

# Corporate Governance

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## Corporate Governance Statement Pursuant to Sections 289f, 315d of the German Commercial Code (HGB) and Corporate Governance Report

The actions of Symrise AG's management and oversight bodies are determined by the principles of good and responsible corporate governance. The Executive Board – also acting on behalf of the Supervisory Board – has issued the following Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code for Symrise AG and the Symrise Group (hereinafter collectively referred to as “Symrise”). This includes (i) the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act, (ii) relevant disclosures on corporate governance practices, (iii) a description of the working methods of the Executive Board and the Supervisory Board as well as the composition and working methods of their committees, (iv) target figures for the proportion of women in the Executive Board and for the two management levels below the Executive Board, together with deadlines for implementation, and (v) a description of the diversity concept with regard to the composition of the Executive Board and Supervisory Board.

Pursuant to the currently valid version of no. 3.10 of the German Corporate Governance Codex from February 7, 2017 (“DCGK 2017”), published in the official section of the Federal Gazette by the German Federal Ministry of Justice on April 24, 2017, and amended on May 19, 2017, the Corporate Governance Report, which is required to be issued annually by the Executive Board and the Supervisory Board, must be published together with the Corporate Governance Statement.

Due to the similarity of content between the Corporate Governance Report and the Corporate Governance Statement, we have once more decided to integrate the Corporate Governance Report in the meaning of no. 3.10 of the Corporate Governance Codex 2017 into the Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code in order to simplify orientation for the reader. By contrast, the remuneration report pursuant to no. 4.2.5 of the Corporate Governance Codex 2017 is no longer part of the Corporate Governance Report. The remuneration report is now part of the management report included on pages 43 to 49 of the 2017 Financial Report.

The Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code is published on the Symrise website, together with the integrated Corporate Governance Report of the Executive Board and Supervisory

Board. It can be found at <http://www.symrise.com/investors/corporate-governance/corporate-governance-statement-and-corporate-governance-report>.

### DECLARATION OF COMPLIANCE PURSUANT TO SEC. 161 OF THE GERMAN STOCK CORPORATION ACT FROM DECEMBER 2017

Under Section 161 of the German Stock Corporation Act, the Executive Board and the Supervisory Board of a listed company must issue an annual declaration detailing whether the company was and is in compliance with the German Corporate Governance Codex and providing its reasoning regarding any recommendations of the Codex that have not been applied.

#### WORDING OF THE DECLARATION

On the basis of their deliberations, the Executive Board and the Supervisory Board of Symrise AG issued a new declaration of compliance on December 6, 2017, pursuant to Sec. 161 of the German Stock Corporation Act. The declaration is worded as follows:

“In accordance with Section 161 of the German Stock Corporation Act, the Executive and Supervisory Boards of Symrise AG state that:

Symrise AG has fully complied with all recommendations made by the Government Commission on the Corporate Governance Codex (version: February 7, 2017) published by the German Federal Ministry of Justice on April 24, 2017, in the official part of the Federal Gazette (Bundesanzeiger) and amended on May 19, 2017, without exception and will continue to do so in the future.”

The Declaration of Compliance has also been made publicly available on Symrise AG's website. It can be found at <http://www.symrise.com/investors/corporate-governance/declaration-of-compliance>.

### RELEVANT INFORMATION ON COMPANY PRACTICES

This part of the Corporate Governance Statement provides relevant information on corporate governance practices beyond the scope of legal requirements.

#### OUR CODE OF CONDUCT

In order to ensure uniform and exemplary actions and conduct within the company, a Code of Conduct was devised in 2006 that applies as a binding guiding principle equally to all Symrise employees in Germany and other countries, i.e., to the Executive Board and the Supervisory Board, as well as to

Group managerial staff and employees. This Code of Conduct was fundamentally revised in 2016 and adapted to the latest developments. The Code of Conduct defines minimum standards and sets out behavior enabling all employees to cooperate in meeting these standards. The purpose of the Code is to help all employees cope with the ethical and legal challenges of their everyday work and provide them with guidance in conflict situations. In the interest of all employees and the Group, noncompliance with standards will be investigated and their causes remedied. This means that misconduct will be consistently prosecuted in accordance with national laws.

Our Code of Conduct provides the framework for interactions with our key stakeholders: employees and colleagues, customers and suppliers, shareholders and investors, neighbors and society, national and local governments as well as government agencies, media and the public.

The Code of Conduct is based on our values and principles. By following it, we guarantee that every person is treated fairly and with respect, while ensuring that our behavior and business activities remain transparent, honest and consistent throughout the world. Our Code of Conduct has been made permanently available on the Symrise website. It can be found at <http://www.symrise.com/newsroom/publications/code-of-conduct>.

## OUR COMPLIANCE MANAGEMENT SYSTEM

### INTRODUCTION

At Symrise, we understand “compliance” as an integrated organizational model ensuring adherence to legal regulations as well as intercompany guidelines and the corresponding processes and systems. This is considered an important management and monitoring task. Symrise has an integrated compliance management system that combines sustainable, risk- and value-oriented, and legal and ethical aspects and rules; we have made this into a fundamental principle for everything we do in business. We act on the basis of our understanding and conviction that adherence to these fundamental rules is an inalienable and non-negotiable component of our Symrise identity. Only a clearly defined and transparent framework of what type of conduct is allowed and what type of conduct is not allowed guarantees the success and sustainability of our business. At Symrise, compliance is a matter of course. Compliance concerns the attitude of each individual at Symrise.

The following guideline applies to all our employees in all countries: “A deal that can’t be reconciled with our ground rules is not a deal for Symrise.”

The Group Compliance Officer as well as Internal Auditing report directly to the CFO. This ensures their independence and authority. The Group Compliance Officer and Internal Auditing report to the Auditing Committee of the Supervisory Board regularly at each of the committee’s meetings.

### TECHNICAL COMPLIANCE AND LEGAL COMPLIANCE

In our compliance management system, we differentiate between “technical compliance” and “legal compliance”. Technical compliance activities focus on quality, environmental protection, health, work safety, energy, product safety and food safety. In nearly all of these areas, Symrise’s products are subject to strict government supervision worldwide. It is a matter of course for us that our products and processes comply with local regulations around the world. Legal compliance activities concentrate on competition and antitrust law, the prevention of corruption and money laundering, and export controls. Here, the focus of activity is on education and prevention. The implementation and further development of Group guidelines on these topics also fall into this category.

The results and insights from every area of compliance are collected by the Group Compliance Officer and reported to the Executive Board and the Auditing Committee of the Supervisory Board. As a result, any measures that may arise will now be coordinated more efficiently. Compliance violations are immediately remedied, their causes identified and corrective measures implemented if necessary.

The Executive Board of Symrise has explicitly expressed – in both internal and external contexts – its refusal to accept any form of compliance infringement. Infringements will not be tolerated at Symrise. Sanctions will be imposed upon involved employees wherever necessary and legally possible.

### OUR INTEGRITY HOTLINE

As early as the summer of 2008, Symrise’s Group Compliance Office installed an Integrity Hotline to ensure that Symrise employees can anonymously report violations of both legal regulations and internal company guidelines from anywhere in the world. By means of this hotline, all our employees are able to contact the Group Compliance Office using toll-free telephone numbers that have been specially set up in the individual countries. An intermediary service operator ensures that employees can retain anonymity where required and communicate in their native language. By entering an access code, employees can leave a message with the Group Compliance Office. They receive a number that enables them to call back later and listen to the answer left for them by the Group Compliance Office. This procedure can be continued as long

as one likes, enabling intensive communication between the Group Compliance Office and the person providing the information while preserving the latter's anonymity. At the same time, abuses can be prevented through targeted queries. Since the fall of 2009, employees have been able to additionally contact Group Compliance Office staff anonymously and leave messages via the online service of the Symrise Integrity Hotline.

As a result, it is no longer absolutely necessary to communicate with the Group Compliance Office over the phone. Of course, all employees can also contact the Group Compliance Office directly and personally at any time. In this way, we ensure that every case is processed and answered immediately.

In 2017, three cases were reported via the Integrity Hotline worldwide. A further four cases of irregularities were reported directly to the Group Compliance Office. In all cases, investigations were initiated and corrective measures were applied on a case-by-case basis pursuant to the applicable legal system and Group-internal regulations. In one case, labor law sanctions were imposed. No material damage to third parties or to our company resulted from these cases.

#### TRAINING COURSES ON COMPLIANCE ISSUES

In order to ensure compliance with all compliance requirements on an ongoing basis, the need for training is regularly identified and suitable training courses are held in both the areas of "Technical Compliance" and "Legal Compliance." In addition to training courses where employees are present on site, internet-based training is also offered. This allows us to reach more employees in a shorter period. It also gives employees greater flexibility in terms of where and when they complete their training. Subsequent tests confirm not only that a training course has been completed, but that its content has also been understood.

In addition to the requirements of their position, new Symrise employees are given comprehensive training when they join the company on the fundamental principles of our Code of Conduct. All employees then take part in rolling training courses based on pre-defined schedules. Depending on whether they are basic, refresher or specialized training courses, these schedules cover a period of between one and three years.

#### CORPORATE GOVERNANCE

Corporate Governance at Symrise is based on the German Corporate Governance Code 2017, which has established itself as guideline and standard for good corporate governance in Germany. Today, we are convinced more than ever before

that good corporate governance is a prerequisite and indispensable basis for the success of a company. This success depends especially on the trust of our business partners, financial markets, investors, employees and the public. Confirming and further strengthening this trust is a prioritized objective at Symrise. Achieving this objective calls for responsible leadership along with corporate management and control focused on creating sustainable value.

In the past, we have oriented ourselves toward internationally and nationally acknowledged standards of good and responsible corporate governance and will continue to do so in the future. In the 2017 fiscal year, the Executive and Supervisory Boards dealt intensively with all corporate governance issues on numerous occasions across all areas.

#### DESCRIPTION OF THE WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

This part of the Corporate Governance Statement focuses on the working methods of the Executive Board, the Supervisory Board and of the committees formed by the Supervisory Board. The composition of these committees will also be briefly discussed. The Executive Board has not formed any committees.

#### DUAL MANAGEMENT SYSTEM

Symrise AG is a company under German law, which is influenced by the Corporate Governance Codex 2017. One of the fundamental principles of German stock corporation law is the dual management system involving two bodies, the Executive Board and the Supervisory Board, each of which is entrusted with independent competencies. Symrise AG's Executive Board and Supervisory Board cooperate closely and in a spirit of trust in managing and overseeing the company.

#### EXECUTIVE BOARD

The Executive Board of Symrise AG currently has five members. All members of the Executive Board are appointed by the Supervisory Board. The Executive Board is responsible for managing the company's business operations in the interest of the company with a view to creating sustainable value.

The Executive Board develops the company's strategic direction, approves it with the Supervisory Board and is responsible for its implementation. The Executive Board provides the Supervisory Board with regular, prompt and comprehensive reports on all relevant issues of corporate planning and strategic development, on company performance, on the state of the Group, including a risk profile, and on risk management. The reporting of the Executive Board also covers the compliance management system, i.e., the measures for adherence to

legal regulations and internal corporate guidelines. The articles of incorporation specify reservations of consent of the Supervisory Board for significant business transactions. These reservations of consent are contained in identical form in rules of procedure for the Executive Board.

These provisions are available to the public on our website at <http://www.symrise.com/investors/corporate-governance/executive-board>.

The Act on the Equal Participation of Women and Men in Management Positions in Private Economy and Public Service, which was passed by the German Bundestag on February 6, 2015, and the Bundesrat on March 27, 2015, has the aim of increasing the share of female managers holding upper management positions at companies and contributing gender equality in the long term. Against the backdrop of the current situation at Symrise and the remaining terms on the existing employment contracts for the members of the Executive Board, the Supervisory Board decided on a target figure of “zero” regarding the targeted share of women in the Executive Board by June 30, 2017. At least one member of the Executive Board is to be a female by 2020.

Symrise is a globally operating company with several high-level management positions outside of Germany. The basis for Symrise’s quota for female managers is therefore the global management structure at Symrise. The share of women at the first level of management beneath the Executive Board has amounted to at least 16 % since June 30, 2017. The second level of management amounted to at least 22 %. If one limits Symrise’s management structure to its managers in Germany, the share of women at the first two levels of management beneath the Executive Board has been at least 12 % since June 30, 2017. Symrise aims to achieve a higher quota here in the longer term.

#### SUPERVISORY BOARD

The Supervisory Board advises and oversees the Executive Board in the management of the company. It is involved in strategy and planning as well as all other decisions of fundamental significance to the company. The chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and externally represents the concerns of the body. An extraordinary Supervisory Board meeting may be convened if required when events of particular relevance occur. In the course of preparing for the Supervisory Board meetings, the representatives of shareholders and employees meet separately, if necessary. The Supervisory

Board has adopted rules of procedure that find corresponding application in the committees of the Supervisory Board.

These rules have been made available on our website at <http://www.symrise.com/investors/corporate-governance/supervisory-board>.

#### COMPOSITION OF THE SUPERVISORY BOARD

In accordance with the articles of incorporation, Symrise AG’s Supervisory Board has twelve members, with six representatives elected by the shareholders and six by the employees. The period of office is identical for all members. In accordance with the recommendations of the German Corporate Governance Code 2017, the shareholder representatives are elected individually at the Annual General Meeting. The term of office for all Supervisory Board members ended with the conclusion of the Annual General Meeting on May 11, 2016. Shareholders therefore elected six shareholder representatives to the Supervisory Board at the Annual General Meeting on May 11, 2016. The elections for the Supervisory Board were conducted by separate votes. The six employee representatives were chosen from among the German staff on February 24, 2016, in compliance with the legally prescribed election process.

The following shareholder representatives were elected to the Supervisory Board for the period lasting until the end of the Annual General Meeting that will decide on discharges for the 2020 fiscal year:

Dr. Thomas Rabe, Chief Executive Officer of Bertelsmann Management SE, Berlin; Ursula Buck, Managing Director of Top Management Consulting BuckConsult, Pöschelhofen; Horst-Otto Gerberding, Managing Partner at Gottfried Friedrichs (GmbH & Co.) KG, Holzminden; and Prof. Dr. Andrea Pfeifer, Chief Executive Officer of AC Immune S. A., St. Léger, Switzerland. Due to reaching the age limit according to Section 8 (4) of the articles of incorporation, Dr. Michael Becker, retired, Darmstadt, was elected to the Supervisory Board for a term that runs until the end of the Annual General Meeting that will decide on discharges for the 2017 fiscal year. Also due to reaching the age limit, Dr. Winfried Steeger, Managing Director of Jahr Holding GmbH & Co. KG, Hamburg, was elected to the Supervisory Board for a term that runs until the end of the Annual General Meeting that will decide on discharges for the 2019 fiscal year.

In accordance with item 5.4.3 sentence 3 of the German Corporate Governance Codex 2017, mention was made of the intention to propose Dr. Thomas Rabe as a candidate for Chairman of the Supervisory Board in the event of his reelection.

The following employee representatives were elected to the Supervisory Board for the period lasting until the end of the Annual General Meeting that will decide on discharges for the 2020 fiscal year:

Regina Hufnagel, Chairperson of the works council and Chairperson of the general works council of Symrise AG, Holzminden; Harald Feist, Vice Chairman of the works council and Vice Chairman of the general works council of Symrise AG, Holzminden; André Kirchhoff, independent member of the works council at Symrise AG, Bevern; Dr. Ludwig Tumbrink, Vice President Compounding Flavor EAME at Symrise AG, Hörter; Jeannette Kurtgil, IG BCE trade union secretary for the North region, Burgdorf; and Peter Winkelmann, Regional Head of the IG BCE district Alfeld, Alfeld.

When nominating candidates for election to the Supervisory Board, particular attention was paid to the knowledge, skills and professional experience required for the duties to be performed, as well as to the principle of diversity among the Supervisory Board's members. The current Supervisory Board at Symrise AG includes eight independent members and four women: Ms. Buck, Ms. Hufnagel, Ms. Kurtgil and Prof. Dr. Pfeifer. The Supervisory Board will continue to attempt to implement the regulations specified in the Act on the Equal Participation of Women and Men in Management Positions in Private Economy and Public Service, which was passed by the German Bundestag on February 6, 2015, and the Bundesrat on March 27, 2015, in so far as it concerns the composition of the Supervisory Board and with the support of corresponding nominations regarding the election of the shareholder representatives by the Annual General Meeting and the election of employee representatives by the staff.

As in previous years, no former Executive Board members are serving on the Supervisory Board in order to ensure its neutral and independent consulting and monitoring of the Executive Board. At least one independent member has expertise in accounting or auditing.

#### OBJECTIVES OF THE SUPERVISORY BOARD IN RELATION TO ITS COMPOSITION

The Supervisory Board is to name specific goals for its composition pursuant to No. 5.4.1 (2) sentence 1 of the Corporate Governance Code 2017, that, in keeping with the company's specific situation, take account of (i) the company's international activity, (ii) potential conflicts of interest, (iii) the number of independent Supervisory Board members, (iv) an age limit for Supervisory Board members to be defined, (v)

a maximum period for membership in the Supervisory Board to be determined and (vi) diversity, among other things.

With the support of corresponding nominations, the Supervisory Board seeks to ensure that in its future composition at least 30 % of its members are female. The "Act for the Equal Participation of Women and Men in Management Positions," passed by the German Bundestag on February 6, 2015, and the Bundesrat on March 27, 2015, was implemented in 2017.

Generally, at least seven independent members should always be represented in the Supervisory Board. Members of the Supervisory Board who are employed by Symrise AG are not regarded as independent members of the Supervisory Board. The necessary independence is particularly lacking when a Supervisory Board member has a personal or business relationship with Symrise AG, its corporate bodies, a controlling shareholder or an affiliated company which may give rise to a material, and not merely temporary, conflict of interest. This goal is currently being met. The independent members are: Dr. Thomas Rabe, Dr. Michael Becker, Ursula Buck, Horst-Otto Gerberding, Jeannette Kurtgil, Prof. Dr. Andrea Pfeifer, Dr. Winfried Steeger and Peter Winkelmann.

Furthermore, the Supervisory Board strives to ensure that the share of Supervisory Board members from other nations does not fall below one-third. With regard to Symrise, this means that nationality is not the only focus. Rather, the decisive factor is that at least one-third of the members of the Supervisory Board have gained substantial experience in globally active groups in Germany and abroad. This goal is also being currently met.

The term of office for a Supervisory Board member must end at the conclusion of the Annual General Meeting following the member's 70<sup>th</sup> birthday. The maximum limit for membership in the Supervisory Board is four terms of office. These two goals are currently being met. Concerning future nominations, it will be ensured that the goals defined by the Supervisory Board continue to be fulfilled.

#### THE COMPETENCE PROFILE OF THE SUPERVISORY BOARD

Pursuant to section 5.4.1 (1) of the Corporate Governance Codex 2017, the Supervisory Board is to be composed in such a way that its members as a whole have the knowledge, skills and professional experience required for the proper performance of their duties. In accordance with section 5.4.1 (2) sentence 1 of the Corporate Governance Codex 2017, the Supervisory Board has prepared a competence profile for the entire Board, which

was used for its current composition and will be applied in future election proposals to the Annual General Meeting to guarantee the competence profile of the entire Board. The competence profile of the Symrise Supervisory Board includes various parameters. Each of these parameters on its own is significant in the competence profile of the entire Board. However, it is only by interlocking and complementing all parameters that the competence profile of the entire Board, which is necessary to support Symrise's business success, can be guaranteed. Skills are required in the areas of accounting, auditing, risk management, information technology, issues regarding the remuneration of the Executive Board and compliance. Furthermore, expertise in the fragrance and flavor industry is required. This comprises the production of flavors, food ingredients, fragrances and cosmetic ingredients. The required competencies also include experience in the chemical, consumer goods and food industries. Here, the focus is on knowledge of the respective markets, products, customer and supplier relationships. Expertise in production, research and development are also of paramount importance.

Other important parameters of the competence profile of the Symrise Supervisory Board are sufficient availability of time, a lack of conflicts of interest, the ability to work in a team, as well as management and development experience with regard to large organizations. This competence profile of the Symrise Supervisory Board is currently being fulfilled by the entire Board.

#### SUPERVISORY BOARD COMMITTEES

As in the past, the Supervisory Board formed a total of four committees to fulfill its responsibilities more efficiently. These committees draft the Supervisory Board's resolutions and prepare the agenda items to be addressed in the full meetings. To the extent that this is legally admissible, in individual cases the Supervisory Board delegates decision-making to its committees. The Supervisory Board established an Auditing Committee, an Arbitration Committee pursuant to Section 27 (3) of the Codetermination Act (MitbestG), a Personnel Committee and a Nominations Committee as permanent committees. The task of the latter is to recommend suitable candidates to represent the shareholders when new Supervisory Board elections are coming up. The Chairman of the Supervisory Board chairs all of the committees with the exception of the Auditing Committee. In the full meetings, the chairmen of the committees report regularly and comprehensively on the content and results of the committee meetings.

The Personnel Committee is responsible for matters pertaining to the Executive Board. These matters particularly include

making resolution recommendations at the full Supervisory Board meetings regarding the appointment of Executive Board members or regarding components of Executive Board members' employment contracts. This committee is also responsible for succession planning at the Executive Board level. The Personnel Committee deals with the development of the Executive Board remuneration system – specifying the amount of remuneration and the related target agreements and making corresponding recommendations at the full Supervisory Board meetings. The Personnel Committee additionally resolved to incorporate the criterion of diversity when appointing future Executive Board members, striving in particular to give appropriate consideration to women. The Personnel Committee currently has six members, of which three members are chosen by the shareholder representatives and three are chosen by the employee representatives in the Supervisory Board. The members are: Dr. Thomas Rabe (Chairman), Harald Feist, Horst-Otto Gerberding, Regina Hufnagel, Prof. Dr. Andrea Pfeifer and Peter Winkelmann. The Personnel Committee convened twice in the 2017 fiscal year. The Personnel Committee does not have its own rules of procedure. The rules of procedure of the Supervisory Board are applied accordingly.

The Auditing Committee mainly focuses on matters relating to the annual financial statements and consolidated financial statements, which includes monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system, the internal auditing system and the audit of annual accounts. It also monitors the independence and qualifications of the auditor as well as additional services provided by the auditor. Furthermore, the Auditing Committee discussed the interim reports in detail and approved them before they were published. The Auditing Committee prepares the Supervisory Board's decision on the approval of the annual financial statements and its approval of the consolidated financial statements. To this end, it is responsible for pre-auditing the annual financial statements, the consolidated financial statements, the management reports and the proposal regarding appropriation of earnings. The regular agenda items also include the receipt of the reports from Internal Auditing and the Group Compliance Office as well as the risk report. At least one member of the Auditing Committee must be independent and possess expertise in accounting or auditing. The Auditing Committee currently has six members. Three members are shareholder representatives on the Supervisory Board and three are employee representatives on the Supervisory Board. The members are: Dr. Michael Becker (Chairman), Ursula Buck, Harald Feist, Regina Hufnagel, Dr. Winfried Steeger and Peter Winkelmann. The Auditing Committee convened five times in the 2017 fiscal year.



The Auditing Committee prepared the Supervisory Board's proposal to the Annual General Meeting to nominate Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Hanover as the new auditor. Furthermore, the Auditing Committee solicited a statement of independence from the auditor. It commissioned the auditor, established the main focuses of the audit and determined the auditing fees. The Auditing Committee does not have its own rules of procedure. The rules of procedure of the Supervisory Board are applied accordingly. Additionally, the Auditing Committee drew up its own regulation regarding its concrete procedure.

Shareholders and employees are equally represented on the Arbitration Committee pursuant to Section 27 (3) of the Code-termination Act. It currently consists of four members: Dr. Thomas Rabe (Chairman), Ursula Buck, Regina Hufnagel and Dr. Ludwig Tumbrink. Once again, it was not necessary to convene the Arbitration Committee during the 2017 fiscal year. The Arbitration Committee does not have its own rules of procedure. The rules of procedure of the Supervisory Board are applied accordingly.

The Nominations Committee consists exclusively of shareholder representatives from the Supervisory Board in accordance with the German Corporate Governance Code 2017. Its task is to recommend shareholder representatives to the Annual General Meeting who would be suitable Supervisory Board members for upcoming Supervisory Board elections. The current three members are: Dr. Thomas Rabe (Chairman), Horst-Otto Gerberding and Prof. Dr. Andrea Pfeifer. It was not necessary to convene the Nominations Committee during the 2017 fiscal year. The Nominations Committee does not have its own rules of procedure. The rules of procedure of the Supervisory Board are applied accordingly.

#### TRANSPARENCY

Pursuant to Section 19 of the EU Market Abuse Directive (previously Section 15a of the German Securities Trading Act), which came into force on July 3, 2016, the members of the Executive and Supervisory Boards of Symrise AG, as well as certain employees with management duties and persons with whom they have a close relationship, must disclose the purchase or sale of Symrise shares and related financial instruments. This duty of disclosure applies if the value of the transactions undertaken by one of the aforementioned persons reaches or exceeds the sum of € 5,000. Symrise immediately publishes disclosures on such transactions on its website and transmits this information to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleis-

tungsaufsicht) and the company register for retention. All of the reports received by Symrise AG as of December 31, 2017, are published on our website at <http://www.symrise.com/investors/corporate-governance/directors-dealings>. This includes all such reports since the IPO in December 2006, including any persons who have meanwhile left the Executive Board or the Supervisory Board.

#### CONFLICTS OF INTEREST

As in the previous year, conflicts of interest involving members of the Executive Board, which have to be disclosed to the Supervisory Board without delay, did not occur in fiscal year 2017. The only consultant or service agreements or other exchange contracts between members of the Supervisory Board and the company in the 2017 fiscal year involved Mr. Horst-Otto Gerberding and Ms. Ursula Buck.

Mr. Horst-Otto Gerberding is entitled to a pension from Symrise AG stemming from an employment and supply contract between him and the company that existed through the end of September 2003. The total sum is € 25,505 per month.

Ursula Buck was appointed member of the Fine Fragrance/Prestige Beauty Advisory Council of the Scent & Care segment from January 1, 2017, to December 31, 2017. This advisory council is composed of renowned industry experts from Germany and abroad. The members of this advisory council are specialized in the fields of lifestyle, fashion, perfume & cosmetics, luxury and prestige products. These are highly qualified opinion leaders who are to provide new and unexpected causes for thought. This activity is remunerated at a flat rate of € 25,000 (net) per year.

The direct or indirect total holding of shares in Symrise AG by all members of the Executive and Supervisory Boards as of December 31, 2017, was more than 1%. Of the 6.24% of shares in Symrise AG held by members of the Executive and Supervisory Boards, 6.01% is held by members of the Supervisory Board while 0.23% is held by members of the Executive Board (values are rounded).

A summary of the respective mandates outside of the Symrise Group for the members of the Executive Board and the Supervisory Board can be found on pages 152 to 153 of the 2017 Financial Report.

A report on relationships to related companies and parties can be found on pages 119 to 120 of the 2017 Financial Report.

## RISK MANAGEMENT

Dealing with risks of all kinds responsibly has the utmost importance for the success of a company. For this reason, a comprehensive risk management system is a mandatory element of suitable corporate governance. The Executive Board ensures appropriate risk management and risk controlling throughout the Group. The risk management system is constantly being developed and adapted to changing conditions. A Group-wide survey, assessment and classification of potential risks takes place at least twice a year – performed by the officers assigned to each risk class. These surveys are consolidated at the Group level and flow into the risk report, which is the subject of the Auditing Committee's deliberations at least twice a year, and is presented to the Supervisory Board at least once a year in detail. The risk management system at Symrise AG, its security mechanisms, internal guidelines and monitoring instruments are checked by the internal Group auditors without prior notice. Risks identified in this manner are immediately reported to the Executive Board.

The early recognition system for risk in accordance with Sec. 91 (2) of the German Stock Corporation Act is monitored by auditors in Germany and abroad. Along with the audit of annual accounts and monitoring of accounting procedures, the Auditing Committee set up by the Supervisory Board also undertakes regular auditing and monitoring of the effectiveness of the internal control and risk management systems. This also includes, for example, regular reporting by Internal Auditing and Symrise's Group Compliance Office.

This overlapping mechanism allows risks to be identified and assessed at an early stage. The Executive Board regularly and in an on-going manner informs the Supervisory Board and Auditing Committee of existing risks and their development via the risk report. Specific measures are proposed and implemented right from this early stage to neutralize the identified risks.

The Group's internal auditors also check on the implementation of these new measures and the results are given a critical assessment. The risk profile is thereby constantly monitored and measures necessary to mitigate risks are introduced. Specific staff members are assigned responsibility for this and held accountable in their performance review.

## SHAREHOLDERS AND ANNUAL GENERAL MEETING

Symrise shareholders exercise their codetermination and control rights at the Annual General Meeting, which takes place at least once each year. The Meeting makes decisions on all

statutory matters that are binding for all shareholders and the company. For every decision, each share is entitled to one vote. All shareholders that register within the specified period are entitled to participate in the Annual General Meeting. Shareholders who are not able to attend the Meeting in person are entitled to have their voting rights exercised by a bank, a shareholder association, a voting proxy of Symrise who is bound by its instruments or another proxy of their own choosing.

Shareholders also have the possibility of voting online in the run-up to the Annual General Meeting or authorizing the voting proxy provided by the company on the web. Instructions on how voting rights are to be exercised may be given to a voting proxy before and during the Annual General Meeting on May 16, 2018, up until the end of the general debate. It is possible to transfer the voting rights to a voting proxy electronically up until 6:00 p.m. on the evening of May 15, 2018. The invitation to the Annual General Meeting and the reports and information required for the decisions are published according to stock corporation law and made available on Symrise's website in German and English.

It is our intention to provide our shareholders with quick, comprehensive and effective information before and during the Annual General Meeting and to make it easy for them to exercise their rights. The Corporate Report, the Financial Report and the invitation to the Annual General Meeting provide shareholders with comprehensive information on the past fiscal year and the individual agenda items for the upcoming Annual General Meeting. All documents and information pertaining to the Annual General Meeting are available on our website. The registration and legitimation process for the Annual General Meeting is simple, with the 21<sup>st</sup> day before the Meeting representing the deadline for shareholder registration. Subsequent to the Annual General Meeting, we also publish the attendance figures and voting results on our website.

## INFORMATION SERVICE FOR OUR SHAREHOLDERS

Corporate communication is undertaken with the objective of guaranteeing the greatest possible transparency and equality of opportunities through timely and equal information to all target groups. All major press and capital market releases by Symrise are also published on the company's website in German and in English. The articles of incorporation as well as rules of procedure for the Executive and Supervisory Boards, the annual and consolidated financial statements and quarterly results can also be found on our website along with the annual and half-yearly financial reports.

We inform company shareholders, analysts, shareholder associations and the public of all important recurring dates through a financial calendar. This is published in the Corporate and Financial Report, the half-yearly financial report and the quarterly reports as well as on the company's website. Regular meetings with analysts and institutional investors are part of our investor relations activities. This includes an annual analysts' conference as well as conference calls for analysts and investors coinciding with the publication of our quarterly and half-yearly figures.

The most important presentations prepared for these and other events, such as the Annual General Meeting and investor conferences, can also be viewed online. The locations and dates for investor conferences can also be found on our website at <http://www.symrise.com/investors/finan-calendar/2018>.

#### OUR AUDITOR

With regard to the consolidated financial statements and the interim reports at Symrise, our accounting in the 2017 fiscal year was again based on the International Financial Reporting Standards (IFRS) as required to be applied in the European Union. The legally prescribed individual accounts of Symrise AG that are decisive for the payment of dividends have been prepared in accordance with the regulations of the German Commercial Code. Here, the 2017 annual financial statements, management report and consolidated annual financial statements of Symrise AG as well as the 2017 Group management report were audited by our auditors Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Hanover. An agreement is also in place with the auditors to promptly notify the chairman of the Auditing Committee of any grounds for disqualification or prejudice that are identified during the audit, insofar as such circumstances cannot immediately be rectified. The auditors are instructed to report without delay all findings and incidents of significance for the duties of the Supervisory Board that are identified during the audit to the Executive Board and the Supervisory Board. Moreover, the auditors are required to notify the Supervisory Board and make a note in the audit report if circumstances are identified during the audit that are incompatible with the Declaration of Compliance issued by the Executive Board and Supervisory Board in accordance with Section 161 of the German Stock Corporation Act.

#### DIVERSITY CONCEPT FOR THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Sections 289f (2) no. 6 and 315d of the German Commercial Code require Symrise for the first time to provide a description of the concept of diversity that is pursued with regard to the

composition of the Executive Board and Supervisory Board in terms of aspects such as age, gender, educational or professional background, as well as the objectives of this concept of diversity, the manner in which it is implemented and the results achieved in the respective fiscal year. Symrise already has such a diversity concept due to the mandatory statutory regulations already in force for Symrise and the fact that all recommendations of the Corporate Governance Code 2017 have been implemented without exception. Consequently, Sections 289f (2) no. 6 and 315d of the German Commercial Code have no further independent significance for Symrise. For a better understanding, we have summarized our concept of diversity in the following:

The "Act for the Equal Participation of Women and Men in Management Positions," passed by the German Bundestag on February 6, 2015, and the Bundesrat on March 27, 2015, was implemented in 2017. It seeks to increase the number of female executives in leading positions in business and to reach across-the-board gender equality in the long term, among other aims. Against the backdrop of the current situation at Symrise and the remaining terms on the existing employment contracts for the members of the Executive Board, the Supervisory Board decided on a target figure of "zero" regarding the targeted share of women in the Executive Board by June 30, 2017. At least one member of the Executive Board is to be a female by 2020. Symrise is a globally operating company with several high-level management positions outside of Germany. The basis for Symrise's quota for female managers is therefore the global management structure at Symrise AG. The share of women at the first level of management beneath the Executive Board has amounted to at least 16 % since June 30, 2017. The second level of management amounted to at least 22 %. If one limits Symrise's management structure to its managers in Germany, the share of women at the first two levels of management beneath the Executive Board has been at least 12 % since June 30, 2017. Symrise aims to achieve a higher quota here in the longer term.

The Supervisory Board named specific goals for its composition pursuant to No. 5.4.1 (2) sentence 1 of the Corporate Governance Codex 2017, that, in keeping with the company's specific situation, take account of (i) the company's international activity, (ii) potential conflicts of interest, (iii) the number of independent Supervisory Board members, (iv) an age limit for Supervisory Board members to be defined, (v) a maximum period for membership in the Supervisory Board to be determined and (vi) diversity, among other things.

Generally, at least seven independent members should always be represented in the Supervisory Board. Members of the Supervisory Board who are employed by Symrise AG are not regarded as independent members of the Supervisory Board. The necessary independence is particularly lacking when a Supervisory Board has a personal or business relationship with Symrise AG, its corporate bodies, a controlling shareholder or an affiliated company which may give rise to a material, and not merely temporary, conflict of interest. This goal is currently being met. Furthermore, the Supervisory Board strives to ensure that the share of Supervisory Board members from other nations does not fall below one-third. With regard to Symrise, this means that nationality is not the only focus. Rather, the decisive factor is that at least one-third of the members of the Supervisory Board have gained substantial experience in globally active groups in Germany and abroad. This goal is also being currently met. The term of office for a Supervisory Board member must end at the conclusion of the Annual General Meeting following the member's 70<sup>th</sup> birthday. The maximum limit for membership in the Supervisory Board is four terms of office. These two goals are currently being met.

In accordance with section 5.4.1 (2) sentence 1 of the Corporate Governance Codex 2017, the Supervisory Board has prepared a competence profile for the entire Board, which was used for

its current composition and will be applied in future election proposals to the Annual General Meeting to guarantee the competence profile of the entire Board. The competence profile of the Symrise Supervisory Board includes various parameters. Each of these parameters on its own is significant in the competence profile of the entire Board. However, it is only by interlocking and complementing all parameters that the competence profile of the entire Board, which is necessary to support Symrise's business success, can be guaranteed. Skills are required in the areas of accounting, auditing, risk management, information technology, issues regarding the remuneration of the Executive Board and compliance. Furthermore, expertise in the fragrance and flavor industry is required. This comprises the production of flavors, food ingredients, fragrances and cosmetic ingredients. The required competencies also include experience in the chemical, consumer goods and food industries. Here, the focus is on knowledge of the respective markets, products, customer and supplier relationships. Expertise in production, research and development are also of paramount importance. Other important parameters of the competence profile of the Symrise Supervisory Board are sufficient availability of time, a lack of conflicts of interest, the ability to work in a team, as well as management and development experience in large organizations. This competence profile of the Symrise Supervisory Board is currently being fulfilled by the entire Board.

## Report of the Supervisory Board of Symrise AG

Dear Shareholders,

The global economy is in good shape on the whole and grew faster in 2017 than in previous years. The outlook for 2018 is also favorable. At the same time, political tensions have increased in and between different countries, proven international trade agreements are being called into question and separatist and populist movements are gaining traction. Thanks to its broad international positioning and excellent product portfolio, our company is ideally situated to utilize the growth potential that arises. Symrise's activities in diverse sales markets also allow it to compensate for risks in individual countries. 2017 was another successful year for our company. Symrise will continue pursuing its proven strategy in the current and coming years.

In this report, I would like to inform you about the key activities of the Supervisory Board in this once again challenging environment. In 2017, the Supervisory Board again fulfilled its responsibilities under the law and according to the articles of incorporation with great care. In the meetings of the Supervisory Board and its committees, we again discussed and reached agreements on a number of matters and business transactions subject to our approval.

We regularly provided consultation to the Executive Board and supervised the company management. We are convinced that the company's business complied with all legal and regulatory requirements. The Supervisory Board was directly and intensely involved in all decisions of fundamental significance to the company. The Executive Board comprehensively discussed and coordinated the strategic planning and orientation of the company with us. As in the previous fiscal years, the Supervisory and Executive Board held a separate meeting in 2017 to examine and evaluate the company's strategy.

Based on information received from the Executive Board, we intensively discussed and advised on all business transactions of significance to the company in our full assembly. To this end, the Executive Board provided us with regular, current and comprehensive reports in written and oral form on all aspects important to the company. This includes above all the development of the business and financial situation, the employment situation, ongoing and planned investments, basic corporate strategy and planning issues as well as the risk situation, risk management and the compliance management



DR. THOMAS RABE, Chairman of the Supervisory Board of Symrise AG

system. The Executive Board informed us of matters that, according to legal requirements and/or the articles of incorporation, are subject to our approval at an early stage and allowed us the needed time for making a decision. Wherever required by law or by the articles of association, we submitted our vote on the reports and proposed resolutions of the Executive Board after thorough analysis and discussion. In urgent special cases, decisions were made in consultation with the Chairman of the Supervisory Board, either by telephone or in writing.

The Executive Board provided us with a monthly report on all of the key financial figures. When there were any deviations in the course of business from the set plans and objectives, we received detailed explanations in written and oral form, enabling us to discuss the reasons for the deviations and targeted correction measures with the Executive Board.

Additionally, during the periods between the meetings of the Supervisory Board and its committees, the Chairman of the Supervisory Board and the Chairman of the Auditing Committee in particular were in close and continuous dialogue with the Executive Board. The still relatively restrained global economic growth, continued low interest rates, political crises (particularly in Venezuela, Brazil and Turkey) and their consequences for current and future business development were repeatedly a subject of our discussions with the Executive Board as was the status of essential projects and key business transactions in the three Group segments. This also applies to the possible

effects of Brexit and other separatist movements, such as in Spain, on the future business development of our company.

As in the previous year, conflicts of interest of members of the Executive and Supervisory Boards, which must be disclosed to the Supervisory Board without delay and reported to the Annual General Meeting along with their underlying circumstances and a report of how they will be handled, did not occur in 2017.

### **THE SUPERVISORY BOARD'S WORK IN COMMITTEES**

As in the past, the Supervisory Board formed a total of four committees to fulfill its responsibilities more efficiently. These committees draft the Supervisory Board's resolutions and prepare the agenda items to be addressed in the full meetings. To the extent that it was legally admissible, the Supervisory Board delegated decision-making to its committees in individual cases. This practice of delegation has proved successful in our experience. The Supervisory Board established an Auditing Committee, an Arbitration Committee pursuant to Section 27 (3) of the Codetermination Act (MitbestG), a Personnel Committee and a Nominations Committee as permanent committees. The task of the latter is to recommend suitable candidates as shareholder representatives on the Supervisory Board when new Supervisory Board elections are coming up. The Chairman of the Supervisory Board chairs all of the committees with the exception of the Auditing Committee.

In the Supervisory Board meetings, the chairmen of the committees report regularly and extensively on the content and results of the committee meetings. As a result, the Supervisory Board always has a comprehensive basis of information for its consultations.

The Personnel Committee is responsible for matters pertaining to the Executive Board. These matters particularly include making resolution recommendations at the full Supervisory Board meetings regarding the appointment of Executive Board members or regarding components of Executive Board members' employment contracts. It is also responsible for succession planning at the Executive Board level. The Personnel Committee deals with the development of the Executive Board remuneration system, specifies the amount of remuneration including target agreements and makes corresponding recommendations at the full Supervisory Board meetings. The Personnel Committee additionally resolved to incorporate the criterion of diversity when appointing future Executive Board members, striving in particular to give appropriate consider-

ation to women. At least one member of the Executive Board is to be a female by 2020. The Personnel Committee currently has six members, of which three members are chosen by the shareholder representatives and three are chosen by the employee representatives in the Supervisory Board. The members are: Dr. Thomas Rabe (Chairman), Harald Feist, Horst-Otto Gerberding, Regina Hufnagel, Prof. Dr. Andrea Pfeifer and Peter Winkelmann.

The Personnel Committee convened twice in the 2017 fiscal year. All members were present for both meetings. Its agenda points included evaluating the Executive Board members' performance during the 2016 fiscal year, setting new goals for the 2017 fiscal year and reviewing the Executive Board members' remuneration. The focus of the review was on the multi-year remuneration program (LTIP). In addition, the Personnel Committee prepared a competence profile for the entire Supervisory Board and submitted it to the Board for approval.

The Auditing Committee mainly focuses on matters relating to the annual financial statements and consolidated financial statements, which includes monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system, the internal auditing system, the audit of annual accounts and the compliance management system. It also monitors the independence and qualifications of the auditor as well as additional services provided by the auditor. To the extent that the auditor also provides tax advisory services for companies of the Symrise Group, these must be expressly approved in advance by the Auditing Committee. In total, the Auditing Committee approved a budget of € 250,000 for such tax advisory services by the auditor in the fiscal year 2017. Furthermore, the Auditing Committee discussed the interim reports in detail and approved them before they were published. The Auditing Committee prepares the Supervisory Board's decision on the approval of the annual financial statements and its approval of the consolidated financial statements. To this end, it is responsible for pre-auditing the annual financial statements, the consolidated financial statements, the management reports and the proposal regarding appropriation of earnings. The non-financial statement required to be prepared for the first time for the fiscal year 2017 in accordance with Section 289b of the German Commercial Code (HGB) has not been dealt with separately by the Auditing Committee. The Supervisory Board meetings addressed this matter. The regular agenda items also include the receipt of the reports from Internal Auditing and the Group Compliance Officer as well as the risk report. At least one member of the Auditing Committee must be independent and possess expertise in ac-

counting or auditing. The Auditing Committee currently has six members. Three members are shareholder representatives on the Supervisory Board and three are employee representatives on the Supervisory Board. The members are: Dr. Michael Becker (Chairman), Ursula Buck, Harald Feist, Regina Hufnagel, Dr. Winfried Steeger and Peter Winkelmann. The Auditing Committee convened five times in the 2017 fiscal year, one of which was a conference call. One member of the Auditing Committee was unable to attend each of the meetings. The CFO regularly attends the meetings of the Auditing Committee while the auditor, CEO and other guests are present for individual agenda items when needed. Among other things, the Auditing Committee discussed issues relating to the Group's upcoming regularly scheduled refinancing. The main focus was on the initial issue of a convertible bond by Symrise AG. Another major point of discussion for the Auditing Committee was once again the qualification of the global Symrise sites regarding certain risk aspects. The auditor reported in detail on all findings and incidents of significance to the duties of the Supervisory Board that were identified during the audit and reviews of the interim financial statements following the conclusion of the first half of the year.

The Auditing Committee prepared the Supervisory Board's proposal to the Annual General Meeting to again nominate Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Hanover, as the new auditor for the 2017 fiscal year. Furthermore, the Auditing Committee solicited the corresponding statement of independence from the new auditor Ernst & Young. The Auditing Committee commissioned the auditor, agreed on a risk-oriented auditing approach and determined the main focuses of the audit and the auditing fees for the 2017 fiscal year.

Shareholders and employees are equally represented on the Arbitration Committee pursuant to Section 27 (3) of the Code-termination Act. It currently consists of four members: Dr. Thomas Rabe (Chairman), Ursula Buck, Regina Hufnagel and Dr. Ludwig Tumbrink. Once again, it was not necessary to convene the Arbitration Committee during the 2017 fiscal year.

The Nominations Committee consists exclusively of shareholder representatives from the Supervisory Board in accordance with the German Corporate Governance Code. Its task is to recommend shareholder representatives to the Annual General Meeting who would be suitable Supervisory Board members for upcoming Supervisory Board elections. The current three members are: Dr. Thomas Rabe (Chairman), Horst-Otto Gerberding and Prof. Dr. Andrea Pfeifer. It was not necessary to convene the Nominations Committee during the 2017 fiscal year.

## **TOPICS OF THE SUPERVISORY BOARD MEETINGS**

The effects of various situations and developments on Symrise – such as various international crises, relatively slow global economic growth, persistently low interest rates, continuously volatile raw materials costs, the ongoing European debt crisis and high energy costs – represented the main focuses of our work and objects of regular discussions by the Supervisory Board once again. In light of these matters, we discussed with the Executive Board in detail the measures it had enacted as well as those planned for the future. Regular deliberations within the Supervisory Board also covered the development of sales, earnings and employment at Symrise and its three segments in the individual regions given the economic conditions present there. It also discussed the company's financial and liquidity situation as well as important investment projects and their development as measured against the planned objectives. In the 2017 fiscal year, the Supervisory Board held five ordinary sessions, two of which focused on specific topics. The first meeting on a specific topic centered around the company's strategy, its monitoring in view of the changing economic environment and the state of its implementation, while the second such meeting focused on the annual planning for 2018. No member of the Supervisory Board was present at less than half of the meetings for the Supervisory Board or its committees.

In our meeting on March 9, 2017, we consulted and coordinated with the Executive Board on the approval of the annual financial statements and the consolidated financial statements for 2016. We also discussed the preparation for the Annual General Meeting 2017, the Corporate Governance Statement and the Corporate Governance report. The Executive Board provided information on the implementation status of the company's strategy, among other items, and presented key data on current investment projects to the Supervisory Board. We have also intensively discussed the effects of possible trade restrictions, using the United Kingdom, the USA and Mexico as an example. Due to the global positioning of the Group and its focus on local production, the potential risks are considered to be low. The Supervisory Board also dealt with the implementation of Directive 2014/95/EU, the CSR Directive on the disclosure of non-financial and diversity information. The new reporting obligation concerns two key issues. Firstly, the management report should be supplemented by a "non-financial statement" containing information on environmental, labor and social issues, respect for human rights and the fight against corruption. Secondly, companies will have to provide information on their diversity concept in their Corporate

Governance Statement. All members of the Supervisory Board and the auditor attended this meeting.

In our meeting on May 16, 2017, the Executive Board's report on the company's performance during the first quarter of 2017 and its outlook for the rest of the year represented the main focus of the meeting as did the impending Annual General Meeting. The Executive Board additionally informed the Supervisory Board on the status of ongoing investment projects. At this meeting, the Supervisory Board also approved an acquisition project in Brazil. Furthermore, we discussed with the Executive Board the conclusion of a long-term supply contract to expand our menthol business with our main supplier through 2028. After extensive discussion of all aspects of such a long-term partnership, we approved the conclusion of this supply contract. All Supervisory Board members attended this meeting.

In the meeting on August 8, 2017, the Supervisory Board focused on the report from the Executive Board on the company's performance during the second quarter and first half-year of 2017 and its update to the outlook for the rest of the 2017 fiscal year as well as the risk report and the Auditing Committee's report. We received detailed information from the Executive Board on the status of the integration of the business acquired as part of the acquisition of the US company Pinova Holdings Inc. Our discussions also focused on reconciling the expectations of the takeover with the actual course of business. At this meeting, the Auditing Committee also informed the Supervisory Board about the main findings of an IT audit separately commissioned by the Executive Board as a precautionary measure. This IT audit was conducted by Ernst & Young. Insofar as this IT audit revealed any weaknesses, these did not have any impact. However, with effect from December 1, 2017, the Executive Board nevertheless filled a newly created position of "IT security and compliance." This position will ensure and monitor the processing of the identified weak points. All Supervisory Board members attended this meeting.

As in previous years, the meeting on September 19, 2017, was devoted entirely to the corporate strategy. The Executive Board explained to the Supervisory Board the results achieved so far as part of the strategy pursued and gave a strategic outlook for the future. The fact that the consistent implementation of our strategy has paid off is evidenced by the pleasing development of sales and EBITDA. Symrise was able to gain market share while maintaining the same level of good profitability. Sustainability is an key component of strategic development

across all segments. The backward integrations carried out so far have successfully paid off. Sustainable and traceable raw materials are increasingly important to our customers. At this meeting, the Supervisory Board also dealt with the investment process, its details and principles of operation. All investment projects are managed in a database. Required approval processes can be started directly from this database. An overview of approved projects ensures that the budget framework for each project is complied with. We discussed and considered the medium-term planning for the years 2018–2022 in detail with the Executive Board on the basis of the key financial figures sales, EBIT, EBITDA, sales growth and EBIT/EBITDA margin. Based on a benchmarking exercise, we also deliberated on a modest increase in Supervisory Board remuneration from the 2018 fiscal year onwards at this meeting. Due to the retirement of Dr. Becker from the Supervisory Board at the close of the Annual General Meeting in 2018 resulting from his reaching the age limit, the chair of the Auditing Committee will be vacant, among other things. In this respect, the Supervisory Board discussed the succession, developed a requirements profile and approved it. All Supervisory Board members attended this meeting.

The meeting on December 6, 2017, was devoted to the corporate planning for the upcoming 2018 fiscal year. The Supervisory Board approved the corporate planning for the 2018 fiscal year in this meeting. Together with the Executive Board, we submitted the annual Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act and confirmed the goals regarding the composition of the Supervisory Board, which were identical to the previous year. This also includes the competence profile of the Supervisory Board as a whole, which is to be compiled in accordance with Section 5.4.1 (2) sentence 1 of the Corporate Governance Codex. The Supervisory Board assessed the status of Corporate Governance at Symrise together with the Executive Board and coordinated the content of the Corporate Governance Report in the Corporate Governance Statement. As a result of the new legal provision in Section 289b (1) of the German Commercial Code (HGB), Symrise is obliged to publish a so-called "non-financial statement" as part of the management report for the first time for the 2017 fiscal year. Here, Symrise is exercising the option provided for in Section 289b (3) of the German Commercial Code (HGB) and preparing a separate non-financial report for the 2017 fiscal year outside of the management report. This will be published at the same time as the annual financial statements for 2017. It is included in the Corporate Report 2017 and can also be found on the Symrise website at <http://cr2017.symrise.com/sustainability/sustainability-and-responsibility>.



Pursuant to Section 171 of the German Stock Corporation Act, the Supervisory Board is also responsible for verifying that the separate non-financial report complies with the legal requirements. In this regard, the Supervisory Board has exercised the option provided for in Section 111 (2) sentence 4 of the German Stock Corporation Act and has commissioned DQS CFS GmbH to examine the content of Symrise AG's separate non-financial report 2017 as external experts. All Supervisory Board members attended this meeting.

### **ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2017**

The auditor Ernst & Young GmbH audited the annual financial statements for the fiscal year from January 1, 2017, to December 31, 2017, which were prepared by the Executive Board according to HGB (German Commercial Code) standards, as well as the Symrise AG management report. The Auditing Committee issued the order for the audit in accordance with the May 17, 2017, resolution of the Annual General Meeting. The auditor issued an unqualified audit opinion.

The Symrise AG consolidated financial statements were prepared in accordance with Sec. 315a HGB on the basis of the International Financial Reporting Standards (IFRS), as applicable in the European Union. The auditor Ernst & Young GmbH also certified the consolidated financial statements and the Group management report without qualification.

The auditor's report on these financial statements as well as additional auditing reports and documentation were delivered to all members of the Supervisory Board in a timely manner. They were discussed thoroughly in the meetings of the Auditing Committee of February 14 and March 6, 2018, and in the full meeting of the Supervisory Board of March 7, 2018. The auditors participated in the deliberations on the annual and consolidated financial statements in both committees. Here they reported on the key audit results and were available to the Auditing Committee and the Supervisory Board to answer any questions and provide additional information.

Following our own review of the annual financial statements, the consolidated financial statements, the management report and the Group management report, we accepted the findings of the auditor. In our meeting of March 7, 2018, we approved the annual financial statements and the consolidated financial statements upon the recommendation of the Auditing Committee. The annual financial statements are thereby approved. After examining it, we endorsed the proposal of the Executive Board for the use of the accumulated profit for the year. The

Supervisory Board considers the proposal regarding the use of profits to be appropriate.

The content of the separate non-financial report, which was prepared for the first time for the 2017 fiscal year, was audited by DQS CFS GmbH. The audit did not lead to any reservations. The separate non-financial report is available on the Symrise website at <http://cr2017.symrise.com/sustainability/sustainability-and-responsibility>.

### **CORPORATE GOVERNANCE**

Pursuant to no. 3.10 of the German Corporate Governance Code (DCGK), the Executive Board reports on corporate governance at Symrise AG, also on behalf of the Supervisory Board, once a year in connection with the publication of the Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code. The Corporate Governance Statement includes (i) the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act, (ii) relevant disclosures on corporate governance practices, (iii) a description of the working methods of the Executive Board and the Supervisory Board as well as the composition and working methods of their committees, (iv) target figures for the proportion of women in the Executive Board and for the two management levels below the Executive Board, together with deadlines for implementation, and (v) a description of the diversity concept with regard to the composition of the Executive Board and Supervisory Board. Pursuant to the currently valid version of no. 3.10 of the German Corporate Governance Codex from February 7, 2017 ("DCGK 2017"), published in the official section of the Federal Gazette by the German Federal Ministry of Justice on April 24, 2017, and amended on May 19, 2017, the Corporate Governance Report, which is required to be issued annually by the Executive Board and the Supervisory Board, must be published together with the Corporate Governance Statement.

Due to the similarity of content between the Corporate Governance Report and the Corporate Governance Statement, we have once more decided to integrate the Corporate Governance Report in the meaning of no. 3.10 of the Corporate Governance Codex 2017 into the Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code in order to simplify orientation for the reader. By contrast, the remuneration report pursuant to no. 4.2.5 of the Corporate Governance Codex 2017 is no longer part of the Corporate Governance Report. The remuneration report is now part of the management report included on pages 43 to 49 of the 2017 financial report.

The Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code is published on the Symrise AG website, together with the integrated Corporate Governance Report of the Executive Board and Supervisory Board. It can be found at <http://www.symrise.com/investors/corporate-governance/corporate-governance-statement-and-corporate-governance-report>. In 2017, we observed the refinement of corporate governance standards in Germany and abroad and will continue to do so in the future.

On December 6, 2017, the Executive Board and the Supervisory Board submitted an updated Declaration of Compliance according to Section 161 of the German Stock Corporation Act and made this permanently available to the shareholders on the company's website. It is also included in the Corporate Governance Statement.

Symrise AG has fully complied with all recommendations made by the Government Commission on the Corporate Governance Codex (version: February 7, 2017) published by the German Federal Ministry of Justice on April 24, 2017, in the official part of the Federal Gazette (Bundesanzeiger) and amended on May 19, 2017, without exception and will continue to do so in the future.

#### **CHANGES IN THE EXECUTIVE BOARD AND SUPERVISORY BOARD**

There were no personnel changes in the Executive Board and Supervisory Board in the reporting year.

The now almost 9,400 employees of the Symrise Group around the world make a crucial contribution to the success of our company. The Supervisory Board would like to thank all of the members of the Executive Board, the Group's employees in Germany and abroad as well as all employee representatives for their commitment, their constructive and creative collaborations in service of our customers and their outstanding accomplishments in the 2017 fiscal year.

On behalf of the Supervisory Board,



Dr. Thomas Rabe  
Chairman

Holzminden, March 7, 2018

## Bodies and Mandates – Executive Board and Supervisory Board

### EXECUTIVE BOARD:

DR. HEINZ-JÜRGEN BERTRAM:  
Chief Executive Officer

*Membership in Legally Mandated  
Domestic Supervisory Boards* None

*Membership in Comparable Supervisory Bodies  
(Domestic and International)* None

ACHIM DAUB:  
President Scent & Care Worldwide

*Membership in Legally Mandated  
Domestic Supervisory Boards* None

*Membership in Comparable Supervisory Bodies  
(Domestic and International)* None

OLAF KLINGER:  
Chief Financial Officer

*Membership in Legally Mandated  
Domestic Supervisory Boards* None

*Membership in Comparable Supervisory Bodies  
(Domestic and International)* None

DR. JEAN-YVES PARISOT:  
President Nutrition Division (Diana)

*Membership in Legally Mandated  
Domestic Supervisory Boards* None

*Membership in Comparable Supervisory Bodies  
(Domestic and International)*

- Probi AB, Lund, Sweden,  
Chairman of the Supervisory Board
- VetAgroSup, Lyon, France,  
Chairman of the Board

HEINRICH SCHAPER:  
President Flavor Division

*Membership in Legally Mandated  
Domestic Supervisory Boards* None

*Membership in Comparable Supervisory Bodies  
(Domestic and International)* None

### SUPERVISORY BOARD:

DR. THOMAS RABE:  
Chief Executive Officer at Bertelsmann Management SE

*Membership in Legally Mandated  
Domestic Supervisory Boards*

- Symrise AG, Holzminden, Chairman of the Supervisory Board

*Membership in Comparable Supervisory Bodies  
(Domestic and International)*

- Bertelsmann Inc., Wilmington, USA,  
Chairman of the Supervisory Board
- RTL Group S.A., Luxembourg,  
Chairman of the Supervisory Board
- Penguin Random House LLC, UK,  
Chairman of the Supervisory Board (since January 1, 2018)
- Bertelsmann Learning LLC., New York, USA,  
Member of the Supervisory Board
- Relias Learning LLC, Cary, USA,  
Member of the Supervisory Board

DR. MICHAEL BECKER:  
Retired

*Membership in Legally Mandated  
Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board

*Membership in Comparable Supervisory Bodies  
(Domestic and International)* None

URSULA BUCK:  
Managing Director of Top Managementberatung  
BuckConsult

*Membership in Legally Mandated  
Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board

*Membership in Comparable Supervisory Bodies  
(Domestic and International)* None

HARALD FEIST:  
Vice Chairman of the works council and Vice Chairman  
of the general works council at Symrise AG

*Membership in Legally Mandated  
Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board

*Membership in Comparable Supervisory Bodies  
(Domestic and International)* None

**HORST-OTTO GERBERDING:**

Managing Director at  
Gottfried Friedrichs (GmbH & Co.) KG

*Membership in Legally Mandated*

*Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board

*Membership in Comparable Supervisory Bodies*

*(Domestic and International)* None

**REGINA HUFNAGEL:**

Chairperson of the works council and Chairperson  
of the general works council at Symrise AG

*Membership in Legally Mandated*

*Domestic Supervisory Boards*

- Symrise AG, Holzminden,  
Vice Chairperson of the Supervisory Board

*Membership in Comparable Supervisory Bodies*

*(Domestic and International)* None

**ANDRÉ KIRCHHOFF:**

Independent member of the works council at Symrise AG

*Membership in Legally Mandated*

*Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board

*Membership in Comparable Supervisory Bodies*

*(Domestic and International)* None

**JEANNETTE KURTGIL:**

IG BCE trade union secretary for the North region

*Membership in Legally Mandated*

*Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board

*Membership in Comparable Supervisory Bodies*

*(Domestic and International)*

- Esco GmbH, Hanover, Member of the Advisory Board

**PROF. DR. ANDREA PFEIFER:**

Chief Executive Officer at AC Immune S.A.

*Membership in Legally Mandated*

*Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board

*Membership in Comparable Supervisory Bodies*

*(Domestic and International)*

- Bio MedInvest AG, Basel, Switzerland,  
Chairperson of the Board of Directors
- AB2 Bio SA, Lausanne, Switzerland,  
Chairperson of the Board of Directors

**DR. WINFRIED STEEGER:**

Chief Executive Officer at Jahr Holding GmbH & Co. KG

*Membership in Legally Mandated*

*Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board
- Verwaltungsgesellschaft Otto mbH (co-determined  
limited liability company of the Otto Group), Hamburg,  
Member of the Supervisory Board
- EUROKAI GmbH & Co. KGaA, Hamburg,  
Chairman of the Supervisory Board
- Blue Elephant Energy AG, Hamburg,  
Member of the Supervisory Board

*Membership in Comparable Supervisory Bodies*

*(Domestic and International)*

- August Prien Verwaltung GmbH, Hamburg,  
Chairman of the Supervisory Board
- EUROGATE Geschäftsführungs-GmbH & Co KGaA, Bremen,  
Member of the Supervisory Board

**DR. LUDWIG TUMBRINK:**

Vice President Compounding Flavor EAME at Symrise AG

*Membership in Legally Mandated*

*Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board

*Membership in Comparable Supervisory Bodies*

*(Domestic and International)* None

**PETER WINKELMANN:**

Regional Head of the IG BCE district Alfeld

*Membership in Legally Mandated*

*Domestic Supervisory Boards*

- Symrise AG, Holzminden, Member of the Supervisory Board
- amedes Holding GmbH, Hamburg,  
Vice Chairman of the Supervisory Board
- aenova Holding GmbH, Starnberg,  
Vice Chairman of the Supervisory Board

*Membership in Comparable Supervisory Bodies*

*(Domestic and International)* None

## Glossary

### **AFF**

Aroma Molecules, Flavors & Fragrances

### **AKTG**

Stock Corporation Act (Aktiengesetz)

### **AROMA**

A complex mix of flavors and/or fragrances often based on aromatic compounds, which can be aromatics themselves

### **CAGR**

Compound Annual Growth Rate

### **COSO II**

COSO (Committee of Sponsoring Organizations of the Treadway Commission) aims to improve financial reporting through ethical action, effective internal controls and good corporate governance. Published in 2004, COSO II is an expansion of the original control model

### **COVENANTS**

Loan agreements (under the normal market conditions)

### **EAME**

Europe, Africa and the Middle East

### **EBIT**

Earnings before interest and taxes

### **EBITDA**

Earnings before interest, taxes, depreciation and amortization on property, plant and equipment and intangible assets

### **F & F**

Flavors & Fragrances

### **FLAC**

Financial liabilities measured at amortized cost

### **GDP**

Gross Domestic Product: A statistic used to measure the economic strength (goods and services) of a country

### **HFT**

Held for trading

### **HGB**

German Commercial Code (Handelsgesetzbuch)

### **HTM**

Held to maturity

### **IAL**

An industrial and market research consultancy

### **IKS**

Internal Controlling System

### **INCOTERMS**

International Commercial Terms

### **ISO 31000**

A standard that defines the framework for a risk management system

### **LAR**

Loans and receivables

### **LTIP**

Long Term Incentive Plan, a remuneration plan for staff, especially for managerial staff

### **OPEN INNOVATION**

Opening up of the innovation process of organizations and thus the active strategic use of the external world for the expansion of innovative potential. The open innovation concept describes the purposeful use of knowledge flowing into and out of the company, while making use of internal and external marketing channels in order to generate innovations

### **OPERATING CASH FLOW**

Cash generated from the operations of a company and defined as the revenues minus operating expenses (an important indicator of an enterprise's earning power)

**REACH**

European Union regulation for the registration, evaluation, authorization and restriction of chemicals

**REVOLVING CREDIT FACILITY**

Credit limits which the borrower can access at any time and offer very flexible repayment options

**SUPPLY CHAIN**

Process chain from procurement, through production and all the way to the sale of a product, including suppliers, manufacturers and end customers

**US PRIVATE PLACEMENT**

Non-public sale of debt securities to US investors, which is regulated, however, by the SEC (United States Securities and Exchange Commission)

**WORKING CAPITAL**

Financial indicator derived by subtracting current operating liabilities from current operating assets

# Financial Calendar 2018

**March 14, 2018**

Corporate and Financial Report 2017

**May 8, 2018**

Quarterly Statement January – March 2018

**May 16, 2018**

Annual General Meeting, Holzminden

**August 14, 2018**

Interim Group Report January – June 2018

**November 7, 2018**

Quarterly Statement January – September 2018