

Compensation report

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

Compensation governance

The Compensation Committee of the Board of Directors consists of three non-executive members of the Board, chaired by André Hoffmann. The Chairman of the Board of Director, in an advisory capacity, as well as the CEO, are regularly invited to Compensation Committee meetings. The CEO does not participate in discussions regarding his own compensation.

The Compensation Committee regularly reviews and approves Company-wide compensation policies and programmes. This includes annual base salary positioning, annual incentive plans, share-based long-term incentive plans as well as benefits policies. The Compensation Committee is also responsible for reviewing and approving the individual compensation and benefits of each Executive Committee member as well as recommending the overall compensation for the Board of Directors.

The Compensation Committee meets two to three times a year. It utilises independent external consultants to benchmark the compensation of Executive Committee members.

Compensation principles

Givaudan compensation programmes are 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, job 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 is composed of the following elements:

- **Base salary:** base salary is regularly benchmarked in each location and pay scales are reviewed annually according to local market evolution. As a general rule, pay scales are built around market median.
- **Profit Sharing Plan:** non-management employees participate in the global Profit Sharing Plan. Payouts are based on yearly evolution of Group EBITDA (at comparable basis).
- **Annual Incentive Plan:** this plan covers all managers and executives globally. It rewards participants for the achievement of financial targets and other individual objectives.
- **Long Term Incentive Plan:** the LTIP links selected executives and key employees to the evolution of the Givaudan share price through share option and/or restricted share unit awards.
- **Performance Share Plan:** participation in the Performance Share Plan is restricted to approximately 50 senior executives. This plan has a five-year performance period (2008-2012). Vesting of performance shares is conditional upon the economic value generated over the performance 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 is apparent from the chart below, every Givaudan employee is linked to Company performance through cash-based and/or share-based variable pay plans.

The Annual Incentive Plan, the Long Term Incentive Plan and the Performance Share Plan are described in more detail in the next section.

Givaudan compensation architecture

Pay component	Targeted population	Approximate number of participants
Base salary	All employees	8,600
Profit Sharing Plan	Non-management employees	6,100
Annual Incentive Plan	Managers and executives	2,500
Long Term Incentive Plan	Executives and key employees	270
Performance Share Plan	Senior executives	50