deloitte has been Ms Karine Szegedi Pingoud, Partner.

8.2 Auditing fees

The fees of Deloitte for professional services related to the audit of the Group's annual accounts for the year 2016 were CHF 3.6 million. This amount includes fees for the audit of Givaudan SA, its subsidiaries, and of the consolidated financial statements.

8.3 Additional fees

In addition, for the year 2016, Deloitte rendered tax and compliance related services for a total of CHF 0.2 million.

8.4 Informational instruments pertaining to the external audit

The external auditor presents the outcome of the audit directly to the Audit Committee after the end of each reporting year. The Audit Committee is also responsible for evaluating the performance of Deloitte as external auditors pursuant to a set of defined criteria. In addition, the Committee reviews and approves the compensation and evaluates and approves other services provided by the external auditor. During 2016, Deloitte attended all four of the Audit Committee meetings.

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

9. Information policy

Givaudan's Principles of Disclosure and Transparency are described in detail at: www.givaudan.com – our company – corporate governance – rules and policies.

Articles of Incorporation: www.givaudan.com – our company – corporate governance – rules and policies.

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

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

Quarterly sales information and other media releases can be found at: www.givaudan.com – media – media releases.

All relevant information can also be found at: www.six-swiss-exchange.com – market data – shares – Givaudan - company details.

The complete calendar of events is available at: www.givaudan.com – investors – shareholder information – investor calendar.

For further information please contact:
Peter Wullschleger, Givaudan Media and Investor Relations
Chemin de la Parfumerie 5, 1214 Vernier, Switzerland

T +41 22 780 9093
E group.investors@givaudan.com

Compensation report

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

In this section:

Our value creation through the best professional and executive talent

Our long-term success is built on the strength of our employees. By developing, motivating and retaining the best executive talent, we foster a performance-driven organisation and a great place to work.

Compensation Report
Attract, motivate and retain

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

Our compensation programmes reflect the performance of the business and of individuals, and we have put in place rigorous governance, processes and policies to ensure that our compensation practices are aligned with our principles.

This report on compensation, complementing our business and financial reports, has been prepared in compliance with the Ordinance against Excessive Compensation at Listed Stock Companies (OaEC).

1. Compensation governance

1.1 Overview

The Compensation Committee of the Board of Directors (Board) consists of three members of the Board, all of whom are independent, and is currently chaired by Prof. Dr-Ing. Werner Bauer. The Chief Executive Officer is regularly invited to Compensation Committee meetings, but does not participate in discussions regarding his own compensation. The Head of Global Human Resources acts as secretary of the Committee.

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

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

The Compensation Committee meets three to five times a year and informs the Board of its deliberations, recommendations and resolutions after each meeting. It utilises independent external consultants to benchmark the compensation of senior management. For further information on the work of the Compensation Committee, please see page 87.

Table I on the next page summarises the Compensation Committee standing agenda items and approvals.

1.2 Key changes implemented during 2016

No changes in respect of Board of Director or Executive Committee compensation system were made in the reporting year.

Overall reported Executive Committee compensation increased due to the reporting of full year compensation for the three

I. Compensation Committee standing agenda items and approvals

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

1. CEO compensation proposed by Chairman of the Compensation Committee.
2. Individual concerned does not attend/abstains.
3. Final approval by shareholders

Executive Committee members who joined during 2015 and the appointment of a new member in August 2016. Details are provided in section 4 of this report, 'Compensation of the Executive Committee'.

Overall reported Board of Directors' compensation decreased, which is explained by the reduction of the number of members by one, to eight members. With the establishment of a new Science and Innovation Committee at the beginning of 2016 additional Committee fees according to the Givaudan policy are now applicable.

1.3 Governance rules

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

Full details on these rules are available on the Givaudan's website: www.givaudan.com – our company – corporate governance – rules and policies.

In line with Givaudan's Articles of Incorporation, at the 2017 Annual General Meeting the Board will submit the following maximum aggregate amounts for shareholder approval:

- Compensation of the Board for the period until the 2018 ordinary shareholders' meeting
- Short-term variable compensation of the Executive Committee for the 2016 fiscal year
- Fixed and long-term variable compensation of the Executive Committee for the 2017 fiscal year.

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

Givaudan will also submit the 2016 Compensation Report to a consultative vote at the 2017 Annual General Meeting.

2. Compensation principles

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

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

Givaudan's total compensation offering in 2016 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. Pay-outs 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, pay-outs can vary between 0% and 200% of target pay-out.

– 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.

– Restricted Stock Unit (RSU) Plan: this plan links Board member compensation with share price evolution by awarding a right to receive Givaudan shares after a three-year vesting period.

– Benefits (indirect compensation): benefit plans seek to address current and future security needs of employees. These generally include retirement, health, death and disability benefits. Benefits-in-kind such as Company vehicles are offered to certain employees according to local market practice.

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

3. Compensation of Givaudan executives

The compensation of Givaudan executives, in terms of both structure and level, is regularly benchmarked against individuals in similar positions within listed European companies that are comparable in size and international presence. Comparable companies included in our compensation surveys may consist of:

– Flavour and fragrance companies,

– European companies in related industries:
  - consumer products
  - food and beverage
  - speciality chemicals

– Swiss multinational companies of a size similar to Givaudan (excluding the financial sector).

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

All benchmarking activity for Executive Committee members is performed by independent consultants. Benchmarking for other executives is performed internally by the Compensation unit, using survey data provided by external consultants. Givaudan's executive compensation targets base pay at the market median. Executives have the opportunity to be

II. Givaudan compensation

Compensation	Participants (number of participants)	Payout	Link to compensation principles	Alignment with the business strategy
Base salary	All employees (10,500)	Cash	Attract and retain highly talented individuals. Provides internal consistency and fairness	Nurture a pipeline of industry experts and future leaders to develop skills for sustained success
Profit Sharing Plan	Non-management employees (7,000)	Cash	Contribution to financial and key qualitative objectives	Reward our people to share in Group profit
Annual Incentive Plan[1]	Manager and executives (3,500)	Cash	Contribution to financial objectives	Achieve annual organic sales growth and EBITDA targets
Performance Share Plan[1] (PSP)	Executives and selected managers (380)	Performance shares[2]	Alignment of management with long-term targets and shareholders' interests	Achieve long-term organic sales growth and free cash flow targets

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

rewarded with above-median pay for sustained outstanding performance from a number of variable compensation components. These variable elements reflect achievements against quantitative targets established by the Board, as well as the contribution and leadership qualities of individual executives. Variable compensation, particularly long-term components, represents a significant portion of an executive's total compensation. The weight of variable compensation increases with executives' level of responsibility and the impact of their position on Company results.

In 2016, Executive Committee compensation was benchmarked against a peer group of 19 other Swiss multinational companies of a size similar to Givaudan. This peer group consisted of Swiss Leader Index (SLI) companies, excluding the five largest companies and financial services institutions.

The results confirm that all compensation elements are positioned around or below the median with some exceptions. Total compensation of the Executive Committee is aligned with the market. The long-term incentive compensation appears above median, which is in line with Givaudan policy and reflects our strong focus on rewarding outstanding performance over the long term. To achieve our 2020 strategy of responsible growth and shared success through an ambitious setting of free cash flow and sales growth targets, we have taken the position that increasing focus on long-term incentives is appropriate. As part of a longer-term programme to align all Executive Committee fixed compensation with the market, pension increases had been implemented. This programme came to a conclusion at the end of 2015.

In 2016, independent consulting services were contracted with EY to conduct this Executive Committee benchmark. EY provide additional advisory and tax services.

III. Executive compensation benchmark

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

1. Includes base salary, pension and other benefits
2. Annual Incentive Plan (please refer to section 3.2)
3. Performance Share Plan (please refer to section 3.3)

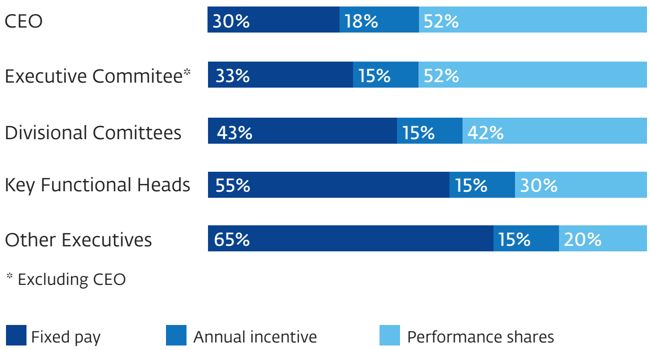
The total compensation of Givaudan executives consists of direct and indirect compensation components.

– Direct compensation consists of base salary, annual incentive and share-based components

– Indirect compensation includes retirement coverage, health benefits, death and disability protection as well as certain benefits-in-kind according to local market practice.

The chart below illustrates the direct compensation mix at target for Givaudan executives in 2016.

IV. Direct compensation mix policy guidelines



3.1 Base salary

Base salary adjustments are based primarily on market evolution, taking into consideration the executive's performance and contribution to Company results.

Salary adjustments for Executive Committee members are decided by the Compensation Committee.

3.2 Annual Incentive Plan

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

Performance criteria

Annual targets for Executive Committee members are set by the Board based on recommendations by the Compensation Committee. In 2016, the Annual Incentive Plan for Executive Committee members was based on the following performance criteria:

– Sales Growth targets in local currencies: 50%

– EBITDA margin targets: 50%

For the purpose of the Annual Incentive Plan, EBITDA is expressed as a percentage of sales. Achievements against these targets are reviewed and approved by the Compensation Committee.

Annual incentive pay-outs for lower level managers and executives are based on a mix of organisational performance objectives cascaded from Givaudan Group objectives and overall performance taking into consideration achievement of personal objectives, day-to-day job responsibilities and the Givaudan core values. Expressed as a percentage of base salary, annual incentives at target were the following in 2016:

– Chief Executive Officer: 80%

– Chief Financial Officer and Division Presidents: 60%

– Other Executive Committee members: 50%

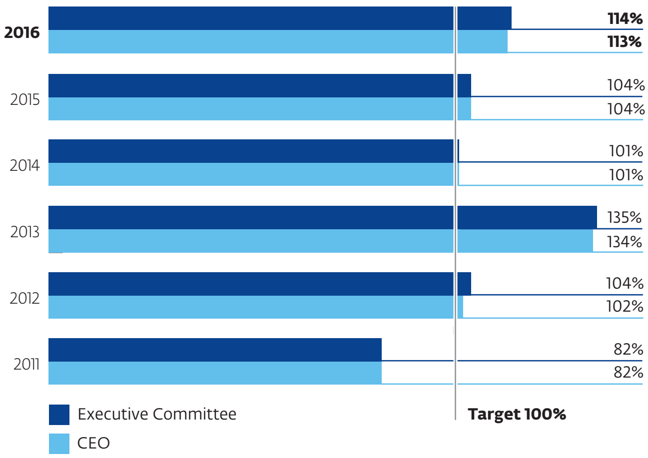
– Division Management Committee members: 35%-50%

– Other executives and managers: 10%-35%

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

In 2016, the sales growth and the EBITDA were above target. This resulted in an average of 114% of target pay-out for the members of the Executive Committee and 113% of target pay-out for the Chief Executive Officer. The table below summarises historical annual incentive achievement against target for the past six years.

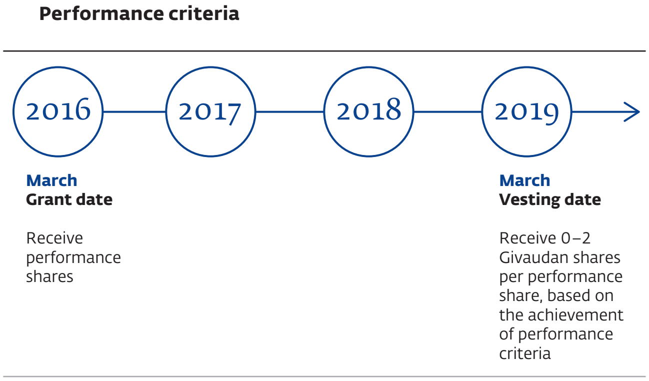
V. Historical annual incentive achievement



3.3 Performance Share Plan
Executives and selected management are eligible to participate in the Performance Share Plan (PSP). The PSP is designed to reward executives and key talent who significantly influence the long-term success of the business.
Within the plan, participants are granted performance shares annually. The total number of performance shares granted, and the plan parameters generally, are approved each year by the Compensation Committee. Givaudan applies a policy to cap the maximum value of PSP allocations from year to year.

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

VI. Operation of the new PSP



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

– Relative average sales growth as compared to the sales growth of selected peer group companies; and

– Cumulative Free Cash Flow (FCF) margin, expressed as a percentage of cumulative sales.

The peer group include companies selected from the flavour and fragrance industry that publish sales in local currency. These companies represent in total approximately 75% of this market. The peer companies currently included in the group are Firmenich, Hasegawa, IFF, Robertet, Sensient, Symrise and Takasago.

The structure of performance criteria calculation has specifically been designed to be challenging. In the case of Cumulative Free Cash Flow (FCF) margin, final achievement is calculated as the average of the reported FCF margin for each of the four performance years. This means that the

Givaudan's FCF for each year of the performance period is summed, and this cumulative result is divided by the sum of Givaudan's sales in each year of the performance period. The assessment over four years ensures that the performance targets are stringent and reward sustained Company performance.

Share pay-out caps

Based on the extent that performance criteria are met, the actual number of shares vesting at the end of the performance period will vary between 0% and 200% of the performance shares initially granted. The level of vesting is dependent on the combination of performance criteria that are satisfied.

The performance range for relative sales growth extends from -2% to +2%. This represents annualised sales growth versus peer group over the four-year performance period.

The performance range for FCF margin, measured over the four-year performance period, extend from 9% to 19%.

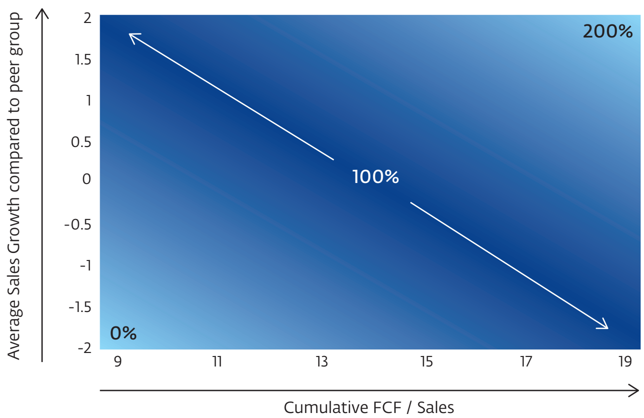
A pay-out of 200% would require an achievement level above the maximum threshold for both measures, relative sales growth and FCF margin.

A 0% pay-out would be obtained if the achievement level on either measure were below the minimum threshold.

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

A 100% pay-out can be obtained where a target combination of the performance criteria is met, such as when relative average sales growth is in line with the peer group and cumulative FCF margin is 14%. High achievement against one performance criteria can be counterbalanced by low achievement on the other provided both minimum thresholds are reached, such that 100% pay-out may occur when relative average sales growth is above the peer group, or FCF/Sales is above 14% (and vice versa).

VII. Performance Share Plan pay-out matrix



Darker region represents target achievement region for 100% payout

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

In general, performance shares lapse on cessation of employment. In specific circumstances such as death, disability or retirement, performance shares may vest subject to satisfaction of the performance criteria.

Target setting and achievement

Target setting and testing against targets follows adherence to strict governance policies. For the first year of PSP grants in 2013, targets were set at the median of the peer group for Sales Growth and at 10% Cumulative FCF/Sales. The cumulative FCF/Sales target was set above our achievement for the four-year periods immediately prior to the introduction of the plan. Since introduction of the plan, these targets have been set to be increasingly challenging in line with Givaudan's high performance.

VIII. Basis of the cumulative FCF margin target setting: Historical FCF margin vs set target

	2013 PSP	2014 PSP	2015 PSP
Basis for target setting[1]	9.2%	10.3%	11.2%
Target	10%	13%	14%

1. Cumulative FCF margin of the related previous 4 years

Considering Givaudan historical cumulative FCF margin performance, PSP targets have been set on a challenging basis.

The 2013 PSP vested on 29 March 2016 with a 145% pay-out. This reflects strong overachievement against targets on both performance measures. In contrast, in the event of lower levels of achievement the PSP will vest below target (or not at all) such as was the case for the PSP having vested in 2013 at 50% achievement.

For reference, Givaudan tests performance against other benchmark metrics, including relative total shareholder return (TSR), and we continue to outperform the market in many regards. For instance, Givaudan's TSR measured over the period from 2012 to 2016 has been above third quartile compared to our benchmark peer group.

IX. 2013 PSP achievement

Criteria	Performance	Pay-out
Average sales growth compared to peer group	0.1%	→ **145%** of performance shares granted
Cumulative FCF/sales*	14.3%	

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

X. Variable compensation overview

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

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

3.4 Previous long-term incentive plan arrangements

The PSP, which was introduced for grants in 2013, replacing all existing LTIP arrangements. Any awards under the previous LTIPs were not cancelled, but rather continued to be held in accordance with the rules of those plans. All awards under the previous plans have now vested.

Previous awards under LTIP arrangements included stock-options, restricted share units and Performance Shares. The previous Performance Shares granted in 2008 vested in 2013 to an achievement level of 50% based on testing against the predefined economic value generation measured over a five-year period.

4. Compensation of the Executive Committee

4.1 Compensation levels in 2016

In 2016, total compensation reported increased due to the reporting of full year compensation for the three Executive Committee members who joined during 2015 and the appointment of Anne Tayac as Head of Givaudan Business Solutions in August 2016. Additional compensation above the shareholder approved amount was paid in accordance with our Articles of Incorporation (Art. 27). Further details are provided in section 4.6. The compensation package for the newly appointed Executive Committee member has been set in accordance with our compensation principles, including consideration of roles and responsibilities and with reference to our compensation benchmarks.

4.2 Highest total compensation

The Chief Executive Officer, Gilles Andrier, received the highest total compensation in 2016. For compensation details, please refer to table XI.

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

No other compensation or fees were accrued for or paid to any member or former member of the Executive Committee during the reporting period. No member or former member of the Executive Committee or related parties had any loan outstanding as of 31 December 2016.

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

Adrien Gonckel retired from his role as Chief Information Officer on 1 August 2016. He did not receive any special compensation as a result of his retirement. All compensation is included in the compensation table XI.

4.5 Employment contract termination clauses of Executive Committee members

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

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

4.6 Compensation voting for Executive Committee members

As indicated in section 4.1, a new member joined the Executive Committee in 2016. Consequently, additional compensation above the shareholder approved amount has been paid in accordance with the Givaudan Articles of Incorporation (Art. 27), which provides that certain supplementary amounts may be paid for newly appointed Executive Committee members within certain thresholds. The total supplementary amount used for the relevant period amounts to CHF 142,204.

The fixed and long term variable compensation approved for 2016 was CHF 19,800,000 (2015: CHF 15,500,000).
The annual incentive, short term variable compensation for 2016 was CHF 3,287,520 and will be submitted for approval at the 2017 Annual General Meeting (2015: CHF 2,392,716).

XI. Executive Committee compensation summary

in Swiss francs	Gilles Andrier CEO 2016	Gilles Andrier CEO 2015	Executive Committee members (excluding CEO) [1] 2016	Executive Committee members (excluding CEO) [2] 2015	Total 2016	Total 2015
Base salary	1,035,599	1,027,689	3,819,306	2,662,741	4,854,905	3,690,430
Pension benefits [3]	442,705	459,199	1,558,506	1,119,563	2,001,211	1,578,762
Other benefits [4]	111,061	100,616	792,134	591,992	903,195	692,608
Total fixed compensation	1,589,365	1,587,504	6,169,946	4,374,296	7,759,311	5,961,800
Annual incentive [5]	944,804	854,544	2,342,717	1,538,172	3,287,521	2,392,716
Number of performance shares granted [6]	1,686	1,446	5,441	4,396	7,127	5,842
Value at grant [7]	2,882,048	2,307,671	9,300,845	7,015,576	12,182,893	9,323,247
Total variable compensation	3,826,852	3,162,215	11,643,562	8,553,748	15,470,414	11,715,963
Total compensation	**5,416,217**	**4,749,719**	**17,813,508**	**12,928,044**	**23,229,725**	**17,677,763**
Employer social security [8]	438,000	382,000	1,427,000	1,064,000	1,865,000	1,446,000

1. Represents full year compensation of eight Executive Committee members and partial year compensation of the new Executive Committee member in 2016. Adrien Gonckel retired from his role as Chief Information Officer on 1 August 2016. Part of his total compensation for 2016 relates to the period from the time he ceased to be an EC member until 31 December 2016.
2. Represents full year compensation of five Executive Committee members and partial year compensation of the three new Executive Committee members in 2015.
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 2016 performance.
6. 2016 Performance shares vest on 15 April 2019, 2015 Performance shares vest on 31 March 2018.
7. Value at grant calculated according to IFRS methodology and based on 100% achievement of performance targets.
8. 2016 estimated social security charges based on 2016 compensation; 2015 estimated social security charges based on 2015 compensation.

5. Compensation of the Board of Directors

Compensation of Board members consists of Director fees, Committee fees and restricted share units (RSUs). Fees are paid at the end of each year in office completed. RSUs give participants the right to receive Givaudan shares (or a cash equivalent in countries where securities laws prevent the offering of Givaudan securities) at the end of a three-year vesting period.

With the exception of the Chairman and outgoing Board members, 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 equity awards are also granted for the same period. The compensation paid out to the Board members for the reporting period is shown in table XII.

5.1 Compensation of the Board member with the highest compensation

The Board member with the highest compensation in 2016 was Dr Jürg Witmer, Chairman of the Board since 28 April 2005. For compensation details please refer to table XII.

5.2 Other compensation, fees and loans to members or former members of the Board

No additional compensation or fees were paid to any member of the Board. No Board member or related parties had any loan outstanding as of 31 December 2016.

5.3 Special compensation of members of the Board who left the Company during the reporting period

No such compensation was incurred during the reporting period.

5.4 Compensation voting for members of the Board

The compensation paid to the Board members for the period between the 2015 and 2016 Annual General Meetings is within the amount approved by shareholders at the 2015 Annual General Meeting (CHF 3,300,000). Amounts approved at the 2016 Annual General Meeting (CHF 3,300,000) will be paid by the end of the year in office and validated in the 2016 Compensation Report. Such approved and paid amounts will differ from those shown in the Board of Directors compensation summary table which, according to the OaEC, must include compensation paid in the reporting year.

XII. Board of Directors compensation summary

2016 in Swiss francs	Dr Jürg Witmer Chairman [7]	André Hoffmann [6,7]	Victor Balli [5,7]	Prof. Dr-Ing. Werner Bauer [7]	Lilian Biner [7]	Michael Carlos [7]	Ingrid Deltenre [7]	Calvin Grieder [7]	Peter Kappeler [6,7]	Thomas Rufer [7]	Total 2016 [1]
Director fees [2]	400,000	25,000	75,000	100,000	100,000	100,000	100,000	100,000	25,000	100,000	1,125,000
Committee fees [2]	40,000	10,000	18,750	65,000	50,000	40,000	50,000	50,000	6,250	55,000	385,000
Total fixed (cash)	440,000	35,000	93,750	165,000	150,000	140,000	150,000	150,000	31,250	155,000	1,510,000
Number of RSUs granted [3]	340		85	85	85	85	85	85		85	935
Value at grant [4]	581,196		145,299	145,299	145,299	145,299	145,299	145,299		145,299	1,598,289
Total compensation	**1,021,196**	**35,000**	**239,049**	**310,299**	**295,299**	**285,299**	**295,299**	**295,299**	**31,250**	**300,299**	**3,108,289**

1. Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
2. Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
3. RSUs vest on 15 April 2019.
4. Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
5. Elected at the Annual General Meeting in March 2016.
6. Retired at the Annual General Meeting in March 2016.
7. The function of each member of the Board of Directors are indicated on pages 80-84 in the Corporate Governance section of the 2016 Annual Report.

Estimated social security charges based on 2016 compensation amounted to CHF 221,000 (2015: CHF 232,000). In addition to the above, payments to Board members for out-of-pocket expenses amounted to CHF 70,000 (2015: 80,000).

2015 in Swiss francs	Dr Jürg Witmer Chairman [7]	André Hoffmann [7]	Prof. Dr-Ing. Werner Bauer [7]	Lilian Biner [7]	Michael Carlos [5,7]	Ingrid Deltenre [5,7]	Calvin Grieder [7]	Peter Kappeler [7]	Thomas Rufer [7]	Nabil Sakkab [6,7]	Total 2015 [1]
Director fees [2]	400,000	100,000	100,000	100,000	75,000	75,000	100,000	100,000	100,000	25,000	1,175,000
Committee fees [2]	40,000	40,000	25,000	31,250	18,750	18,750	25,000	25,000	55,000	6,250	285,000
Total fixed (cash)	440,000	140,000	125,000	131,250	93,750	93,750	125,000	125,000	155,000	31,250	1,460,000
Number of RSUs granted [3]	364	91	91	91	91	91	91	91	91		1,092
Value at grant [4]	580,908	145,227	145,227	145,227	145,227	145,227	145,227	145,227	145,227		1,742,724
Total compensation	**1,020,908**	**285,227**	**270,227**	**276,477**	**238,977**	**238,977**	**270,227**	**270,227**	**300,227**	**31,250**	**3,202,724**

1. Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
2. Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
3. RSUs vest on 31 March 2018.
4. Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
5. Elected at the Annual General Meeting in March 2015.
6. Retired at the Annual General Meeting in March 2015.
7. The function of each member of the Board of Directors are indicated on pages 74-78 in the Corporate Governance section of the 2015 Annual Report.

6. Share ownership guidelines

Givaudan introduced share ownership guidelines in 2013, under which Executive Committee members must hold approximately one times their annual base salary in Givaudan shares. This requirement should be met by 2016, or within three years from the beginning of the calendar year after joining the Executive Committee. Ownership of Givaudan shares by Executive Committee members as per 31 December 2016 is shown in table XIII.

7. Ownership of Givaudan securities

7.1 Board of Directors

As per 31 December 2016, the Chairman and other Board members, including persons closely connected to them held 5,546 Givaudan shares in total. For further details, please refer to table XIII showing:

– The shares held individually by each Board member as per 31 December 2016

– The RSUs that were granted in 2014-2016 and were still owned by members of the Board as per 31 December 2016

XIII. Board of Directors: ownership of Givaudan securities

2016 in numbers	Shares	Unvested RSUs
Dr Jürg Witmer, Chairman	1,500	1,180
Victor Balli		85
Prof. Dr-Ing. Werner Bauer	970	295
Lilian Biner	377	295
Michael Carlos[1]	2,083	176
Ingrid Deltenre	26	176
Calvin Grieder		295
Thomas Rufer	590	295
Total 2016	**5,546**	**2,797**
Total 2015	93,901	3,526

1. Mr Carlos also held 1,750 unvested performance shares as per 31 December 2016 granted to him during his tenure as an Executive Committee member.

The Company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as per 31 December 2016 by persons closely connected to members of the Board.

7.2 Executive Committee

The Chief Executive Officer and other members of the Executive Committee, including persons closely connected to them, held 4,460 Givaudan shares. For further details, please refer to table XIV showing:

– The shares held individually by each member of the Executive Committee as per 31 December 2016

– The unvested performance shares that were granted in 2014–2016 and were still owned by members of the Executive Committee as per 31 December 2016

XIV. Executive Committee: ownership of Givaudan securities

2016 in numbers	Shares	Unvested performance shares
Gilles Andrier, CEO	2,400	5,032
Matthias Waehren	300	3,293
Mauricio Graber	550	2,929
Maurizio Volpi	486	1,710
Joe Fabbri	100	2,287
Simon Halle-Smith		943
Willem Mutsaerts	56	1,312
Anne Tayac	104	529
Chris Thoen	464	1,243
Total 2016	**4,460**	**19,278**
Total 2015	3,575	21,845

No member of the Executive Committee held any share options or option rights as at 31 December 2016 (31 December 2015: no member of the Executive Committee held any share options or option rights).

Two people closely connected to members of the Executive Committee owned Givaudan securities as at 31 December 2016:

- One person owned 859 shares

- One person owned 264 unvested performance shares.

The Company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as per 31 December 2016 by persons closely connected to members of the Executive Committee.

Deloitte.

Deloitte SA
Rue du Pré-de-la-Bichette 1
1202 Geneva
Switzerland

Phone: +41 (0)58 279 8000
Fax: +41 (0)58 279 8800
www.deloitte.ch

Statutory Auditor's Report
To the General Meeting of Givaudan SA, Vernier

Report of the statutory auditor in relation to sections 4 and 5 of the Compensation Report in accordance with the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance)

We have audited sections 4 and 5 of the Compensation Report of Givaudan SA for the year ended December 31, 2016, presented on pages 108 to 110.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the Compensation Rieport. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, sections 4 and 5 of the Compensation Report of Givaudan SA for the year ended December 31, 2016 comply with Swiss law and articles 14 – 16 of the Ordinance.

Deloitte SA

Karine Szegedi Pingoud	Joëlle Herbette
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Geneva, 27 January 2017

Financial Report

Detailed contents:

Consolidated financial statements

Consolidated Income Statement

For the year ended 31 December

in millions of Swiss francs, except for earnings per share data	Note	2016	2015[a]
Sales	7	4,663	4,396
Cost of sales		(2,535)	(2,366)
Gross profit		**2,128**	**2,030**
as % of sales		45.6%	46.2%
Selling, marketing and distribution expenses		(640)	(608)
Research and product development expenses		(400)	(366)
Administration expenses		(186)	(169)
Share of (loss) profit of jointly controlled entities	10	(1)	(2)
Other operating income	11	75	41
Other operating expense	12	(101)	(132)
Operating income		**875**	**794**
as % of sales		18.8%	18.1%
Financing costs	14	(51)	(61)
Other financial income (expense), net	15	(40)	(37)
Income before taxes		**784**	**696**
Income taxes	16	(140)	(71)
Income for the period		**644**	**625**
Attribution			
Income attributable to equity holders of the parent		644	625
as % of sales		13.8%	14.2%
Earnings per share – basic (CHF)	**17**	**69.95**	**67.89**
Earnings per share – diluted (CHF)	**17**	**69.34**	**67.06**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The notes on pages 121 to 175 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

in millions of Swiss francs	Note	2016	2015 [a]
Income for the period		**644**	**625**
Items that may be reclassified to the income statement			
Cash flow hedges			
Movement in fair value, net		(14)	(15)
Gains (losses) removed from equity and recognised in the consolidated income statement	15	10	11
Movement on income tax	16	1	1
Exchange differences arising on translation of foreign operations			
Change in currency translation		(125)	(206)
Movement on income tax	16	2	5
Items that will not be reclassified to the income statement			
Defined benefit pension plans			
Remeasurement gains (losses) of post employment benefit obligations	8	(148)	67
Movement on income tax	16	33	(24)
Other comprehensive income for the period		**(241)**	**(161)**
Total comprehensive income for the period		**403**	**464**
Attribution			
Total comprehensive income attributable to equity holders of the parent		403	464

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The notes on pages 121 to 175 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December

in millions of Swiss francs	Note	**31 December 2016**	31 December 2015 [a]	1 January 2015 [a]
Cash and cash equivalents	18	328	478	412
Derivative financial instruments	5	9	17	21
Derivatives on own equity instruments	25	3	6	10
Financial assets at fair value through income statement	5	1	2	64
Accounts receivable - trade	5, 19	996	901	911
Inventories	20	788	716	771
Current tax assets	16	26	16	22
Other current assets	5	192	143	146
Current assets		**2,343**	**2,279**	**2,357**
Property, plant and equipment	21	1,442	1,384	1,430
Intangible assets	22	2,311	2,197	2,293
Deferred tax assets	16	259	260	258
Post-employment benefit plan assets	8	12	15	7
Financial assets at fair value through income statement	5	59	76	76
Jointly controlled entities	10	35	27	17
Other long-term assets		53	44	34
Non-current assets		**4,171**	**4,003**	**4,115**
Total assets		**6,514**	**6,282**	**6,472**
Short-term debt	5, 23	7	208	57
Derivative financial instruments	5	32	18	19
Accounts payable - trade and others	5	494	400	423
Accrued payroll & payroll taxes		143	120	119
Current tax liabilities	16	46	70	82
Financial liability: own equity instruments	25	57	48	54
Provisions	24	6	12	12
Other current liabilities		174	138	155
Current liabilities		**959**	**1,014**	**921**
Derivative financial instruments	5	62	62	50
Long-term debt	5, 23	1,251	947	1,150
Provisions	24	59	51	36
Post-employment benefit plan liabilities	8	722	637	735
Deferred tax liabilities	16	93	92	88
Other non-current liabilities		75	64	79
Non-current liabilities		**2,262**	**1,853**	**2,138**
Total liabilities		**3,221**	**2,867**	**3,059**
Share capital	26	92	92	92
Retained earnings and reserves	26	5,477	5,373	5,209
Own equity instruments	26	(109)	(79)	(78)
Other components of equity	25, 26	(2,167)	(1,971)	(1,810)
Equity attributable to equity holders of the parent		**3,293**	**3,415**	**3,413**
Total equity		**3,293**	**3,415**	**3,413**
Total liabilities and equity		**6,514**	**6,282**	**6,472**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The notes on pages 121 to 175 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December

2016 in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Remeasure-ment of post employment benefit obligations	Total equity
Note	26	26	25, 26				8	
Balance as at 1 January published	**92**	**5,361**	**(79)**	**(70)**	**12**	**(1,396)**	**(505)**	**3,415**
Balance as at 1 January restated	**92**	**5,373**	**(79)**	**(70)**		**(1,396)**	**(505)**	**3,415**
Income for the period		644						644
Other comprehensive income for the period				(3)		(123)	(115)	(241)
Total comprehensive income for the period		**644**		**(3)**		**(123)**	**(115)**	**403**
Dividends paid		(495)						(495)
Movement on own equity instruments, net			(30)					(30)
Transfers		(45)					45	
Net change in other equity items		**(540)**	**(30)**				**45**	**(525)**
Balance as at 31 December	**92**	**5,477**	**(109)**	**(73)**		**(1,519)**	**(575)**	**3,293**

2015 [a] in millions of Swiss francs	Share Capital	Retained earnings and reserves	Own equity instruments	Cash flow hedges	Available-for-sale financial assets	Currency translation differences	Remeasure-ment of post employment benefit obligations	Total equity
Note	26	26	25, 26					
Balance as at 1 January published	**92**	**5,187**	**(78)**	**(67)**	**22**	**(1,195)**	**(548)**	**3,413**
Balance as at 1 January restated	**92**	**5,209**	**(78)**	**(67)**		**(1,195)**	**(548)**	**3,413**
Income for the period		625						625
Other comprehensive income for the period				(3)		(201)	43	(161)
Total comprehensive income for the period		**625**		**(3)**		**(201)**	**43**	**464**
Dividends paid		(461)						(461)
Movement on own equity instruments, net			(1)					(1)
Net change in other equity items		**(461)**	**(1)**					**(462)**
Balance as at 31 December restated	**92**	**5,373**	**(79)**	**(70)**		**(1,396)**	**(505)**	**3,415**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The notes on pages 121 to 175 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

in millions of Swiss francs	Note	2016	2015[a]
Income for the period		644	625
Income tax expense	16	140	71
Interest expense	14	42	47
Non-operating income and expense	14, 15	49	51
Operating income		**875**	**794**
Depreciation of property, plant and equipment	21	113	112
Amortisation of intangible assets	22	132	157
Impairment of long-lived assets	21, 22	6	7
Other non-cash items			
- share-based payments		33	40
- pension expense	8	(23)	1
- additional and unused provisions, net	24	10	30
- other non-cash items		(10)	43
Adjustments for non-cash items		**261**	**390**
(Increase) decrease in inventories		(38)	4
(Increase) decrease in accounts receivable		(107)	(76)
(Increase) decrease in other current assets		(53)	3
Increase (decrease) in accounts payable		55	(7)
Increase (decrease) in other current liabilities		52	(4)
(Increase) decrease in working capital		**(91)**	**(80)**
Income taxes paid		**(127)**	**(107)**
Pension contributions paid	8	(45)	(45)
Provisions used	24	(8)	(12)
Purchase and sale of own equity instruments, net		(48)	(43)
Impact of financial transactions, net		(12)	18
Cash flows from (for) operating activities		**805**	**915**
Increase in long-term debt		299	200
(Decrease) in long-term debt		–	(202)
Increase in short-term debt		463	506
(Decrease) in short-term debt		(663)	(564)
Interest paid		(33)	(36)
Distribution to the shareholders paid	26	(495)	(461)
Purchase and sale of derivative financial instruments, net		(8)	(16)
Others, net		–	(5)
Cash flows from (for) financing activities		**(437)**	**(578)**
Acquisition of property, plant and equipment	21	(136)	(126)
Acquisition of intangible assets	22	(40)	(35)
Increase in share capital of jointly controlled entities	10	(9)	(14)
Acquisition of subsidiary, net of cash acquired	6	(331)	(91)
Proceeds from the disposal of property, plant and equipment	21	1	1
Interest received		2	1
Purchase and sale of financial assets at fair value through income statement, net		23	52
Purchase and sale of derivative financial instruments, net			–
Others, net		(13)	(13)
Cash flows from (for) investing activities		**(503)**	**(225)**
Net increase (decrease) in cash and cash equivalents		**(135)**	**112**
Net effect of currency translation on cash and cash equivalents		(15)	(46)
Cash and cash equivalents at the beginning of the period	18	478	412
Cash and cash equivalents at the end of the period		**328**	**478**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The notes on pages 121 to 175 form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Group Organisation

Givaudan SA and its subsidiaries (hereafter 'the Group') operate under the name Givaudan. Givaudan SA is a limited liability company incorporated and domiciled in Switzerland. The Group is headquartered in Vernier, near Geneva, Switzerland. Givaudan is a leading supplier of creative fragrance and flavour products to the consumer goods industry. It operates in over 100 countries and has subsidiaries and branches in more than 40 countries. Worldwide, it employs 10,476 people. A list of the principal Group companies is shown in Note 31 to the consolidated financial statements.

The Group is listed on the SIX Swiss Exchange (GIVN).

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and Swiss law.

They are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through the income statement, and of own equity instruments classified as derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Critical accounting estimates and judgments are disclosed in Note 3.

Givaudan SA's Board of Directors approved these consolidated financial statements on 27 January 2017.

2.1.1 Changes in Accounting Policies and Disclosures

Standards, amendments and interpretations effective in 2016

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in the 2015 consolidated financial statements, with the exception of the adoption as of 1 January 2016 of the standards and interpretations described below:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment and introduce the rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. The adoption of these amendments does not result in a change in the financial information currently disclosed because the long-lived assets are depreciated / amortised on a straight-line basis over the estimated economic useful life of the asset (see Notes 2.15 and 2.17).

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3. The adoption of these amendments has no impact on the joint arrangements currently held by the Group.

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP. This standard does not affect the Group as it is not a first-time adopter of IFRS.

Amendments to IAS 27: Equity Method in Separate Financial Statements reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The adoption of these amendments has no impact because the Group does not prepare separate financial statements in accordance with IFRS.

Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants require bearer plants to be accounted for as property, plant and equipment. The produce growing on bearer plants remains in the scope of agriculture activities. The adoption of these amendments has no impact because the Group does not hold bearer plants.

Annual Improvements to IFRSs 2012-2014 Cycle include amendments to a number of IFRSs (IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures with consequential amendments to IFRS 1, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting) which do not affect the information currently disclosed by the Group.

Amendments to IAS 1: Disclosure Initiative are designed to address concerns expressed by constituents about existing presentation and disclosure requirements and to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements. The Group assessed that the adoption of these amendments does not result in a change in the information currently disclosed.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception introduce a requirement that if an entity met the definition of an 'investment entity' it would be required to measure and present its investments in particular subsidiaries at fair value through the income statement in its consolidated and separate financial statements, rather than consolidating them. The adoption of these amendments has no impact because the Group does not hold investment entities.

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. As at 1 January 2016, the Group has early adopted IFRS 9 as issued in July 2014. As a result of the adoption of IFRS 9, the Group classifies all financial assets as financial assets at fair value through the income statement except for trade receivables which are classified at amortised cost.

The adoption of IFRS 9 helps to align the accounting of financial assets with the objectives to collect contractual cash flows as they come due and to sell financial assets.

Financial assets at fair value through the income statement
Financial assets that are used to fund the settlements of long-term incentive plans recognised in the liabilities fulfil the objectives of collecting contractual cash flows and selling financial assets. Investments accounted for as available-for-sale financial assets in accordance with IAS 39 change their measurement category to "at fair value through the income statement" which is more consistent, in the Group's opinion, with the Group's strategic investments objectives.

Derivative financial assets accounted for at fair value through the income statement in accordance with IAS 39 remain in the same measurement category unless they are designated as effective hedging instruments.

Financial assets at amortised cost
Trade receivables reach the objective of collecting contractual cash flows over their life. Trade receivables accounted for as "loans and receivables" financial assets in accordance with IAS 39 change their measurement category to "at amortised cost".

The new hedging rules align hedge accounting more closely with the Group's risk management practices. The hedging strategy of the Group is not changed.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses than the incurred loss impairment model used in IAS 39. The Group applies a simplified approach for trade receivables, for which the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. The current practice for measuring the trade receivables does not change.

For financial liabilities, there is no change in their classification and measurement except for liabilities designated at fair value through the income statement for which the amount of change in the fair value that is attributable to changes in own credit risk is presented in other comprehensive income. The Group has currently only financial liabilities at amortised cost and therefore there is no impact in their classification.

The following tables summarise the impact of the above changes on the Group's financial position, on the statement of comprehensive income, and on earnings per share.

Financial position as at 1 January 2015

in millions of Swiss francs	Reported	Adjustments	Restated
Available-for-sale financial assets	64	(64)	
Financial assets at fair value through income statement		64	64
Current assets			
Financial assets at fair value through income statement	35	41	76
Other long-term assets	75 [a]	(41)	34
Non-current assets			
Retained earnings and reserves	5,187	22	5,209
Other components of equity	(1,788) [a]	(22)	(1,810)
Equity			

a) Including available-for-sale financial assets.

Comprehensive income for the year ended 31 December 2015

in millions of Swiss francs	Reported	Adjustments	Restated
Income statement			
Total other financial income (expense), net	(27)	(10)	(37)
Other comprehensive income			
Available-for-sale financial assets			
Movements in fair value, net	2	(2)	
(Gains) losses removed from equity and recognised in the consolidated income statement	(12)	12	

Earnings per share

in Swiss francs	Reported	Restated
Basic earnings per share	68.98	67.89
Diluted earnings per share	**68.14**	**67.06**

Financial position as at 31 December 2015

in millions of Swiss francs	Reported	Adjustments	Restated
Available-for-sale financial assets	2	(2)	
Financial assets at fair value through income statement		2	2
Current assets			
Financial assets at fair value through income statement	35	41	76
Other long-term assets	85 [a]	(41)	44
Non-current assets			
Retained earnings and reserves	5,361	12	5,373
Other components of equity	(1,959) [a]	(12)	(1,971)
Equity			

a) Including available-for-sale financial assets.

2.1.2. IFRSs and IFRICs issued but not yet effective

New and revised standards and interpretations, issued but not yet effective, have been reviewed to identify the nature of the future changes in accounting policy and to estimate the effect of any necessary changes in the consolidated financial statements and supporting notes upon their adoption.

a) Issued and effective for 2017

Amendments to IAS 7: Disclosure Initiative improve the information provided to the users of financial statements on an entity's financing activities. Entities shall provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Group is currently evaluating the disclosure impact of the adoption of this standard.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses clarify that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The adoption of these amendments do not change the current practice applied by the Group.

Annual Improvements to IFRS Standards 2014-2016 Cycle set out amendments across three different standards, related basis for conclusions and guidance, out of which one is effective in 2017, amendments to IFRS 12 Disclosure of Interests in Other Entities. The Group has not yet evaluated the impact of these amendments on its consolidated financial statements.

b) Issued and effective for 2018 and after

IFRS 9 Financial Instruments (as revised in 2014). The Group has early adopted this standard (see Note 2.1.1).

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts do not change the impact of the earlier adoption of IFRS 9 as the Group is not exposed to IFRS 4.

IFRS 15 Revenue from Contracts with Customers. The Group has evaluated the impacts of this standard on its consolidated financial statements. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces existing revenue recognition guidance including IAS 18 Revenues, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programme.

The Group has assessed that the adoption of IFRS 15 does not impact its consolidated financial statements. Contracts with customers relate primarily to the delivery of manufactured products and molecules of fragrance and flavour to the agreed upon specifications and may contain additional performance obligations for certain clients such as the assignment of specific application technologies, joint market research and particular stock conditions. Most of these additional performance obligations are not distinct because they are highly dependent on the delivery of manufactured product and molecules of fragrance and flavour. Generally, the transaction price includes estimating variable consideration such as rebates granted to customers.

The clarifications to IFRS 15 issued in April 2016 do not change the above described assessment.

Amendments to IFRS 10 and IAS 28: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The adoption of these amendments has no impact on the joint arrangements currently hold by the Group.

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, and lessors confirm the continuation of classifying leases as operating or finance. The Group is currently evaluating the accounting impact of the adoption of this standard.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The adoption of these amendments has no impact on the current share-based payments programmes held with the Group.

Annual Improvements to IFRS Standards 2014-2016 Cycle set out amendments across three different standards, related basis for conclusions and guidance, out of which two are effective in 2018, amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and amendments to IAS 28 Investments in Associates and Joint Ventures. The Group has not yet evaluated the impact of these amendments on its consolidated financial statements.

Amendments to IAS40: Transfers of Investment Property reinforce the principle for transfers into, or out of, investment property in IAS 40. The Group has not yet evaluated the impact of these amendments on its consolidated financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency. The Group has not yet evaluated the impact of this interpretation on its consolidated financial statements.

2.2 Consolidation

The subsidiaries that are consolidated are those companies controlled, directly or indirectly, by Givaudan SA. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if there are indications of a change in facts and circumstances.

Companies acquired during the year are consolidated from the date on which operating control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes to the acquirer.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, shares issued and liabilities undertaken or assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of net assets of the subsidiary acquired is recognised as goodwill.

Where necessary, changes are made to the accounting policies of subsidiaries to bring and ensure consistency with the policies adopted by the Group.

Assets and liabilities, equity, income, expenses and cash flows resulting from inter-company transactions are eliminated in full on consolidation.

2.3 Interest in a Joint Venture

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists when the strategic, financial and operating decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting until the date on which the Group ceases to have joint control over the joint venture. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the income statement and the other comprehensive income of the joint venture. Adjustments are made where necessary to bring the accounting policies in line with those adopted by the Group. Unrealised gains and losses on transactions between the Group and a jointly controlled entity are eliminated to the extent of the Group's interest in the joint venture.

2.4 Foreign Currency Valuation

2.4.1 Functional and presentation currency
Items included in the financial statements of each entity in the Group are measured using the functional currency of that entity. The functional currency is normally the one in which the entity primarily generates and expends cash. The consolidated financial statements are presented in millions of Swiss francs (CHF), the Swiss franc being the Group's presentation currency.

2.4.2 Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions, or using a rate that approximates the exchange rates on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in other financial income (expense), net, except for:

- Exchange differences deferred in equity as qualifying cash flow hedges on certain foreign currency risks and qualifying net investment hedges.

- Exchange differences on monetary items to a foreign operation for which settlement is neither planned nor likely to occur, therefore forming part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to the income statement on disposal of the net investment or on partial disposal when there is a loss of control of subsidiary or a loss of joint control over a jointly controlled entity.

- Exchange differences on foreign currency borrowings relating to assets under construction which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

2.4.3 Translation of the financial statements of foreign subsidiaries
For the purpose of presenting consolidated financial statements, the assets and liabilities of Group companies reporting in currencies other than Swiss francs (foreign operations) are translated into Swiss francs using exchange rates prevailing at the end of the reporting period. Cash flows, income and expenses items of Group companies are translated each month independently at the average exchange rates for the period when it is considered a reasonable approximation of the underlying transaction rate. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

2.5 Segment Reporting
The operating segments are identified on the basis of internal reports that are regularly reviewed by the Executive Committee, the members of the Executive Committee being the chief operating decision makers, in order to allocate resources to the segments and to assess their performance. The internal financial reporting is consistently prepared along the lines of the two operating Divisions: Fragrances and Flavours.

The business units of each Division, respectively Fine Fragrances, Consumer Products and Fragrance and Active Beauty for the Fragrance Division and Beverages, Dairy, Savoury and Sweet Goods for the Flavour Division, are not considered as separately reportable operating segments as decision making about the allocation of resources and the assessment of performance are not made at this level.

Inter-segment transfers or transactions are set on an arm's length basis.

Information about geographical areas is determined based on the Group's operations; Switzerland, Europe, Africa and Middle-East; North America; Latin America and Asia Pacific. Revenues from external customers are shown by destination.

2.6 Sales of Goods

Revenue from sales of goods is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Sales of goods are reduced for estimated volume discounts, rebates, and sales taxes. The Group recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and when significant risks and rewards of ownership of the goods are transferred to the buyer.

2.7 Research and Product Development

The Group is active in research and in formulas, technologies and product developments. In addition to its internal scientific efforts, the Group collaborates with outside partners.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internal developments or developments obtained through agreements on formulas, technologies and products costs are capitalised as intangible assets when there is an identifiable asset that will generate probable economic benefits and when the cost can be measured reliably. When the conditions for recognition of an intangible asset are not met, development expenditure is recognised in the income statement in the period in which it is incurred.

2.8 Employee Benefit Costs

Wages, salaries, social security contributions, annual leave and paid sick leave, bonuses and non-monetary benefits are expensed in the year in which the associated services are rendered by the Group's employees.

2.8.1 Pension obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, principally dependent on an employee's years of service and remuneration at retirement. Plans are usually funded by payments from the Group and employees to financially independent trusts. The liability recognised in the statement of financial position is the aggregate of the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Where a plan is unfunded, only a liability representing the present value of the defined benefit obligation is recognised in the statement of financial position. The present value of the defined benefit obligation is calculated by independent actuaries using the projected unit credit method twice a year, at interim and annual publication. This reflects the discounted expected future payment required to settle the obligation resulting from employee service in the current and prior periods. The future cash outflows incorporate actuarial assumptions primarily regarding the projected rates of remuneration growth, and long-term indexation rates. Discount rates, used to determine the present value of the defined benefit obligation, are based on the market yields of high quality corporate bonds in the country concerned. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. Pension assets and liabilities in different defined benefit schemes are not offset unless the Group has a legally enforceable right to use the surplus in one plan to settle obligations in the other plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into publicly or privately administrated funds. The Group has no further payment obligations once the contributions have been made. The contributions are charged to the income statement in the year to which they relate.

2.8.2 Other post-retirement obligations

Some Group companies provide certain post-retirement healthcare and life insurance benefits to their retirees, the entitlement to which is usually based on the employee remaining in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the periods in which employees render service to the Group.

2.9 Share-Based Payments

The Group has established share option plans and a performance share plan to align the long-term interests of key executives and members of the Board of Directors with the interests of the shareholders.

Key executives are awarded a portion of their performance-related compensation in equity-settled share-based payment transactions. The costs are recorded in each relevant functions part of the employees' remuneration as personnel expenses with a corresponding entry in equity in own equity instruments for equity-settled share-based payment transactions. The different share-based payments are described below:

2.9.1 Performance Share Plan

Key executives are awarded a portion of their performance-related compensation in equity-settled share-based payment transactions in the form of a performance share plan.

The performance share plan is established with Givaudan registered shares and a vesting period of three years. The Group has at its disposal either treasury shares or conditional share capital.

The cost of equity-settled instruments is expensed as employee remuneration over the vesting period, together with a corresponding increase in equity in own equity instruments. The cost is determined by reference to the fair value of the shares expected to be delivered at the date of vesting. Performance conditions are included in the assumptions in which the number of shares varies. No market conditions are involved.

The fair value is determined as the market price at grant date reduced by the present value of dividends expected or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders during the vesting period.

At each statement of financial position date, the Group revises its estimates of the number of shares that are expected to be delivered. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

2.9.2 Restricted Shares Plan

The members of the Board of Directors receive a portion of their compensation in equity-settled share-based payment transactions in the form of restricted share units.

Restricted shares are set generally with a vesting period of three years, during which the restricted shares cannot be settled or transferred. The Group has at its disposal treasury shares for the delivery of the restricted shares.

The cost of these equity-settled instruments to be expensed, together with a corresponding increase in equity, over the vesting period, is determined by reference to the fair value of the restricted shares granted at the date of the grant. Service conditions are included in the assumptions about the number of restricted shares that are expected to become deliverable. No performance conditions are included.

The fair value is determined as the market price at grant date reduced by the present value of dividends expected or any other expected distribution to the shareholders to be paid during the vesting period, as participants are not entitled to receive dividends or any other distribution to the shareholders during the vesting period.

At each statement of financial position date, the Group revises its estimates of the number of restricted shares that are expected to be delivered. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation.

2.10 Taxation

Income taxes include all taxes based upon the taxable profits of the Group, including withholding taxes payable on the distribution of retained earnings within the Group. Other taxes not based on income, such as property and capital taxes, are included either in operating expenses or in financial expenses according to their nature. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are provided based on the full liability method, under which deferred tax consequences are recognised for temporary differences between the tax bases of assets and liabilities and their carrying values. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which those items can be utilised. Management considers that these tax benefits are probable on the basis of business projections on the relevant entities.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable income.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and interests in jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Current tax assets and liabilities are offset and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items that are recognised outside the income statement, in which case the tax is also recognised outside the income statement.

2.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks and similar institutions. Cash equivalents are held for the purpose of meeting short-term cash commitments (maturity of three months or less from the date of acquisition) and are subject to an insignificant risk of changes in value.

2.12 Financial Assets

Financial assets are classified as financial assets at fair value through the income statement except for trade receivables which are classified at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Regular way purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace. All regular way purchases or sales of financial assets are recognised and derecognised at the settlement date i.e. the date that the asset is delivered to or by the Group. Financial assets are classified as current assets, unless they are expected to be realised beyond twelve months of the statement of financial position date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the following amounts are recognised in the income statement: (i) the difference between the asset's carrying amount and the sum of the consideration received and receivable; (ii) the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity.

Dividend income from investments is recognised in the line Other financial income (expense), net when the right to receive payment has been established. Interest income is accrued on a time basis and included in the line Other financial income (expense), net.

2.12.1 Financial assets at fair value through the income statement

Financial assets such as debt instruments, equity securities, investment funds and derivatives not designated as effective hedging instruments are classified in this category.

Debt instruments are held with the objective to manage cash flows by both collecting their contractual cash flows and selling them at market price when needed. The main purpose of such instruments is to fund obligations related to employees. They are designated as financial assets measured at fair value through the income statement to avoid recognition inconsistency resulting from changes in fair values of the financial assets and the obligations.

Other financial assets which are not debt instruments are held with the main objectives to participate in long-term partnerships, to hedge certain financial risks, and to fund obligations related to employees. Their designation as financial assets measured at fair value through the income statement is in line with management intentions to hold such assets.

These financial assets are initially measured at fair value whereas directly attributable transaction costs are expensed in the income statement. At the end of each period, the carrying value is adjusted to the fair value with a corresponding entry in the income statement until the investment is derecognised.

The subsidiaries in the United States of America entered over the years into various life insurance contracts called corporate-owned life insurance (COLI) to fund long-term obligations related to employees. For both the COLI contracts and the associated long-term obligations, adjustments to the fair value, gains and losses, are recognised in the income statement.

For quoted equity instruments, the fair value is the market value, being calculated by reference to share exchange quoted selling prices at close of business on the statement of financial position date. Non-quoted financial assets are valued at fair value based on observable market transactions or if not available based on prices given by reputable financial institutions or on the price of the latest transaction.

2.12.2 Financial assets at amortised cost

Trade receivables are the only financial assets classified as subsequently measured at amortised cost. They reach the objective of collecting contractual cash flows over their life.

Trade receivables are carried at amortised cost less allowances for loss. They generally do not contain a significant financing component. The allowance loss measurement is then determined by applying a simplified approach equalling the lifetime expected credit losses. Under this approach the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. An allowance for loss is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Allowance losses are recorded within selling, marketing and distribution expenses in the income statement. Trade receivables are deemed as impaired when there is an indication of significant financial difficulties of the debtor (delinquency in or default on payments occurs, probability of bankruptcy or need for financial reorganisation).

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2.13 Derivative Financial Instruments and Hedging Activities

Most derivative instruments are entered into to provide economic hedges. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method to recognise the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
Movements on the hedging reserve in shareholders' equity are shown in the statement of changes in equity. These derivatives are presented as current or non-current on the basis of their settlement dates.

2.13.1 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within other comprehensive income, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is immediately recognised in financing costs in the income statement.

Amounts accumulated in equity are reclassified to the income statement when the hedged transaction affects income, such as when hedged financial income (expense), net is recognised or when a forecast sale or purchase occurs.

When forward contracts are used to hedge forecast transactions such as future debt issuance, management assumes that the sources of hedge effectiveness in regards of the characteristics of the hedging relationship is sufficiently immaterial to exclusively perform a qualitative assessment.

When the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the ultimate forecast transaction occurs. If the forecast transaction is no longer expected to occur, any cumulative gain or loss existing in equity is immediately taken to the income statement.

2.13.2 Derivatives at fair value through the income statement

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through the income statement. At each statement of financial position date, these derivative instruments are valued at fair value based on quoted market prices, with the unrealised gain or loss recognised in the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivatives, at which time a realised gain or loss is recognised in the income statement.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average cost formula. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Cost of sales includes the corresponding direct production costs of goods manufactured and services rendered as well as related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.15 Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost of purchase or construction and subsequently at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes expenditure that is attributable to the purchase or construction. It includes, for qualifying assets, borrowing costs in accordance with the Group's accounting policy (see Note 2.19), and cost of its dismantlement, removal or restoration, related to the obligation for which an entity incurs as a consequence of installing the asset.

The assets are depreciated on a straight-line basis, except for land, which is not depreciated. Estimated useful lives of major classes of depreciable assets are as follows:

– Buildings and land improvements	40 years
– Machinery and equipment	5 – 15 years
– Office equipment	3 years
– Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

The carrying values of plant and equipment are written down to their recoverable amount when the carrying value is greater than their estimated recoverable amount (see Note 2.18).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount with gains being recognised within other operating income and losses being recognised within other operating expense within the income statement. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent costs such as repairs and maintenance are recognised as expenses as incurred.

2.16 Leases

Leases of assets are classified as operating leases when substantially all the risks and rewards of ownership of the assets are retained by the lessor. Operating lease payments are charged to the income statement on a straight-line basis over the term of the lease. The Group holds only operating leases.

2.17 Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is recognised in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment or more frequently when there are indications of impairment, and carried at cost less accumulated impairment losses. Impairment charges on goodwill are not reversed. Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are recognised in the local currency at the effective date of the transaction and translated at year-end exchange rates. For the purpose of impairment testing, goodwill is allocated to the cash-generating units being the Group's reportable operating segments: Fragrance Division and Flavour Division.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Internal developments are capitalised as intangible assets when there is an identifiable asset that will generate probable economic benefits and when the cost can be measured reliably. Costs include all costs directly attributable to preparing the asset for use. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Separately acquired intangible assets are capitalised when the identifiable asset will generate probable economic benefits and when its cost can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is on a straight-line basis over the estimated economic useful life of the asset. Useful life is determined based on the character of the asset. Estimated definite useful lives of major classes of amortisable assets are as follows:

– Name and product brands	3 – 7 years
– Software/ERP system	3 – 7 years
– Process-oriented technology	5 – 20 years
– Client relationships	15 – 23 years

Gains or losses arising on the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount with gains being recognised within other operating income and losses being recognised in other operating expense within the income statement.

2.18 Impairment of Long-Lived Assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the recoverable amount of a non-financial asset, being the higher of its fair value less cost to sell and its value in use, is less than its carrying amount, then the carrying amount is reduced to the asset's recoverable value. This reduction is recognised as an impairment loss within other operating expense within the income statement. Value in use is determined by using pre-tax cash-flow projections over a five-year period and a terminal value. These are discounted using a pre-tax discount rate that reflects current market conditions of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the circumstances used to determine the recoverable amount. A previously recognised impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

2.19 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2.20 Accounts Payable – Trade and Others

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are carried at amortised cost.

2.21 Debt

The proceeds of straight bonds, of private placements and of debt issued are recognised as the proceeds received, net of transaction costs incurred. Any discount arising from the coupon rate, represented by the difference between the net proceeds and the redemption value, is amortised using the effective interest rate method and charged to interest expense over the life of the bonds or the private placements. Debt is derecognised at redemption date.

Debt is classified within current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation.

Restructuring provisions comprise lease termination penalties, employee termination payments and 'make good' provisions. They are recognised in the period in which the Group becomes legally or constructively committed to payment.

2.23 Own Equity Instruments

Own equity instruments are own shares and derivatives on own shares. Purchases and sales are accounted for at the settlement date.

Purchases of own shares are recognised at acquisition cost including transaction costs as a deduction from equity. The original cost of acquisition, results from resale and other movements are recognised as changes in equity, net. Treasury shares acquired by the execution of own equity derivatives are recognised at the execution date market price.

The settlement and the contract for derivatives on own shares determine the categorisation of each instrument. When the contract assumes the settlement is made by exchanging a fixed amount of cash for a fixed number of treasury shares, the contract is recognised in equity except for a forward contract to buy and write puts which is recognised as a financial liability.
When the contract assumes the settlement either net in cash or net in treasury shares or in the case of option of settlement, the contract is recognised as a derivative. Instruments recognised in equity are recognised at acquisition cost including transaction costs. Instruments recognised as financial liabilities are recognised at the net present value of the strike price of the derivative on own shares with the interest charge recognised over the life of the derivative in the line Financing costs of the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivative, with the realised gain or loss recognised in equity.

At each statement of financial position date, instruments recognised as derivatives are valued at fair value based on quoted market prices, with any unrealised gain or loss recognised in the line Other financial income (expense), net in the income statement. They are derecognised when the Group has lost control of the contractual rights of the derivatives, with any realised gain or loss recognised.

2.24 Share Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.25 Distribution to the Shareholders
Dividend distributions or distributions out of statutory capital reserves from capital contributions - additional paid-in capital are recognised in the period in which they are approved by the Group's shareholders.

3. Critical Accounting Estimates and Judgments
The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3.1 Critical Accounting Estimates and Assumptions
The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are for the most part related to:

1) The impairment of goodwill requiring estimations of the value in use of the cash-generating units to which goodwill is allocated (see Note 22)

2) The impairment of long-lived assets requiring estimations to measure the recoverable amount of an asset or group of assets (see Note 21 and 22)

3) The calculation of the present value of defined benefit obligations requiring financial and demographic assumptions (see Note 8)

4) The determination and provision for income taxes requiring estimated calculations for which the ultimate tax determination is uncertain (see Note 16)

5) The provisions requiring assumptions to determine reliable best estimates (see Note 24)

6) The contingent liabilities assessment (see Note 28)

If, in the future, estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

3.2 Critical Judgments in Applying the Entity's Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Computer software and Enterprise Resource Planning: Computer software is internally developed programmes or modifications that result in new or in substantial improvements of existing IT systems and applications. Enterprise Resource Planning relates to the implementation of an ERP system that is changing the way the business is done in the areas of Finance, Supply Chain and Compliance. The Group has determined that the development phase of internally developed software and the ERP business transformations will provide future economic benefits to the Group and meet the criterion of intangible assets (see Note 22).

- Internal developments on formulas, technologies and products: The outcome of these developments depends on their final assemblage and application, which varies to meet customer needs, and consequently the future economic benefits of these developments are not certain. Thus the criteria for the recognition as an asset of the internal developments on formulas, technologies and products are generally not met. The expenditures on these activities are recognised as expense in the period in which they are incurred.

4. Foreign Exchange Rates

Foreign currency to Swiss francs exchange rates	ISO code	Units	**31 Dec 2016**	**Average 2016**	31 Dec 2015	Average 2015	31 Dec 2014	Average 2014
Dollar	USD	1	1.02	0.99	1.00	0.96	0.99	0.92
Euro	EUR	1	1.07	1.09	1.09	1.07	1.20	1.21
Pound	GBP	1	1.25	1.34	1.48	1.47	1.55	1.51
Yen	JPY	100	0.87	0.91	0.83	0.80	0.83	0.86
Singapore dollar	SGD	1	0.70	0.71	0.71	0.70	0.75	0.72
Real	BRL	1	0.31	0.29	0.25	0.29	0.37	0.39
Renminbi	CNY	1	0.15	0.15	0.15	0.15	0.16	0.15
Mexican peso	MXN	100	4.93	5.33	5.83	6.09	6.74	6.88
Rupiah	IDR	10,000	0.75	0.74	0.73	0.72	0.80	0.77

5. Financial Risk Management

5.1 Capital Management

The objective of the Group when managing capital is to maintain the ability to continue as a going concern whilst maximising shareholder value through an optimal balance of debt and equity.

In order to maintain or adjust the capital structure, management may increase or decrease leverage by issuing or reimbursing debt, and may propose to adjust the amounts distributed to the shareholders, return capital to shareholders, issue new shares and cancel shares through share buyback programmes.

The Group monitors its capital structure on the basis of a leverage ratio, defined as net debt divided by the equity plus net debt. Net debt is calculated as the total of the consolidated short-term and long-term debt, less cash and cash equivalents.
Equity is calculated as the total equity attributable to equity holders of the parent excluding the defined benefit pension plans remeasurement elements.

The Group has entered into several private placements which contain various covenants with externally imposed capital requirements. The Group was in compliance with these requirements as at 31 December 2016 and 2015.

The leverage ratio as at 31 December was as follows:

in millions of Swiss francs	Note	**2016**	2015
Short-term debt	23	7	208
Long-term debt	23	1,251	947
Less: cash and cash equivalents	18	(328)	(478)
Net Debt		**930**	**677**
Total equity attributable to equity holders of the parent		3,293	3,415
Remeasurement of post employment benefit obligations		575	505
Equity		**3,868**	**3,920**
Net Debt and Equity		**4,798**	**4,597**
Leverage ratio		**19%**	**15%**

The Group intends to maintain its medium term leverage ratio below 25%.

5.2 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group generally enters into financial derivative transactions to hedge underlying business related exposures.

Risk management is carried out by a team within the central treasury department (hereafter "Group Treasury") under the risk management policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Group Treasury monitors and manages financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risk. To manage the interest rate and currency risk arising from the Group's operations and its sources of finance, the Group enters into derivative transactions, primarily interest rate swaps, forward currency contracts and options. Compliance with policies and exposure limits is reviewed by the treasury controlling on a continuous basis. Group Treasury issues monthly reports for the Chief Financial Officer and quarterly reports for the Audit Committee.

Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

2016 in millions of Swiss francs	Note	At amortised cost	At fair value through the income statement	Derivatives used for hedge accounting	Other financial liabilities	Total
Current assets						
Cash and cash equivalents	18	328				328
Derivative financial instruments	5.3		9			9
Financial assets at fair value through income statement	5.3		1			1
Accounts receivable – trade	19	996				996
Other current assets [a]		192				192
Non-current assets						
Financial assets at fair value through income statement	5.3		59			59
Total assets as at 31 December		**1,516**	**69**			**1,585**
Current liabilities						
Short-term debt	23				7	7
Derivative financial instruments	5.3		32			32
Accounts payable					494	494
Non-current liabilities						
Derivative financial instruments [b]	5.3			62		62
Long-term debt	23				1,251	1,251
Total liabilities as at 31 December			**32**	**62**	**1,752**	**1,846**

a) Other current assets consist of other receivables non trade.
b) Derivatives qualified as hedge accounting on non-current transactions are classified and presented as non-current liabilities (see Note 2.13).

2015 [c] in millions of Swiss francs	Note	At amortised cost	At fair value through the income statement	Derivatives used for hedge accounting	Other financial liabilities	Total
Current assets						
Cash and cash equivalents	18	478				478
Derivative financial instruments	5.3		17			17
Financial assets at fair value through income statement	5.3		2			2
Accounts receivable – trade	19	901				901
Other current assets [a]		143				143
Non-current assets						
Financial assets at fair value through income statement	5.3		76			76
Total assets as at 31 December [c]		**1,522**	**95**			**1,617**
Current liabilities						
Short-term debt	23				208	208
Derivative financial instruments	5.3		18			18
Accounts payable					400	400
Non-current liabilities						
Derivative financial instruments [b]	5.3		6	56		62
Long-term debt	23				947	947
Total liabilities as at 31 December			**24**	**56**	**1,555**	**1,635**

a) Other current assets consist of other receivables non trade.
b) Derivatives qualified as hedge accounting on non-current transactions are classified and presented as non-current liabilities (see Note 2.13).
c) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

The carrying amount of each class of financial assets and liabilities disclosed in the previous tables approximates the fair value. The fair value of each class of financial assets and liabilities, except financial assets at amortised cost, is determined by reference to published price quotations and is estimated based on valuation techniques using the quoted market prices. Given the nature of the Group's accounts receivable trade items, the carrying value is considered as equivalent to the fair value.

5.2.1 Market Risk

The Group's activities primarily expose it to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Group enters into a number of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- Currency derivatives, mainly forward foreign exchange contracts, to hedge the exchange rate risk arising from recorded transactions.
- Interest rate swaps and other instruments to mitigate the risk of interest rate increases and/or to optimally manage interest rate costs depending on the prevailing interest rate environment.

Market risk exposures are measured using sensitivity analysis. There has been no change during the year in the structure of the Group's exposure to market risks or the manner in which these risks are managed.

5.2.1.1 Foreign Exchange Risk

The Group operates across the world and is exposed to movements in foreign currencies affecting its net income and financial position. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

It is the Group's policy to enter into derivative transactions to hedge current, forecasted foreign currency transactions, and translation risk arising from certain investments in foreign operations with a functional currency different from the Group's presentation currency.

While these are hedges related to underlying business transactions, the Group generally does not apply hedge accounting on transactions related to management of its foreign exchange risk.

Group Treasury centrally manages foreign exchange risk management activities against the functional currency of each subsidiary, and is required to hedge, whenever cost-effective, their largest exposures.

The measurement of the foreign currency risk expresses the total exposure by currency, which is in the opinion of Group Treasury a representative manner to monitor the risk. It measures the cumulative foreign exchange risk of all subsidiaries of recognised assets and liabilities that are denominated in a currency (e.g. USD) that is not the subsidiary's functional currency (e.g. other than USD).

The following table summarises the significant exposures to the foreign currency risk at the date of the consolidated statement of financial position:

Currency exposure 2016 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Currency exposure without hedge [a]	388	(42)	(6)	(149)	121
Hedged amount	(406)	22	4	148	(127)
Currency exposure including hedge	(18)[b]	(20)	(2)	(1)	(6)

a) + long position; - short position.
b) Mainly due to unhedged positions in countries where hedging is not cost-effective.

Currency exposure 2015 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Currency exposure without hedge [a]	23	(25)	(11)	(147)	117
Hedged amount	(64)	26	(4)	146	(121)
Currency exposure including hedge	(41)[b]	1	(15)	(1)	(4)

a) + long position; - short position.
b) Mainly due to unhedged positions in countries where hedging is not cost-effective.

In the exposure calculations, the intra Group positions, except those related to net investments in foreign operations, are included. The following table summarises the sensitivity to transactional currency exposures of the main currencies at 31 December. The sensitivity analysis is disclosed for each currency representing significant exposure:

Currency risks 2016 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Reasonable shift	13%	8%	8%	11%	7%
Impact on income statement if the currency strengthens against all other currencies	(4)	(2)	–	–	–
Impact on income statement if the currency weakens against all other currencies	4	2	–	–	–

Currency risks 2015 in millions of Swiss francs	USD	EUR	CHF	GBP	SGD
Reasonable shift	24%	9%	9%	11%	11%
Impact on income statement if the currency strengthens against all other currencies	(13)	–	(1)	–	–
Impact on income statement if the currency weakens against all other currencies	13	–	1	–	–

The sensitivity is based on the exposure at the date of the consolidated statement of financial position and based on assumptions deemed reasonable by management, showing the impact on income before tax. Management uses historical volatilities of the significant currencies contributing to the exposure to determine the reasonable change.

5.2.1.2 Interest Rate Risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates, and invests in debt financial instruments. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially counterbalanced by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Group Treasury manages interest rate risk centrally by simulating various scenarios on liabilities taking into consideration refinancing, renewal of existing positions and hedging. Hedging strategies are applied by either positioning the liabilities or protecting interest expense through different interest cycles. Hedging activities are regularly evaluated to align interest rate views and defined risk limits. Group Treasury manages interest rate risk mainly by the use of interest rate swap contracts and forward interest rate contracts.

The following table shows the sensitivity to interest rate changes:

As at 31 December 2016 in millions of Swiss francs	150 basis points increase	25 basis points decrease
Impact on income statement	–	–
Impact on equity	64	(13)

As at 31 December 2015 in millions of Swiss francs	150 basis points increase	25 basis points decrease
Impact on income statement	2	–
Impact on equity	59	(12)

The sensitivity is based on exposure on liabilities at the date of the consolidated statement of financial position using assumptions which have been deemed reasonable by management showing the impact on the income before tax.

Cash flow hedges

Inception date	Hedged items	Hedge instruments	Objectives	Comments
2009	Highly probable future debt issuances in 2011.	Several forward starting interest rate swaps commencing in 2011, totalling CHF 200 million with an average rate of 2.69% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In June 2011, the Group issued a 2.50% 7 year public bond (maturity 15 June 2018) with a nominal value of CHF 300 million. Correspondingly, hedge positions assigned to this bond issuance of CHF 200 million have been closed. The amortisation of the realised loss of CHF 14 million was recognised in Financing costs over 5 years until 15 June 2016.
2009	Highly probable future debt issuances in 2012.	Several forward starting interest rate swaps commencing in 2012, totalling CHF 250 million with an average rate of 2.70% and a 5 year maturity and CHF 50 million with an average rate of 2.45% and a 3 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In December 2011, the Group issued a dual tranche public bond, totalling CHF 300 million, respectively of CHF 150 million at a rate of 1.250% for 5 years and CHF 150 million at the rate of 2.125% for 10 years. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss was recognised in Financing costs for CHF 4 million over 3 years until 7 December 2014, and CHF 28 million over 5 years until 7 December 2016.
2011/ 2012	Highly probable future debt issuances in 2014.	Several forward starting interest rate swaps commencing in 2014, totalling CHF 250 million with an average rate of 1.54% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In March 2014, the Group issued a 1.00% 6.5 year public bond with a nominal value of CHF 100 million; and a 1.75% 10 year public bond with a nominal value of CHF 150 million. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss of CHF 15 million is recognised in Financing costs over 5 years until 19 March 2019.
2012	Highly probable future debt issuances in 2016.	Several forward starting interest rate swaps commencing in 2016, totalling CHF 75 million with an average rate of 1.63% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	In December 2016, the Group issued a 0.000 % 6 year public bond with a nominal value of CHF 100 million; and a 0.625% 15 year public bond with a nominal value of CHF 200 million. Correspondingly, hedge positions assigned to this bond issuance have been closed. The amortisation of the realised loss of CHF 8 million is recognised in Financing costs over 5 years until 7 December 2021.
2012	Highly probable future private placements issuance in the USA in 2013.	Several derivatives instruments fixing the interest rate at 1.80% on average for a total amount of USD 100 million.	Protection against short-term increases in USD interest rates and to fix the interest rates.	The cash flow hedges were effective during the period. The amount of USD 1 million (equivalent to CHF 1 million) deferred in hedging reserve in other comprehensive income is recycled over the next 10 years as Financing cost from 6 February 2013, date when the proceeds were received.
2012/ 2014	Highly probable future debt issuances in 2018.	Several forward starting interest rate swaps commencing in 2018, totalling CHF 150 million with an average rate of 1.90% and a 5 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2020.	Several forward starting interest rate swaps commencing in 2020, totalling CHF 75 million with an average rate of 2.12% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2021.	Several forward starting interest rate swaps commencing in 2021, totalling CHF 125 million with an average rate of 2.05% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2014/ 2015	Highly probable future debt issuances in 2024.	Several forward starting interest rate swaps commencing in 2024, totalling CHF 100 million with an average rate of 2.35% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.
2016	Highly probable future debt issuances in 2031.	Several forward starting interest rate swaps commencing in 2031, totalling CHF 75 million with an average rate of 0.90% and a 10 year maturity.	Protection against future increases in CHF interest rates and to fix the interest rates.	The cash flow hedges were effective during the year.

5.2.1.3 Price Risk

The Group is exposed to equity price risk arising from equity investments held classified at fair value through income statement. The Group manages its price risk through a diversification of portfolios within the limits approved by the Board of Directors.

The Group holds its own shares to meet future expected obligations under the various share-based payment schemes.

Sensitivity analysis

The Group's equity portfolio is composed exclusively of US shares. The benchmark for the reasonable change is an average of historical volatility of US indexes (16% for the last three years).

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period:

2016 – reasonable shifts: 16%US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	5	(5)

2015 – reasonable shifts: 15%US in millions of Swiss francs	Equity price increase	Equity price decrease
Impact on income statement	6	(6)

5.2.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Commercial Credit risk is managed by the Group's subsidiaries and monitored on a Group basis whilst counterparty risk related to financial institutions is centrally managed within the Group Treasury function.

Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits, ongoing credit evaluation and account monitoring procedures. Generally, there is no significant concentration of trade receivables or commercial counterparty credit risk, due to the large number of customers that the Group deals with and their wide geographical spread with the exception of one single external customer that generates revenues, mainly attributable to the Fragrance Division, of approximately CHF 552 million (2015: CHF 545 million). Countries, credit limits and exposures are continuously monitored.

The credit risk on liquid funds, derivatives and other monetary financial assets is limited because the counterparties are financial institutions with investment grade ratings.

The following table presents the credit risk exposure to individual financial institutions:

			2016			2015
	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks	Total in Mio CHF	Max. with any individual bank in Mio CHF	Number of banks
AAA – range	46	46	1	79	79	1
AA – range	60	59	2	145	140	2
A – range	47	41	5	99	48	4
BBB – range	169	76	6	157	68	7

The carrying amount of financial assets recognised in the consolidated financial statements which is net of impairment losses, represents the Group's maximum exposure to credit risk.

5.2.3 Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash, marketable securities, availability of funds through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed and uncommitted credit lines.

Group Treasury monitors and manages cash at the Group level and defines the maximum cash level at subsidiary level. Cash surpluses held by subsidiaries over and above amounts required for working capital management are transferred to the central treasury centre. The surplus of cash is generally invested in interest bearing current accounts, time deposits, money market deposits and funds. When necessary, intercompany loans are granted by the Group to subsidiaries to meet their non-recurrent payment obligations.

The following table analyses the Group's remaining contractual maturity for financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is obliged to pay. The table includes both interest and principal cash flows:

2016 in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Accounts payable	(494)				(494)
Net settled derivative financial instruments	–		(14)	(48)	(62)
Gross settled derivative financial instruments – outflows	(1,335)	(266)			(1,601)
Gross settled derivative financial instruments – inflows	1,314	264			1,578
Long-term debt	(19)	(5)	(662)	(702)	(1,388)
Balance as at 31 December	**(534)**	**(7)**	**(676)**	**(750)**	**(1,967)**

2015 in millions of Swiss francs	Up to 6 months	6 – 12 months	1 – 5 years	Over 5 years	Total
Short-term debt (excluding bank overdraft)	(58)	(152)			(210)
Accounts payable	(400)				(400)
Net settled derivative financial instruments	(3)	(3)	(14)	(43)	(63)
Gross settled derivative financial instruments – outflows	(1,267)	(147)			(1,414)
Gross settled derivative financial instruments – inflows	1,268	146			1,414
Long-term debt	(17)	(3)	(515)	(549)	(1,084)
Balance as at 31 December	**(477)**	**(159)**	**(529)**	**(592)**	**(1,757)**

5.3 Fair Value Measurements

The following tables present the Group's assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is measured:

- **Level 1** inputs to measure fair value are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** inputs to measure fair value are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** inputs to measure fair value are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2016 in millions of Swiss francs	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
Forward foreign exchange contracts		9		9
Corporate owned life insurance		29		29
Equity securities	1	13		14
Debt securities	–	17		17
Total assets	**1**	**68**		**69**
Financial liabilities at fair value through income statement				
Forward foreign exchange contracts		31		31
Swaps (hedge accounting)		62		62
Swaps (no hedge accounting)		1		1
Total liabilities		**94**		**94**

2015 [a] in millions of Swiss francs	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
Forward foreign exchange contracts		17		17
Corporate owned life insurance		35		35
Equity securities	1	21		22
Debt securities	1	20		21
Total assets	**2**	**93**		**95**
Financial liabilities at fair value through income statement				
Forward foreign exchange contracts		18		18
Swaps (hedge accounting)		56		56
Swaps (no hedge accounting)		6		6
Total liabilities		**80**		**80**

Financial assets and liabilities at fair value through income statement are measured with Level 2 inputs. They consist of forward foreign exchange contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts, of interest swaps that are measured using quoted interest rates and yield curves derived from quoted interest rates matching maturities of the contracts, and of corporate owned life insurance (COLI) that are measured on quoted instruments with similar credit ratings and terms in a mix of money market, fixed income and equity funds managed by unrelated fund managers.

There was no transfer between Level 1 and 2 in the period. The Group did not carry out any transactions on level 3 type assets during 2016 and 2015, nor did it have any assets in this category at 31 December 2016 and 2015.

6. Acquisitions

On 25 July 2016, Givaudan acquired assets and liabilities of Spicetec Flavors and Seasonings from ConAgra Foods, incorporated in the United States of America for a purchase price of CHF 331 million. Spicetec offers a range of flavours, spices and savoury seasoning solutions to customers, primarily in North America and operates from locations in Omaha, Nebraska; Carol Stream, Illinois and Cranbury, New Jersey, employing 280 people. The transaction is expected to add approximately CHF 178 million to Givaudan's revenue on a full year basis. From 25 July 2016, the acquisition contributed CHF 71 million of sales and CHF 8 million of EBITDA to the Group's consolidated results.

The goodwill of CHF 150 million on the acquisition relates mainly to the value of the qualified workforce and expected synergies that do not meet the criteria for recognition as separable intangible assets. None of the goodwill arising from the acquisition is expected to be tax deductible.

The Group incurred transaction related costs of CHF 1 million related to external legal fees and due diligence. These expenses are reported within other operating expense in the consolidated income statement.

The identifiable assets and liabilities of Spicetec acquired are recorded at fair value at the date of acquisition. Total net assets acquired of CHF 181 million consist of working capital (CHF 43 million), fixed assets (CHF 30 million), intangible assets which are made up of process knowledge, research expertise, client relationships, name and product brands (CHF 112 million), and other liabilities (CHF 4 million). The total purchase price of CHF 331 million was settled in cash, resulting in a goodwill of CHF 150 million.

In compliance with IFRS 3, these values determined are provisional and the Group has twelve months from the date of acquisition to finalise the allocation of the acquisition price.

7. Segment Information

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to allocate resources to the segments and to assess their performance. The Executive Committee considers the business from a divisional perspective:

Fragrances Manufacture and sale of fragrances into three global business units: Fine Fragrances, Consumer Products and, Fragrance and Active Beauty; and

Flavours Manufacture and sale of flavours into four business units: Beverages, Dairy, Savoury and Sweet Goods. The information of these business units are reviewed by the Executive Committee primarily by region.

The performance of the operating segments is based on EBITDA as a percentage of sales.

Business segments

		Fragrances		Flavours		Group	
in millions of Swiss francs	Note	**2016**	2015	**2016**	2015	**2016**	2015
Segment sales		2,230	2,096	2,446	2,311	4,676	4,407
Less inter segment sales[a]		–	–	(13)	(11)	(13)	(11)
Segment sales to third parties		**2,230**	**2,096**	**2,433**	**2,300**	**4,663**	**4,396**
EBITDA		**603**	**498**	**523**	**572**	**1,126**	**1,070**
as % of sales		27.0%	23.7%	21.5%	24.9%	24.1%	24.3%
Depreciation	21	(51)	(50)	(62)	(62)	(113)	(112)
Amortisation	22	(59)	(73)	(73)	(84)	(132)	(157)
Impairment of long-lived assets	21, 22		(1)	(6)	(6)	(6)	(7)
Addition to Property, plant and equipment	21	59	66	113	77	172	143
Acquisition of Property, plant and equipment	6, 21		2	30		30	2
Addition to Intangible assets	22	41	18	7	20	48	38
Acquisition of Intangible assets	6, 22		38	112		112	38
Total Gross Investments		**100**	**124**	**262**	**97**	**362**	**221**

a) Transfer prices for inter-divisional sales are set on an arm's length basis.

The amounts by division provided to the Executive Committee are measured in a consistent manner in terms of accounting policies with the consolidated financial statements.

Reconciliation table to Group's operating income

	Fragrances		Flavours		Group	
in millions of Swiss francs	**2016**	2015	**2016**	2015	**2016**	2015 [a]
EBITDA	**603**	**498**	**523**	**572**	**1,126**	**1,070**
Depreciation	(51)	(50)	(62)	(62)	(113)	(112)
Amortisation	(59)	(73)	(73)	(84)	(132)	(157)
Impairment of long-lived assets		(1)	(6)	(6)	(6)	(7)
Operating income	**493**	**374**	**382**	**420**	**875**	**794**
as % of sales	22.1%	17.8%	15.7%	18.3%	18.8%	18.1%
Financing costs					(51)	(61)
Other financial income (expense), net					(40)	(37)
Income before taxes					**784**	**696**
as % of sales					16.8%	15.8%

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

Entity-wide disclosures

The breakdown of revenues from the major group of similar products is as follows:

in millions of Swiss francs	**2016**	2015
Fragrance Division		
Fragrance Compounds	1,933	1,823
Fragrance Ingredients and Active Beauty	297	273
Flavour Division		
Flavour Compounds	2,433	2,300
Total revenues	**4,663**	**4,396**

The Group operates in five geographical areas: Switzerland (country of domicile); Europe, Africa and Middle-East; North America; Latin America; and Asia Pacific.

	Segment sales [a]		Non-current assets [b]	
in millions of Swiss francs	**2016**	2015	**2016**	2015
Switzerland	45	42	1,435	1,445
Europe	1,205	1,176	436	549
Africa and Middle-East	351	349	50	63
North America	1,151	1,020	1,235	954
Latin America	591	571	135	120
Asia Pacific	1,320	1,238	497	477
Total geographical segments	**4,663**	**4,396**	**3,788**	**3,608**

a) Segment sales are revenues from external customers and are shown by destination.
b) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets. They consist of property, plant and equipment, intangible assets and investments in jointly controlled entities.

Revenues of approximately CHF 552 million (2015: CHF 545 million) are derived from a single external customer. These revenues are mainly attributable to the Fragrance Division.

8. Employee Benefits

The following amounts related to employee remuneration and benefits are included in determining operating income:

in millions of Swiss francs	**2016**	2015
Wages and salaries	783	722
Social security costs	115	104
Post-employment benefits: defined benefit plans	(23)	1
Post-employment benefits: defined contribution plans	19	18
Equity-settled instruments	44	35
Cash-settled instruments	(5)	2
Change in fair value on own equity instruments	–	–
Other employee benefits	91	99
Total employees' remuneration	**1,024**	**981**

Defined Benefit Plans

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The most significant plans are held in Switzerland, United States of America and United Kingdom (further information by country is disclosed at the end of this note).

The defined benefit plan held in the Netherlands has been transferred in the first six months of 2015 to a multi-employer plan which by its nature is a defined contribution plan. The transfer resulted in a one-off non-cash gain of CHF 32 million, net of compensation, recognised in the line "other operating income" in the consolidated income statement. The related contribution expensed in the income statement was CHF 5 million.

During 2016, the defined benefit plans held in the United States of America and United Kingdom have been frozen which means that no further build up of benefits will occur in the arrangements. These freezes resulted in one-off non-cash gains of CHF 55 million in the United States of America and CHF 7 million in the United Kingdom recognised in the line "other operating income" in the consolidated income statement.

Non-pension plans consist primarily of post-retirement healthcare and life insurance schemes, principally in the United States of America.

The amounts recognised in the consolidated income statement are as follows:

			2016			2015
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Current service cost	37	2	39	42	2	44
Gain arising from settlement	(62)		(62)	(43)		(43)
Total included in employees' remuneration	**(25)**	**2**	**(23)**	**(1)**	**2**	**1**
Net interest cost included in financing costs	10	3	13	13	3	16
Total components of defined benefit cost	**(15)**	**5**	**(10)**	**12**	**5**	**17**
Of which arising from:						
Funded obligations	(17)	5	(12)	7	5	12
Unfunded obligations	2	–	2	5	–	5

The amounts recognised in other comprehensive income are as follows:

			2016			2015
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
(Gains) losses from change in demographic assumptions	25	(1)	24	(28)	–	(28)
(Gains) losses from change in financial assumptions	188	2	190	(50)	(1)	(51)
Experience (gains) losses	11	(6)	5	3	(4)	(1)
Return on plan assets less interest on plan assets	(71)	–	(71)	13	–	13
Remeasurement (gains) losses of post employment benefit obligations	**153**	**(5)**	**148**	**(62)**	**(5)**	**(67)**
Of which arising from:						
Funded obligations	148	(5)	143	(54)	(5)	(59)
Unfunded obligations	5	–	5	(8)	–	(8)

The amounts recognised in the statement of financial position are as follows:

			2016			2015
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Funded obligations						
Present value of funded obligations	(2,094)	(70)	(2,164)	(1,961)	(72)	(2,033)
Fair value of plan assets	1,538	1	1,539	1,491	1	1,492
Recognised asset (liability) for funded obligations, net	**(556)**	**(69)**	**(625)**	**(470)**	**(71)**	**(541)**
Unfunded obligations						
Present value of unfunded obligations	(80)	(11)	(91)	(77)	(12)	(89)
Recognised asset (liability) for unfunded obligations	**(80)**	**(11)**	**(91)**	**(77)**	**(12)**	**(89)**
Total defined benefit asset (liability)	**(636)**	**(80)**	**(716)**	**(547)**	**(83)**	**(630)**
Deficit recognised as liabilities for post employment benefits	(648)	(80)	(728)	(562)	(83)	(645)
Surplus recognised as part of the other long-term assets	12		12	15		15
Total net asset (liability) recognised	**(636)**	**(80)**	**(716)**	**(547)**	**(83)**	**(630)**

Amounts recognised in the statement of financial position for post-employment defined benefit plans are predominantly non-current. The non-current portion is reported as non-current assets and non-current liabilities. The current portion is reported as current liabilities within other current liabilities.

Changes in the present value of the defined benefit obligation are as follows:

			2016			2015
in millions of Swiss francs	Pension Plans	Non-pension Plans	Total	Pension Plans	Non-pension Plans	Total
Balance as at 1 January	**2,038**	**84**	**2,122**	**2,495**	**88**	**2,583**
Amounts recognised in the income statement						
Current service cost	37	2	39	42	2	44
Interest cost	46	3	49	49	3	52
Amounts recognised in the other comprehensive income						
(Gains) losses from change in demographic assumptions	25	(1)	24	(28)	–	(28)
(Gains) losses from change in financial assumptions	188	2	190	(50)	(1)	(51)
Experience (gains) losses	11	(6)	5	3	(4)	(1)
Employee contributions	10	1	11	10	1	11
Benefit payments	(66)	(4)	(70)	(74)	(4)	(78)
Settlements [a]	(62)		(62)	(355)		(355)
Currency translation effects	(53)	–	(53)	(54)	(1)	(55)
Balance as at 31 December	**2,174**	**81**	**2,255**	**2,038**	**84**	**2,122**

a) Settlements related to the transfer of the pension plan in the Netherlands (2015) and the freeze in the United States of America (2016) and United Kingdom (2016).

Changes in the fair value of the plan assets are as follows:

in millions of Swiss francs	Pension Plans 2016	Non-pension Plans 2016	Total 2016	Pension Plans 2015	Non-pension Plans 2015	Total 2015
Balance as at 1 January	**1,491**	**1**	**1,492**	**1,848**	**1**	**1,849**
Amounts recognised in the income statement						
Interest income	36	–	36	36	–	36
Amounts recognised in the other comprehensive income						
Return on plan assets less interest on plan assets	71	–	71	(13)	–	(13)
Employer contributions	42	3	45	43	2	45
Employee contributions	10	1	11	10	1	11
Benefit payments	(66)	(4)	(70)	(74)	(4)	(78)
Settlements [a]				(312)		(312)
Currency translation effects	(46)	–	(46)	(47)	1	(46)
Balance as at 31 December	**1,538**	**1**	**1,539**	**1,491**	**1**	**1,492**

a) Settlements related to the transfer of the pension plan in the Netherlands (2015).

Plan assets are comprised as follows:

in millions of Swiss francs	2016	2016	2015	2015
Debt	489	32%	476	32%
Equity	602	39%	533	36%
Property	215	14%	199	13%
Insurances policies and other	233	15%	284	19%
Total	**1,539**	**100%**	**1,492**	**100%**

The investment strategies are diversified within the respective statutory requirements of each country providing long-term returns with an acceptable level of risk. The plan assets are primarily quoted in an active market with exception of the property and insurance policies.

The plan assets do not include Givaudan registered shares. They do not include any property occupied by, or other assets used by, the Group.

The Group operates defined benefit plans in many countries for which the actuarial assumptions vary based on local economic and social conditions. The assumptions used in the actuarial valuations of the most significant defined benefit plans, in countries with stable currencies and interest rates, were as follows:

Weighted percentage	2016	2015
Discount rates	1.9%	2.5%
Projected rates of remuneration growth	1.7%	2.6%
Future pension increases	0.8%	0.8%
Healthcare cost trend rate	5.0%	5.0%

The overall discount rate and the overall projected rates of remuneration growth are calculated by weighting the individual rates in accordance with the defined benefit obligation of the plans.

Sensitivity analysis

The defined benefit obligations are calculated on the basis of various financial and demographic assumptions. The below information quantifies the consequences of a change in some key assumptions.

The effects ((gain)/loss) of the change in assumptions are as follows:

in millions of Swiss francs	Change in assumption	Effects of the change	Increase in assumption	Decrease in assumption
Discount rate	0.5%	on the current service cost	(4)	4
		on the defined benefit obligation	(179)	197
Salary increases	0.5%	on the current service cost	1	(1)
		on the defined benefit obligation	7	(14)
Pension increases	0.5%	on the current service cost	2	–
		on the defined benefit obligation	110	(30)
Medical cost trend	1.0%	on the current service cost	–	–
		on the defined benefit obligation	4	(4)
Life expectancy	1 year	on the current service cost	1	(1)
		on the defined benefit obligation	72	(74)

Information by country

Switzerland

According to the Swiss Federal Law on Occupational Retirement, Survivors and Disability (LPP/BVG), the pension plan is managed by an independent, legally autonomous entity which has the legal structure of a foundation.

The Board of Trustees of the foundation is composed of equal numbers of employee and employer representatives. Each year the Board of Trustees decides the level of interest, if any, to apply to the retirement accounts in accordance with the pension policy. It is also responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The foundation provides benefits on a defined contribution basis.

The majority of the employees are participants to the plan and are insured against the financial consequences of old age, disability and death. The employer and employees pay contributions to the pension plan at rates set out in the foundation rules based on a percentage of salary. The amount of the retirement account can be taken by the employee at retirement in the form of pension or capital.

Under IAS19 employee benefits, the pension plan is classified as defined benefit plan due to the promises and underlying benefits guarantees. Consequently the pension obligation is calculated by using the projected unit credit method.

The Group expects to contribute CHF 18 million to these plans during 2017 (2016: CHF 18 million).

United States of America

The main US pension plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law the assets of the plan are legally separate from the employer and are held in a pension trust. The plan was frozen during the first six months of 2016 and consequently no further accrual of benefits will continue as at the date of enforcement of the plan change.

The law requires minimum and maximum amounts that can be contributed to the trust, together with limitations on the amount of benefits that may be provided under the plan. There are named fiduciaries that are responsible for ensuring the plan is managed in accordance with the law. The fiduciaries are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. The plan provides benefits on a defined benefit basis.

The accrued benefits based on service to the plan freeze are payable at retirement and on death in service. With exceptions for optional lump sum amounts for certain sections of the plan, the benefits are paid out as annuities.

Under IAS19 employee benefits, the pension obligations are calculated by using the projected unit credit method.

The Group expects to contribute CHF 6 million to these plans during 2017 (2016: CHF 16 million).

United Kingdom
The two occupational pension schemes (Quest UK Pension Scheme and Givaudan UK Pension Plan) are arranged under the applicable UK Pension Schemes and Pensions Acts and managed as legally autonomous pension trusts by the Boards of Trustees. The plans were frozen during the second half of 2016 and consequently no further accrual benefits will continue as at the date of enforcement of the plan change.

The Boards of Trustees are composed of two employee representatives and four employer representatives, for the Quest UK Pension Scheme, and three employee representatives, three employer representatives plus two pensioner representatives for the Givaudan UK Pension Plan. The Boards of Trustees are responsible for the investment of the assets defining the investment strategy for long-term returns with an acceptable level of risk. In their respective sections, both trusts provide benefits on a defined benefit basis and are now frozen to future accruals and members.

The accrued benefits based on service to the plan freeze are payable at retirement and on death in service. With exceptions for trivial amounts, transfer values, lump sum death benefits and tax free lump sums, the benefits are paid out as annuities.

Under IAS19 employee benefits, the pension obligations in the defined benefit sections of both the Quest UK Pension Scheme and the Givaudan UK Pension Plan are calculated by using the projected unit credit method.

The Group expects to contribute CHF 9 million to these plans during 2017 (2016: CHF 13 million).

Rest of the world
The Group operates other retirement plans classified either as defined benefit or defined contribution plans in some other countries. No individual plan other than those described above is considered material to the Group.

The Group expects to contribute CHF 3 million to these plans in 2017 (2016: CHF 3 million).

The funding position of the funded defined benefit plans are as follows:

As at 31 December 2016 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Other countries	Total
Present value of defined benefit obligation	1,208	442	366	78	2,094
Fair value of plan asset	797	382	316	43	1,538
Deficit / (surplus)	**411**	**60**	**50**	**35**	**556**
Funding ratio	66.0%	86.4%	86.3%	55.1%	73.4%

As at 31 December 2015 in millions of Swiss francs	Switzerland	United States of America	United Kingdom	Other countries	Total
Present value of defined benefit obligation	1,089	458	339	75	1,961
Fair value of plan asset	779	362	307	43	1,491
Deficit / (surplus)	**310**	**96**	**32**	**32**	**470**
Funding ratio	71.5%	79.0%	90.6%	57.3%	76.0%

Key assumptions

2016 in percentage	Switzerland	United States of America	United Kingdom
Discount rate	0.60	4.25	2.60
Future salary increases	2.00	n/a	n/a
Future pension increases	0.00	n/a	2.55
Future average life expectancy for a pensioner retiring at age 65	23.3	21.8	23.2

2015 in percentage	Switzerland	United States of America	United Kingdom
Discount rate	1.00	4.60	3.70
Future salary increases	2.00	3.50	3.75
Future pension increases	0.00	n/a	3.10
Future average life expectancy for a pensioner retiring at age 65	22.8	22.2	23.1

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following tables:

(i) Switzerland: BVG2015
(ii) United States of America: RP2014
(iii) United Kingdom: S2PA

Allowance for future improvements in mortality have been allowed for as appropriate in each country. In Switzerland the generational rates have been used. In the United States of America the published rates have been adjusted and projected in accordance with the MP2016 scale. In the United Kingdom the rates reflect the latest (2015) CMI projections with a 1.25% long term rate of improvement.

9. Share-Based Payments

Performance share plan

Performance share plans are granted on a yearly basis. The performance shares are converted into tradable and transferable shares of Givaudan SA after the vesting period, subject to performance conditions. The performance metric is a combination of the average sales growth of selected peer companies and the cumulative free cash flow margin. There is no market vesting condition involved and participation in this plan is mandatory.

Year of grant	Commencing date	Vesting date	Number of shares expected to be delivered at vesting date	Fair value at grant date (CHF)
2014	31 Mar 2014	31 Mar 2017	33,301	1,214.4
2015	31 Mar 2015	31 Mar 2018	23,628	1,595.9
2016	31 Mar 2016	15 Apr 2019	22,181	1,709.4

The cost of the equity-settled instruments of CHF 42 million (2015: CHF 33 million) has been expensed in the consolidated income statement. A marginal portion of the number of shares expected to be delivered can be settled in cash in the jurisdictions where a physical delivery is not admitted.

Equity-settled instruments related to restricted shares

Restricted shares shown in the table below have been granted on a yearly basis. These shares are tradable and transferable after the vesting period. Participation in these plans is mandatory.

Restricted shares outstanding at the end of the year have the following terms:

Year of grant	Commencing date	Vesting date	Restricted share at grant date (CHF)	**Number of restricted share 2016**	Number of restricted share 2015
2013	29 Mar 2013	1 Mar 2016	970.4		1,125
2014	31 Mar 2014	31 Mar 2017	1,214.4	1,190	1,190
2015	31 Mar 2015	31 Mar 2018	1,595.9	1,092	1,092
2016	31 Mar 2016	15 Apr 2019	1,709.4	935	

Of the 3,217 outstanding restricted shares (2015: 3,407), no share (2015: none) was deliverable. The cost of these equity-settled instruments of CHF 2 million (2015: CHF 2 million) has been expensed in the consolidated income statement.

Movements in the number of restricted shares outstanding are as follows:

Number of restricted shares	**2016**	2015
As at 1 January	**3,407**	**12,674**
Granted	935	1,092
Delivered/Sold	(1,125)	(10,359)
Lapsed/cancelled		
As at 31 December	**3,217**	**3,407**

For these plans, the Group has at its disposal treasury shares.

10. Jointly Controlled Entities

Year of incorporation	Name of Joint ventures	Principal activity	Country of incorporation	Ownership interest
2014	Jiangsu Xinrui Aromatics Ltd	Production of fragrance ingredients	China	49%
2014	BGN Tech LLC	Innovative natural ingredients	USA	49%
2015	Natural Extracts International Ltd	Natural ingredient derivatives production	Mauritius	49%
2016	Vanilla International Ltd	Natural ingredient collection and extract	Mauritius	49%

Summarised financial information in respect of the Group's joint ventures is set out below. The following net assets represent 100% of the jointly controlled entities:

in millions of Swiss francs	**2016**	2015
Current assets	114	42
Non-current assets	41	34
Current liabilities	(79)	(14)
Non-current liabilities	(5)	(6)
Total net assets of joint ventures	**71**	**56**

As at 31 December in millions of Swiss francs	**2016**	2015
Income	9	5
Expenses	(11)	(10)

11. Other Operating Income

in millions of Swiss francs	**2016**	2015
Other income	75	41
Total other operating income	**75**	**41**

For the year ended 31 December 2016, the Group recognised one-off non-cash gains of CHF 55 million in the United States of America and CHF 7 million in the United Kingdom (2015: CHF 32 million in the Netherlands).

12. Other Operating Expense

in millions of Swiss francs	**2016**	2015
Amortisation of intangible assets	47	79
Impairment of long-lived assets	6	7
Losses on disposal of fixed assets	4	3
Environmental provisions	4	15
Other project related expenses	14	3
Acquisition related costs	1	1
Other expenses	25	24
Total other operating expense	**101**	**132**

13. Expenses by Nature

in millions of Swiss francs	Note	2016	2015
Raw materials and consumables used		1,769	1,642
Total employee remuneration	8	1,024	981
Depreciation, amortisation and impairment charges	21, 22	251	276
Transportation expenses		45	37
Freight expenses		89	86
Consulting and service expenses		116	109
Other expenses		494	471
Total operating expenses by nature		**3,788**	**3,602**

14. Financing Costs

in millions of Swiss francs	Note	2016	2015
Interest expense		42	47
Net interest related to defined benefit pension plans	8	13	16
Derivative interest (gains) losses		(5)	(3)
Amortisation of debt discounts		1	1
Total financing costs		**51**	**61**

15. Other Financial (Income) Expense, Net

in millions of Swiss francs	2016	2015 [a]
Fair value and realised (gains) losses from derivatives instruments, net (at fair value through income statement)	88	(41)
Exchange (gains) losses, net	(59)	71
Realised (gains) losses from financial instruments measured at fair value through income statement	–	(2)
Unrealised (gains) losses from financial instruments measured at fair value through income statement	(4)	(2)
Interest (income) expense	1	(2)
Capital taxes and other non business taxes	9	9
Other (income) expense, net	5	4
Total other financial (income) expense, net	**40**	**37**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

16. Income Taxes

Amounts charged to (credited in) the consolidated statement of comprehensive income are as follows:

in millions of Swiss francs	Income statement	Other comprehensive income	Own equity instruments	Total 2016	Income statement	Other comprehensive income	Own equity instruments	Total 2015
Current taxes								
- in respect of current year	117	–		117	115	(5)		110
- in respect of prior years	(10)			(10)	(1)			(1)
Deferred taxes								
- in respect of current year	33	(36)	–	(3)	(39)	20	(3)	(22)
- attributable to changes in tax rates					2			2
- reclassified from equity to income statement					–	–		–
- in respect of prior years	–		3	3	(6)	3		(3)
Total income tax expense	**140**	**(36)**	**3**	**107**	**71**	**18**	**(3)**	**86**

Since the Group operates globally, it is subject to income taxes in many different tax jurisdictions. As such, in determining the provision for income taxes, judgment is required as there are transactions for which the ultimate tax determination is uncertain at the time of preparing the financial statements. As a result, any differences between the final tax outcome and the amounts that were initially recorded impact the current and deferred taxes in the period in which such final determinations are made.

The Group calculates on the basis of the income statement its average applicable tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, including research tax credits and withholding tax on dividends, interest and royalties.

The Group's average applicable tax rate differs from the Group's effective tax rate as follows:

	2016	2015
Group's average applicable tax rate	**20%**	**19%**
Tax effect of		
Income not taxable	(2%)	(2%)
Expenses not deductible	1%	1%
Tax losses on changes in the valuation of subsidiaries		(11%)
Tax on unremitted earnings not recognised in previous periods	–	3%
Other adjustments of income taxes of prior years	(1%)	(1%)
Other differences	–	1%
Group's effective tax rate	**18%**	**10%**

The variation in the Group's average applicable tax rate arises due to changes in the composition of the Group's profitability within the Group's subsidiaries, in accordance with the Group's business profile in terms of geographical presence, product mix and customer portfolio, as well as external factors related to changes in local statutory tax rates.

In 2015, the tax losses relating to adjustments in the value of the parent company's interests in subsidiaries arose from changes in Swiss Accounting Law and from changes in the Group's legal entity structure.

Income tax assets and liabilities

Amounts recognised in the statement of financial position related to income taxes are as follows:

As at 31 December in millions of Swiss francs	**2016**	2015
Current income tax assets	26	16
Current income tax liabilities	(46)	(70)
Total net current income tax asset (liability)	**(20)**	**(54)**

2016 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other differences	Total
Net deferred tax asset (liability) as at 1 January	**(89)**	**(64)**	**173**	**59**	**89**	**168**
Acquisition						
(Credited) debited to consolidated income statement	(6)	6	(15)	(25)	7	(33)
(Credited) debited to other comprehensive income			33		3	36
(Credited) debited to own equity instruments					(3)	(3)
Currency translation effects	1	–	(1)	(2)	–	(2)
Net deferred tax asset (liability) as at 31 December	**(94)**	**(58)**	**190**	**32**	**96**	**166**
Deferred tax assets						259
Deferred tax liabilities						(93)
Net deferred tax asset (liability) as at 31 December						**166**

2015 in millions of Swiss francs	Property, plant & equipment	Intangible assets	Pension plans	Tax loss carry forward	Other differences	Total
Net deferred tax asset (liability) as at 1 January	**(94)**	**(52)**	**202**	**9**	**105**	**170**
Acquisition		(8)			(1)	(9)
(Credited) debited to consolidated income statement	2	(2)		51	(8)	43
(Credited) debited to other comprehensive income			(24)		1	(23)
(Credited) debited to own equity instruments					3	3
Currency translation effects	3	(2)	(5)	(1)	(11)	(16)
Net deferred tax asset (liability) as at 31 December	**(89)**	**(64)**	**173**	**59**	**89**	**168**
Deferred tax assets						260
Deferred tax liabilities						(92)
Net deferred tax asset (liability) as at 31 December						**168**

Amounts recognised in the statement of financial position for deferred taxes are reported as non-current assets and non-current liabilities; the current portion will be charged or credited to the consolidated income statement during 2017.

Deferred tax assets on loss carry forwards of CHF 32 million (2015: CHF 59 million) and on tax credits of CHF 59 million (2015: CHF 53 million) have been recognised. Deferred tax asset on unused tax losses of CHF 4 million (2015: CHF 5 million) has not been recognised.

A deferred tax liability of CHF 24 million has been recognised in 2016 (2015: CHF 24 million) for certain foreign subsidiaries which have undistributed earnings subject to withholding tax when paid out as dividend as the parent entity is in a position to forecast the timing of distributions expected in the foreseeable future, whereas no deferred tax liability could be recognised for undistributed earnings of CHF 429 million (2015: CHF 300 million).

17. Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding:

	2016	2015[a]
Income attributable to equity holder of the parent (in millions of Swiss francs)	**644**	**625**
Weighted average number of shares outstanding		
Ordinary shares	9,233,586	9,233,586
Treasury shares	(27,646)	(27,964)
Net weighted average number of shares outstanding	**9,205,940**	**9,205,622**
Basic earnings per share (CHF)	**69.95**	**67.89**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

Diluted earnings per share

For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted to assume conversion of all potentially dilutive shares:

	2016	2015[a]
Income attributable to equity holder of the parent (in millions of Swiss francs)	**644**	**625**
Weighted average number of shares outstanding for diluted earnings per share of 81,316 (2015: 114,050)	**9,287,256**	**9,319,672**
Diluted earnings per share (CHF)	**69.34**	**67.06**

a) Previous year figures have been restated in accordance with early adoption of IFRS 9 (see Note 2).

18. Cash and Cash Equivalents

in millions of Swiss francs	2016	2015
Cash on hand and balances with banks	207	302
Short-term investments	121	176
Balance as at 31 December	**328**	**478**

19. Accounts Receivable – Trade

in millions of Swiss francs	**2016**	2015
Accounts receivable	1,009	911
Notes receivable	1	1
Less: provision for impairment	(14)	(11)
Balance as at 31 December	**996**	**901**

Ageing list:

in millions of Swiss francs	**2016**	2015
Neither past due nor impaired	939	847
Less than 30 days	48	46
30 – 60 days	9	11
60 – 90 days	4	3
Above 90 days	10	5
Less: provision for impairment	(14)	(11)
Balance as at 31 December	**996**	**901**

Movement in the provision for impairment of accounts receivable – trade:

in millions of Swiss francs	**2016**	2015
Balance as at 1 January	**(11)**	**(9)**
Increase in provision for impairment recognised in consolidated income statement	(5)	(5)
Amounts written off as uncollectible	–	1
Reversal of provision for impairment	1	1
Currency translation effects	1	1
Balance as at 31 December	**(14)**	**(11)**

No significant impairment charge has been recognised in the consolidated income statement in 2016 or in 2015. Past due and impaired receivables are still considered recoverable. The carrying amount of accounts receivable – trade is considered to correspond to the fair value.

20. Inventories

in millions of Swiss francs	**2016**	2015
Raw materials and supplies	312	267
Work in process	26	22
Intermediate and finished goods	482	459
Less: allowance for slow moving and obsolete inventories	(32)	(32)
Balance as at 31 December	**788**	**716**

In 2016 the amount of write-down of inventories was CHF 36 million (2015: CHF 31 million). At 31 December 2016 and 2015 no significant inventory was valued at net realisable value.

21. Property, Plant and Equipment

2016 in millions of Swiss francs	Land	Buildings and land improve-ments	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**91**	**708**	**530**	**55**	**1,384**
Additions	3	9	3	157	172
Acquisition	3	17	10	–	30
Disposals		(1)	(4)		(5)
Transfers		35	81	(116)	
Impairment		(6)			(6)
Depreciation		(33)	(80)		(113)
Currency translation effects	(2)	(7)	(9)	(2)	(20)
Balance as at 31 December	**95**	**722**	**531**	**94**	**1,442**
Cost	95	1,180	1,598	94	2,967
Accumulated depreciation		(440)	(1,063)		(1,503)
Accumulated impairment		(18)	(4)		(22)
Balance as at 31 December	**95**	**722**	**531**	**94**	**1,442**

2015 in millions of Swiss francs	Land	Buildings and land improve-ments	Machinery, equipment and vehicles	Construction in progress	Total
Net book value					
Balance as at 1 January	**97**	**650**	**540**	**143**	**1,430**
Additions	–	1	5	137	143
Acquisition			2		2
Disposals	–	(1)	(3)		(4)
Transfers		118	97	(215)	
Impairment		–	(3)		(3)
Depreciation		(32)	(80)		(112)
Currency translation effects	(6)	(28)	(28)	(10)	(72)
Balance as at 31 December	**91**	**708**	**530**	**55**	**1,384**
Cost	91	1,147	1,642	55	2,935
Accumulated depreciation		(424)	(1,105)		(1,529)
Accumulated impairment		(15)	(7)		(22)
Balance as at 31 December	**91**	**708**	**530**	**55**	**1,384**

At 31 December 2016, no significant capitalised borrowing costs was amounted (2015: CHF 1 million).

22. Intangible Assets

2016 in millions of Swiss francs	Goodwill	Process-oriented technology and other	Client relationships	Name and product brands	Software/ERP system	Total
Net book value						
Balance as at 1 January	**1,707**	**173**	**143**	**3**	**171**	**2,197**
Additions		12			36	48
Acquisition	150	30	81	1		262
Amortisation		(30)	(24)	(1)	(77)	(132)
Currency translation effects	(66)	(1)	3	–	–	(64)
Balance as at 31 December	**1,791**	**184**	**203**	**3**	**130**	**2,311**
Cost	1,791	823	415	4	624	3,657
Accumulated amortisation		(635)	(212)	(1)	(494)	(1,342)
Accumulated impairment		(4)				(4)
Balance as at 31 December	**1,791**	**184**	**203**	**3**	**130**	**2,311**

2015 in millions of Swiss francs	Goodwill	Process-oriented technology and other	Client relationships	Name and product brands	Software/ERP system	Total
Net book value						
Balance as at 1 January	**1,718**	**187**	**153**		**235**	**2,293**
Additions					38	38
Acquisition	62	23	12	3		100
Impairment		(4)				(4)
Amortisation		(33)	(22)	–	(102)	(157)
Currency translation effects	(73)		–		–	(73)
Balance as at 31 December	**1,707**	**173**	**143**	**3**	**171**	**2,197**
Cost	1,707	779	331	3	588	3,408
Accumulated amortisation		(602)	(188)	–	(417)	(1,207)
Accumulated impairment		(4)				(4)
Balance as at 31 December	**1,707**	**173**	**143**	**3**	**171**	**2,197**

Classification of amortisation expenses is as follows:

			2016			2015
in millions of Swiss francs	Fragrances	Flavours	Total	Fragrances	Flavours	Total
Cost of sales	10	6	16	8	2	10
Selling, marketing and distribution expenses	16	20	36	16	17	33
Research and product development expenses	8	21	29	9	24	33
Administration expenses	2	2	4	1	1	2
Other operating expenses	23	24	47	39	40	79
Total	**59**	**73**	**132**	**73**	**84**	**157**

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs), which are defined as the Fragrance Division and the Flavour Division. Goodwill allocated to these two CGUs was CHF 572 million (2015: CHF 632 million) to the Fragrance Division and CHF 1,219 million (2015: CHF 1,075 million) to the Flavour Division.

The recoverable amount of each CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial business plans and budgets approved by management covering a five year period, as well as a terminal value. The basis of the key assumptions is market growth adjusted for estimated market share gains. The terminal value assumes no further growth beyond the five year period. The discount rate used to discount the estimated future cash flows has a number of components which are derived from capital market information where the cost of equity corresponds to the return expected by the shareholders by benchmarking with comparable companies in the fragrance and flavour industry, and where the cost of debt is based on the conditions on which companies with similar credit rating can obtain financing.

A discount rate of 9.7% (2015: 9.6%) was applied to cash flow projections of the Fragrance Division and to cash flow projections of the Flavour Division. These discount rates are pre-tax.

No impairment loss in either division resulted from the impairment tests for goodwill. The outcome of the impairment test was not sensitive to reasonable changes in the cash flows and in the discount rate in the periods presented.

Process-oriented technology and other

This consists mainly of process-oriented technology, formulas, molecules, delivery systems as well as process knowledge and research expertise in innovative cosmetic solutions, acquired when the Group purchased Food Ingredients Specialties (FIS), International Bioflavors (IBF), Quest International, Soliance, Induchem and Spicetec.
In 2016, the Group invested CHF 12 million in bioscience through agreement with outside partner to apply strain technology to active beauty.

Client relationships

As part of the acquisition of Quest International, Induchem and Spicetec, the Group acquired client relationships in the Flavour and Fragrance Divisions, mainly consisting of client relationships with key customers.

Name and product brands

In connection with the acquisition of Induchem and Spicetec, the Group acquired name and product brands in active beauty business, which is part of Fragrance Division.

Software/ERP system

This consists of internally generated intangible assets associated with the development of identifiable software products and ERP systems.

The residual useful lives of the acquired intangible assets carried at cost, being their fair value at acquisition date, are determined in accordance with the principles set out in Note 2.17. Remaining useful lives of major classes of amortisable intangible assets are as follows:

- Software/ERP system 2.7 years
- Name and product brands 3.9 years
- Process-oriented technology and other 5.4 years
- Client relationships 12.9 years

23. Debt

2016 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank facility						
Bank overdrafts					7	7
Total floating rate debt					**7**	**7**
Fixed rate debt						
Bank borrowings						
Straight bonds	299	248	450	997		997
Private placements		41	213	254		254
Total fixed rate debt	**299**	**289**	**663**	**1,251**		**1,251**
Balance as at 31 December	**299**	**289**	**663**	**1,251**	**7**	**1,258**

2015 in millions of Swiss francs	Within 1 to 3 years	Within 3 to 5 years	Thereafter	Total long-term	Short-term within 1 year	Total
Floating rate debt						
Bank facility	–			–		–
Bank overdrafts					3	3
Total floating rate debt	**–**			**–**	**3**	**3**
Fixed rate debt						
Bank borrowings						
Straight bonds	299	100	298	697	150	847
Private placements		40	210	250	55	305
Total fixed rate debt	**299**	**140**	**508**	**947**	**205**	**1,152**
Balance as at 31 December	**299**	**140**	**508**	**947**	**208**	**1,155**

On 28 May 2003, the Group entered into a private placement for a total amount of USD 220 million. The private placement was made by Givaudan United States, Inc. It was redeemable at various times beginning on May 2008 through May 2015 with annual interest rates ranging from 3.65% to 5.00%. There were various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Givaudan United States, Inc was in full compliance with these covenants. In May 2015, Givaudan reimbursed the final USD 50 million (CHF 47 million) instalment of this private placement.

On 16 April 2004, the Group entered into a private placement for a total amount of USD 200 million. The private placement was made by Givaudan United States, Inc. It matured at various times in instalments beginning May 2009 through April 2016 with annual interest rates ranging from 4.16% to 5.49%. There were various covenants contained in the transaction covering conditions on net worth, indebtedness and disposition of assets of Givaudan United States, Inc. Givaudan United States, Inc has been in full compliance with the covenants set. In April 2014, Givaudan United States, Inc. reimbursed USD 75 million (CHF 66 million) of this placement, the remaining amount of USD 55 million (equivalent to CHF 53 million) has been fully paid in April 2016.

On 15 June 2011, the Group issued a 2.5% seven year public bond with a nominal value of CHF 300 million. The bond was issued by Givaudan SA.

On 7 December 2011, the Group issued a dual tranche public bond transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for five years and of 2.125% for ten years. The bond was issued by Givaudan SA. The first tranche was redeemed in December 2016.

In November 2012, Givaudan United States, Inc entered into three private placements for a total amount of USD 250 million (CHF 254 million) respectively USD 40 million redeemable in February 2020 with an annual interest rate of 2.74%, USD 150 million redeemable in February 2023 with an annual interest rate of 3.30% and USD 60 million redeemable in February 2025 with an annual interest rate of 3.45%. The proceeds of these transactions have been received on 6 February 2013. There are various covenants contained in these transactions covering conditions on net worth, indebtedness and EBITDA ratio to net interest expense of Givaudan United States, Inc. The company is and has been in full compliance with the covenants set.

On 19 March 2014, the Group issued a 1.00% six and a half year public bond with a nominal value of CHF 100 million and a 1.75% ten year public bond with a nominal value of CHF 150 million. These bonds were issued by Givaudan SA.

In March 2015, the Group issued a tranche of CHF 200 million of the multilateral facility (maturity July 2018), of which CHF 75 million was reimbursed in April 2015, CHF 50 million in June 2015 and CHF 75 million in July 2015. This multilateral facility was issued by Givaudan SA.

In December 2016, the Group issued a 0.00% six year public bond with a nominal value of CHF 100 million and a 0.625% fifteen year public bond with a nominal value of CHF 200 million. These bonds were issued by Givaudan SA. The proceeds of CHF 300 million were used to repay the 1.250% five year public bond with a nominal value of CHF 150 million which was redeemed in December 2016 and to repay the short-term borrowings withdrawn during the year.

The carrying amounts of the Group's debt are denominated in the following currencies:

in millions of Swiss francs	**2016**	2015
Swiss Franc	997	847
US Dollar	259	305
Other currencies	2	3
Total debt as at 31 December	**1,258**	**1,155**

The weighted average effective interest rates at the statement of financial position date were as follows:

	2016	2015
Private placements	3.3%	3.7%
Straight bond	1.6%	1.9%
Weighted average effective interest rates on gross debt	**1.9%**	**2.4%**

24. Provisions

2016 in millions of Swiss francs	Restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**3**	**11**	**23**	**26**	**63**
Additional provisions	2	3	5	4	14
Unused amounts reversed	–	(3)	(1)	–	(4)
Utilised during the year	(2)	(3)	(1)	(2)	(8)
Currency translation effects	–	–	–	–	–
Balance as at 31 December	**3**	**8**	**26**	**28**	**65**
Current liabilities	2		2	2	6
Non-current liabilities	1	8	24	26	59
Balance as at 31 December	**3**	**8**	**26**	**28**	**65**

2015 in millions of Swiss francs	Restructuring	Claims and litigation	Environmental	Others	Total
Balance as at 1 January	**6**	**8**	**11**	**23**	**48**
Additional provisions	1	6	15	10	32
Unused amounts reversed	(1)	–	–	(1)	(2)
Utilised during the year	(3)	(3)	(4)	(4)	(14)
Currency translation effects	–	–	1	(2)	(1)
Balance as at 31 December	**3**	**11**	**23**	**26**	**63**
Current liabilities	2	4	4	2	12
Non-current liabilities	1	7	19	24	51
Balance as at 31 December	**3**	**11**	**23**	**26**	**63**

Significant judgment is required in determining the various provisions. A range of possible outcomes is determined to make reliable estimates of the obligation that is sufficient for the recognition of a provision. Differences between the final obligations and the amounts that were initially recognised impact the income statement in the period in which such determination is made.

Restructuring provisions

Restructuring provisions arise from reorganisations of the Group's operations and management structure.

Claims and litigation

These provisions are made in respect of legal claims brought against the Group and potential litigations. Related estimated legal fees are also included in these provisions.

Environmental

Givaudan's affiliate, Givaudan Fragrances Corporation, is one of more than 100 companies identified by the US Environmental Protection Agency ("EPA") as "Potentially Responsible Parties" ("PRP") for alleged contamination of the Passaic River. The EPA released a Focused Feasibility Study ("FFS") covering only the lower 8 miles of the River in 2014. In March 2016, the EPA issued its Record of Decision ("ROD") to confirm the remediation solution related to the FFS. The chosen solution entails a bank-to-bank dredge of the River, and the installation of an engineered cap, with an estimated cost of CHF 1.4 billion. One PRP has agreed to conduct the detailed remediation design, which is expected to take up to four years to complete. The Cooperating Parties Group ("CPG"), of which Givaudan had been a member, issued a draft Remedial Investigation/Feasibility Study ("RI/FS") in April 2014, which proposed a Sustainable Remedy for the entire lower 17 miles of the River. The CPG is still responding to EPA comments on the RI/FS, which remains in draft form today. At this time, there are many uncertainties associated with the final remediation plan and the Company's share of the costs, if any. However, in accordance with accounting guidance, the Group has recorded a reserve which it believes can reasonably be expected to cover the Company's obligation, if any, given the information currently available.

The other material components of the environmental provisions consist of costs to sufficiently clean and refurbish contaminated sites and to treat where necessary.

Other provisions

These consist largely of provisions related to long-term deferred compensation plan and to restoring expenses related to leased facilities.

25. Own Equity Instruments

Details of own equity instruments are as follows:

As at 31 December 2016	Settlement	Category	Maturity	Strike price (CHF)	in equivalent shares	Fair value in millions of Swiss francs
Registered shares		Equity			31,137	58
Purchased calls	Net cash	Derivative	1 Mar 2017	915.0	2,732	3
Purchased calls	Gross shares	Equity	2017	1,690.0 - 1,930.9	31,750	3
Written puts	Gross shares	Financial liability	2017	1,690.0 - 1,930.4	31,750	2

As at 31 December 2015	Settlement	Category	Maturity	Strike price (CHF)	in equivalent shares	Fair value in millions of Swiss francs
Registered shares		Equity			39,706	72
Purchased calls	Net cash	Derivative	2016 - 2017	915.0 - 975.0	6,392	6
Purchased calls	Gross shares	Equity	2016	1,200.0 - 1,756.7	39,000	20
Written puts	Gross shares	Financial liability	2016	1,108.0 - 1,756.7	39,000	–

26. Equity

Share capital

As at 31 December 2016, the share capital amounts to CHF 92,335,860, divided into 9,233,586 fully paid-up registered shares, with a nominal value of CHF 10.00 each. Every share gives the right to one vote.

The Board of Directors has at its disposal conditional capital of a maximum aggregate amount of CHF 7,481,980 that may be issued through a maximum of 748,198 registered shares, of which a maximum of CHF 1,618,200 can be used for executive share option plans.

At the Annual General Meeting held on 17 March 2016 the distribution of an ordinary dividend of CHF 54.00 per share (2015: CHF 50.00 per share) was approved. The dividend payment has been primarily made out of statutory capital reserves from capital contributions - additional paid-in capital which Givaudan showed in total equity as at the end of 2015, with the remainder paid out of available retained earnings.

Movements in own equity instruments are as follows:

2016	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**39,706**				**79**
Purchases at cost	38,250	1,931.0	1,327.8	1,200.0	51
Sales and transfers	(46,819)	1,402.7	1,402.7	1,402.7	(66)
(Gains) losses, net recognised in equity					–
Movement on registered shares, net					**(15)**
Movement on derivatives on own shares, net					**42**
Income taxes					**3**
Balance as 31 December	**31,137**				**109**

2015	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**47,872**				**78**
Purchases at cost	32,000	1,789.2	1,575.8	1,191.6	50
Sales and transfers	(40,166)	1,233.0	1,233.0	1,233.0	(49)
(Gains) losses, net recognised in equity					9
Movement on registered shares, net					**10**
Movement on derivatives on own shares, net					**(6)**
Income taxes					**(3)**
Balance as 31 December	**39,706**				**79**

27. Commitments

At 31 December, the Group had operating lease commitments mainly related to buildings. Future minimum payments under non-cancellable operating leases are as follows:

in millions of Swiss francs	**2016**	2015
Within one year	35	22
Within two to five years	87	55
Thereafter	53	45
Total minimum payments	**175**	**122**

The 2016 charge in the consolidated income statement for all operating leases was CHF 38 million (2015: CHF 35 million).

The Group has capital commitments for the purchase or construction of property, plant and equipment totalling CHF 43 million (2015: CHF 17 million).

28. Contingent Liabilities

From time to time and in varying degrees, Group operations and earnings continue to be affected by political, legislative, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which it operates.

The activities in which the Group is engaged are also subject to physical risks of various kinds. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on the future operations and earnings are not predictable.

Givaudan Group companies are involved in various legal and regulatory proceedings of a nature considered typical of its business, including contractual disputes and employment litigation.

One of the Group's US affiliates, Givaudan Flavors Corporation was named as a defendant in several lawsuits brought against it and other flavour and raw chemical supply companies. The plaintiffs alleged that they sustained pulmonary injuries due to diacetyl-containing butter flavours manufactured by one or more of the flavour and raw chemical supply company defendants. The majority of the cases filed against Givaudan Flavors Corporation have been settled. The Group has already recovered or will recover amounts it is entitled to under the terms of its insurance policies.

29. Related Parties

Transactions between Givaudan SA and its subsidiaries, which are related parties of Givaudan SA, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel

The compensation of the Board of Directors and the Executive Committee during the year was as follows:

in millions of Swiss francs	**2016**	2015
Salaries and other short-term benefits	13	10
Post-employment benefits	2	2
Share-based payments	12	11
Total compensation	**27**	**23**

No other related party transactions have taken place during 2016 (2015: nil) between the Group and the key management personnel.

Reconciliation table to the Swiss code of obligations

	IFRS		Adjustments [a]		Swiss CO (Art. 663b^{bis})	
in millions of Swiss francs	**2016**	2015	**2016**	2015	**2016**	2015
Salaries and other short-term benefits	13	10	(6)	(2)	7	8
Post-employment benefits	2	2	–	–	2	2
Share-based payments	12	11	2	–	14	11
Total compensation	**27**	**23**	**(4)**	**(2)**	**23**	**21**

a) IFRS information is adjusted mainly to the recognition of the share-based payments, IFRS 2 versus economic value at grant date. IFRS information also includes security costs.

There are no other significant related party transactions including in the jointly controlled entities.

30. Board of Directors and Executive Committee Compensation

Compensation of members of the Board of Directors

Compensation of Board members consists of Director fees, Committee fees and restricted share units (RSUs). Fees are paid at the end of each year in office completed. RSUs give participants the right to receive Givaudan shares (or a cash equivalent in countries where securities laws prevent the offering of Givaudan securities) at the end of a three-year vesting period.

With the exception of the Chairman and outgoing Board members, 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 equity awards are also granted for the same period. The compensation paid out to the Board members for the reporting period is shown in the table below:

2016 in Swiss francs	Dr Jürg Witmer Chairman [g]	André Hoffmann [f,g]	Victor Balli [e,g]	Prof. Dr-Ing. Werner Baue r[g]	Lilian Biner [g]	Michael Carlos [g]	Ingrid Deltenre [g]	Calvin Grieder [g]	Peter Kappeler [f,g]	Thomas Rufer [g]	Total 2016 [a]
Director fees [b]	400,000	25,000	75,000	100,000	100,000	100,000	100,000	100,000	25,000	100,000	1,125,000
Committee fees [b]	40,000	10,000	18,750	65,000	50,000	40,000	50,000	50,000	6,250	55,000	385,000
Total fixed (cash)	440,000	35,000	93,750	165,000	150,000	140,000	150,000	150,000	31,250	155,000	1,510,000
Number of RSUs granted [c]	340	–	85	85	85	85	85	85	–	85	935
Value at grant [d]	581,196	–	145,299	145,299	145,299	145,299	145,299	145,299	–	145,299	1,598,289
Total compensation	**1,021,196**	**35,000**	**239,049**	**310,299**	**295,299**	**285,299**	**295,299**	**295,299**	**31,250**	**300,299**	**3,108,289**

a) Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
b) Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
c) RSUs vest on 15 April 2019.
d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
e) Elected at the Annual General Meeting in March 2016.
f) Retired at the Annual General Meeting in March 2016.
g) The function of each member of the Board of Directors are indicated on pages 80-84 in the Corporate Governance section of the 2016 Annual Report.

Estimated social security charges based on 2016 compensation amounted to CHF 221,000 (2015: CHF 232,000).
In addition to the above, payments to Board members for out-of-pocket expenses amounted to CHF 70,000 (2015: 80,000).

2015 in Swiss francs	Dr Jürg Witmer [g] Chairman	André Hoffmann [g]	Prof. Dr-Ing. Werner Bauer [g]	Lilian Biner [g]	Michael Carlos [e,g]	Ingrid Deltenre [e,g]	Calvin Grieder [g]	Peter Kappeler [g]	Thomas Rufer	Nabil Sakkab [f,g]	Total 2015 [a]
Director fees [b]	400,000	100,000	100,000	100,000	75,000	75,000	100,000	100,000	100,000	25,000	1,175,000
Committee fees [b]	40,000	40,000	25,000	31,250	18,750	18,750	25,000	25,000	55,000	6,250	285,000
Total fixed (cash)	440,000	140,000	125,000	131,250	93,750	93,750	125,000	125,000	155,000	31,250	1,460,000
Number of RSUs granted [c]	364	91	91	91	91	91	91	91	91	–	1,092
Value at grant [d]	580,908	145,227	145,227	145,227	145,227	145,227	145,227	145,227	145,227	–	1,742,724
Total compensation	**1,020,908**	**285,227**	**270,227**	**276,477**	**238,977**	**238,977**	**270,227**	**270,227**	**300,227**	**31,250**	**3,202,724**

a) Represents total compensation for the Board of Director paid in respect of the reporting year, reported in accordance with the accrual principle.
b) Represents Director and Committee fees paid in respect of the reporting year, reported in accordance with the accrual principle.
c) RSUs vest on 31 March 2018.
d) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.
e) Elected at the Annual General Meeting in March 2015.
f) Retired at the Annual General Meeting in March 2015.
g) The function of each member of the Board of Directors are indicated on pages 74-78 in the Corporate Governance section of the 2015 Annual Report.

Other compensation, fees and loans to members or former members of the Board

No additional compensation or fees were paid to any member of the Board.
No Board member or related parties had any loan outstanding as at 31 December 2016 and 2015.

Special compensation of members of the Board who left the company during the reporting period

No such compensation was incurred during the reporting period.

Compensation of members of the Executive Committee

The compensation of the Executive Committee during the year was as follows:

in Swiss francs	Gilles Andrier CEO 2016	Gilles Andrier CEO 2015	Executive Committee members (excluding CEO) [a] 2016	Executive Committee members (excluding CEO) [b] 2015	Total 2016	Total 2015
Base salary	1,035,599	1,027,689	3,819,306	2,662,741	4,854,905	3,690,430
Pension benefits [c]	442,705	459,199	1,558,506	1,119,563	2,001,211	1,578,762
Other benefits [d]	111,061	100,616	792,134	591,992	903,195	692,608
Total fixed compensation	1,589,365	1,587,504	6,169,946	4,374,296	7,759,311	5,961,800
Annual incentive [e]	944,804	854,544	2,342,717	1,538,172	3,287,521	2,392,716
Number of performance shares granted [f]	1,686	1,446	5,441	4,396	7,127	5,842
Value at grant [g]	2,882,048	2,307,671	9,300,845	7,015,576	12,182,893	9,323,247
Total variable compensation	3,826,852	3,162,215	11,643,562	8,553,748	15,470,414	11,715,963
Total compensation	**5,416,217**	**4,749,719**	**17,813,508**	**12,928,044**	**23,229,725**	**17,677,763**
Employer social security [h]	438,000	382,000	1,427,000	1,064,000	1,865,000	1,446,000

a) Represents full year compensation of eight Executive Committee members and partial year compensation of the new Executive Committee member in 2016. Adrien Gonckel retired from his role as Chief Information Officer on 1 August 2016. Part of his total compensation for 2016 relates to the period from the time he ceased to be an EC member until 31 December 2016.
b) Represents full year compensation of five Executive Committee members and partial year compensation of the three new Executive Committee members in 2015.
c) Company contributions to broad-based pension and retirement savings plans and annualised expenses accrued for supplementary executive retirement benefit.
d) Represents annual value of health and welfare plans, international assignment benefits and other benefits in kind.
e) Annual incentive accrued in reporting period based on 2016 performance.
f) 2016 Performance shares vest on 15 April 2019, 2015 Performance shares vest on 31 March 2018.
g) Value at grant calculated according to IFRS methodology and based on 100% achievement of performance targets.
h) 2016 estimated social security charges based on 2016 compensation; 2015 estimated social security charges based on 2015 compensation.

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

No other compensation or fees were accrued for or paid to any member or former member of the Executive Committee during the reporting period. No member or former member of the Executive Committee or related parties had any loan outstanding as at 31 December 2016 and 2015.

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

Adrien Gonckel retired from his role as Chief Information Officer on 1 August 2016. He did not receive any special compensation as a result of his retirement. All compensation is included in the compensation table above.

Ownership of shares and unvested share rights

Details on the Givaudan share based payment plans are described in Note 9.

As per 31 December 2016, the Chairman and other Board members including persons closely connected to them held 5,546 Givaudan shares in total. For further details, please refer to the following table on the next page showing:

- The shares held individually by each Board member as per 31 December 2016.
- The unvested RSUs that were granted in 2014-2016 and were still owned by members of the Board as per 31 December 2016.

2016 in numbers	Shares	Unvested RSUs
Dr Jürg Witmer, Chairman	1,500	1,180
Victor Balli		85
Prof. Dr-Ing. Werner Bauer	970	295
Lilian Biner	377	295
Michael Carlos [a]	2,083	176
Ingrid Deltenre	26	176
Calvin Grieder		295
Thomas Rufer	590	295
Total 2016	**5,546**	**2,797**
Total 2015	93,901	3,526

a) Mr Carlos also held 1,750 unvested performance shares as per 31 December 2016 granted to him during his tenure as an Executive Committee member.

The company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as at 31 December 2016 by persons closely connected to members of the Board.

The Chief Executive Officer and other members of the Executive Committee, including persons closely connected to them, held 4,460 Givaudan shares. For further details, please refer to the table below showing:

- The shares held individually by each member of the Executive Committee as per 31 December 2016.
- The unvested performance shares that were granted in 2014-2016 and were still owned by members of the Executive Committee as per 31 December 2016.

2016 in numbers	Shares	Unvested performance shares
Gilles Andrier, CEO	2,400	5,032
Matthias Waehren	300	3,293
Mauricio Graber	550	2,929
Maurizio Volpi	486	1,710
Joe Fabbri	100	2,287
Simon Halle-Smith		943
Willem Mutsaerts	56	1,312
Anne Tayac	104	529
Chris Thoen	464	1,243
Total 2016	**4,460**	**19,278**
Total 2015	3,575	21,845

No member of the Executive Committee held any share options or option rights as at 31 December 2016 (31 December 2015: no member of the Executive Committee held any share options or option rights).

Two people closely connected to members of the Executive Committee owned Givaudan securities as at 31 December 2016: one person owned 859 shares, one person owned 264 unvested performance shares.

The company is not aware of any other ownership of shares, share options/option rights, RSUs or performance shares as at 31 December 2016 by persons closely connected to members of the Executive Committee.

31. List of Principal Group Companies

The following are the principal companies fully owned by the Group. Share capital is shown in thousands of currency units:

Switzerland	Givaudan SA	CHF	92,336
	Givaudan Suisse SA	CHF	4,000
	Givaudan Finance SA	CHF	100,000
	Givaudan International SA	CHF	100
	Induchem Holding AG	CHF	500
	Induchem AG	CHF	500
	Fondation Givaudan	-	-
Argentina	Givaudan Argentina SA	ARS	9,000
	Givaudan Argentina Servicios SA	ARS	5,000
Australia	Givaudan Australia Pty Ltd	AUD	35,812
Austria	Givaudan Austria GmbH	EUR	40
Bermuda	FF Holdings (Bermuda) Ltd	USD	12
	Givaudan International Ltd	USD	12
	FF Insurance Ltd	CHF	170
Brazil	Givaudan do Brasil Ltda	BRL	133,512
Canada	Givaudan Canada Co	CAD	12,901
Chile	Givaudan Chile Ltda	CLP	5,000
China	Givaudan Fragrances (Shanghai) Ltd	USD	7,750
	Givaudan Flavors (Shanghai) Ltd	USD	10,783
	Givaudan Specialty Products (Shanghai) Ltd	USD	12,000
	Givaudan Hong Kong Ltd	HKD	7,374
	Givaudan Flavors (Nantong) Ltd	USD	28,500
Colombia	Givaudan Colombia SA	COP	6,965,925
Czech Republic	Givaudan CR, s.r.o.	CZK	200
Egypt	Givaudan Egypt SAE	USD	11,360
	Givaudan Egypt Fragrances LLC	EGP	50
France	Givaudan France SAS	EUR	4,696
	Soliance SA	EUR	1,203
	Libragen SA	EUR	345
Germany	Givaudan Deutschland GmbH	EUR	4,100
Hungary	Givaudan Hungary Kft	EUR	15
	Givaudan Finance Services Kft	EUR	12
India	Givaudan (India) Private Ltd	INR	87,330
Indonesia	P.T. Givaudan Indonesia	IDR	2,608,000
Italy	Givaudan Italia SpA	EUR	520
Japan	Givaudan Japan K.K.	JPY	1,000,000
Korea	Givaudan Korea Ltd	KRW	550,020
Malaysia	Givaudan Malaysia Sdn.Bhd	MYR	200
Mexico	Givaudan de Mexico SA de CV	MXN	53,611
Netherlands	Givaudan Nederland B.V.	EUR	402
	Givaudan Treasury International B.V.	EUR	18
New Zealand	Givaudan NZ Ltd	NZD	71
Nigeria	Givaudan (Nigeria) Ltd	NGN	10,000
Peru	Givaudan Peru SAC	PEN	25
Poland	Givaudan Polska Sp. Z.o.o.	PLN	50
Russia	Givaudan Rus LLC	RUB	9,000
Singapore	Givaudan Singapore Pte Ltd	SGD	24,000
South Africa	Givaudan South Africa (Pty) Ltd	ZAR	360,002
Spain	Givaudan Iberica, SA	EUR	8,020
Sweden	Givaudan North Europe AB	SEK	120
Thailand	Givaudan (Thailand) Ltd	THB	100,000
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi	TRY	34
United Kingdom	Givaudan UK Ltd	GBP	70
	Givaudan Holdings UK Ltd	GBP	317,348
United Arab Emirates	Givaudan Middle East & Africa FZE	AED	1,000
United States of America	Givaudan United States, Inc.	USD	0.05
	Givaudan Flavors Corporation	USD	0.1
	Givaudan Fragrances Corporation	USD	0.1
	Givaudan Flavors and Fragrances, Inc.	USD	0.1
Venezuela	Givaudan Venezuela SA	VEF	4.5

32. Disclosure of the Process of Risk Assessment

Risk management in Givaudan is an integral part of the business. It is a structured and continuous process of identifying, assessing and deciding on responses to risks. The reporting of the opportunities and threats that these risks create and how they might hinder the business in achieving its objectives is also part of managing risks.

Risk management is the responsibility of the Board of Directors, which empowers the Executive Committee to manage the overall company risk management process. The Group actively promotes the continuous monitoring and management of risks at the operational management level.

The Givaudan Enterprise Risk Management Charter describes the principles, framework and process of the Givaudan Enterprise Risk Management, which ensure that material risks are identified, managed and reported. It defines the associated roles and responsibilities which are reflected in the delegated authorities. Enterprise Risk Management encompasses both the Fragrance and Flavour businesses, as well as Givaudan Group functions. It includes all types of risks in terms of their nature, their source or their consequences.

The process aims to be comprehensive, organised and documented in order to improve compliance with corporate governance regulations, guidelines and good practices; better understand the risk profile of the business; and provide additional risk-based management information for decision making.

The objectives of the Risk Management process are to continuously ensure and improve compliance with good corporate governance guidelines and practices as well as laws and regulations, where applicable; facilitate disclosure to key stakeholders of potential risks and the company's philosophy for dealing with them. At the same time, the process creates the awareness of all key executives of the magnitude of risks; provides risk-based management information for effective decision-making; and safeguard the values of the company and its assets, and protect the interests of shareholders.

Givaudan's management, at all levels, is accountable for ensuring the appropriateness, timeliness and adequacy of the risk analysis. Mitigation decisions are taken at individual and combined levels. This management is also responsible for implementing, tracking and reporting the risk mitigation directives of the Executive Committee, including periodic reporting to the Board.

The assessment is performed in collaboration between the Executive Committee, divisional and functional management teams and the Corporate Compliance Officer.

The Board of Directors' Audit Committee also promotes the effective communication between the Board, Givaudan's Executive Committee, other senior corporate functions and Corporate Internal Audit in order to foster openness and accountability.

Givaudan has carried out its annual review of internal controls over accounting and financial reporting. A risk assessment is performed throughout the Internal Control System for those identified risks which may arise from the accounting and financial reporting. Then, relevant financial reporting controls are defined for each risk.

33. Subsequent Event

On 17 January 2017, as part of its 2020 strategy to strengthen capabilities in natural flavour solutions to its customers, Givaudan announced that it has acquired Activ International.

Activ International employs globally 170 employees. The business would have represented approximately CHF 40 million of incremental sales to Givaudan's results in 2016 on a proforma basis.

Deloitte.

Deloitte SA
Rue du Pré-de-la-Bichette 1
1202 Geneva
Switzerland

Phone: +41 (0)58 279 8000
Fax: +41 (0)58 279 8800
www.deloitte.ch

Statutory Auditor's Report
To the General Meeting of GIVAUDAN SA, Vernier

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Givaudan SA and its subsidiaries (the Group), which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows for the year ended 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements, presented on pages 116 to 175, give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Overview of Key Audit Matters	
Taxation	**Pension accounting**
Acquisition of Spicetec Flavors and Seasonings	**Revenue recognition**

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Our Audit Approach Summary

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Taxation The Group operates in a large number of different jurisdictions and is therefore subject to many tax regimes with differing rules and regulations. As described in the Summary of Significant Accounting Policies in Note 2 and in Note 3 on Critical Accounting Estimates and Judgments, significant judgment is required in determining provision for income taxes, both current and deferred, as well as the assessment of provisions for uncertain tax positions including estimates of interest and penalties where appropriate. The effective tax rate of the Group increased from 10% in 2015 to 18% in 2016. The rate in 2015 was considerably lower following changes in Swiss Accounting Law and as a result of internal restructuring. The Consolidated Statement of Financial Position includes current tax assets of CHF 26 million, current tax liabilities of CHF 46 million, together with deferred tax assets of CHF 259 million and deferred tax liabilities of CHF 93 million. The tax expense recognised in the Consolidated Income Statement of CHF 140 million represents 18% of Group income before taxes. Details of all current and deferred tax balances are disclosed in Note 16 to the consolidated financial statements. Due to their significance to the financial statements as a whole, combined with the judgment and estimation required to determine their values, the evaluation of current and deferred tax balances is considered to be a key audit matter.	We evaluated the design and implementation of controls in respect of provisions for current tax and the recognition and recoverability of deferred tax assets. We discussed with management the adequate implementation of Group policies and controls regarding current and deferred tax, as well as the reporting of uncertain tax positions. We examined the procedures in place for the current and deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the tax circumstances. Our work was conducted with our tax specialists. We performed an assessment of the material components impacting the Group's tax expense, balances and exposures. We reviewed and challenged the information reported by components with the support of our own local tax specialists, where appropriate. Utilising our own central tax specialists, we verified the consolidation and analysis of tax balances at Group level. We considered management's assessment of the validity and adequacy of provisions for uncertain tax positions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice where available including any information regarding similar cases with the relevant tax authorities. In respect of deferred tax assets and liabilities, we assessed the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income to support deferred tax assets for tax losses carried forward as disclosed in Note 16 of CHF 32 million. We validated the appropriateness and completeness of the related disclosures in Note 16 of the consolidated financial statements. Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management's estimates regarding current and deferred tax balances and provisions for uncertain tax positions.

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Pension accounting As described in the Summary of Significant Accounting Policies in Note 2 and in Note 3 on Critical Accounting Estimates and Judgments, significant judgment is required in determining the calculation of the present value of defined benefit obligations requiring financial and demographic assumptions. The Group operates a number of defined benefit and defined contribution plans throughout the world. As disclosed in Note 8 to the consolidated financial statements, total plan assets amount to CHF 1'539 million, total post-employment funded obligations to CHF 2'164 million and total post-employement unfunded obligations to CHF 91 million. During 2016, the defined benefit plans held in the United States of America and United Kingdom have been frozen, which resulted in one-off non-cash gains of CHF 55 million in the United States of America and CHF 7 million in the United Kingdom. The defined benefit obligations recognised in the Consolidated Statement of Financial Position represent the present value of defined benefit obligations calculated annually by independent actuaries. These actuarial valuations are sensitive to key assumptions such as discount rates. Changes in a number of the key assumptions can have a material impact on the position as disclosed in the Note 8 to the consolidated financial statements. In addition, any pension plan amendment, such as a settlement or a curtailment, requires careful consideration of the accounting treatment to ensure compliance with IAS 19 Employee Benefits. We focused on this area because of the complexity of accounting treatment of each plan amendment, the level of judgment required to determine the valuation of both pension assets and pension obligations and the significance of the balances to the consolidated financial statements as a whole.	We evaluated the design and implementation of controls in respect of pension accounting. We discussed with management the adequate implementation of Group policies and controls regarding the asset valuation and the pension obligation valuation. With support from our own pension specialists, we have discussed with Group's actuary and challenged key assumptions underpinning the valuation of the pension plans at the end of 2016. Specifically we challenged the discount rate, inflation and mortality assumptions applied in the calculation and benchmarked the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the Group's own position. We found them to be within an acceptable range. We tested the data used in the valuation of the pension plans, such as employee data and we obtained confirmations to verify the completeness and accuracy of the pension plan assets. We validated the appropriateness and completeness of the related disclosures in Note 8 of the consolidated financial statements. Based on procedures performed above, we validated the compliance of the accounting treatment of pension plans, including pension plan amendments, with IAS 19 Employee Benefits.

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Acquisition of Spicetec Flavors & Seasonings As described in the Note 6 to the consolidated financial statements, the Group completed the acquisition of assets and liabilities of Spicetec Flavors & Seasonings on 25 July 2016 for a total purchase price of CHF 331 million. The Group acquired working capital valued at CHF 43 million, fixed assets valued at CHF 30 million, intangibles valued at CHF 112 million and other liabilities valued at CHF 4 million. The acquisition resulted in the recognition of a goodwill of CHF 150 million. This transaction is considered as a business combination as defined by IFRS 3 Business Combinations which requires to perform a purchase price allocation exercise to fair value the assets and liabilities of the acquired business. This requires exercise of judgments over the accounting and disclosure for the transactions. The accounting for the acquisition of assets and liabilities of Spicetec Flavors & Seasonings requires a number of complex accounting judgments sensitive to key assumptions such as the weighted average cost of capital, growth rate and other assumptions used in the business plan, internal rate of return, attrition rate. In addition, the amortisation period retained for intangibles acquired also requires judgment and constitutes a significant estimate that will affect current and future financial periods. We focused on this area because of the complexity of acquisition accounting and the level of judgments related to the identification of intangible assets and the purchase price allocation to the assets and liabilities acquired.	We challenged management on the identification and valuation of tangible and intangible assets. We reviewed and assessed the work performed by management's valuation expert including valuation methodology for each category of asset and liability, along with the key judgments made in determining the fair values. We determined that the methods used by the management's valuation expert were appropriate and in compliance with IFRS 3 Business Combinations. We considered and challenged the reasonableness of the assumptions, finding them to be within an acceptable range. The fair values appeared reasonable based on the judgments made. In particular, we challenged sales forecasts with historical data and market trends, we benchmarked assumptions used in determining the discount rate and the attrition rate. We also challenged the duration estimated by management for amortisation of the intangibles acquired, comparing with historical data. We validated the appropriateness and completeness of the related disclosures in Note 6 of the consolidated financial statements. Based on the procedures performed above, we concurred with the management assessment of the provisional purchase price allocation.
Revenue recognition As described in the Summary of Significant Accounting Policies in note 2 to the consolidated financial statements, the Group recognises revenues from sales of goods measured at the fair value of the consideration received in the ordinary course of the Group's activities. Sales of goods are reduced for discounts, rebates and sales taxes. The Group recognises revenue when the amount can be reliably estimated, it is probable that future economic benefits will flow to the entity and when significant risks and rewards of ownership of the goods are transferred to the buyer. At 31 December 2016, the Group Consolidated Income Statement included Sales of CHF 4'663 million. Some terms of sales arrangements within each of Group's companies, including the timing of transfer of risk and rewards, the nature of discount and rebates arrangements, delivery specifications including incoterms, generate complexity and judgment in determining sales revenues and revenue cut-off. The risk is, therefore, that revenue is not recognised in the correct period or that revenue and associated profit is misstated.	We performed walkthroughs to understand the adequacy and the design of the revenue cycle for all significant components. We tested controls in the revenue and trade account receivables cycles over the accuracy and timing of revenue accounted in the consolidated financial statements. We reviewed the revenue recognition policy applied by the group to ensure its compliance with IFRS requirements. More specifically we reviewed how the incoterms were considered within the revenue recognition process. Our work included consideration of the accounting for and presentation of the rebates and discount arrangements. In addition to substantive analytical reviews performed both at Group and local level to understand how the revenue has trended over the year, we performed a detailed testing on transactions around the year-end, ensuring revenues were recognised in the correct accounting period. We also tested journal entries recognised to revenue focusing on unusual or irregular transactions. We validated the appropriateness and completeness of the related disclosures in Note 2 of the consolidated financial statements. Based on the procedures performed above, we obtained sufficient audit evidence to corroborate management assumptions in relation to revenue.

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Materiality

We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgment we determined materiality for the Group as a whole to be CHF 50 million, based on a calculation of 7% of Group income before taxes, adjusted for non-recurring transactions. We selected Group income before taxes as the basis for determining our materiality because, in our view, this measure represents the performance of the Group and is one of the indicators against which Givaudan is commonly assessed.

The materiality applied by the component auditors ranged from CHF 18 million to CHF 36 million depending on the scale of the component's operations, the component's contribution to Group sales, Group income before taxes, Group total assets and our assessment of risks specific to each location.

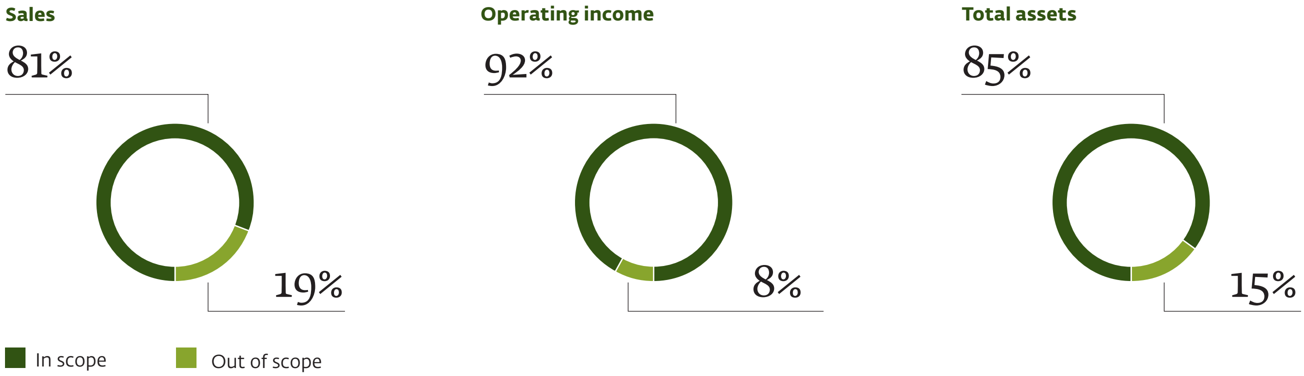
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 1 million as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the consolidated financial statements.

Scoping

We designed our audit by obtaining an understanding of the Group and its environment, including Group-wide controls, determining materiality and assessing the risks of material misstatement in the consolidated financial statements.

Based on our understanding of Givaudan's operations, we have defined 10 countries that are in scope for the group audit and for which we are performing full audit procedures. These countries are spread across all regions, reflecting Givaudan's operations. We obtain assurance over these countries through a combination of audit procedures performed locally, within the Givaudan shared service centres and centrally at the Head office.

In aggregate, these components represented scope coverage of:



All other wholly owned and joint venture businesses were subject to analytical review procedures for the purpose of the Group audit. Annual statutory audits are conducted by Deloitte at the majority of the Group's affiliates, although these are predominantly completed subsequent to our audit report on the consolidated financial statements.

At the parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit.

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Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte SA

Karine Szegedi Pingoud	Joëlle Herbette
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Geneva, 27 January 2017

Statutory financial statements of Givaudan SA (Group Holding Company)

Income Statement

For the year ended 31 December

in millions of Swiss francs	Note	2016	2015
Income from investments in Group companies	3	224	166
Royalties from Group companies		916	878
Other operating income		1	–
Total Operating income		**1,141**	**1,044**
Research and development expenses to Group companies		(278)	(256)
Other operating expenses		(44)	(34)
Amortisation and impairment of intangible assets		(98)	(125)
Share of (loss) profit of jointly controlled entities	5	(1)	(2)
Total Operating expenses		**(421)**	**(417)**
Operating income		**720**	**627**
Financial expenses		(204)	(129)
Financial income		85	123
Non-operating expenses		(105)	(221)
Extraordinary, non-recurring expenses	11		(1,240)
Income before taxes		**496**	**(840)**
Income taxes		4	–
Net (loss) profit for the year		**500**	**(840)**

Statement of Financial Position

in millions of Swiss francs	Note	31 December 2016	31 December 2015
Cash and cash equivalents	4	112	6
Accounts receivable from Group companies		140	178
Other current assets		7	23
Accrued income and prepaid expenses		10	
Current assets		**269**	**207**
Loans to Group companies		159	150
Other long-term assets		–	4
Investments in Group companies	3	2,583	2,572
Jointly controlled entities	5	35	27
Other financial assets		10	10
Intangible assets		257	283
Non-current assets		**3,044**	**3,046**
Total assets		**3,313**	**3,253**
Short-term debt	4		240
Accounts payable to Group companies		82	78
Other current liabilities		18	44
Deferred income and accrued expenses		1	1
Current liabilities		**101**	**363**
Long-term debt	6	998	697
Other non-current liabilities		62	61
Non-current liabilities		**1,060**	**758**
Total liabilities		**1,161**	**1,121**
Share capital	8	92	92
Statutory retained earnings	8	18	18
Statutory capital reserves from capital contributions - additional paid-in capital	8	3	402
Voluntary retained earnings	8	1,542	2,042
Own shares	8, 9	(45)	(60)
Available retained earnings			
- Balance brought forward from previous year		42	478
- Net (loss) profit for the year		500	(840)
Equity		**2,152**	**2,132**
Total liabilities and equity		**3,313**	**3,253**

Notes to the statutory financial statements

1. General Information

1.1. Structure and description of the activity
Givaudan SA is a holding company based in Vernier, near Geneva, whose main goal is to manage its investments in subsidiaries.

More specifically Givaudan SA invests in companies whose aim is to manufacture and commercialise natural and synthetic aromatic or fragrance raw materials as well as other related products. In addition, Givaudan SA invests in research and development and supplies services for the use of these products. Givaudan SA develops, registers and makes use of all trademarks, patents, licenses, manufacturing processes and formulas.

1.2. Employees
The average number of employees during the year was less than ten (2015: less than ten).

2. Summary of accounting principles adopted
The financial statements at 31 December 2016 are prepared in accordance with Swiss law.

The company is classified as a large entity as it meets the criteria to present group accounts under the definition of art. 961d al. 1 of the Swiss Code of Obligations. As Givaudan prepares and reports comprehensive consolidated financial statements including a cash flow, accompanying notes and a management report, Givaudan SA is exempt from preparing this information.

Valuation Methods and Translation of Foreign Currencies
Investments in, and loans to, Group companies are stated at cost less appropriate write-downs. Marketable securities are shown at the lower of cost and market value. Derivatives are recorded at fair value.

The currency in which Givaudan SA operates is Swiss francs (CHF) and the accounts are presented in Swiss francs. In the statement of financial position, foreign currency assets and liabilities are remeasured at year-end exchange rates with the exception of investments in Group companies which are valued at historical exchange rates. In the income statement, expenses and income in foreign currencies are converted in Swiss francs using the daily exchange rate of the transaction date. Foreign currency gains and losses are recognised in the income statement as they occur with the exception of unrealised gains which are deferred.

3. List of Direct Subsidiaries

List of the direct subsidiaries of the company, which are wholly-owned unless otherwise indicated (percentage of voting rights):

Switzerland	Givaudan Suisse SA Givaudan Finance SA Prodiga AG Givaudan International SA Induchem Holding AG
Argentina	Givaudan Argentina SA Givaudan Argentina Servicios SA
Australia	Givaudan Australia Pty Ltd
Austria	Givaudan Austria GmbH
Bermuda	Givaudan Capital Transactions Ltd
Brazil	Givaudan do Brasil Ltda
Canada	Givaudan Canada Co
Chile	Givaudan Chile Ltda
China	Givaudan Fragrances (Shanghai) Ltd Givaudan Flavors (Shanghai) Ltd Givaudan Specialty Products (Shanghai) Ltd Givaudan Hong Kong Ltd Givaudan Flavors (Nantong) Ltd Givaudan Management Consulting (Shanghai) Ltd Givaudan Fragrances (Changzhou) Ltd
Colombia	Givaudan Colombia SA
Czech Republic	Givaudan CR, s.r.o.
Egypt	Givaudan Egypt SAE Givaudan Egypt Fragrances LLC
France	Givaudan France SAS Soliance SA
Germany	Givaudan Deutschland GmbH
Guatemala	Givaudan Guatemala SA
Hungary	Givaudan Hungary Kft Givaudan Finance Services Kft
India	Givaudan (India) Private Ltd
Indonesia	P.T. Givaudan Indonesia P.T. Givaudan Flavours and Fragrances Indonesia
Italy	Givaudan Italia SpA
Japan	Givaudan Japan K.K.
Korea	Givaudan Korea Ltd
Malaysia	Givaudan Malaysia Sdn.Bhd
Mexico	Givaudan de Mexico SA de CV Grupo Givaudan SA de CV
Netherlands	Givaudan Nederland B.V. Givaudan Treasury International B.V.
Nigeria	Givaudan (Nigeria) Ltd
Peru	Givaudan Peru SAC
Poland	Givaudan Polska Sp. Z.o.o.
Russia	Givaudan Rus LLC
Singapore	Givaudan Singapore Pte Ltd
South Africa	Givaudan South Africa (Pty) Ltd
Spain	Givaudan Iberica, SA
Sweden	Givaudan North Europe AB
Thailand	Givaudan (Thailand) Ltd
Turkey	Givaudan Aroma Ve Esans Sanayi Ve Ticaret Limited Sirketi
United Kingdom	Givaudan Holdings UK Ltd
United Arab Emirates	Givaudan Middle East & Africa FZE
United States of America	Givaudan United States, Inc.
Venezuela	Givaudan Venezuela SA

In 2016 Givaudan SA increased its investments in Givaudan Flavors (Nantong) Ltd and Givaudan Egypt SAE and incorporated Givaudan Middle East & Africa FZE, Givaudan Guatemala and Givaudan Fragrances (Changzhou) Ltd.

4. Cash and cash equivalents

As at 31 December 2016, cash and cash equivalents include an amount of CHF 111 million related to the cash pooling agreements with a Group company.

As at 31 December 2015, an amount of CHF 90 million related to the cash pooling agreements with a Group company was included in short-term debt under current liabilities.

5. Jointly Controlled Entities

Name of joint ventures	Principal activity	Country of incorporation	Ownership interest
Jiangsu Xinrui Aromatics Ltd	Production of fragrance ingredients	China	49%
BGN Tech LLC	Innovative natural ingredients	USA	49%
Natural Extracts International Ltd	Natural ingredient derivatives production	Mauritius	49%
Vanilla International Ltd	Natural ingredient collection and extract	Mauritius	49%

6. Debt

On 15 June 2011, Givaudan SA issued a 2.5% seven year public bond with a nominal value of CHF 300 million.

On 7 December 2011, Givaudan SA issued a dual tranche public bond transaction of CHF 150 million each, totalling CHF 300 million, respectively of 1.250% for five years and of 2.125% for ten years. The first tranche was redeemed in December 2016.

On 19 March 2014, Givaudan SA issued a 1.00% six and a half year public bond with a nominal value of CHF 100 million and a 1.75% ten year public bond with a nominal value of CHF 150 million.

In March 2015, Givaudan SA issued a tranche of CHF 200 million of the multilateral facility (maturity July 2018), of which CHF 75 million was reimbursed in April 2015, CHF 50 million in June 2015 and CHF 75 million in July 2015.

On 7 December 2016, Givaudan SA issued a 0.00% six year public bond with a nominal value of CHF 100 million and a 0.625% fifteen year public bond with a nominal value of CHF 200 million. The proceeds of CHF 300 million were used to repay the 1.250% five year public bond with a nominal value of CHF 150 million which was redeemed in December 2016 and to repay the short-term borrowings withdrawn during the year.

7. Indirect Taxes

The company is part of a Group for VAT purposes with two other affiliates of the Group in Switzerland. The company is jointly and severally liable towards the tax authorities for current and future VAT payables of the VAT Group to which it belongs.

8. Equity

As at 31 December 2016, the share capital amounts to CHF 92,335,860, divided into 9,233,586 fully paid-up registered shares, with a nominal value of CHF 10.00 each. Every share gives the right to one vote.

The Board of Directors has at its disposal conditional capital of a maximum aggregate amount of CHF 7,481,980 that may be issued through a maximum of 748,198 registered shares, of which a maximum of CHF 1,618,200 can be used for executive share option plans.

At the Annual General Meeting held on 17 March 2016 the distribution of an ordinary dividend of CHF 54.00 per share (2015: ordinary dividend of CHF 50.00 per share) was approved. The dividend payment has been primarily made out of statutory capital reserves from capital contributions - additional paid-in capital which Givaudan showed in total equity as at end of 2015, with the remainder paid out of available retained earnings.

The movements in equity are as follows:

2016 in millions of Swiss francs	Share Capital	Statutory retained earnings	Additional paid-in capital	Voluntary retained earnings	Available retained earnings	Own shares	Total
Balance as at 1 January	**92**	**18**	**402**	**2,042**	**(362)**	**(60)**	**2,132**
Registered shares							
Issuance of shares							
Movement of shares						15	15
Appropriation of available earnings							
Transfer to voluntary retained earnings				(500)	500		
Distribution to the shareholders paid relating to 2015			(399)		(96)		(495)
Net (loss) profit for the year					**500**		**500**
Balance as at 31 December	**92**	**18**	**3**	**1,542**	**542**	**(45)**	**2,152**

2015 in millions of Swiss francs	Share Capital	Statutory retained earnings	Additional paid-in capital	Voluntary retained earnings	Available retained earnings	Own shares	Total
Balance as at 1 January	**92**	**18**	**863**	**1,642**	**878**	**(57)**	**3,436**
Registered shares							
Issuance of shares							
Movement of shares						(3)	(3)
Appropriation of available earnings							
Transfer to voluntary retained earnings				400	(400)		
Distribution to the shareholders paid relating to 2014			(461)				(461)
Net (loss) profit for the year					**(840)**		**(840)**
Balance as at 31 December	**92**	**18**	**402**	**2,042**	**(362)**	**(60)**	**2,132**

Statutory capital reserves from capital contributions - additional paid-in capital are presented separately in equity. Any payments made out of these reserves are not subject to Swiss withholding tax, nor subject to income tax on individual shareholders who are resident in Switzerland.

9. Own Shares

The movements in own shares are as follows:

2016	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**39,706**				**60**
Purchases at cost	38,250	1,931.0	1,320.2	1,200.0	50
Sales and transfers at cost	(46,819)	1,396.0	1,396.0	1,396.0	(65)
Balance as at 31 December	**31,137**				**45**

2015	Number	Price in Swiss francs High	Average	Low	Total in millions of Swiss francs
Balance as at 1 January	**47,872**				**57**
Purchases at cost	32,000	1,789.2	1,575.8	1,191.6	50
Sales and transfers at cost	(40,166)	1,179.6	1,179.6	1,179.6	(47)
Balance as at 31 December	**39,706**				**60**

As at 31 December 2015 and 2016, there were no other companies controlled by Givaudan SA that held Givaudan SA shares.

As at 31 December 2016, William H. Gates III (13.86%), BlackRock Inc. (5.08%), MFS Investment Management (3.00%), Nortrust Nominees Ltd (nominee; 15.49%), Chase Nominees Ltd (nominee; 6.47%) and Messieurs Pictet & Cie (nominee; 4.17%) were the only shareholders holding more than 3% of total voting rights.

10. Board of Directors and Executive Committee Compensation

Information required by Swiss law, as per art. 663b bis CO, on the Board of Directors and Executive Committee compensation are disclosed in the Givaudan consolidated financial statements, Note 30.

11. Exceptional Events

As a result of an internal restructuring, a subsidiary of Givaudan SA was liquidated during 2015 which generated a loss of CHF 1,240 million. This item had no effect on the consolidated financial statements of the Group, aside the tax impact. Net losses can be carried forward over seven years.

12. Subsequent Event

On 17 January 2017, as part of its 2020 strategy to strengthen capabilities in natural flavour solutions to its customers, Givaudan announced that it has acquired Activ International.

Activ International employs globally 170 employees. The business would have represented approximately CHF 40 million of incremental sales to Givaudan's results in 2016 on a proforma basis.

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	2016	2015
Net (loss) profit for the year	500,446,384	(839,571,189)
Balance brought forward from previous year	41,648,082	477,535,823
Total available earnings	**542,094,466**	**(362,035,366)**
Transfer (from) to voluntary retained earnings		(500,000,000)
2015 distribution proposal of CHF 10.50 gross per share [a]		96,952,653
2016 distribution proposal of CHF 56.00 gross per share	517,080,816	
Total appropriation of available earnings	**517,080,816**	**(403,047,347)**
Distribution not paid on Treasury shares held by the Group		**636,101**
Amount to be carried forward	**25,013,650**	**41,648,082**

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

in Swiss francs	2016	2015
Balance brought forward from previous year	3,322,955	402,348,672
Total additional paid-in capital	**3,322,955**	**402,348,672**
2015 distribution proposal of CHF 43.50 gross per share [a]		401,660,991
Total appropriation of additional paid-in capital		**401,660,991**
Distribution not paid on Treasury shares held by the Group		**2,635,274**
Amount to be carried forward	**3,322,955**	**3,322,955**

a) The distribution proposal has been distributed firstly from the statutory capital reserves from capital contributions - additional paid-in capital and the remaining amount from available earnings. All distributions of reserves are subject to the requirements of the Swiss law.

Deloitte.

Deloitte SA
Rue du Pré-de-la-Bichette 1
1202 Geneva
Switzerland

Phone: +41 (0)58 279 8000
Fax: +41 (0)58 279 8800
www.deloitte.ch

Statutory Auditor's Report
To the General Meeting of GIVAUDAN SA, Vernier

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Givaudan SA, which comprise the income statement, the statement of financial position for the year ended 31 December 2016, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 December 2016, presented on pages 182 to 189, comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of Investments in Group companies As described in the Note 3 to the financial statements, the Company holds investments in Givaudan Group companies with a carrying value of CHF 2'583 million as of 31 December 2016, representing 78% of total assets. The valuation of these assets is dependent on the ability of these companies to generate positive cash flows in the future. In accordance with Article 960 CO, each investment held is valued individually and reviewed annually for impairment indicators. Each investment showing impairment indicators must be tested for impairment and an impairment would need to be recorded if the recoverable value is lower than the carrying value. The Swiss Federal Tax Administration issued on 17 December 2009 circular 27, chapter 2.5. This circular provides guidance in relation to the valuation methods and factors that must be considered in monitoring the value of investments. The impairment test performed by Givaudan management is subject to judgment around key assumptions, in particular in relation to the valuation method used, interpretation of the impairment model results and ability of the Group companies to generate positive cash flows in the future. Accordingly, for the purposes of our audit, we identified the valuation of these investments as representing a key audit matter.	We discussed with management the adequate implementation of accounting policies and controls regarding the valuation of investments in Group companies. We tested the design and implementation of controls around the valuation of investments to determine whether appropriate controls are in place. We challenged the assessment of impairment indicators by the Company. We tested the valuations by critically assessing the methodology applied and the reasonableness of the underlying assumptions and judgments. We assessed the impairment testing models and calculations by: – checking the mechanical accuracy of the impairment models and the extraction of inputs from source documents; – challenging the significant inputs and assumptions used in impairment for investments in Givaudan Group companies, such as the ability of the Group companies to generate positive cash flows in the future. We validated the appropriateness and completeness of the related disclosures in Note 3 of the financial statements. Based on our procedures performed above, we obtained sufficient audit evidence to address the risk over management's estimates and consider management's key assumptions to be within a reasonable range.

Deloitte.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation.
We recommend that the financial statements submitted to you be approved.

Deloitte SA

Karine Szegedi Pingoud
Licensed Audit Expert
Auditor in Charge

Joëlle Herbette
Licensed Audit Expert

Geneva, 27 January 2017

Appendix

In this section:

Givaudan registered offices

Country	Legal Entity name	Address
Algeria	Givaudan International SA (Suisse) Bureau de Liaison Algérie	Tour A - 4eme Etage, Business Centre Dar El Madina, Micro Zone d'activité Hydra Lot No. 20, 16035 Algers
Argentina	Givaudan Argentina SA	Nicolàs Rodriguez Peña 1568, 5 ° B, 1021, C.A.B.A.
	Givaudan Argentina Servicios SA	Rodriguez Peña 1568, piso 5, oficina B, Ciudad Autónoma de Buenos Aires
Australia	Givaudan Australia Pty Ltd	12-14 Britton Street, Smithfield, Sydney NSW 2164
Austria	Givaudan Austria GmbH	Twin Tower Vienna, Wienerbergstrasse 11, 1109 Vienna
Bermuda	Givaudan International Ltd	Hamilton
	FF Holdings (Bermuda) Ltd	Hamilton
	FF Insurance Ltd	Hamilton
Brazil	Givaudan do Brasil Ltda	Avenida Engenheiro Billings 2185, Jaguaré, São Paulo SP - 05321-010
Canada	Givaudan Canada Co.	2400 Matheson Blvd. East, Mississauga, Ontario L4W 5G9
Chile	Givaudan Chile Ltda	Avda Del Valle 869, oficina 203, Ciudad Empresarial, Comuna de Huechuraba, Santiago de Chile
China	Givaudan Flavors (Shanghai) Ltd Beijing Branch	15F Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, Beijing 100027
	Givaudan Fragrances (Shanghai) Ltd Beijing Branch	15F Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, Beijing 100027
	Givaudan Flavors (Shanghai) Ltd	668 Jing Ye Road, Jin Qiao Export Area, Pu Dong New Area, Shanghai 201201
	Givaudan Fragrances (Shanghai) Ltd	298 Li Shi Zhen Road, pilote Free Trade Zone, Shanghai 201303
	Givaudan Flavors (Shanghai) Ltd Guangzhou Branch	15F The Centrepoint, No 374-2 Beijing Road, Yue Xiu District, Guangzhou 510030
	Givaudan Fragrances (Shanghai) Ltd Guangzhou Branch	15F The Centrepoint, No 374-2 Beijing Road, Yue Xiu District, Guangzhou 510030
	Givaudan Flavors (Shanghai) Ltd Chengdu Branch	Room 2001, 2 Fu Nian Plaza, Ji Tai Road, Gao Xin District, Chengdu 610041, Sichuan Province
	Givaudan Flavors (Nantong) Ltd	No. 7 Jiang Hai Road, Nantong Economnic and Technology Development Area, Nantong, Jiangsu Province 226017
	Givaudan Flavors (Shanghai) Ltd Zhengzhou Branch	Room A1301, Bldg 2, No. 80 Jin Shui Road (East), New Green City, Zhengzhou, He Nan Province
	Givaudan Fragrances (Changzhou) Ltd	Room 232, nbr 238 Chunjiang Zhongyang, Huayuan, Xinbei District, Changzhou 213034, Jiangsu Province
	Givaudan Specialty Products (Shanghai) Ltd	222, Jiangtian East Road, Songjiang District, 201600 Shanghai
	Givaudan Management Consulting (Shanghai) Ltd	3rd floor, no. 5 building, 298 Lishizhen Road, Zhangjiang High-Tech Park, Pudong New Area, 201203 Shanghai
	Givaudan Hong Kong Ltd	6th Floor Alexandra House, 18 Chater Road, Central
Colombia	Givaudan Colombia SAS	Carrera 98 No. 25 G - 40, 151196 Bogotá D.C.
Czech Republic	Givaudan CR, s.r.o.	Klimentská 10, Praha 110 00
Egypt	Givaudan Egypt SAE	Piece 37, Industriel Zone 3, 6th of October City
	Givaudan Egypt Fragrances LLC	46 El Thawra st., 3rd floor, Appt 304, Heliopolis

Country	Legal Entity name	Address
Finland	Givaudan International SA, Branch in Finland	Niemenkatu 73, 15140 Lahti
France	Givaudan France SAS	55 Rue de la Voie des Bans, CS500024, 95102 Argenteuil Cedex
	Soliance SA	Route de Bazancourt, 51110 Pomacle
	Induchem France SAS	72 Rue du Faubourg Saint Honoré, 75008 Paris
	Libragen SAS	3 Rue des Satellites, 31000 Toulouse
Germany	Givaudan Deutschland GmbH	Giselherstrasse 11, 44319 Dortmund
Guatemala	Givaudan Guatemala SA	Boulevar Los Proceres 18, Calle 24-69 Zona 10, Empresarial Zona Pradera, Torre 1, Oficiana 1201-01010
Hungary	Givaudan Hungary Kft	Királyhegyesi út 3, 6900 Makó
	Givaudan Finance Services Kft	Teréz körút 55-57, Eiffel Offices, Building C, 1062 Budapest
India	Givaudan (India) Pvt Ltd	Plot No. 26, 2nd Cross Jigani Industrial Area, Anekal Taluk, Jigani, Bangalore, Karnataka 560 105
Indonesia	PT. Givaudan Indonesia	Jl. Raya Jakarta-Bogor Km 35, Cimanggis Depok, 16951 West Java
Iran	Givaudan International SA, Iran Branch	P.O. Box 15175/534 - No.202 - 204, Gol Bld., Gol Alley, After Park Saei, Vali Asr, Tehran
Italy	Givaudan Italia SpA	Via Borgogne 5, 20121 Milano
Ivory Coast	Givaudan International SA (Bureau de représentation en Côte d'Ivoire)	Centre D'affaire Regus - Plateau Imm. BSIC, 5th fl., 7 Avenue Nogues, 01BP 5754 Abijan
Japan	Givaudan Japan K.K.	6-6 Osaki 3-chome, Shinagawa-ku, Tokyo 141-0032
Malaysia	Givaudan Malaysia Sdn Bhd	Level 8, Symphony House, Block D13, Pusat Dagangan Dana 2, Jalan PJU 1A/46, 47301 Petaling Jaya Selangor
Mexico	Givaudan de México SA de CV	Av. Eje Norte-Sur No. 11 Civac, 62578 Jiutepec Morelos
	Grupo Givaudan S.A. de C.V.	Av. Eje Norte-Sur No. 11 Civac, 62578 Jiutepec Morelos
Myanmar	Givaudan Singapore Pte Ltd (Myanmar Branch)	46A - 2C Excellent Condo, Pantra Street, Dagon Township, Yangon
Netherlands	Givaudan Nederland BV	Huizerstraatweg 28, 1411 GP Naarden
	Givaudan Treasury International BV	Huizerstraatweg 28, 1411 GP Naarden
New Zealand	Givaudan NZ Ltd	Level 1 The Lane, Botany Town Center, Te Irirangi Drive, Botany 2010
Nigeria	Givaudan (Nigeria) Limited	Plot 2 and 4, Block D, Amuwo Odofin Industrial scheme, Apapa/Oshodi Expressway, Lagos
Pakistan	Givaudan International SA Pakistan	25 th Floor. The Ocean Tower, Block - 9. Clifton, Karachi - 75600
Peru	Givaudan Peru SAC	Av. Victor Andrés Belaúnde 147, Centro Empresarial Real, Torre Real 1 Piso 11, San Isidro 27 Lima
Philippines	Givaudan Singapore Pte Ltd, Regional Operating Headquarter	37/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City 1605
Poland	Givaudan Polska Sp. z o.o.	ul. Puławska 182, IO-1 Building, 02-670 Warszawa

Country	Legal Entity name	Address
Russian Federation	Givaudan Rus LLC	Riverside Towers Business Centre, Floor 7-8, Kosmodamianskaya Naberezhnaya 52/1, 115054 Moscow
Singapore	Givaudan Singapore Pte Ltd	1 Woodland Avenue 8, Singapore 738972
South Africa	Givaudan South Africa (Pty) Ltd	9-11 Brunei Road, Tulisa Park, Johannesburg 2197
South Korea	Givaudan Korea Ltd	11-12/F Trus Tower Building, 60 Mabang-Ro, Seocho.Ku
Spain	Givaudan Ibérica, SA	Pla d'en Batllé s/n, 8470 Sant Celoni, Barcelona
Sweden	Givaudan North Europe AB	Glimmervägen 6, 224 78 Lund
Switzerland	Givaudan SA	Chemin de la Parfumerie 5, 1214 Vernier
	Givaudan Finance SA	Chemin de la Parfumerie 5, 1214 Vernier
	Givaudan Suisse SA	Chemin de la Parfumerie 5, 1214 Vernier
	Givaudan International SA	Chemin de la Parfumerie 5, 1214 Vernier
	Induchem Holding AG	Industriestrasse 8A, 8604 Volketswil
	Induchem AG	Industriestrasse 8A, 8604 Volketswil
Taiwan, Republic of China	Givaudan Singapore Pte Ltd, Taiwan Branch	7/F No 303, Hsin Yi Road, Sec 4, Taipei City Taiwan 106
Thailand	Givaudan (Thailand) Ltd	719 KPN Tower, 16 & 25 Floor, Rama 9 Road, Bangkapi Huaykwang, Bangkok 10310
Turkey	Givaudan Aroma ve Esans Sanayi ve Ticaret Ltd. Sirketi	Akat mahallesi, Bilge sokak, Park Maya Sitesi Barclay 19 No 1 daire 6/7 Besiktas, Istanbul
UAE	Givaudan International SA (Representative Office)	Concord Tower Floor 21, Offices 2109 - 2114, P.O. Box No. 33170, Media City, Dubai
	Givaudan Gulf Trading LLC	Concord Tower, Media City, Floor 21, Iffuces 2105-2114 Dubai
	Givaudan Middle East & Africa	Free Zone Establishment, Jafza View 19, First floor, office nbr 129, Jebel Ali Free Zone, Dubai
United Kingdom	Givaudan UK Ltd	Kennington Road, Ashford, Kent TN24 0LT
	Givaudan Holdings UK Ltd	Kennington Road, Ashford, Kent TN24 0LT
Ukraine	Givaudan International SA, Representative Office	Pimonenko Str. 13 6B/18, 04050 Kiev
United States of America	Givaudan Flavors Corporation	1199 Edison Drive, Cincinnati, OH 45216
	Givaudan Fragrances Corporation	1199 Edison Drive, Cincinnati, OH 45216
	Givaudan Flavors and Fragrances Inc.	1199 Edison Drive, Cincinnati, OH 45216
	Givaudan United States Inc.	15 East North Street, Dover, Delaware 19901
Venezuela	Givaudan Venezuela SA	Calle Veracruz con calle Cali Torre, ABA Piso 8, Ofic 8A, Las Mercedes, Caracas CP 1060
Vietnam	Givaudan Singapore Pte Ltd, Vietnam Representative Office	Giay Viet Plaza 5th Fl., 180-182 Ly Chinh Thang Street, District 3, Ho Chi Minh City

Givaudan sites worldwide

Country	Address	Legal Entity name	Fragrances	Flavours	Sales/Rep office	Creation/ Application	Production	2016 SR Scope[1]
Algeria	Tour A - 4eme Etage, Business Centre Dar El Madina, Micro Zone d'activité Hydra Lot No. 20, 16035 Algers	Givaudan International SA (Suisse) Bureau de Liaison Algérie	■		■			
Argentina	San Lorenzo 4759, Esquina Ave Mitre, Munro, Prov. Buenos Aires B 1605 EIO	Givaudan Argentina SA		■	■	■	■	■
	Ruta 9 Panamericana Km 36.5, Partido Malvinas Argentinas, Buenos Aires B1667KOV	Givaudan Argentina SA	■		■	●	■	■
	Tronador 4890, 8° piso, Buenos Aires C 1430 DNN CABA	Givaudan Argentina Servicios SA	■	■				
Australia	12-14 Britton Street, Smithfield, Sydney NSW 2164	Givaudan Australia Pty Ltd		■			■	■
	Unit 36, 5 Inglewood Place, Baulkham Hills, Sydney NSW 2153	Givaudan Australia Pty Ltd	■	■	■	■		
	Suite West 11A Ground fl., 215 Bell Street, Preston VIC 3072	Givaudan Australia Pty Ltd		■	■			
Austria	Twin Tower Vienna, Wienerbergstrasse 11, 1109 Vienna	Givaudan Austria GmbH		■	■	■		
Brazil	Avenida Engenheiro Billings 2185, Jaguaré, São Paulo SP - 05321-010	Givaudan do Brasil Ltda	■	■	■	■	■	■
	Avenida Engenheiro Billings 1653 & 1729, Jaguaré, São Paulo SP - 05321-010	Givaudan do Brasil Ltda	■		■	■		
Canada	2400 Matheson Blvd. East, Mississauga, Ontario L4W 5G9	Givaudan Canada Co.		■	■			
Chile	Avda Del Valle 869, oficina 202, Ciudad Empresarial, Comuna de Huechuraba, Santiago de Chile	Givaudan Chile Ltda		■	■	■		
China	15F, Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, 100027 Beijing	Givaudan Flavors (Shanghai) Ltd Beijing Branch		■	■	●		
	15F, Tower 2, Kun Sha Center, No. 16 Xin Yuan Li Road, Chao Yang District, 100027 Beijing	Givaudan Fragrances (Shanghai) Ltd Beijing Branch	■		■			
	668 Jing Ye Road, Jin Qiao Export Area, Pu Dong New Area, 201201 Shanghai	Givaudan Flavors (Shanghai) Ltd		■	■	■	■	■
	298 Li Shi Zhen Road, Zhangjiang High-Tech Park, Pudong New Area, 201203 Shanghai	Givaudan Fragrances (Shanghai) Ltd	■		■	■	■	■
	No. 7 Jianghai Road, Nantong Economic and Technological Development Area, 226017 Nantong, Jiangsu Province	Givaudan Flavours (Nantong) Ltd		■			■	■
	Unit 5, 15F Shuion Center, No 374-2 Beijing Road, Yue Xiu District, 510030 Guangzhou	Givaudan Flavors (Shanghai) Ltd Guangzhou Branch		■	■	●		
	Unit 6-7, 15F Shuion Center, No 374-2 Beijing Road, Yue Xiu District, 510030 Guangzhou	Givaudan Fragrances (Shanghai) Ltd Guangzhou Branch	■		■			
	222, Jiang Tian East Road, Songjiang Development Zone, 201600 Shanghai	Givaudan Specialty Products (Shanghai) Ltd	■	■			■	■
	Room 2001, 20F Funian Plaza-2, No. 666 Jitai Road, Gaoxin District, 610041 Chengdu, Sichuan Province	Givaudan Flavors (Shanghai) Ltd Chengdu Branch		■	■	●		
	Room A1301, Bldg 2, No. 80 Jin Shui Road (East), New Green City, Zhengzhou, He Nan Province	Givaudan Flavors (Shanghai) Ltd Zhengzhou Branch		■	■			
	Unit 1001, 10 F Miramar Tower, 132 Nathan Road, Tsim Sha Tsui	Givaudan Hong Kong Ltd	■	■	■			

1. Locations taken into account in the 2016 Sustainability Report for the environment, health and safety performance indicators.

● Application only ▲ Flavour ingredients △ Creation only

Country	Address	Legal Entity name	Fragrances	Flavours	Sales/ Rep office	Creation/ Application	Production	2016 SR Scope [1]
Colombia	Carrera 98 No. 25 G - 40, 151196 Bogotá D.C.	Givaudan Colombia SAS	■	■	■	■		
Czech Republic	Klimentská 10, Praha 110 00	Givaudan CR, s.r.o.		■	■			
Egypt	Piece 37, Industriel Zone 3, 6th of October City	Givaudan Egypt SAE		■	■	■	■	■
	46 El Thawra st., 3rd floor, Appt 304, Heliopolis	Givaudan Egypt Fragrances LLC	■		■			
Finland	Niemenkatu 73, 15140 Lahti	Givaudan International SA, Branch in Finland		■	■			
France	46, avenue Kléber, 75116 Paris	Givaudan France SAS	■		■	■		
	55 Rue de la Voie des Bans, BP 500024, 95102 Argenteuil Cedex	Givaudan France SAS	■		■	■		■
	19-23 Rue de la Voie des Bans, BP 500024, 95102 Argenteuil Cedex	Givaudan France SAS		■	■	■		■
	Route de Bazancourt, 51110 Pomacle	Soliance SA	■		■		■	■
	Anse du Pors Gelin, 22560 Pleumeur Bodou	Soliance SA	■				■	■
	72 Rue du Faubourg Saint Honoré, 75008 Paris	Induchem France SAS	■		■			
	3 Rue des Satellites, 31400 Toulouse	Libragen SAS	■			●		
Germany	Giselherstrasse 11, 44319 Dortmund	Givaudan Deutschland GmbH		■	■	■	■	■
	Lehmweg 17, 20251 Hamburg	Givaudan Deutschland GmbH	■		■			
Guatemala	Boulevar Los Proceres 18, Calle 24-69 Zona 10, Empresarial Zona Pradera, Torre 1, Oficiana 1201-01010	Givaudan Guatemala SA	■	■	■			
Hungary	Királyhegyesi út 3, 6900 Makó	Givaudan Hungary Kft		■	■		■	■
	Teréz körút 55-57, Eiffel Offices, Building C, 1062 Budapest	Givaudan Finance Services Kft	■	■				
India	Plot No. 30, Survey No. 168, Dabhel Industrial Estate, Daman 396210	Givaudan (India) Pvt Ltd		■			■	■
	Survey No. 57/3 (2) & 3, Village Dunetha, Daman 396 210	Givaudan (India) Pvt Ltd		■			■	■
	Plot No. 26, 2nd Cross Jigani Industrial Area, Anekal Taluk, Jigani, Bangalore, Karnataka 560 105	Givaudan (India) Pvt Ltd	■				■	■
	13th Floor Prestige Meridian 1, 29 MG Road, Bangalore, 560001	Givaudan (India) Pvt Ltd	■	■	■			
	401 Akruti Centre Point, 4th Floor, MIDC Central Road, MIDC, Andheri (East), Mumbai 400093	Givaudan (India) Pvt Ltd	■	■	■	■		
	406-410, 4th Floor, JMD Pacific Square, Sector 15, Part II, Gurgaon 122001, Haryana	Givaudan (India) Pvt Ltd	■	■	■			
Indonesia	Jl. Raya Jakarta-Bogor Km 35, Cimanggis Depok, 16951 West Java	PT. Givaudan Indonesia	■	■			■	■

1. Locations taken into account in the 2016 Sustainability Report for the environment, health and safety performance indicators.

● Application only ▲ Flavour ingredients △ Creation only

Country	Address	Legal Entity name	Fragrances	Flavours	Sales/Rep office	Creation/ Application	Production	2016 SR Scope[1]
Indonesia	Menara Anugrah 7th - 9th Floor, Kantor Taman E3.3, Jl. Mega Kuningan Lot 8.6 - 8.7, Kawasan Mega Kuningan, 12950 Jakarta	PT. Givaudan Indonesia	■	■	■	■		
Iran	P.O. Box 15175/534 - No.202 - 204, Gol Bld., Gol Alley, After Park Saei, Vali Asr, Tehran	Givaudan International SA, Iran Branch	■	■	■			
Italy	Via XI Febbraio 99, 20090 Vimodrone (MI)	Givaudan Italia SpA	■	■	■	●		
Ivory Coast	Centre D'affaire Regus - Plateau Imm. BSIC, 5th fl., 7 Avenue Nogues, 01BP 5754 Abijan	Givaudan International SA (Bureau de représentation en Côte d'Ivoire)	■	■	■			
Japan	3014-1 Shinohara-cho, Yokohama-shi, Kanagawa 222-0026	Givaudan Japan K.K.	■		■	■		
	3056 Kuno, Fukuroi-shi, Shizuoka 437-0061	Givaudan Japan K.K.			■		■	■
	3-6-6 Tokiwa New Building, Osaki, Sinagawa-Ku, Tokyo 141-0032	Givaudan Japan K.K.		■	■	■		
Korea (Republic of)	11/F Trust Tower Bldg, 60 Mabang-ro, Seocho-Gu, Seoul 06775	Givaudan Korea Ltd	■		■	●		
	12/F Trust Tower Bldg, 60 Mabang-ro, Seocho-Gu, Seoul 06775	Givaudan Korea Ltd		■	■	●		
Malaysia	A-901 Menara 1, Kelana Brem Towers, Jalan SS 7/15 (Jalan Stadium), 47301 Petaling Jaya Selangor Darul Ehsan	Givaudan Malaysia Sdn Bhd	■	■	■	●		
Mexico	Camino a Quintanares Km. 1.5, Pedro Escobedo, 76700 Queretaro	Givaudan de México SA de CV	■				■	■
	Av. Eje Norte-Sur No. 11 Civac, 62578 Jiutepec Morelos	Givaudan de México SA de CV		■	■	■	■	■
	Av. Paseo de la Reforma #2620, piso 12 Edificio Reforma Plus, Col. Lomas Altas, 11950 Mexico, D.F	Givaudan de México SA de CV		■	■			
	Av. Paseo de la Reforma #2620, piso 9 Edificio Reforma Plus, Col. Lomas Altas, 11950 Mexico, D.F	Givaudan de México SA de CV	■		■	■		
Myanmar	46A - 2C Excellent Condo, Pantra Street, Dagon Township, Yangon	Givaudan Singapore Pte Ltd (Myanmar Branch)	■	■	■	●		
Netherlands	Huizerstraatweg 28, 1411 GP Naarden	Givaudan Nederland BV		■	■	■	■	■
	Nijverheidsweg 60, 3771 ME Barneveld	Givaudan Nederland BV		■			■	■
New Zealand	Level 1, The Lane, Botany Town Center, Te Irirangi Drive, Botany 2010	Givaudan NZ Ltd		■	■			
Nigeria	Plot 2 and 4, Block D, Amuwo Odofin Industrial scheme, Apapa/ Oshodi Expressway, Lagos	Givaudan (Nigeria) Limited	■	■	■	●		
Pakistan	25 th Floor. Ocean Tower, Block - 9. Clifton, Karachi - 75600	Givaudan International SA Pakistan		■	■	●		
Peru	Av. Victor Andrés Belaúnde 147, Centro Empresarial Real, Torre Real 1 Piso 11, San Isidro 27 Lima	Givaudan Peru SAC	■	■	■	●		

1. Locations taken into account in the 2016 Sustainability Report for the environment, health and safety performance indicators.

● Application only ▲ Flavour ingredients △ Creation only

Country	Address	Legal Entity name	Fragrances	Flavours	Sales/Rep office	Creation/ Application	Production	2016 SR Scope[1]
Philippines	37/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City 1605	Givaudan Singapore Pte Ltd, Regional Operating Headquarter	■	■	■	●		
Poland	ul. Puławska 182, IO-1 Building, 02-670 Warszawa	Givaudan Polska Sp. z o.o.		■	■			
Russian Federation	Riverside Towers Business Centre, Floor 7-8, Kosmodamianskaya Naberezhnaya 52/1, 115054 Moscow	Givaudan Rus LLC		■	■	■		
	Delovoy dom B-5, floor 9, Botanicheskiy pereulok 5, 129090 Moscow	Givaudan Rus LLC	■		■	■		
Singapore	1 Woodlands Avenue 8, Singapore 738972	Givaudan Singapore Pte Ltd	■	■	■	■	■	■
	1 Pioneer Turn, Singapore 627576	Givaudan Singapore Pte Ltd	■		■	■	■	■
	19 Chin Bee Road, Singapore 619833	Givaudan Singapore Pte Ltd		■			■	■
South Africa	9-11 Brunel Road, Tulisa Park, Johannesburg 2197	Givaudan South Africa (Pty) Ltd		■	■	■	■	■
	51A Galaxy Avenue, Linbro Business Park,Frankenwald, Sandton 2065	Givaudan South Africa (Pty) Ltd	■		■	●		
Spain	Pla d'en Batllé s/n, 8470 Sant Celoni, Barcelona	Givaudan Ibérica, SA	■	■	■	△	■	■
	Edificio Géminis, Bloque B 1° 2a, Parque de Negocios Mas Blau, 8820 El Prat de Llobregat, Barcelona	Givaudan Ibérica, SA	■		■			
Sweden	Hedvig Möllers gata 17, 22355 Lund	Givaudan North Europe AB		■	■			
Switzerland	Überlandstrasse 138, 8600 Dübendorf	Givaudan Schweiz AG		■			■	■
	Überlandstrasse 138, 8600 Dübendorf	Givaudan International AG		■	■	■		■
	8310 Kemptthal	Givaudan Schweiz AG		■		●	■	■
	8310 Kemptthal	Givaudan International AG		■		△		■
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan Suisse SA	■				■	■
	Chemin de la Parfumerie 5, 1214 Vernier	Givaudan International SA	■		■			■
	Industriestrasse 8A, 8604 Volketswil	Induchem AG	■			■	■	■
Taiwan, PR China	7/F, No 303, Hsin Yi Road, Sec 4, Taipei City, Taiwan 106	Givaudan Singapore Pte Ltd, Taiwan Branch	■	■	■	●		
Thailand	719 KPN Tower, 16 & 25 Floor, Rama 9 Road, Bangkapi Huaykwang, Bangkok 10310	Givaudan (Thailand) Ltd	■	■	■	●		
Turkey	Ebulula Cad. Lale Sok., Park Maya Sitesi Barclay 19A Daire 6-7, Akatlar, Besiktas / Istanbul 34335	Givaudan Aroma ve Esans Sanayi ve Ticaret Ltd. Sirketi	■		■			
	Büyükdere Cad. Telpa Plaza., No 195 K.3, Levent, Istanbul 34394	Givaudan Aroma ve Esans Sanayi ve Ticaret Ltd. Sirketi		■	■	■		

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Country	Address	Legal Entity name	Fragrances	Flavours	Sales/Rep office	Creation/ Application	Production	2016 SR Scope[1]
UAE	Concord Tower Floor 21, Offices 2109 - 2114, P.O. Box No. 33170, Media City, Dubai	Givaudan International SA (Representative Office)	■		■	■		
	Concord Tower, Floor 36, Offices 3606 - 3610, P.O. Box No. 33170, Media City, Dubai	Givaudan International SA (Representative Office)		■	■	■		
United Kingdom	Magna House, 76-80 Church Street, Staines, Middx. TW18 4XR	Givaudan UK Ltd	■		■			
	Chippenham Drive, Kingston, Milton Keynes MK10 OAE	Givaudan UK Ltd		■	■	■		
	Kennington Road, Ashford, Kent TN24 0LT	Givaudan UK Ltd	■		■	■	■	■
Ukraine	Pimonenko Str. 13 6B/18, 04050 Kiev	Givaudan International SA, Representative Office		■	■			
United States of America	880 West Thorndale Avenue, Itasca, IL 60143	Givaudan Flavors Corporation		■			■	■
	580 Tollgate Road, Suite A, Elgin, IL 60123	Givaudan Flavors Corporation		■	■	■		
	1199 Edison Drive 1-2, Cincinnati, OH 45216	Givaudan Flavors Corporation		■	■	■		■
	245 Merry Lane, East Hanover, NJ 07936	Givaudan Flavors Corporation		■	■	■	■	■
	9500 Sam Neace Drive, Florence, KY 41042	Givaudan Flavors Corporation		■			■	■
	4705 U.S. Highway 92 East, Lakeland, FL 33801-3255	Givaudan Flavors Corporation		■	■		■	■
	100 East 69th Street, Cincinnati, OH 45216	Givaudan Flavors Corporation		■			■	■
	International Trade Center, 300 Waterloo Valley Road, Mount Olive, NJ 07828	Givaudan Fragrances Corporation	■				■	■
	40 West 57th St. 11th floor, New York, NY 10019	Givaudan Fragrances Corporation	■		■	■		
	717 Ridgedale Avenue, East Hanover, NJ 07936	Givaudan Fragrances Corporation	■		■	■		
	535 Fifth AVenue, Floor 23, New-York, NJ 10017	Induchem USA, Inc.	■		■	■		
	195 Alexandra Way, Carol Stream, IL 60188	Givaudan Flavors Corporation (SpiceTech)		■	■		■	
	6 Santa Fe Way, Cranbury, NJ 08512	Givaudan Flavors Corporation (SpiceTech)		■	■		■	
Venezuela	Calle Veracruz con calle Cali Torre, ABA Piso 8, Ofic 8A, Las Mercedes, Caracas CP 1060	Givaudan Venezuela SA	■	■	■	●		
Vietnam	Giay Viet Plaza 5th Fl., 180-182 Ly Chinh Thang Street, District 3, Ho Chi Minh City	Givaudan Singapore Pte Ltd, Vietnam Representative Office	■	■	■	●		

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Overview of annual publications

Online 2016 Annual Report

Available in English
– From 31 January 2017
– www.givaudan.com – investors – online annual report

Content
Online overview of our financial and business performance, Governance and Compensation, as well as our business and culture, stories and a full download centre.

2016 Annual Report

Available in English
– PDF from 31 January 2017
– Print from 23 March 2017
– www.givaudan.com – media – publications

Content
The full Annual Report: Strategic overview, Performance review, Governance and Compensation, and the Financial Report.

2016 Highlights

Available in English, French and German
– PDF and print from 23 March 2017
– www.givaudan.com – media – publications

Content
Business and financial highlights in addition to the Chairman and CEO reviews and the highlights of the Governance and Compensation reports.

2016 Sustainability Report

Available in English
– PDF from 23 March 2017
– www.givaudan.com – sustainability – publications

Content
Management and performance information on our environmental, social and economic impacts.

To order publications:
www.givaudan.com - media - corporate publications

Givaudan Foundation

2016 Annual Report

Available in English
PDF from 23 March 2017
www.givaudan-foundation.org

The Givaudan Foundation is a non-profit organisation created in 2013 as a result of Givaudan's desire to reinforce its commitment towards the communities in which it operates. The foundation's purpose is to initiate and support projects as well as to grant donations in the areas defined by its vision and mission. One of the causes supported by the foundation is to safeguard the future of communities and their fragile environment. There is a specific focus on three areas in which Givaudan as a company is already engaged and where its expertise and experience can be leveraged to make a difference: communities at source, blindness and nutrition. The Givaudan Foundation works closely with and relies on resources provided by Givaudan to conduct and monitor its projects. The Foundation also operates with local partners to ensure the efficient deployment of projects and their relevance to those who are intended to benefit from them.

Givaudan SA

Chemin de la Parfumerie 5
1214 Vernier, Switzerland

General information
T + 41 22 780 91 11
F + 41 22 780 91 50

Media and investor relations
T + 41 22 780 90 53
F + 41 22 780 90 90

Share registry
SAG SEGA Aktienregister AG
Postfach
4601 Olten, Switzerland
T + 41 62 205 36 95
F + 41 62 205 39 66

Share information
Symbol: GIVN
Security number: 1064593
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www.givaudan.com