

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

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. This comparative group of companies are similar in size and have a significant international presence in the fragrance and flavour or in related industries (e.g. consumer products, food and beverage, specialty chemicals). All benchmarking activity is performed by independent external consultants.

Givaudan's executive compensation targets base pay at the market median. Executives have the opportunity to be rewarded with above median pay for sustained outstanding performance through various variable compensation components. These variable elements reflect achievements against quantitative targets established by the Board of Directors, as well as the contribution and leadership qualities of individual executives. Variable compensation represents a significant portion of an executive's total compensation. The weight of variable compensation increases with level of responsibility and impact of the position on Company results.

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

- Direct compensation is composed 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.

Direct compensation components are described below.

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.

Annual Incentive Plan

The Annual Incentive Plan is designed to reward executives and managers for the achievement of annual operational targets.

Annual targets for Executive Committee members are set by the Board of Directors upon recommendation by the Compensation Committee. For 2010, these targets and their respective weights were as follows:

- Sales Growth (local currencies): 50%
- Operating Return On Sales (OROS): 50%

For the purpose of the Annual Incentive Plan, OROS is defined as Operating Income (excluding exceptional items), expressed as a percentage of Sales.

Achievements against these targets are reviewed and approved by the Compensation Committee.

Annual incentive payouts for lower level executives and managers are based on a mix of financial objectives cascaded from Givaudan Group targets and qualitative objectives addressing key initiatives and/or process improvements.

Expressed as a percentage of base salary, annual incentives at target were the following in 2010:

- Chief Executive Officer: 80%
- Chief Financial Officer and Division Presidents: 60%
- Global Head of Human Resources and Global Head of Information Technology: 50%
- Division Management Committee members: 35%-50%
- Other executives and managers: 10%-35%

Based on the performance achievements, incentive payouts may vary between 0% and a cap of 200% of target incentive.

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Long Term Incentive Plan

A new design for the Givaudan Long Term Incentive Plan (LTIP) was approved by the Board of Directors on 25 March 2009.

Until 2008, the Givaudan LTIP was delivered in the form of stock options.

As from 2009, the LTIP gives participants a choice as to how they receive their awards:

- 100% of award value in stock options
- 100% of award value in restricted share units (RSUs)
- 50% of award value in stock options and 50% in RSUs

These three alternatives have approximately equal values at grant and are designed to address the various financial situations, personal circumstances and risk profiles of LTIP participants. The Company believes that offering participants a choice enhances the perceived value of the Givaudan LTIP, and therefore its effectiveness in attracting, retaining and motivating key talent.

The total grant value of the LTIP awards is approved each year by the Board of Directors. Participation is limited to approximately 3% of the employee population, including senior executives and key contributors. The individual grants to Executive Committee members are reviewed and approved annually by the Compensation Committee.

Both stock options and RSUs link executive compensation to shareholder value creation as reflected in the evolution of Givaudan's share price.

The main characteristics of stock options and RSUs are described below. More details can be found in the 'Share-Based Payments' section of the 2010 Financial Report.

Stock options

Stock options have a vesting period of two years and expire after five years.

As a principle, the strike price for the options is established by the Board of Directors at a level that is higher than the market value of the Givaudan share at grant (out-of-the-money options). The underlying market value at grant is the average price of the Givaudan share in the two weeks following the publication of the annual results.

The maximum number of options awarded each year (with annual issuance of call warrants on the Swiss stock exchange) and the option parameters are approved by the Board of Directors.

Restricted Share Units

RSUs give participants the right to receive a specific number of Givaudan shares (or a cash equivalent, where securities laws prevent the offering of Givaudan securities to employees) at the end of a vesting period of three years, subject to continued employment with the Company.

Participants have no shareholder's rights during the vesting period, i.e. they do not receive dividends and have no voting rights until RSUs are converted into Givaudan shares.

After the vesting period has elapsed, shares can be held or sold by the participant with no restriction except for applicable blackout periods.

Performance Share Plan

The introduction of a Performance Share Plan (PSP) was approved by the Board of Directors on 30 November 2007. The PSP is designed to reward executives who significantly impact long-term Company performance. Fifty-two senior executives were awarded performance shares in 2008. Performance shares will vest on 1 March 2013, conditional upon the economic value generation over the five-year period. The economic value generation will be measured by cumulative EBITDA over the five-year period, adjusted for the utilisation of capital.

The actual number of shares to vest at the end of the five-year performance period may vary between 0% and a maximum of 150% of the number of performance shares granted, based upon the performance achievement. Thirty thousand performance shares were reserved for the plan over the five-year period.

Performance shares are granted only once in respect of the five-year performance period.

Compensation of the Executive Committee

in Swiss francs	Gilles Andrier CEO	Executive Committee members (excl. CEO) ^a	Total remuneration 2010	Total remuneration 2009
Base salary	905,441	2,348,908	3,254,349	3,278,700
Annual incentive ^b	402,687	941,381	1,344,068	1,743,908
Total cash	1,308,128	3,290,289	4,598,417	5,022,608
Pension benefits ^c	127,580	376,009	503,589	732,260
Other benefits ^d	176,839	537,070	713,909	739,858
Number of options granted ^e	60,000	160,000	220,000	220,000
Value at grant ^f	909,600	2,425,600	3,335,200	3,295,600
Number of RSUs granted ^g		400	400	526
Value at grant ^h		322,480	322,480	312,970
Number of performance shares granted ⁱ	3,000	6,900	9,900	9,900
Annualised value at grant ^j	533,580	1,227,234	1,760,814	1,760,814
Total remuneration	3,055,727	8,178,682	11,234,409	11,864,110

a) Represents full year compensation of five Executive Committee members.

b) Annual incentive paid in March 2010 based on year 2009 performance.

c) Company contributions to broad-based pension and retirement savings plans and annualised expense accrued for supplementary executive retirement benefit.

d) Represents annualised value of health & welfare plans, international assignment benefits and other benefits in kind. Contributions to compulsory social security schemes are excluded.

e) Options vest on 2 March 2012.

f) Economic value at grant based on a Black & Scholes model, with no discount applied for the vesting period.

g) Restricted share units vest on 1 March 2013.

h) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.

i) Performance shares are granted in March 2008 for the 5 year period 2008-2012 and vest on 1 March 2013.

j) Annualised value at grant calculated according to IFRS methodology, and assuming 100% achievement of performance target.

Highest total compensation

CEO Gilles Andrier was the Executive Committee member with the highest total compensation in 2010. For compensation details, please refer to the above table as well as the complete disclosure of compensation to Board of Directors and Executive Committee members set out in the 'Related Parties' section of the 2010 Financial Report.

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 had any loan outstanding as of 31 December 2010.

Special compensation of members of the Executive Committee who left the Company during the reporting period

No such compensation was incurred during the reporting period.

Contractual termination clauses of Executive Committee members

Employment contracts of Executive Committee members provide for a maximum indemnity equivalent to twelve months' total remuneration for termination of employment by the Company. No additional compensation or benefits are provided in the case of change in control, except for the immediate vesting of share options granted by the Company.

All contractual arrangements of Executive Committee members are approved by the Compensation Committee of the Board of Director.

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Compensation of members of the Board

Compensation of Board members consists of Director fees and Committee fees. These fees are paid shortly after the Annual General Meeting for year in office completed. In addition, each Board member is entitled to participate in the Givaudan Long Term Incentive Plan (LTIP) described above. With the exception of

the Chairman and the outgoing Board member, each Board member receives an amount of CHF 10,000 for out-of-pocket expenses. This amount is paid for the coming year in office. The LTIP awards are also granted for the same period.

The compensation paid out to the Board of Directors during the year was as follows:

in Swiss francs	Jürg Witmer Chairman	André Hoffmann	Irina du Bois ^a	Dietrich Fuhrmann ^b	Peter Kappeler	Thomas Rufner	Nabil Sakkab	Henner Schierenbeck	Total remuneration 2010	Total remuneration 2009
Director fees	320,000	80,000		80,000	80,000	80,000	80,000	80,000	800,000	800,000
Other cash compensation										30,000
Committee fees	30,000	50,000		20,000	40,000	20,000	20,000	40,000	220,000	220,000
Total cash	350,000	130,000		100,000	120,000	100,000	100,000	120,000	1,020,000	1,050,000
Number of options granted ^c	26,800	6,700			3,350	3,350	3,350	3,350	46,900	50,250
Value at grant ^d	406,288	101,572			50,786	50,786	50,786	50,786	711,004	752,745
Number of RSUs ^e			134		67	67	67	67	402	440
Value at grant ^f			108,031		54,015	54,015	54,015	54,015	324,091	261,800
Total remuneration	756,288	231,572	108,031	100,000	224,801	204,801	204,801	224,801	2,055,095	2,064,545

a) Joined the Board of Directors on 25 March 2010.

b) Retired from the Board of Directors on 25 March 2010.

c) Options vest on 2 March 2012.

d) Economic value at grant based on a Black & Scholes model, with no discount applied for the vesting period.

e) Restricted share units vest on 1 March 2013.

f) Economic value at grant according to IFRS methodology, with no discount applied for the vesting period.

Payment to Board members for out-of-pocket expenses amounted to CHF 60,000.

Compensation of the Board member with the highest compensation

The Board member with the highest compensation in 2010 is Dr. Jürg Witmer, Chairman of the Board as of 28 April 2005. For compensation details please refer to the detailed table above as well as the complete disclosure of compensation to Board of Directors and Executive Committee members set out in the 'Related Parties' section of the Financial 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 had any loan outstanding as of 31 December 2010.

Special compensation of members of the Board who left the Company during the reporting period

No such compensation was incurred during the reporting period.

Additional fees and loans

No additional fees and/or compensation were paid during the reporting period to any member of the Board. None of them had any loan outstanding as per 31 December 2010.

Ownership of shares

In total, the Chairman and other non-executive Board members including persons closely connected to them held 88,512 Givaudan shares. For further details, please refer to the table on page 57.

As per 31 December 2010, the CEO and other members of the Executive Committee, including persons closely connected to them, held 351 Givaudan shares. For further details, please refer to the table on page 57.

Ownership of share options and restricted Share Units

Board members and Executive Committee members who elect to receive stock options may receive:

- (1) Call warrants. These securities are fully tradable after vesting;
- or
- (2) Option rights, in jurisdictions where securities laws prevent the offering of Givaudan securities to employees. Option rights are settled in cash and offer recipients economic benefits identical to share options. These rights are not tradable or transferable after the vesting period.

As from 2009, Board members and Executive Committee members may elect to receive Restricted Share Units (RSUs) in lieu of stock options as described above.

Details about Givaudan stock options and RSUs are described in the 'Share-Based Payments' section of the 2010 Financial Report.

The following table shows:

- The shares held individually by each Board member as per 31 December 2010.
- The RSUs that were granted in 2010 and were still owned by members of the Board as per 31 December 2010.
- The share options/option rights that were granted during the corresponding periods and were still owned by the members of the Board as per 31 December 2010.

The Company is not aware of any ownership of shares, share options/option rights or RSUs as per 31 December 2010 by persons closely connected to the Board of Directors.

2010 in number	Shares	Restricted Shares	Share options / Option rights				
			Maturity 2011	Maturity 2012	Maturity 2013	Maturity 2014	Maturity 2015
Jürg Witmer, Chairman	1,000			26,800	26,800	26,800	26,800
André Hoffmann ^a	86,929		6,700	6,700	6,700	6,700	6,700
Irina du Bois	39	134					
Peter Kappeler	10	155				3,350	3,350
Thomas Rufer	58	155				3,350	3,350
Nabil Sakkab		155			6,700	3,350	3,350
Henner Schierenbeck	476	67		6,700	6,700	6,700	3,350
Total Board of Directors	88,512	666	6,700	40,200	46,900	50,250	46,900

a) The following Givaudan derivatives were also held by Mr Hoffmann as at 31 December 2010:
 - 30,000 call warrants UBS – Givaudan 20.08.2013 (ISIN value no. CH 011 659 55 10)

The following table shows:

- The shares held individually by each member of the Executive Committee as per 31 December 2010.
- The RSUs that were granted in 2010 and were still owned by members of the Executive Committee as per 31 December 2010.
- The share options/option rights that were granted during the corresponding periods and were still owned by the members of the Executive Committee as per 31 December 2010.

Two persons closely connected to members of the Executive Committee owned Givaudan securities as per 31 December 2010:

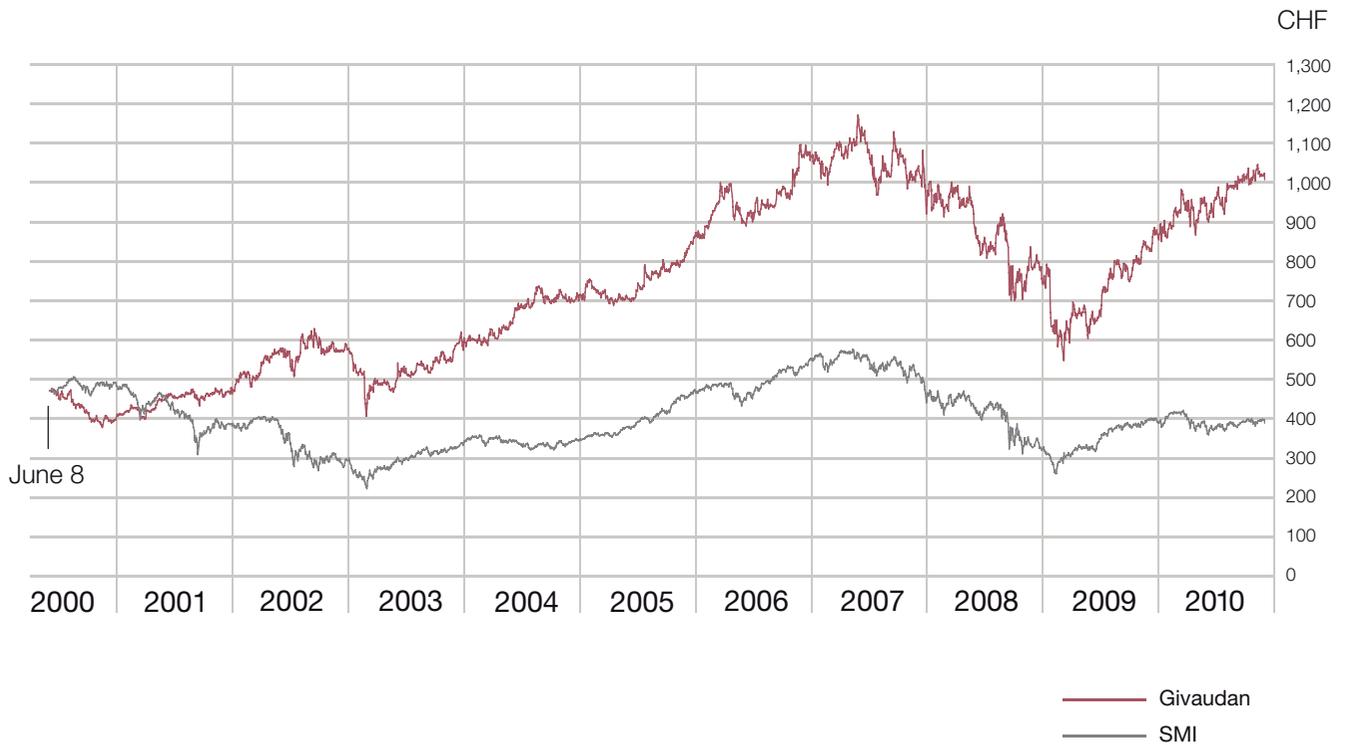
- One person owned 6,000 option rights (3,000 maturing in 2014 and 3,000 maturing in 2015)
- One person owned 98 shares

The Company is not aware of any other ownership of shares, share options/option rights or RSUs as per 31 December 2010 by persons closely connected to members of the Executive Committee.

2010 in number	Shares	Restricted Shares	Share options / Option rights				
			Maturity 2011	Maturity 2012	Maturity 2013	Maturity 2014	Maturity 2015
Gilles Andrier, CEO					60,000	60,000	60,000
Matthias Währen		926				20,000	20,000
Mauricio Graber	116					40,000	40,000
Michael Carlos				40,000	40,000	40,000	40,000
Joe Fabbri	117				30,000	30,000	30,000
Adrien Gonckel	20				30,000	30,000	30,000
Total Executive Committee	253	926		40,000	160,000	220,000	220,000

Givaudan Securities

Price development of shares since public listing



Givaudan Shares are traded at virt-x, ticker symbol 1064593